

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Minutes of the September 20, 2006 Meeting**

1. Roll Call.

Laurie Weir for Philip Angelides, State Treasurer, chaired the meeting of the Tax Credit Allocation Committee (TCAC). Ms. Weir called the meeting to order at 2:25 p.m. Also present: Cindy Aronberg for Steve Westly, State Controller; Anne Sheehan for Michael Genest, Director of the Department of Finance; Lynn Jacobs, Director of the Department of Housing and Community Development; Bruce Gilbertson for Theresa Parker, Executive Director of the California Housing Finance Agency; and Kathleen Paley, County Representative.

2. Approval of the minutes of the August 16, 2006 Committee meeting.

No public comment.

MOTION: Ms. Sheehan moved to adopt the minutes of the August 16th meeting. Ms. Aronberg seconded and the motion passed unanimously.

3. Executive Director's Report.

Mr. Pavao summarized that the Committee had three sets of applications before it that day: Competitive 9% Tax Credits (some with state credits), 4% Federal Credits with State Credits, and 4% Credits with Tax-Exempt Bonds. He also announced that staff is in the process of organizing a third round to bring additional 4% Federal with State Tax Credit applications before the Committee. He stated that the applications would be discussed at the December Committee meeting.

No public comment.

4. Discussion of and Action on the 2006 Second Round Applications for Reservation of Federal and State Low Income Housing Tax Credits (LIHTCs) and appeals filed under TCAC Regulation Section 10330.

Mr. Pavão announced that TCAC received 88 applications in the Second Round. One application was withdrawn leaving 87 to be scored. Mr. Pavão explained that there were a range of errors that caused several applications not to meet either basic threshold requirements including feasibility review requirements. He summarized that TCAC staff was recommending awards for 34 applications.

Mr. Pavão informed the Committee that of the applications submitted under the rural set-aside, four were not located in rural areas. He explained that those applications appeared to have relied upon an out-dated list of rural areas posted on the TCAC website. Mr. Pavão went on to recommend that the applications be placed in their respective regions. He also recommended funding one of the

applications, which would have competed successfully in the rural competition if TCAC had honored the project as a rural deal.

Ms. Weir announced that several members of the public wished to appeal Agenda Item 4. Mr. Pavão summarized an appeal regarding the Queen Apartments project. He explained that the applicant had built in a developer fee that was above the 15% maximum established by TCAC and was therefore disqualified in this round. Ms. Weir introduced Mark Walther of American Communities to deliver the appeal for Queen Apartments. Mr. Walther stated that the language of Section 10327(c)(2)(1) allows one to round down to the nearest whole percent. He explained that the applicant utilized the rounding provision in order to represent the 15.03% developer fee as 15%. He suggested the Committee alter the language of Section 10327(c)(2)(1) in order to prevent similar appeals in the future. Mr. Pavao stated that the Committee would need more time to consider language for next year's regulation changes. Ms. Aronberg asked Mr. Pavão what his thoughts were on the rounding issue brought by Mr. Walther. Mr. Pavao stated that the provision in question reads "The maximum developer fee that may be included in eligible basis for a new construction or rehabilitation only project is the lesser of 15% of the project's unadjusted eligible basis or \$1.4 million." He summarized that the intent of the regulation is that 15% is the precise maximum. Ms. Weir stated that Queen Apartments appears to be a feasible project with public benefits, however, the error made in the application was not clerical. She asked Ms. LeLouis for advice on making the proposed regulation change at the Committee table. Ms. Le Louis explained that the Committee does not have the discretion to make this kind of change at the table. She also stated that the error in question is not a clear reproduction or application assembly error. Ms. Aronberg expressed that the calculation error by the applicant seems earnest. Mr. Pavao stated that TCAC staff would review the application form to determine how staff can ensure people include the correct calculations. Ms. Weir explained that correctable errors such as a missing page are not like calculations errors, which can affect scoring. Mr. Walther explained that the error in question did not affect scoring of the application. Mr. Pavao stated that the numbers presented in the Queen Apartments application do tie into the third tie-breaker scoring.

Mr. Pavão went on to introduce the second appeal concerning La Entrada Family Apartments. He explained that in this case, an \$840,000 figure was included in the eligible basis calculation column, but did not reside in the total project cost column. TCAC staff sent a letter to the project sponsor explaining that the application contains costs that the applicant did not account for in the total project cost estimate. Mr. Pavão noted that TCAC received a response from the applicant indicating the total project cost was correct and that the applicant should not have put the prevailing wage figure in the eligible basis calculation. Mr. Pavao stated that the applicant did not request a basis boost, which is typically requested when the applicant pays prevailing wages. He summarized the staff's final determination that the application is ineligible because the applicant established a basis, in part, on a figure that was not included in the total project costs. Ms. Sheehan asked why TCAC would not make an exception if one calculation on the application clearly did not include what was present in the other calculation. Mr. Pavao explained that the error correction section of the regulations makes

exceptions for clerical and application assembly errors. He explained that the error in question does not fall into the correctable category described in the regulations. Ms. Aronberg asked if it was possible to categorize the error as an improper application assembly. Mr. Pavao stated that replacing the numbers used to calculate eligible basis could affect the third tie-breaker score, which is the numerator in that calculation. Ms. Le Louis stated that the application may not be changed nor may any additional information with respect to scoring or meeting the additional threshold requirements be submitted subsequent to the filing deadline.

Ms. Weir introduced Keith Stanley, Jim La Bou, and Pat Sabelhaus. Mr. Stanley urged the Committee to allow applicants to submit replacement pages in order to make the La Entrada application complete and correct. Mr. La Bou stated that La Entrada is of great importance to the Latino community of San Diego and the city as a whole. He explained that La Entrada is located in an area, which suffers from deterioration and a very low-income population. Mr. Sabelhaus stated that the La Entrada project had a point score of 155 and would have prevailed in the competition if not for a mathematical error. He urged the Committee to reconsider qualifying the project for funding because the error in question did not affect the application's score or requested credits. Mr. Pavão responded to Mr. Sabelhaus by explaining that if the applicant removes the prevailing wage costs from total eligible basis, it affects the total requested unadjusted eligible basis figure, which affects scoring. Ms. Aronberg asked how much credit is available in the region for this round and the next round. Mr. Pavão stated that two San Diego projects are being recommended for approximately \$3.9 million in credits. Ms. Weir summarized that La Entrada, although a strong applicant, made calculation errors that impacted important scoring and tie-breaker numbers. Mr. Mike Costa from Simpson Housing spoke and stated that he and his staff are baffled by the error made on the La Entrada application. He explained that the error was partly clerical and partly due to the application assembly.

MOTION: Ms. Sheehan moved to approve staff recommendations. Ms. Aronberg seconded and the motion passed unanimously.

5. Discussion and Consideration of a Resolution, establishing a Waiting List of pending Applications listed under Item #4 above, provided that Credit becomes available and such Applications are complete, eligible and financially feasible.

Mr. Pavão announced that staff had created a waiting list for those applicants on a set-asides waiting list. He described a second list, which applies to four geographic regions: Inland Empire, the Capital Northern California Region, Central Coastal Region and Los Angeles. He described the final list as the general application waiting list, which lists applications by their scores and tie breakers.

MOTION: Ms. Aronberg moved to approve staff recommendations. Ms. Sheehan seconded and the motion passed unanimously.

6. Discussion of and Action on the 2006 Second Round Applications for Reservation of Federal and State Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects and appeals filed under TCAC Regulation Section 10330.

MOTION: Ms. Aronberg moved to approve staff recommendations. Ms. Sheehan seconded and the motion passed unanimously.

7. Discussion of and Action on 2006 Applications for Reservation of Federal Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects, and appeals filed under TCAC Regulation Section 10330

With regard to projects CA-2006-880 Vineyard Point and CA-2006-881 Valencia Point, Ms. Weir read the following statement: "The Treasurer has disqualified himself from participation in all decisions relating to these matters, it is our understanding that Peter Geremia is a part of the development management team that has applied for these allocations. While we have concluded that Mr. Geremia is not a source of income under the Political Reform Act, in an abundance of caution, the Treasurer will continue to disqualify himself in these matters."

Mr. Weir exited the room. Ms. Sheehan asked if staff had any comments regarding Vineyard Point or Valencia Point. Mr. Pavao responded that staff had determined the projects are financially feasible and comply with all TCAC regulatory requirements.

MOTION: Ms. Sheehan moved to approve staff recommendations. Ms. Aronberg seconded and the motion passed unanimously.

Ms. Sheehan asked Mr. Sabelhaus if he would like to comment on these two projects. Mr. Sabelhaus stated that one of his clients, Camarillo Square, had a project, Courtyard Apartments, removed from the list of recommended 9% credit projects located on the TCAC website. From the audience, Ed Johnson explained that the project in question was removed because the application did not include a basic local design review approval. He stated that staff received an appeal for the project after the July 20, 2006 deadline. Mr. Pavão asked Mr. Sabelhaus to discuss the matter with him after the meeting. Ms. Weir re-entered the room at this time. Ms. Aronberg exited the meeting. Mr. Pavão introduced and recommended the remaining projects in the action item.

MOTION: Ms. Sheehan moved to approve staff recommendations. Ms. Weir seconded and the motion passed unanimously.

8. Discussion and Consideration of a Resolution Authorizing the Executive Director of the California Tax Credit Allocation Committee to Sign Contracts and Interagency Agreements.

Mr. Pavão pointed out that this resolution is the same document approved by the Committee last year, which authorizes the Executive Director of TCAC to enter into contracts with the State Treasurer's Office. He mentioned that the updated

language of the document would allow Mr. Pavão to enter into contracts up to \$550,000.

MOTION: Ms. Sheehan moved for approval of the resolution. Ms. Weir seconded and the motion passed unanimously.

9. Public Comment.

There was no public comment.

10. Adjournment

The meeting adjourned at 4:30 pm.