

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the July 15, 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 11:00 a.m. Also, present Anthony Sertich for State Controller Betty Yee; California Housing Finance Agency (CalHFA) Executive Director Tia Boatman Patterson and California Department of Housing and Community Development (HCD) Director Gustavo Velasquez

Gayle Miller for Department of Finance (DOF) Director Keely Martin Bosler and City Representative Vivian Moreno were absent.

2. Approval of the Minutes of the June 17, 2020 Meeting.

MOTION: Mr. Sertich moved to approve the June 17, 2020 Meeting Minutes. Ms. Boatman Patterson seconded, and the motion passed unanimously via a roll call vote.

3. Executive Director's Report.

Ms. Blackwell provided the Committee with a summary and a status of the applications received for 9% Disaster Credits and noted that the program would run through 2021. She stated that in the very first round, staff received a request for \$241 million in Disaster Credits far exceeding the \$98 million available. Ms. Blackwell added that when there are resources available, California has the ability to absorb them and build more housing in the state. She thanked Treasurer Ma, the Committee, and Congressman Thompson for the support and making the additional resources available. She added that due to the demand received for the Disaster Credits, staff intends to return to the Committee at the next meeting with additional regulatory changes to implement another round in 2020 to allocate the remaining Disaster Credits in order to be eligible for the National Pool.

Mr. Sertich stated he supports Ms. Blackwell's suggestion to add an additional round in 2020 to maintain eligibility for the National Pool and thanked her staff for all their hard work.

Treasurer Ma stated she spoke with Congressman Thompson regarding additional funding with a second federal stimulus and stated that more funding is possible.

Ms. Boatman Patterson thanked Treasurer Ma, Congressman Thompson and CTCAC staff for their hard work and highlighted that fact that tax credits could help in disaster recovery and that there is a demand for that resource.

Mr. Velasquez thanked all the parties involved with the disaster funding. He added that there other financial resources such as the CDBG-DR funding could be coupled with tax

credits. Mr. Velasquez stated that looks forward to their continued work together with CTCAC staff.

Ms. Blackwell thanked Mr. Velasquez and the HCD staff for working together with the CTCAC staff and preliminarily designate CDBG funds in order for these projects to leverage the CDBG funds this round. She added that this was a good example of alignment.

Ms. Miller joined the Meeting at 11:12 a.m. and approved the Meeting Minutes.

- End of Executive Director's Report

4. Discussion and Consideration of a 2020 First Round Application for Reservation of Federal Nine Percent (9%) Low Income Housing Tax Credits (LIHTCs).

Ms. Blackwell stated there was one project up for consideration, Fountain Valley Housing (CA-20-026). She explained that the project was not included at last month's meeting due to pending appeals. Ms. Blackwell stated that the project did not rise up to be included in the preliminary recommendations until after the required publish noticing period had passed. She recommended the project to the Committee for approval of a reservation of tax credits.

Ms. Miller moved to approve the Fountain Valley Housing project, Mr. Sertich seconded, and the motion passed unanimously via a roll call vote.

5. Discussion and Consideration of an appeal under TCAC Regulation Section 10330(b)(1), and if appeal is granted in its entirety, a 2020 First Round Reservation of Federal Nine Percent (9%) Low Income Housing Tax Credits (LIHTCs).

Ms. Blackwell stated Kernwood Terrace Apartments (CA-20-060) was recommended by staff for approval at the previous Committee meeting, but the Committee elected to not approve Kernwood Terrace Apartments due to its At Risk status. The developer appealed the decision and was present at the meeting to present his case.

Ms. Boatman Patterson stated the project was originally in CalHFA's portfolio and the loan was paid off in 2016. She provided a brief history of the project and explained the definition of At Risk. She explained that for this project, the developer/seller is attempting to sell the project to a new developer to keep it affordable and then exit the affordable housing business. Ms. Boatman Patterson explained that about 12 years ago, the United States Department of Housing and Urban Development (HUD) moved from traditional contract administration of Project-based Section 8 to performance-based contract administrators. She stated that they shifted the program from HAP to performance-based contract administrations. Ms. Boatman Patterson stated that these contracts are generally renewed long term but noted that HUD was having some difficulty in renewing them as of late due to COVID-19. She stated that this specific contract expired in February 2020 and the developer is trying to prevent the project from losing the rental subsidy (i.e.

affordability) but not necessarily affordable units. Ms. Boatman Patterson stated that the term “At Risk” needs to be redefined in order to be consistent with the state’s new realities.

Ms. Boatman Patterson reminded the Committee of an omnibus bill that was attempting to change the definition of At Risk, which was going along simultaneously to CDLAC having a conversation of Preservation for 6 months. She explained that the policy issue is that the CTCAC definition of At-Risk may need to be tweaked. Ms. Boatman Patterson stated that a policy call that needs to be made on behalf of the Committee, but that she will not be voting.

Ms. Blackwell stated staff needed to revisit the At Risk definition in a separate pathway. She explained that the units would technically remain restricted, but that some tenants could experience significant rent increases, which would be very hard on them. Ms. Blackwell stated that the regulations did not encompass this situation. She stated that staff recommend approving the project and then would revisit the regulations with our General Counsel.

Mr. Velasquez expressed some frustration voting to remove the project from the recommended list at the previous meeting without researching the circumstances surrounding the project further. He stated that he wanted to provide the Committee with a different perspective. Mr. Velasquez stated that an adverse action by the Committee on this project could affect low income families and their ability to afford housing. He stated that he was shocked after reviewing the current rents at the property and emphasized the need to preserve the project in order to keep it affordable.

Ms. Miller stated they did not support the appeal and that the Committee needs the data and not speculation in these situations. She stated that she has not seen any evidence that the Section 8 is not being renewed. Ms. Miller stated that she would want more data from HUD on the status of Section 8. She reiterated that they do not support the appeal.

Treasurer Ma pointed to Exhibit B of the appeal from Larry Newman, Manager for the Los Angeles County Development Authority, where it states the seller’s decision not to renew the HAP contract will likely displace many of the current senior residents.

Mr. Sertich agreed with Ms. Blackwell and Ms. Boatman Patterson that the Committee needs to revisit the definitions. He believed the project is at risk of losing affordability but noted that the current definition is not measuring the level of affordability that is being lost. Mr. Sertich agreed with Mr. Velasquez that the Committee needs to help people in the state secure affordable housing and that every decision made to provide funding to one project will ultimately take away funding from another project. He stated that the project meets the current definition of At Risk and was in support of granting the applicant’s appeal.

There was public comment.

Doug Shoemaker with Mercy Housing stated he was not familiar with the sponsor or the project and claimed that the Committee was operating with insufficient information on how preservation works. He stated that many HUD projects are on rolling re-appropriations meaning any person can come in and say their project is At Risk. Mr. Shoemaker mentioned that the working group will present recommendations to the Committee on this issue so the Committee can take a definitive action on it. He expressed the need for expert information from HUD to address issues like these.

William Leach with Kingdom Development explained that 80-90% of the projects who apply as At Risk would have already renewed their contracts, but they go on the assumption that it could be lost. He stated that in cases where increases in rents of 5%, the applicant is required to provide an explanation relating to relocation, which may be immaterial, but doubling rents resulting in displacement would be a material issue.

Anand Kannan with Community Preservation Partners, the project sponsor explained a detailed timeline of their application and their communications with the city and confirmed that the Section 8 contract was not renewed. He referenced the CTCAC definition surrounding preservation and At Risk, and how his project met the definition within their application. He also mentioned the CTCAC threshold surrounding the loss of affordability and the increase in rents for the existing residents. He added that the increase in rents is over 300% and they believe there is a clear loss in affordability. Mr. Kannan referenced the comment regarding re-syndication projects and that the state statute specifically precludes any LIHTC deal qualifying as At Risk. He believes they met the definition and criteria for At Risk as written in the regulations at the time of application submittal back in March. Mr. Kannan noted that the documentation submitted that met the definition and within the legal opinion itself, it provided the income restrictions, and concluded that there was a loss of affordability and subsidy. He also believed they fully disclosed the application materials at the time of application submittal. Mr. Kannan provided a timeline on the correspondence with CTCAC and the conclusion that the project was at significant risk of displacement if the project did not move forward.

Mr. Velasquez asked the applicant why the residents have not received protection vouchers.

Mr. Kannan stated the contract was extended until September to allow for the processing of the preservation transaction. He explained that there was a loss of affordability when the subsidy goes away in spite of a potential availability of enhanced protection vouchers for the 51 current residents, not to mention those 64 people on the waiting list without that access to the enhanced protection vouchers who they are also trying to protect.

Mr. Sertich explained the need for a better understanding of the voucher process for incorporation into the program regulations.

Treasurer Ma stated there was a lot of confusion and expressed the need for more definitive regulations. She is in support of approving the appeal.

MOTION: Mr. Sertich moved to approval the appeal for the Kernwood Terrace Apartments; Mr. Velasquez seconded, and the motion passed with a 3 to 1 vote in favor of approving the appeal. Ms. Boatman Patterson abstained, and Ms. Miller voted no.

Deputy Director, Anthony Zeto stated that with the granting of the appeal, staff recommended the Kernwood Terrace Apartments project to the Committee for a reservation of tax credits.

MOTION: Mr. Sertich moved to approve the Kernwood Terrace Apartments for a reservation of tax credits, Treasurer Ma seconded, and the motion passed with a 3 to 1 vote. Ms. Boatman Patterson abstained, and Ms. Miller voted no.

6. Public Comment

None.

7. Adjournment

Treasurer Ma adjourned the meeting at 11:40 a.m.