



California Tax Credit Allocation Committee

901 P Street, Rom 102
Sacramento, CA 95814

May 10, 2023

CTCAC Committee Meeting Minutes

1. *Agenda Item: Call to Order and Roll Call*

The California Tax Credit Allocation Committee (CTCAC) meeting was called to order at 9:52 a.m. with the following Committee members present:

Voting Members: Fiona Ma, CPA, California State Treasurer, Chairperson
Evan Johnson for California State Controller Malia M. Cohen
Gayle Miller for Department of Finance (DOF) Director Joe Stephenshaw
Zack Olmstead for Department of Housing and Community Development (HCD) Director Gustavo Velasquez
Tiena Johnson Hall, Executive Director for the California Housing Finance Agency (CalHFA)

Advisory Members: County Representative – VACANT (Appointed May 10, 2023)
City Representative – VACANT

2. *Agenda Item: Approval of the Minutes of the March 27, 2023 Meeting – (Action Item)*

MOTION: Mr. Olmstead motioned to approve the minutes of the March 27, 2023 meeting, and Mr. Johnson seconded the motion.

Chairperson Ma called for public comments:
None.

Motion passed unanimously via roll call vote.

3. *Agenda Item: Executive Director's Report* *Presented by: Nancee Robles*

Ms. Robles discussed the following topics:

Staff Promotions: Joshua Helmich was promoted from SSA to AGPA in the Compliance Section. Joshua has been with CTCAC for about 15 months. With this promotion, his property inspection quota will increase, and he will perform additional tasks and assignments.

Tommy Shim was promoted to Research Data Specialist I. This is a new position in which he will be responsible for a number of tasks related to research and data management. Prior to his promotion, Tommy worked as an analyst at CTCAC, overseeing application reviews and updating the CTCAC website.

Carmen Doonan was promoted to Development Section Chief. She has been with CTCAC since 2016, starting as an analyst first in Compliance and then in Development. She promoted to Development Program Manager before accepting her current position.

CTCAC Committee Meeting
May 10, 2023



California Tax Credit Allocation Committee

New Staff: Fey Saeturn is a new Staff Services Analyst in the Placed-in-Service Section. Prior to coming to state service, Fey worked in the mortgage industry for 10 years.

Contracts: This month, Ms. Robles used her delegated authority to enter into contracts up to \$300,000 to sign 3 standard contracts securing venues throughout California to conduct Compliance workshops. Two of the contracts were for \$12,000 and one was for \$15,000.

Memo to Stakeholders: Earlier this week, Ms. Robles issued a memo to stakeholders and the public regarding placed-in-service application submission deadlines. In response to the challenges developers faced over the last few years, including the COVID-19 pandemic, labor shortages, and supply issues, CTCAC has been flexible in not assessing negative points for projects that failed to meet placed-in-service deadlines. This week's memo clarified that the accommodation was temporary, and effective November 2023, CTCAC staff will expect timely submission of placed-in-service documentation and requests for 8609 forms.

Communication and Outreach: As part of her duties as Executive Director of CTCAC, Ms. Robles is an appointed member of the California Interagency Council on Homelessness. At their invitation, she recently attended a conference on homeless education, focused on homeless youth.

Anthony Zeto, Deputy Executive Director, spoke on a panel at the Novogradac 2023 Affordable Housing Conference on "The Golden State of Housing." The Treasurer was the keynote speaker for the conference.

Deadline Extensions: On February 23, 2022, the Committee delegated authority to the Executive Director to grant extensions for projects with USDA components to accommodate USDA's loan approval timeframes. At that meeting, Ms. Robles committed to update the Committee on those extensions. Since the last update, Ms. Robles has granted one USDA-related extension.

On March 27, 2023, the Committee delegated authority to the Executive Director to grant readiness-to-proceed deadline extensions and credit exchanges for projects impacted by bank closures. At that meeting, Ms. Robles committed to update the Committee on the results. So far, she has approved 3 extensions and 2 credit exchanges. In general, all the projects were forced to seek new lending teams and investors. Projects had to secure different construction financing and/or investors due to the downgrading of bank ratings related to the closures of Silicon Valley Bank and Signature Bank, and the instability of First Republic Bank, causing the banks to be unable to honor previous commitments and/or causing multi-investor fund participants to back out of deals. Ms. Robles will continue to update the Committee on additional requests.

Legislation: Ms. Robles discussed the following legislation impacting CTCAC:

SB-251 (Atkins): In 2019, Governor Newsom signed this bill to allow tax credit allocations for the rehabilitation of certified historic structures. The Office of Historic Preservation (OHP) was tasked with developing a program for CTCAC to administer the allocation of tax credits based on their criteria. CTCAC published proposed regulations in December 2022, but could not put them into effect until OHP completed the joint application process and regulations on their end. On April 25, 2023, OHP submitted its regulations to the Office of Administrative Law (OAL) to begin its rulemaking process. CTCAC is finalizing its regulation packet which will be submitted to OAL after it is presented to the Committee at an upcoming meeting.



California Tax Credit Allocation Committee

AB-1654 (Rivas): The Committee can expect a regulation change stating that in any year in which CTCAC receives \$500 million from the General Fund for state tax credits, the lesser of \$25 million or 5% will be set aside for farmworker housing projects. This is in addition to the \$500,000 currently provided for farmworker housing each year.

AB-2873 (Jones-Sawyer): CTCAC is presently developing guidelines for housing sponsors to use in preparing detailed and verifiable supplier and contractor diversity plans. This is the first step in CTCAC's role in requiring affordable housing developers to establish supplier and contractor participation goals for women, minority, disabled veteran, and LGBT business enterprises. CTCAC will also report those activities to the legislature.

AB-2006 (Berman): CTCAC staff is participating in a working group comprised of the state's housing agencies with the goal of creating a memorandum of understanding to streamline the compliance monitoring of affordable multifamily rental housing developments that are subject to a regulatory agreement with more than one of these entities. The purpose is to ensure that only one entity conducts physical inspections of projects funded by multiple agencies and eliminate duplication of work.

Ms. Robles is tracking the following new legislation:

AB-1386 (Gabriel): This bill attempts to increase flexibility for extremely low-income veteran housing projects. It would allow local homeless systems to match a veteran experiencing homelessness with an income at or below 60% AMI with a specified residence if a veteran with a lower income cannot be matched to that residence and it remains vacant for over 21 days.

AB-1439 (Garcia): This bill requires CTCAC to amend its regulations to establish a scoring system under the LIHTC program to award 10 points to farmworker housing projects under the Housing Needs category and an additional five points for farmworker housing under the Amenities category.

AB-346 (Quirk-Silva): This bill would authorize CDLAC to adopt, amend, or repeal rules and regulations within CTCAC's rules and processes to better align the committees. This bill would also allow tax credits remaining after the final allocation round in a calendar year to be allocated for non-federally subsidized buildings. Additionally, this bill would allow a taxpayer who has purchased a credit to be eligible to claim the credit commencing in the year the building is placed-in-service with the submission of a qualification by a certified public accountant. CTCAC will still conduct the lengthy process of verifying the qualification while not hindering the early claim. The Treasurer supports this bill.

AB-519 (Schiavo): This bill would require HCD, CalHFA, CTCAC, and CDLAC to jointly convene an Affordable Housing Finance Workgroup to develop a consolidated application for housing developers to use to obtain grants, loans, tax credits, tax-exempt bonds, credit enhancements, and other types of financing for building affordable housing, and develop a coordinated review process for the application.

SB-17 (Caballero): This bill would require the Committee to revise its regulations to increase the housing type goal for senior developments to 20%. The current goal is 15%.

SB-469 (Allen): This bill would expand Article 34 exclusions to include housing built with funding from state or federal LIHTCs or state funding resources.

Chairperson Ma called for public comments:



California Tax Credit Allocation Committee

Jon White from Allied Housing said many developers are having difficulties with connection delays caused by PG&E and other utilities. His company has 3 or 4 projects under construction right now that are impacted. One building had switchgear supply chain issues, and as a result, the utility companies are refusing to schedule the switch to permanent power until the switchgear is fully onsite and inspected. The dates being quoted are often 3-6 months after the switchgear is installed. This has caused a 3-6 month delay for several projects. After the power is turned on, additional finishing work must be done before a building can be occupied, which can take a couple of months. The relief for the placed-in-service deadlines adopted by CTCAC has been very helpful and may still be needed until the utility issues are resolved. Legislative relief will come from SB-83, which will force the utility connection to be made within 8 weeks. That will help because there will be financial penalties assessed on the utilities. These utility connections are an issue impacting projects in addition to the pandemic and supply chain issues Ms. Robles spoke about.

Chairperson Ma said the Committee is aware of the PG&E delays and asked developers to let staff know when those issues arise.

Chairperson Ma closed public comments.

- 4. Agenda Item: Resolution No. 22/23-09, Adoption of a Regular Rulemaking for Amendments to the Federal and State Low-Income Housing Tax Credit Programs (Cal. Code of Regs., tit. 4, §§ 10302-10337) (Health and Saf. Code, § 50199.17) – (Action Item)**
Presented by: Anthony Zeto

Mr. Zeto said CTCAC staff published a package of proposed regulation changes on April 5, 2023. A 21-day public comment period followed, during which a public hearing was held in-person and virtually. The public comment period concluded on April 26, 2023. The regulation change package was modest, and some of the proposed changes were previously approved as emergency regulation changes on February 1, 2023. CTCAC staff received comments from 10 different organizations regarding the proposed regulations package. Most public comments were supportive of the changes, and some were supportive with modifications. Some of those modifications were incorporated into the final package presented to the Committee today.

Chairperson Ma called for public comments:

Mark Stivers from California Housing Partnership (CHP) thanked the staff for their flexibility on the credit year exchanges because it is very helpful in this time of uncertainty. CHP also supports the provisions related to simultaneous phase projects. However, CHP has one additional request regarding the credit year exchanges, particularly in paragraph 6, which gives the Executive Director discretion to grant exchanges in circumstances beyond a developer's control. CHP would like the Executive Director to have this authority any time during the construction period. Projects with 9% tax credits have approximately 2 years to complete construction, and the proposed regulation change would allow for credit year exchanges any time within the first year of construction. That is helpful and is an improvement over the current regulations, but many of the issues that could arise beyond a developer's control would do so in the second year. The utility connection issue discussed by the previous commenter is a good example of such an issue. Those issues may not necessarily be foreseeable within the first year of construction. Mr. Stivers proposed striking the language in paragraph 6 referring to "year one."

Marina Wiant from California Housing Consortium (CHC) echoed the comments made by Mr. Stivers. CHC also supports the other regulation changes proposed by staff.

CTCAC Committee Meeting
May 10, 2023



California Tax Credit Allocation Committee

William Wilcox from the San Francisco Mayor's Office of Housing and Community Development (MOHCD) agreed with Mr. Stivers and asked for the additional flexibility regarding credit year exchanges. MOHCD has encountered similar issues with PG&E as well as issues with neighbors, and those issues tend to arise later in the construction process. Additional flexibility from the Committee would help developers respond to issues and get projects built. Mr. Wilcox expressed appreciation for the remainder of the proposed regulation changes.

J.T. Harechmak from Non-Profit Housing Association of Northern California (NPH) expressed gratitude for the proposed regulation changes regarding simultaneous phase projects and other added flexibilities, but he agreed with Mr. Stivers and the other commenters about the proposed change regarding allowing credit year exchanges throughout the whole construction period. NPH has experienced multiple delays and problems with getting projects connected through PG&E. The problems are getting worse, and additional flexibility would be greatly appreciated by NPH's members.

Chairperson Ma closed public comments.

Mr. Johnson asked staff to clarify the ramifications of the proposed change to paragraph 6.

Mr. Zeto said that section was first established to accommodate high-rise projects with longer construction schedules, and it has since been expanded. There is a clause in the regulations stating that if a project is damaged during construction, the developer can submit a request for a credit year exchange. However, this section was purposely kept narrow to ensure projects are moving toward the federal placed-in-service deadline.

Ms. Robles said this section was intentionally worded to give the Executive Director the ability to review credit year exchanges within the first year of construction, but staff thought the Committee might want to hear about any additional issues that occur in the second year, similar to how the Executive Director has delegated authority to approve certain extensions, but others must be approved by the Committee.

Chairperson Ma said Ms. Robles could report issues to the Committee in her Executive Director's Report, since requiring Committee approval slows down the process. The Committee trusts Ms. Robles and her team.

Ms. Johnson Hall agreed, stating that Ms. Robles has brought issues to the Committee in the past when she felt slightly uncomfortable, even if she had delegated authority. She has earned the Committee's trust, so Ms. Johnson Hall is comfortable giving her this expanded authority.

Mr. Olmstead asked if any language in the regulations would prevent Ms. Robles from bringing issues to the committee if she were granted this delegated authority.

Ms. Robles indicated there wasn't.

Chairperson Ma stated the Committee members appreciate being apprised of issues when they arise, so they can be addressed sooner rather than later. Chairperson Ma receives a lot of compliments now about how everyone is working together, versus when she first started four years ago.

MOTION: Ms. Johnson Hall motioned to adopt Resolution No. 22/23-09, and Ms. Miller seconded the motion.



California Tax Credit Allocation Committee

Motion passed unanimously via roll call vote.

5. *Agenda Item: **Reservation of 2023 First Round Federal Four Percent (4%) and State LIHTCs for Tax-Exempt Bond Financed Projects** – (Action Item)*
Presented by: Carmen Doonan

Ms. Doonan reported that staff is recommending 36 4% federal and state credit reservations for approval. These projects were reviewed and met all federal and state guidelines. The new state credits total \$315,552,485, and the projects will provide approximately 3,600 units.

Chairperson Ma called for public comments:
None.

MOTION: Ms. Miller motioned to approve the reservations, and Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.

6. *Agenda Item: **Public Comment***

There was no public comment.

7. *Agenda Item: **Adjournment***

The meeting was adjourned at 10:20 a.m.