

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the December 16, 2015 Meeting

1. Roll Call.

Tim Schaefer for State Treasurer John Chiang chaired the meeting of the Tax Credit Allocation Committee (TCAC). Mr. Schaefer called the meeting to order at 12:05 p.m. Also present: Alan LoFaso for State Controller Betty Yee; Eraina Ortega for Department of Finance Director Michael Cohen; and California Housing Finance Agency (CalHFA) Executive Director Tia Boatman-Patterson.

Department of Housing and Community Development (HCD) Acting Director Susan Lea Riggs was absent.

County Representative Santos Kreimann and City Representative Lucas Frerichs were absent.

2. Approval of the minutes of the November 18, 2015 Committee meeting.

MOTION: Mr. LoFaso moved to adopt the minutes of the October 21, 2015 meeting. Ms. Ortega seconded the motion and Mr. Schaefer abstained from the vote. The motion passed by a roll call vote.

3. Executive Director's Report.

Executive Director Mark Stivers estimated that the 2015 4% tax credit awards would result in 40% more affordable units above the 2014 awards. He stated that rehabilitation units increased by about 46% resulting in 9,070 total units. Furthermore, new construction units increased by about 28% resulting in 3,571 total units. Mr. Stivers explained that due to projects becoming larger and more expensive TCAC has allocated 62% more 4% tax credits in 2015. He noted that the 2015 increase in 4% credit usage exceeded that of the highest level previously documented in 2007.

Mr. Stivers reported that in 2015 TCAC made the first Farmworker State Credit award since 2008. He noted that TCAC has funded other farmworker projects, however the program did not use the Farmworker set aside to do so.

Mr. Stivers predicted that TCAC would meet its annual quota for tax credit property inspections. He estimated that staff would inspect 1,000 properties for the year 2015.

Mr. Stivers reported that staff issued all the requested Regulatory Agreements for the year, but they still had a 6-month backlog of Form 8609 requests to process. He explained that TCAC hired a retired annuitant to assist with the high work volume and was seeking additional staff resources for next year.

Mr. LoFaso asked Mr. Stivers if the 62% allocation increase he described was a year to year increase or an absolute usage increase.

Mr. Stivers explained that the 62% allocation increase was an increase over the amount of 4% credits awarded in 2014. He stated that in the previous peak year of 2007 TCAC allocated \$93 million 4% credits, whereas in 2015 TCAC would allocation \$131 million in credits, an increase of 41% over the previous peak year.

4. Discussion and consideration of the 2015 Applications for Reservation of Federal Four Percent (4%) Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects.

Development Section Chief, Anthony Zeto, stated that 26 projects were recommended under this agenda item. Six of them were new construction projects and 20 were rehabilitation of existing projects. Mr. Zeto confirmed that the projects were reviewed for feasibility and compliance with federal and state regulations.

Mr. Schaefer invited Tung Tran and Teo Speranza from ROEM Development to comment.

Mr. Tran stated that he was director of development for ROEM.

Mr. Speranza stated he was director of design and quality control for ROEM.

Mr. Tran stated that his comments related to the Chapter 11.B requirements for the Delta View Apartments (CA-15-936). He distributed copies of a letter to each Committee member. He stated that ROEM was a 30-year old company which has built more than 20 properties comprising 3,000 affordable units.

Mr. Tran stated that Delta View Apartments was the fourth rehabilitation project developed by ROEM. He stated that he Chapter 11.B requirement related to the accessibility requirements for the project. He reported that the project received a 5% reduction of the accessibility requirement due to financial hardship. Mr. Tran that when the firm examined the units it became apparent that they were ranging between 600 to a little over 700 square feet. He explained that some units were small even before the accessibility standards were applied. He predicted the living space of the units would be very tight after accessibility features were added. Mr. Tran requested a waiver to make the units more livable.

Mr. Speranza stated that the firm was working within the constraints of an existing structure. He explained that in certain units the living room was reduced to 7 feet, 6 inches when the Chapter 11.B standards were applied to the full extent in the bathrooms and kitchens, thus making the unit less than desirable. Mr. Speranza explained the units had a healthier 10 feet of width in the majority of the living room when Chapter 11.A standards were applied.

Mr. Speranza asked the Committee for their feedback on how to apply accessibility standards while maintaining comfortable living spaces.

Mr. Tran clarified that his firm was requesting a waiver of the Chapter 11.B accessibility standards to the units.

Mr. Stivers reported that he has spoken to Mr. Tran on several occasions regarding this issue. He reminded the Committee that they discussed the accessibility regulations at length and ultimately decided to maintain the current standards. He explained that all projects were required to have 10% accessible units and they must meet the Chapter 11.B standards.

Mr. Stivers stated that TCAC has the ability to grant waivers to the accessibility standards if the improvements are excessively expensive or unnecessary. He reported that TCAC granted a waiver request from ROEM which reduced the number of accessible units from 10% to 5% due to excessive expense. Mr. Stivers explained that ROEM was now requesting waiver of the Chapter 11.B requirements, which he denied because he found no feasibility issues or lack of necessity.

Mr. Stivers noted that the request for a waiver was not on that day's agenda. He explained that the denial of a waiver was not directly appealable to the Committee. However, he would gladly add a discussion item to the next meeting agenda regarding accessibility rules in general. He stated that TCAC may grant a waiver to ROEM after their project has been funded so that it is not delayed.

Mr. LoFaso clarified that Mr. Stivers would like to add an advisory item to the next agenda. He asked Mr. Stivers if he was requesting the Committee's opinion so that he could make a decision based on their comments.

Mr. Stivers stated that he would take the Committee's advice very heavily into consideration when he made the decision.

Ms. Ortega suggested TCAC staff clarify the policy differences between Chapter 11.A and 11.B in preparation for the next meeting.

Mr. Speranza stated that his firm could make the project livable with the Chapter 11.B included. He stated tenants would have a better quality of living if the units were constructed according to Chapter 11.A standards.

Mr. Schaefer stated that the Committee could not take action on the waiver request; however Mr. Stivers would review his prior decision and bring it back to the Committee as an agenda item for discussion at the next meeting.

MOTION: Mr. LoFaso moved approval of staff recommendations. Ms. Ortega seconded and the motion passed unanimously by a roll call vote.

5. Public comments

No public comments

6. Adjournment.

This meeting adjourned at 12:21 p.m.