

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the October 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 1:05 p.m. Also, present Anthony Sertich for State Controller Betty Yee; Gayle Miller for Department of Finance (DOF) Director Keely Martin Bosler; California Housing Finance Agency (CalHFA) Executive Director Tia Boatman Patterson, California Department of Housing and Community Development (HCD) Director Gustavo Velasquez and City Representative Vivian Moreno.

2. Approval of the Minutes of the September 16, 2020 Meeting.

MOTION: Mr. Sertich moved to approve the September 16, 2020 Meeting Minutes. Mr. Velasquez seconded, and the motion passed unanimously via a roll call vote.

3. Executive Director's Report.

Executive Director, Judith Blackwell thanked Senator Mike Thompson and the CTCAC staff for implementing the disaster credits program. She stated staff will recommend approval of about \$93 million of the \$99 million in disaster credits at this meeting. Ms. Blackwell anticipated it would take two years to allocate the disaster credits but due to popular demand, all the credits will be allocated this year.

- End of Executive Director's Report

Mr. Sertich thanked staff for all their hard work.

4. Discussion and Consideration of a 2020 Application for Reservation of Federal Four Percent (4%) Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects.

Development Section Chief, Gina Ferguson stated both Palm Vista Apartments (CA-20-627) and 921 Howard Street (CA-20-640) met program requirements and were recommended for approval.

MOTION: Ms. Boatman Patterson moved staff's recommendation and Mr. Sertich seconded and the motion passed unanimously via a roll call vote.

5. Discussion and Consideration of the 2020 Second Round Applications for Reservation of Further Consolidated Appropriations Act (“FCAA”) Federal Nine Percent (9%) Low Income Housing Tax Credits (LIHTCs).

Ms. Ferguson stated staff was recommending 33 projects for approval. She noted a few corrections on the staff report for 1297 Park Avenue (CA-20-109) on pages 2 and 3. She also noted a correction to the credit amount on the original recommendation list for Kenneth Court Senior Apartments (CA-20-107). Ms. Ferguson stated staff was recommending Grass Valley Apartments (CA-20-169) in Nevada County for disaster credits. She stated it has been brought to staff’s attention some questions regarding the entitlement process and whether the project met CTCAC requirements. Ms. Ferguson opened the conversation for public comment and discussion.

Gustavo Becerra, Executive Director of the Regional Housing Authority in Nevada County stated Grass Valley Apartments (CA-20-169) was not within the FCAA Disaster area and therefore would be required to be entitled to meet threshold which it does not. He stated that his project in Nevada City, Cashin’s Field (CA-20-158) is fully entitled.

Ms. Ferguson stated three documents were included in the Grass Valley Apartments application relating to zoning and entitlement requirements. Based on TCAC Application Attachments 14 and 26, it indicated that the zoning and entitlement requirements were met pursuant to the regulations. She explained the Letter of Support, reviewed by a different analyst, indicated that the development review permit process is a discretionary permit and was not completed. Ms. Ferguson stated the same individual that signed the attachments indicated only the design review was required at the time he signed the letter. She noted had all three documents been reviewed by the same analyst, the discrepancy between the documents would have resulted in further review. Ms. Ferguson stated that rather than removing the project from the recommendation list and not provide the Committee the opportunity to vote on it, it would be best to have up for discussion.

Ms. Boatman Patterson stated she would like to hear from the applicant to clarify the issue and asked if this particular project met the minimum threshold.

Ms. Ferguson stated based on one document, it would appear they met the requirement and under another document they would not.

Tom Last, Community Development Director with the City of Grass Valley stated they submitted two letters to the Committee and attempted to provide clarification to any discrepancies. He stated the June 15th letter was very clear that the city had significant concerns. Mr. Last stated the city did not have the project’s local entitlements which involves discretionary reviews. In the June 29th letter, he stated they supported housing in general, but believed the project in Nevada City was more warranted because it went through local entitlements.

Treasurer Ma thanked Mr. Last for the explanation and asked if Cashin’s Field (CA-20-158) was fully entitled.

Mr. Last confirmed that the Cashin's Field (CA-20-158) project was fully entitled.

Mr. Sertich asked Mr. Last if the projects in Grass Valley had received all discretionary approvals.

Mr. Last confirmed that the two projects in Grass Valley had not received local approvals.

Mr. Sertich asked staff on their course of action if a project does not receive all discretionary approvals.

Ms. Blackwell stated if there were earlier notice on this issue, the recommendations would have been modified.

Deputy Director, Anthony Zeto stated that the discrepancy in the documents was the issue. He explained that Attachment 26 led staff to believe there were no discretionary reviews pending.

Mr. Sertich asked following Mr. Last's comments, would staff move forward to not recommending the project in Grass Valley in favor of the Nevada City project.

Mr. Zeto stated the review on the Nevada City project had not yet been finalized and that the two projects located in Grass Valley had higher tiebreaker scores.

Ms. Ferguson explained that if the Grass Valley project was disqualified, the applicant could go through the appeal process.

Michael Cates and Dave Davis represented the applicant, Chelsea Investment Corporation. Mr. Cates clarified that the design review was not required to be approved prior to the application being submitted, which he claims was understood by Mr. Last.

Mr. Davis stated it is their understanding that they were qualified to apply for the disaster credits. He stated the development review was required and stated the review process could be completed in a few months in order to start construction by September 1, 2021. Mr. Davis added the project will be a great asset to Grass Valley.

Ms. Boatman Patterson summarized the conversation and asked for clarification on the recommendation in Nevada County.

Ms. Ferguson stated that only one project was being recommended in Nevada County. She added that none of the three projects are in a 2017 or 2018 fire perimeter so any zoning relaxation would not apply. Ms. Ferguson added they would all need to be fully entitled.

Ms. Blackwell stated staff would need time additional time to complete the necessary review. She stated staff would bring it back to the Committee at the next meeting.

Mr. Sertich stated the Committee should move forward without a project in this county and bring it back at the next meeting once the reviews have been finalized by staff.

Mr. Cates asked that if the regulations allowed for the project to meet the approval requirement by June 2021.

Mr. Zeto stated the exception in CTCAC's regulations only applies to projects in the fire perimeter, which the project is not.

Ryan Gruver supported the removal the Grass Valley project and subsequent review of the Nevada City project.

Erin Minett, Mayor of Nevada City, stated the Cashin's Field project in Nevada City has been fully entitled with overwhelming support from the local community. She provided a brief overview of the project and urged the Committee to reconsider staff's recommendation.

Ralph Nieders stated there is an issue of toxic waste that had not been addressed at the property and asked what the Committee was doing to investigate the issue.

Treasurer Ma stated the issue will be reviewed at and thanked Mr. Nieders for his comment.

Mr. Velasquez shared some information related to the state's disaster recovery efforts. HCD recently received an approval for their 2018 disaster recovery action plan from HUD, which will make \$255 million available to multifamily housing next year for counties affected by the 2018 fires, along with \$205 million for single family homes, also in the affected counties. He added that his staff at HCD has been working closely with CTCAC staff with the delivery of the disaster credits and looked forward to their continued work together to rebuild housing that has been destroyed. Mr. Velasquez added the funds were distributed to each county, and those funds will be made available competitively by the local jurisdictions.

Ms. Boatman Patterson suggested an agenda item at the next Committee Meeting for Mr. Velasquez to present a briefing of the action plan to provide more information to the Committee.

Mr. Velasquez welcomed the invitation.

Treasurer Ma stated she is working on letters of support for the bills that are currently moving through Congress and encouraged other state and local officials to do the same.

MOTION: Ms. Boatman Patterson moved approval of staff's recommendation excluding the Grass Valley Apartments (CA-20-169) with staff's additional corrections that were made. Mr. Sertich seconded and the motion passed unanimously via a roll call vote.

6. Discussion and Consideration of the 2020 Second Round Applications for Reservation of Federal Nine Percent (9%) and State Low Income Housing Tax Credits (LIHTCs).

Ms. Ferguson stated staff has reviewed 33 projects for regular 9% federal and state credits. She noted one correction for a typographical error on the staff report for Woodmark Apartments (CA-20-206). She explained the project received 108 points but the staff report incorrectly indicated 113 points. Ms. Ferguson stated the correction was emailed to the Committee Members and will be reflected in the publicly available documents. She stated the 33 projects met program requirements and were recommended for approval.

Alice Talcott with MidPen Housing raised an issue regarding her Fair Haven Commons project (CA-20-095). She provided a brief summary of the project and noted that the project qualified for both the homeless and special needs set asides. Ms. Talcott explained the project was not being recommended this round but wanted to bring it to the Committee's attention how this outcome may not be good public policy. She explained the project was not recommended due to the tiebreaker associated the housing type goals. Ms. Talcott explained that the project received a full score with the highest tiebreaker in the geographic region. She explained how the first tiebreaker and how it affected the project from not being funded. Ms. Talcott suggested the regulations be changed to address the issue. She added the project is not receiving any priority on the waiting list.

LaTanna Jones, Director of Housing Services in the City of Fairfield urged the Committee to reconsider the Fair Haven Commons project and recommended approval of the project. If not possible, he requested the Committee make it the highest ranking project on the waiting list. Mr. Jones stated that the project scored the highest tiebreaker score in the region and the waiting list. He added that this project is consistent with the housing mandate not only the City of Fairfield, but the governor as it will house homeless households. Mr. Jones stated the project should be rewarded and not penalized. He believed if the existing rules prevent this project from being funded, the rules should be reconsidered and modified.

Ms. Boatman Patterson stated this was an example of the program and some scoring not aligning with state housing priorities. She asked staff if other projects were awarded in the Northern Region that scored less than the project being discussed.

Mr. Zeto referenced the Mill District Lot 7 project (CA-20-078) being recommended by staff in the Northern Region. He provided an explanation of the application of the first tiebreaker relating to the housing type goals. Mr. Zeto explained that at the time staff reached the Northern Region, the Special Needs housing type goal had been met which is why the project was skipped, consistent with the current regulations.

Ms. Boatman Patterson also asked if the project being recommended had a similar amount of local support as the project not being recommended.

Mr. Zeto stated the project had a Sonoma County loan, but no funding committed from the City of Healdsburg.

Andy Madera with Eden Housing, the developer for the project outlined the funding for his project, Mill District Lot 7. He added the project was an inclusionary project and noted they met with the local housing advocates to ensure the housing needs in the locality were being met. Mr. Madera stated the applicant has been very cooperative in working with the localities and noted they support the project.

Ms. Boatman Patterson stated the regulations may need to be reviewed and revised to meet state housing priorities.

Ms. Miller agreed with Ms. Boatman Patterson and stated some policy discussions are needed on this issue but does not support changing staff's recommendation.

Ms. Boatman Patterson recommended that Solano County and the City of Fairfield reach out to CalHFA to see if their project would work with CalHFA financing, tax exempt bonds and 4% tax credits.

Mr. Sertich agreed and stated this is a structural issue that needs to be reviewed to better align all of the programs with state housing priorities. He suggested we review the scoring process to ensure we are funding the best projects.

Lawrence Florin with Burbank Housing wanted to comment on the Agenda Item 5 due to technical difficulties during the public comment period for that item. He thanked the Committee and complemented staff for the speed at which the credits were allocated. Mr. Florin noted a project that was approved and noted the much needed housing it will bring to the community. He also urged the Committee to support revised guidelines for allocating the remaining credits as written, which would enable the Journey's End project to be funded. Mr. Florin stated that Congress is currently considering three disaster relief bills to respond to the current year's crisis and hopes the Treasurer's administration could weigh in on the importance of tax credits.

Treasurer Ma reiterated the purpose of the Congressman Thompson's legislation was to rebuild housing in those areas impacted by the fires. She stated she wrote a letter supporting the legislation and invited the other Committee members to weigh in with letters of support.

Mr. Jones reiterated their Fairfield project had a higher tiebreaker than the Mill District Lot 7 project and summarized the investment put into their project.

Ms. Talcott stated that if there was any way to include this in Agenda Item 8, it could be a possible solution.

MOTION: Mr. Sertich moved approval of staff's recommendation, Ms. Miller seconded and the motion passed unanimously via a roll call vote.

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

Ms. Ferguson stated that each year CTCAC's regulations set aside 15% of the state tax credits for 4% projects. She stated applications were received in the first and second round. Based on the remaining state credits available, Ms. Ferguson confirmed the two projects have met program requirements and staff is recommending them for approval.

MOTION: Mr. Sertich moved to approve staff's recommendation, Mr. Velasquez seconded and the motion passed unanimously via a roll call vote.

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

Mr. Zeto stated that each year at the conclusion of the second competitive round, there may be federal credits remaining. He noted about \$8.7 million remaining in 9% credits and about \$16 million in total state credits remaining. Mr. Zeto provided an explanation of the waiting list process and how the remaining credits are allocated. He noted the list could change based following completion of the scoring and threshold reviews. Mr. Zeto opened the item up to public comment.

Mara Blitzer, Director of Housing Development for the San Francisco Mayor's Office of Housing and Community Development urged staff to remove the Ocean View project from the waiting list because they believe the project does not meet the threshold criteria. She requests that staff carefully review the market study in the application stating it was not in conformance with the guidelines. Specifically, Ms. Blitzer stated the rents are not 10% below the market comparable rents and noted that a letter was forwarded to staff detailing some issues they identified with the application. She stated this is the second time a non-priority project has put itself in front of the Committee due to a loophole. She added that funding the Ocean Views project would jeopardize another project in line for funding by delaying it by an additional year. Ms. Blitzer noted the project is an educator/mixed income project located in a high opportunity area. She recommended staff make regulatory changes preventing this going forward. She summarized some possible options to address these circumstances.

Andrew Hanna with the applicant of the Ocean Views project (CA-20-170) expressed his disappointment regarding the city's negative feedback to the project. He stated he had a positive phone call with Eric Shaw and Lydia Ely at the Mayor's Office of Housing. Mr. Hanna noted this project was one of the most efficient tax credit projects submitted in the round. He stated being more efficient should be everyone's goal. Mr. Hanna added he was unsure as to why the city was opposing the project and he looked forward to working with

the city to satisfy the housing needs. He noted he is hopeful they can improve the relationship and find a way to work together with the city.

Mr. Sertich expressed a level of understanding towards the city's position but noted the Committee is unable to go against staff's recommendation. He also noted that the Committee needs to make a policy decision to allow certain local jurisdictions to control their own pipeline or administer the program based on state priorities. Mr. Sertich stated that combining some of the regions would increase the credits to fund some of the larger projects that would otherwise need to wait multiple rounds to build up larger credit amounts.

Ms. Boatman Patterson agreed there should be a larger policy discussion on the management pipeline and how to meet the city's housing needs on a more balanced and flexible approach.

Ms. Miller agreed and asked Mr. Zeto what the possible options the Committee has regarding this issue.

Mr. Zeto stated that if the project receives the points requested and meets program requirements, nothing in the regulations would prevent staff from recommending the project in accordance with the waiting list. He reiterated the project is currently the first on the waiting list.

Treasurer Ma asked Mr. Zeto could explain the timing for the regulation change process.

Mr. Zeto provided a brief overview of CTCAC's regulation change process which includes publishing the proposed regulation changes with a public comment period, the review of public comments and in some cases changes in response to comments, the publishing of the final recommended proposed regulation changes, and finally the changes brought to the Committee for approval. The entire process could take up to two months from initial publishing of proposed regulation changes.

Ms. Ferguson explained the regulation change process and the coordination involved in aligning both CTCAC and CDLAC. She stated staff would like to adopt the regulations in December and after the required 30-day hold period, begin accepting applications in late January for awards at the end of April. Ms. Ferguson stated staff is noting the changes discussed by the Committee and will incorporate them into the regulation change package.

Mr. Zeto explained the difference in the regulation change process between CTCAC and CDLAC and stated the timing is critical in getting the changes adopted so we can accept applications in January.

Treasurer Ma stated she wanted to streamline and align CTCAC and CDLAC as much as possible.

Starla Warren with the Housing Development Corporation in Monterey County stated her project was on the waiting list and expressed support for the waiting list and the continued policy discussion with regard to the first tiebreaker.

LJ Jennings with the Bay Area Community Benefit Organization applauded the Committee on their progress towards implanting fair housing polices across the state. He also thanked the Committee for setting aside bond allocation for faith-based organizations and explained the roles faith plays in securing affordable housing. Mr. Jennings stated his organization has a number of projects on board and looks forward to their continued work together in solving the state's housing needs through faith-based developments.

MOTION: Ms. Boatman Patterson moved staff's recommendation to approve the waiting list. Ms. Miller seconded and the motion passed unanimously via a roll call vote. Mr. Velasquez has left the meeting.

9. Discussion of coordinating and aligning CDLAC and TCAC regulation changes.

Mr. Zeto stated the agenda item was to have a policy discussion surrounding 4% applications such as those awarded in Agenda Item 7 (approximately 3-4 projects a year) and whether the competitive system should mirror CDLAC's proposed competitive system rather than the 9% competitive system.

Ms. Boatman Patterson stated that the existing state tax credit program is a completely difference program than the new state tax credit program and explained the differences between the two, including the key difference that the new program supports new construction projects. She called for the need for a policy conversation toward a more equitable approach between new construction and preservation given CDLAC's Preservation pool.

Mr. Zeto stated that in the last few years 13 out of the 14 projects previously awarded 4% tax credits with the existing state tax credits were new construction. He added there was a 95% multiplier put in place for specific rehabilitation projects, so if a project were to be awarded using that multiplier, the 15% of the original state tax credits annually for the 4% projects could be exhausted by funding fewer projects or even funding a single project.

Ms. Boatman Patterson explained the purpose of the 95% multiplier, noting it was there to deal with financially, old portfolio projects where developers could not re-capitalize because they are not competitive. She stated the 15% could be modified, but she was not sure what the demand for these projects would be.

Mr. Sertich agreed with Ms. Boatman Patterson and Mr. Zeto. He added the 15% existing state tax credit program for 4% projects may not need to exist unless it is filling a niche. Mr. Sertich stated that this program could be limited to preservation projects and utilize a more simplified scoring system.

Ms. Miller asked staff how to best align the two programs with the limited timing.

Mr. Zeto stated staff would need to modify the existing competitive program to mirror the framework of the CDLAC competitive program so they would be in alignment.

Ms. Miller expressed concern over how to adjust some of the regulations by taking an incremental approach to the changes for a possible December adoption.

Ms. Blackwell stated staff could bifurcate the regulation changes through in two different sets of regulation changes to address the different issues.

Mr. Sertich asked questions on the timing of the QAP and regulation change process.

Mr. Zeto discussed summarized the regulation change process and noted that the process in recent years has taken place starting in the fall with adoption in December for the following calendar year.

Mr. Sertich asked Ms. Miller a few questions surrounding AB 83 and the requirements imposed on both CTCAC and CDLAC, which take into account the holistic scoring.

Ms. Miller stated the administration wants to see the changes to CTCAC this year, which is why she recommended pushing the applications to February. She believes staff is on top of it but that there are still some issues that need to be addressed.

Ms. Boatman Patterson stated the regulation changes could be phased in since more discussion is required for some of the changes.

Ms. Ferguson offered a solution, which included having a meeting in November, and have a discussion on the changes proposed prior to adoption in December. She noted concerns delaying the applications and compressing the 2021 calendar which could impact the stakeholders and the staff. Ms. Ferguson also noted that CDLAC staff will be working with a brand new scoring system for a large volume of applications in what is expected to be a 90-day review period.

Mr. Zeto emphasized the need to plan the year in advance given the overlapping of the 9% and 4% funding rounds as it will add workload constraints for the staff.

Ms. Boatman Patterson expressed support for Ms. Ferguson's suggestion and asked that staff be ready to discuss any 4% preservation project data at the next Committee meeting.

Ms. Miller and Mr. Sertich also supported Ms. Ferguson's suggestion.

William Leach with Kingdom Development stated if staff does not have enough time to make regulation changes this year, he suggested adding some language signaling to the developer community that applications would be accepted only in the second round or a future round.

Kevin Gilleran, President of Gilleran Energy Management thanked the Committee and staff. He believes the coordination between CDLAC and CTCAC will be very beneficial but asked that staff protect and expand the sustainable building methods criteria under both programs. Mr. Gilleran explained the opportunity to score sustainable building methods points through energy efficiency improvements via energy codes is achievable through cost effective measures such as solar hot water and additional building performance testing. He added that the supplemental enhancements to building codes are critical he looks forward to keeping them protected as the Committee moves towards alignment with CTCAC and CDLAC.

Treasurer Ma exited the meeting and designee Spencer Walker, General Counsel chaired the remainder of the meeting in her place.

Ms. Ferguson asked the Committee a few clarifying questions as staff begins to draft the proposed regulations. She specifically noted aligning the state tax credit ranking using credit efficiency noted in the CTCAC regulations with the CDLAC scoring system. Ms. Ferguson also inquired about access to the state tax credits noted in AB 83 and who will confirm the allocation of the credits.

Ms. Boatman Patterson replied by stated that the CDLAC bonds drives the process since the tax credits cannot be used without the bonds.

Mr. Zeto stated the current ranking system for the state tax credits is state credit per unit. He stated that since the state credits will be awarded based on the proposed CDLAC competitive system, staff could remove the state credit per unit ranking system in the CTCAC regulations.

Ms. Boatman Patterson stated the efficiency requirement should remain to encourage credit efficiency. She added CTCAC should retain the credit efficiency and the projects should be ranked accordingly. Ms. Boatman Patterson stated if they do not receive a bond allocation, they do not receive the state tax credits.

Mr. Sertich stated that the scoring system for CDLAC was vetted and agreed efficiencies are built into the scoring system. He agreed that rather than have two ranking systems, the state tax credits should be tied to the CDLAC scoring system.

Ms. Miller stated everyone agreed that the tax credits follow the bonds with the exception in a scenario where there is more credits than bonds. She believed the Committee will not come to an agreement on this issue right now but once staff develops proposed regulations in writing, it will warrant a longer discussion.

Ms. Blackwell and Mr. Walker agreed.

Mr. Leach strongly recommended that staff remove the scoring criteria within the CTCAC regulations. He noted there should only be one scoring system and noted the work and effort has gone into the CDLAC scoring system. Mr. Leach stated the CDLAC scoring

system took complete precedent in 2020 and that the ranking system at CTCAC was immaterial, moot, and did not come into play. He added that eliminating the ranking system from CTCAC regulations is a best way to prevent any mismatch. Mr. Leach recommended the credit efficiency is incorporated in the CDLAC scoring system. He urged the Committee not to have two different scoring systems since it will just confuse people.

Ms. Boatman Patterson stated she is hesitant to remove the credit efficiency measure since CDLAC only accounts for bond efficiency.

Mr. Leach agreed with Ms. Boatman Patterson's sentiment but believes that if the CDLAC scoring system also counted state credit, both efficiencies would be measured.

Ms. Boatman Patterson stated she wanted to have further discussion on this issue as to how they could require projects utilizing the state tax credits to also be efficient with the credits.

Ms. Blackwell stated staff would take Ms. Boatman Patterson's request under advisement.

10. Public Comment.

None.

11. Adjournment.

Mr. Walker adjourned the meeting at 3:30 p.m.