

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the April 14, 2020 Meeting

1. Roll Call

State Treasurer Fiona Ma chaired the meeting of the California Tax Credit Allocation Committee (CTCAC). Treasurer Ma called the meeting to order at 4:00 p.m. Also present: Anthony Sertich for State Controller Betty Yee; California Housing Finance Agency (CalHFA) Executive Director Tia Boatman Patterson; Zachary Olmstead for California Department of Housing and Community Development (HCD) Acting Director Doug McCauley, Gayle Miller for Department of Finance (DOF) Director Keely Martin Bosler and City Representative Vivian Moreno.

2. Approval of the Minutes of the April 3, 2020 Meeting

MOTION: Mr. Sertich moved to approve the Meeting Minutes. Ms. Miller seconded and the motion passed unanimously by a roll call vote.

3. Executive Director's Report

Executive Director, Judith Blackwell stated that she was reiterating the points she made in the CDLAC meeting, noting that the developer community is facing challenging times in terms of finding investors and other monies for their projects due to the ongoing COVID-19 crisis. She added that a letter was received from DOF's Director stating that the lasting effects of the crisis will be at least as great as the Great Depression, reflecting extremely challenging financial times. Ms. Blackwell stated that staff is going to focus on funding as many units as possible in the first half of the year, understanding that the feasibility of projects will be negatively impacted in the second half of the year. She added that there will be \$44 million in state tax credits remaining unallocated following this round and additionally \$29 million in unallocated state tax credits set aside for the Mixed-Income Program (MIP). Keeping this in mind, Ms. Blackwell asked the Committee's permission to reach down and fund the remaining projects on CDLAC's list today. She thanked both CDLAC and CTCAC staff for rising to the occasion and completing the application reviews and noted that while it was a tough round, staff developed new processes and procedures along the way.

Treasurer Ma echoed Ms. Blackwell's comments and thanked her for the hard work.

Ms. Blackwell also thanked the new General Counsel for his assistance related to legal matters facing both programs.

- End of Executive Director's Report

4. Discussion and Consideration of a Resolution to Adopt Proposed Regulations, Title 4 of the California Code of Regulations, Sections 10302 through 10337, Revising Allocation and Other Procedures

Deputy Director, Anthony Zeto stated that the regulation changes relating to the Single Room Occupancy (SRO) Housing Type were the only changes not adopted at the previous Committee Meeting and were now up for further discussion and re-consideration at today's meeting. He added that staff reached out to some local jurisdictions and none of them formally expressed any opposition to the proposed changes.

Ms. Blackwell stated that CTCAC regulations do currently address the homeless population under the Special Needs category and that this regulation change would only expand what could be done with a SRO.

Mr. Zeto stated the SRO Housing Type is not precluding the homeless population from occupying the units, but adds another option for a housing type to qualify to compete in the 9% competition. He explained that the SRO projects would need to have a special needs component in order to apply in the 9% competition under current CTCAC regulations.

Ms. Blackwell stated that adding the SRO Housing Type provides staff a mechanism for adding preservation needs to existing housing stock on the market.

Mr. Sertich stated SROs serve a critical need in battling the state's housing crisis. He expressed support for this proposed regulation change but requested staff to amend section 10325(g)(5) of CTCAC regulations to require an average targeted income of no more than 30% Average Median Income (AMI). This amount would reflect Social Security Incomes (SSI) of more than double in most counties of the state, which encompasses their target population.

Ms. Boatman Patterson stated that 100% affordable at 30% AMI would not be financially feasible without some sort of rental or operating subsidies. Without a mix of income, she stated that these sorts of projects would not be financially feasible and asked Mr. Sertich to clarify his statement.

Mr. Sertich clarified by stating that the current restriction is set at 40% AMI or below, which he wants to see changed to 30% AMI for 9% projects so that they can retain more equity.

Ms. Boatman Patterson stated in order to avoid financial failure, it would be more reasonable to target these projects at 40% AMI, especially since the projects do not contain rental or operating subsidies. She explained that it will provide for more flexibility so that the SROs can be financially feasible.

Mr. Olmstead stated he understands Ms. Boatman Patterson's concerns but raised some objections related to the narrow definition of SRO projects.

Ms. Blackwell stated she believes the SRO Housing Type is self-selecting and does not believe it will capture the higher income levels seeking SRO housing.

Mr. Sertich agreed and stated his concern was in regards to setting the income restrictions at a higher level, which was why he recommended the 30% AMI cap. He emphasized that the Committee's decision should be a short-term fix at today's meeting and expressed the need for a deeper dive in addressing the issue long-term with this year's regulation change process later in the calendar year.

Ms. Blackwell asked Mr. Sertich if the requirement of market studies would keep applicants from displaying ridiculous rents since it would require them to compare rents with other SROs.

Mr. Sertich stated that is possible but he has concerns with the parameters surrounding market studies.

The Committee discussed the ability of projects to be able to pencil out with lower income and no rental subsidies.

Mr. Sertich explained that with the oversubscription of the 9% program, the credits will be used, but it will just depend on which projects will receive it. He explained that the wider the SRO definition is, the less public good we would be getting using the credits being provided.

Mr. Olmstead asked for staff's motive behind why the regulation was changed to 40% AMI.

Mr. Zeto stated that the 40% AMI requirement was in place in the regulations prior to the SRO Housing Type being removed a few years ago. He explained that most of the previous SRO requirements were retained as a part of the re-introduction of the housing type.

Ms. Boatman Patterson stated SROs were inadvertently removed from CTCAC's regulations in 2017 because it was tangled up with other changes that took place in 2017 to move in the direction of permanent supportive housing.

The Committee further debated the policy goals of SROs associated with decreasing the average targeted income to 30% AMI and the population it would serve.

There was public comment.

Caleb Roope with the Pacific Companies stated SRO housing would not be built on its own at 30% AMI. He explained that it would require a partnership between two or more agencies where one of those partnering agency could set the lower bar.

William Leach with Kingdom Development echoed the concern that a project with 30% AMI would not be financially feasible without project-based vouchers. Mr. Leach recommended keeping the AMI at 40% if the SRO Housing Type was reinstated.

Patrick Sabelhaus with the California Council for Affordable Housing provided the Committee with some historical context in regards to the implementation of the SRO Housing Type in the state prior to its removal in 2017. He stressed the dire need for the SRO Housing Type in a letter that he sent to the Committee Members so that SROs could qualify for the CTCAC 9% rounds. He re-emphasized the need for additional subsidies if staff were to change the SRO requirement to 30% AMI.

Kursat Misirlioglu stated he was in support of Ms. Boatman Patterson stating lowering the requirement to 30% AMI would not help with the feasibility of the project. He recommended staff maintain the proposed changes as recommended to prevent homelessness.

Marianne Lim with EAH Housing stated many developers rely on affordable housing subsidies and stated that lowering the requirement to 30% AMI would render projects unfeasible.

Bo Han from Chinatown CDC in San Francisco stated she was in agreement with the previous comments made, stating that a 30% AMI requirement would not help projects obtain financial feasibility. She added that they own a lot of SROs that are oversubscribed and spoke in favor of re-implementing the SRO Housing Type.

MOTION: Ms. Miller moved to approve of the SRO Housing Type regulation changes as recommended by staff at the 40% AMI level. Ms. Boatman Patterson seconded and the motion passed unanimously via a roll call vote.

5. Discussion and consideration of an appeal, if filed, under TCAC Regulation Section 10330(b), and if granted in its entirety, a Preliminary Reservation of 2020 Federal Four Percent (4%) and State Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects

1) CA-20-499 / Terracina at Lancaster

Mr. Zeto stated the deadline for the appeal had passed and confirmed with the applicant that no appeal to the Committee was filed.

2) CA-20-565 / Arya

Mr. Zeto stated that the appeal for this project was the same as the appeal discussed in the CDLAC Committee Meeting. He explained the appeal and stated that the site inspection date for the market study exceeded the 12-month requirement prior to our application filing deadline. Mr. Zeto stated that a brand new market study was required to be submitted at the time of application which it was not.

Ms. Miller empathized that the rules of the program must be followed and that the Committee should not create an exception to a specific project for not abiding by regulations in place.

Mr. Sertich stated the project did not receive a bond allocation at the CDLAC Committee Meeting and did not deem it necessary to consider the appeal again.

3) CA-20-548 / Frishman Hollow II

Mr. Zeto stated this appeal was granted at the Executive Director's level and as a result, staff recommended the project for an allocation of 4% federal and state credits (CalHFA's MIP).

MOTION: Mr. Sertich moved to approve the reservation of credits for Frishman Hollow II. Ms. Miller seconded and the motion passed unanimously via a roll call vote.

6. Discussion and Consideration of the 2020 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 thanked Development Section staff for their hard work and stated it was four times the workload staff usually reviews. She also noted two projects were inadvertently left off the agenda due to an administrative error: those were St. Stephens Retirement Center (CA-20-458) and Ulric Street Apartments (CA-20-482). At the point the omission was discovered, it was too late to add the projects to the agenda due to the 10-day notice requirement. As a result, staff is requesting that on May 20, the CTCAC Committee briefly reconvene directly after the CDLAC Meeting to approve the reservation of credits for the two projects.

Ms. Ferguson also noted a golden rod staff report for Light Tree Two (CA-20-512) which corrected an error on page two with regard to the subsidy language. She explained that the project has Section 8 vouchers but they are not VASH Section 8 vouchers.

Mr. Zeto clarified some administrative related details in regards to the color-coding of the list of projects.

Ms. Miller read the list of five projects that are being recommended for tax credit conditional upon receiving a CDLAC bond allocation. They were Glen Loma Ranch (CA-20-900), The Village at Burlingame Apartments (CA-20-901), Sepulveda Apartments (CA-20-902), Scripps Mesa Apartments (CA-20-903) and Hilltop Commons Apartments (CA-20-904).

There was public comment.

Mr. Roope clarified that Glen Loma Ranch Apartments (CA-20-900) and The Village at Burlingame (CA-20-901) received bond allocations at the CDLAC December 2019 round.

Mr. Misirlioglu asked for clarity on the St. Stephens Retirement Center project.

Ms. Ferguson clarified that this project was left off the agenda and that the motion would not apply to that project.

MOTION: Mr. Sertich moved to approve the projects on the condition they already have or will receive bond allocations from CDLAC. Ms. Miller seconded and the motion passed unanimously via a roll call vote.

7. Discussion and Consideration of the 2020 Applications for Preliminary Reservation of Federal Four Percent (4%) and State Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects

Mr. Zeto further clarified administrative related details in regards to the color-coding of the list of projects and discussed the total award amounts, noting the staff did not exhaust the full \$150 million in state credits for the round. He explained there is approximately \$8 million remaining in state tax credits following this round.

Ms. Ferguson noted another golden rod staff report for Childs & B Street TOD Affordable Housing (CA-20-517). The golden rod reflects a correction made to the land cost due to confusing language in which the applicant provided clarification.

Ms. Blackwell stated that Amani Apartments (CA-20-541) was the same project that applied in the previous round but did not receive state tax credits. They applied in the current round and are on the waitlist requesting \$7,999,040 in state tax credits. They indicated they wanted to submit an appeal the decision from the previous round but that was not possible given the round had concluded.

There was public comment.

Mr. Leach asked staff to confirm if the running total of \$143 million in state tax credits included projects on the waiting list for agenda item number nine. He also asked if whether two projects of interest were on the waitlist, Hollywood's Art Collective (CA-20-553) and La Prensa Libre Apartments (CA-20-547).

Mr. Zeto confirmed the running total included the projects on the waiting list. He explained that the discussion surrounding the waiting list projects can be addressed in agenda item number nine.

The Committee members and staff discussed the remaining funds in state tax credits and the idea of bringing demand forward, including the idea of potentially funding the Amani Apartments project due to the availability of remaining funds at the end of the round. The

Committee decided that any action on the Amani Apartments project will be delayed until agenda item number nine.

MOTION: Mr. Sertich moved to approve the projects in agenda item number seven, excluding the waiting list projects, contingent upon receipt of a bond allocation from CDLAC. Ms. Miller seconded and the motion passed unanimously via a roll call vote.

8. Discussion and Consideration of the 2020 Applications for Preliminary Reservation of Federal Four Percent (4%) and State Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects with CalHFA Mixed Income Program Funding

Ms. Blackwell stated that all the projects in this agenda item have already received their bond allocation and recommended the projects to the Committee for approval. Following this round, there will be approximately \$29 million remaining in unallocated state tax credits for projects with MIP funds.

MOTION: Ms. Boatman Patterson moved to approve all the projects in agenda item number eight. Mr. Olmstead seconded and the motion passed unanimously via a roll call vote.

Ms. Ferguson clarified in regards to agenda items six through nine that if projects did not receive a bond allocation at the CDLAC April 14 meeting, they are not eligible for tax credit reservations at this current meeting and will need to re-apply with a joint application in the next round.

9. Discussion and Consideration of a Resolution, establishing a Waiting List of pending applications for Federal Four Percent (4%) and State Low Income Housing Tax Credits (LIHTCs), provided that credit remains available and such applications are complete, eligible and financially feasible

Ms. Ferguson stated there were five projects on the waiting list who have received a bond allocation at CDLAC's April 14 meeting. Staff has reviewed the projects for completeness and recommended the waiting list for adoption and approval. Also included is consideration to award the Amani Apartments upon Committee approval.

Mr. Sertich stated that the CDLAC Committee had granted developers a 60-day grace period for returning unused bond allocations. He wanted CTCAC staff to be aware of any tax credit reservation returns as well.

Ms. Ferguson stated that reservation letters will be issued immediately after the meeting but she added that the waiting list expires on April 30. The Committee can extend the waiting list for up to 60 days through a motion so that the projects are not negatively impacted as a result.

The Committee discussed the waiting list and realized that a waiting list was not established for CDLAC in regards to the issuance of bonds. Ms. Ferguson added some clarifying details surrounding the difference in awards among the multiple agenda items. CTCAC is following CDLAC's bond allocation, which is why some of the waiting list projects are being considered now and pending Committee approval of the waiting list.

There was public comment.

David Hetherington from Wakeland Housing asked whether the Amani Apartments project would be approved at this meeting.

Treasurer Ma confirmed by stating that it is staff's recommendation to award the project.

Mr. Zeto clarified the purpose of the waiting list and stated that the Committee must first make a motion to adopt the waiting list and then subsequently award projects from that list.

MOTION: Mr. Sertich moved to adopt the waiting list and apply the remaining unused state tax credits from round one to this round. Ms. Miller seconded and the motion passed unanimously via a roll call vote.

10. Public Comment

Rich Wallach with Burbank Housing asked when staff would roll out the regulations for the new 9% disaster credits.

Ms. Blackwell stated that a proposed draft of the regulations for 9% disaster credits will be published for public comment next week.

Mr. Leach commended staff for their effort in moving all of the awards along as quickly as possible and thanked the Committee for extensive conversations surrounding how best to implement the new credits to supply affordable housing.

Treasurer Ma thanked staff and the entire development community for their collaborative spirit over the past few rounds.

Mr. Sabelhaus asked staff in regards to the terms surrounding the state tax credit awards and whether the tax credits have to be returned if a bond allocation is not made.

Mr. Sertich clarified that his motion in regards to the bond allocation was for the four percent-only projects and that projects requesting four percent plus state credits would have to re-apply.

Ms. Boatman Patterson asked if CTCAC staff has now allocated all \$300 million tax credits and if there was any amount remaining.

Mr. Zeto stated there was \$26,782 remaining from the \$300 million in state tax credits. and approximately \$29 million in state tax credits remaining from the up to \$200 million set aside for projects with MIP funding. Mr. Zeto also clarified that statutorily, the Committee cannot move the \$26,782 remaining to projects with MIP funding since that pool is limited to \$200 million. However, any state tax credits from the \$200 million could be moved into the general state tax credit pool.

The Committee will continue to have discussions offline concerning the appropriations between the two pools of state tax credits.

11. Adjournment

Treasurer Ma adjourned the meeting at 5:25 p.m.