

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Minutes of the December 22, 2021 Meeting**

**1. Call to Order and 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 11:15 a.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 Tiena Johnson Hall and California Department of Housing and Community Development (HCD) Director Gustavo Velasquez.

City Representative Vivian Moreno and County Representative Terra Lawson-Remer were absent.

**2. Approval of the Minutes of the December 8, 2021 Meeting**

**MOTION:** Ms. Miller moved to approve the December 8, 2021 Meeting Minutes. Mr. Velasquez seconded, and the motion passed unanimously via a roll call vote.

**3. Executive Director's Report**

CTCAC Executive Director, Nancee Robles stated that she and the Treasurer attended a grand opening event for Main Street Plaza Apartments and Annex on Main in Roseville. The unique hybrid project received bond allocation and tax credits in 2018 and now occupied by residents who were homeless, on the verge of homelessness, special needs and veterans. Ms. Robles described the facility as a beautiful structure in Old Roseville near transportation and amenities.

Ms. Robles discussed transparency and the public's access to meetings. She explained that the public is invited to participate in the meetings using the Zoom meeting platform or the public phone line. She added that all meeting materials are available and accessible on the CTCAC website in advance of the meeting. In the event a presentation takes place during the meeting, the presentation will be shared on the screen with the viewers as well as available and accessible on the CTCAC website.

- End of Executive Director's Report

**4. Recommendation for Reservation of 2021 Federal Four Percent (4%) Low Income Housing Tax Credits (LIHTCs) or Reservation of 2021 Federal 4% and State LIHTCs for Tax-Exempt Bond Financed Projects**

Mr. Zeto stated six projects were listed under the item and represent the projects awarded bond allocations at the California Debt Limit Allocation Committee (CDLAC) December 8, 2021 meeting that were not on the list approved at the CTCAC December 8, 2021 meeting. He explained that Alvarado Creek Apartments (CA-21-710) did not accept their CDLAC bond allocation and thus removed from list of recommended projects. Mr. Zeto stated CTCAC was recommending the remaining five projects.

Mr. Zeto stated staff recommended federal 4% tax credits and state tax credits to the following projects:

- CA-21-730 / 4995 Stockton Boulevard
- CA-21-747 / Sugar Pine Village Phase 1A

Mr. Zeto stated staff recommended federal 4% tax credits only to the following projects:

- CA-21-713 / Redwood Glen Apartments
- CA-21-726 / Aviara
- CA-21-767 / Villa St. Joseph

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

#### **5. Discussion and Consideration of Remaining 2021 State Low Income Housing Tax Credits (LIHTCs) Reservation for a Tax-Exempt Bond Financed Project**

Mr. Zeto stated Terracina at Whitney Ranch (CA-21-680) received a CDLAC bond allocation at the CDLAC December 8, 2022 meeting, but due to changes in the ELI/VLI set aside was not recommended state tax credits. He explained the project requested \$2,842,825 in state tax credits, though only \$2,423,978 remained. At the CTCAC December 8, 2022 meeting, Mr. Zeto stated the Committee directed staff to include a separate item to discuss and consider a partial award of the remaining \$2,423,978 in state tax credits to the project allowing the project to fill a smaller financing gap. Based on the CTCAC regulations, he explained staff could not recommend a partial award to exhaust the remaining state tax credits. Mr. Zeto informed the Committee state tax credits for two projects previously awarded at the CTCAC December 8, 2022 meeting were returned along with their CDLAC bond allocations. He invited the applicant to present his project.

Geoff Brown with USA Properties stated he was the applicant on the Terracina at Whitney Ranch project. He stated the project requested approximately \$400,000 more in state tax credits than was available at the time of the CTCAC December 8, 2022 meeting. Mr. Brown stated he was aware of additional state tax credits returned since that meeting. He noted his project was the highest scoring project in the geographic regions and would be next in line. With the additional state tax credits available, Mr. Brown stated it was reasonable to award the full state credit request to his project. He provided a summary of the 288 unit family project stating it was very cost efficient and will be located in Rocklin, one of the fast growing communities in California. He clarified that he would accept either the \$2,423,978 in state tax credits previously discussed or the full \$2,842,825 requested since additional state tax credits are now available.

Mr. Zeto explained that at the conclusion of the CTCAC December 8, 2022 meeting, there was \$2,423,978 in state tax credits remaining. As of December 21, 2022, approximately \$18.6 million for two projects was returned and when added to the \$2.4 million, a total of approximately \$21 million in state tax credits remains. Mr. Zeto explained that the direction of the Committee at the CTCAC December 8, 2022 meeting was to roll over any returned

state tax credits to the following year. The expectation was that no state tax credits would be returned prior to the end of the year.

Mr. Sertich confirmed Mr. Zeto was correct in his recollection and explained the purpose to was not to give 4% projects awarded bond allocations false hope that state tax credits would be returned. He stated the intent was to have these projects return their bond allocations as soon as possible if they were unable to move forward so the bonds could be reallocated. Mr. Sertich noted Terracina at Whitney Ranch as a special case because there were state tax credits that could partially fund the project. He suggested we discuss Terracina at Whitney Ranch first and then move onto the discussion on the remaining state tax credits returned.

Mr. Velasquez asked for confirmation on the amount requested for the project.

Mr. Zeto clarified for Mr. Velasquez that Mr. Brown would accept either the \$2,423,978 in state tax credits previously discussed or the full \$2,842,825 requested.

Treasurer Ma stated that if a waiting list existed, Terracina at Whitney Ranch would be at the top of the list.

Ms. Robles stated by awarding returned state tax credits could create a snowball effect as projects previously awarded CDLAC bond allocations, but not state tax credits, did not accept their bond allocations. She explained that awarding returned state tax credits would disrupt the current CDLAC waiting list projects applications currently under review. Ms. Robles recommended any returned state tax credits in 2021 be rolled over and added to the total for next year.

Ms. Miller agreed with Ms. Robles and supported the original \$2.4 million remaining be awarded to Terracina at Whitney Ranch.

There was public comment.

Nicole Zaccack with Jonathan Rose Companies stated they returned their CDLAC bond allocation because they did not receive state tax credits. She supported returned state tax credits being available next year so projects could reapply for those credits in the first round.

Greg Gossard with the Hampstead Companies stated his project previously had staff recommendation for a bond allocation and state tax credits. His project, Hayden Parkway Apartments (CA-21-753), was second in line behind the Terracina at Whitney Ranch. Mr. Gossard confirmed they have not returned their bond allocation as they are considering options for filling the gap, which was approximately five million in state tax credits.

Ms. Miller asked if there were applicants who have not returned their bond allocations.

Mr. Zeto confirmed some projects ranked below Hayden Parkway Apartments returned their bond allocations.

Mr. Gossard provided information on Hayden Parkway Apartments. He stated the 94 unit large family project is located in Roseville and part of a master plan community that will provide much needed affordable housing in that community. Mr. Gossard noted the project received \$2.5 million from the City of Roseville.

Ms. Miller asked what the average area median income (AMI) was for the project.

Mr. Gossard confirmed the average AMI was 50.8% and just missed the ELI/VLI set aside.

Tung Tran with Étapes Corporation stated his project, Monamos Terrace Apartments (CA-21-763), was on the CDLAC list at the CDLAC December 8, 2021 meeting, but ultimately was removed and did not receive a bond allocation. He stated his project is currently on the CDLAC waiting list and would like to be considered for state tax credits if possible.

Ms. Miller agreed with Mr. Robles that the cascading effect of awarding projects returned state tax credits could present issues.

Mr. Sertich restated his position on not awarding returned state tax credits prior to the end of the year. He expressed concerns with those projects that returned their bond allocations and state tax credit awards as it would've been easier had those projects withdrew prior to the awards were made.

Treasurer Ma thanked the projects for returning their bond allocations and state tax credit awards rather than holding them.

Ms. Johnson Hall supported Ms. Robles' recommendation stating it was the best and equitable way to proceed at this point.

Mr. Gossard asked if the regulations outlined the process of state tax credits being rolled over to the following year.

Mr. Sertich explained the regulations are silent and went on to explain the interplay of the CDLAC and CTCAC regulations. He stated that if the issue of bond allocations being returned due to tax credits not being received, then there would be no need for a CDLAC waiting list. Mr. Sertich reiterated that the idea was to have these projects return their bond allocations as soon as possible if they were unable to move forward so the bonds could be reallocated to projects that did not need state tax credits.

**MOTION:** Ms. Miller moved approval of the remaining \$2,423,978 in state tax credits to Terracina at Whitney Ranch (CA-21-680). Mr. Sertich seconded, and the motion passed unanimously via a roll call vote.

## **6. Discussion of State Low Income Housing Tax Credits Distribution for Tax-Exempt Bond Financed Projects in 2022**

Mr. Zeto stated the item was added to the meeting at the request of the Committee. He recommended starting the discussion on the distribution of the state tax credits. Mr. Zeto explained the two options being considered where the full amount of state tax credits was

available at the beginning of the year until exhausted or dividing them among the rounds. Mr. Zeto explained the change to make the state tax credits all available at the beginning of the year was to avoid the issue of projects receiving bond allocations but no state tax credits in each round. He stated the second item for discussion was in regards to projects awarded bond allocations, but not state tax credits. Mr. Zeto noted the discussion at the CDLAC meeting where projects would not be recommended bond allocations if they were not being recommended state tax credits.

Mr. Sertich supported having an equal amount of state tax credits available in each round. He noted the issue of projects awarded bond allocations without state tax credits could apply in the first round since the CDLAC regulation changes would not be in place until the second round. Mr. Sertich suggested staff address the issue in the regulations of remaining state tax credits, partial awards, and the order in which state tax credits awards are made. He is supportive of using the CDLAC ranking system or funding order for awarding state tax credits.

Mr. Zeto asked Mr. Sertich if the CDLAC ranking system was without regard to pools, set asides and geographic regions. He also noted concerns if the awarding of state tax credits was based on solely on CDLAC's ranking system without regard to pools, set asides and geographic regions as the cascading effect of the funding order could present problems with project movement between the pools, set asides and geographic regions.

Mr. Sertich confirmed he was open to options, including the method in which they were awarded the third round this year. He stated there was some legitimacy to awarding state tax credits to the highest scoring projects even if they did not qualify for a specific pool or set aside. Mr. Sertich agreed that movement of the projects within the pools and set asides could lead to complications.

Mr. Miller asked if Mr. Zeto had a recommendation.

Mr. Zeto stated the method used to award state tax credits in the third round is an option, though agreed with Mr. Sertich that there is some legitimacy to awarding state tax credits to the highest scoring projects even if they did not qualify for a specific pool or set aside.

Andre Perry with the City of Los Angeles stated he was indifferent with the distribution of state tax credits, though noted concerns because not all rounds are the same. By making the state tax credits available up front, he explained more deals may be completed sooner. Mr. Perry suggested a reporting or publishing of the state tax credit balance after each round to provide clarity to the marketplace.

Mr. Zeto responded that the CTCAC website does have a dashboard that provides the state tax credit balance during the year and can share the website with him. He added that the dashboard was updated prior to the third round application deadline.

Ms. Johnson Hall stated state tax credits has been an invaluable tool to create seamless financing model that has been valuable within the development community. With the oversubscription of CDLAC, she stated she would like to expand the pie and increase the aggregate amount of housing built in California. Ms. Johnson Hall wanted to explore the

possibility of allowing CalHFA projects to receive state tax credits if they have a recycled bond allocation even if they do not have a CDLAC bond allocation. She explained it would relieve pressure from CDLAC and will deepen the partnership with the Committee and CalHFA. Ms. Johnson Hall stated there would be no impact to the other pools or programs and would relieve overall bond cap pressure.

Ms. Miller asked if such a change would require a statutory change.

Ms. Johnson Hall did not believe so but would follow up.

Paul Beesemyer with California Housing Partnership supported Mr. Sertich to spread the state tax credits among the rounds. With exception of the Mixed Income Program (MIP) state tax credits, he explained spreading the state tax credits among the rounds would provide predictability. Mr. Beesemyer supported the awarding of state tax credits following the CDLAC order.

Mr. Tran suggested allowing staff to reach into future rounds will address some of the issues from round to round. He suggested an additional regulation change allowing Black, Indigenous, or Other People of Color (BIPOC) developers to meet the general partner experience points similar to tribal projects.

Treasurer Ma asked Mr. Tran to submit his suggestion in writing to staff.

Alice Talcott with MidPen Housing stated whether the full amount of state tax credits is available at the beginning of the year until exhausted or dividing among the rounds, it needs to be known in advance of the first round to provide predictability. Given the current regulations will be in place for the first round, she explained that it is important that state tax credits remain for the later rounds in the year under the new regulations. Ms. Talcott agreed with Mr. Beesemyer that the awarding of state tax credits follow the CDLAC order.

Sarah White with Jonathan Rose Companies suggested the state tax credits be available in the first round due to the backlog.

Ms. Johnson Hall confirmed her proposal is permitted in state statute, but would require a CTCAC regulation change.

Ms. Miller suggested staff determine the best way to provide clarity on the state tax credits to the applicants in advance of regulation changes.

## **7. Public Comment**

There was public comment.

Caleb Roope with the Pacific Companies asked when the projects being awarded from the CDLAC waiting list be recommended tax credits from CTCAC.

Mr. Zeto stated that since these projects will be recommended federal 4% tax credits only, not based on a credit ceiling and there will be no funding round prior to the January 19, 2022 meeting, staff would bring those recommendations to that meeting.

## **8. Adjournment**

Treasurer Ma adjourned the meeting at 12:11 p.m.