



## California Tax Credit Allocation Committee

901 P Street, Room 102  
Sacramento, CA 95814

January 17, 2024

### 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 3:09 p.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  
Department of Housing and Community Development (HCD) Director  
Gustavo Velasquez  
Kate Ferguson for Tiena Johnson Hall, Executive Director for the  
California Housing Finance Agency (CalHFA)

Advisory Members: County Representative – VACANT  
City Representative Brian Tabatabai

#### 2. *Agenda Item: Approval of the Minutes of the December 6, 2023, Meeting – (Action Item)*

Chairperson Ma called for public comments:  
None.

**MOTION:** Ms. Miller motioned to approve the minutes of the December 6, 2023, meeting, and Mr. Johnson seconded the motion.

The motion passed unanimously via roll call vote.

#### 3. *Agenda Item: Program Updates*

*Presented by: Anthony Zeto*

Anthony Zeto, Deputy Executive Director, discussed the following topics:

**New Staff:** Mr. Zeto welcomed Marina Wiant, the new CTCAC Executive Director and CDLAC Interim Executive Director. Ms. Wiant was selected and appointed by the Treasurer, and her first day was January 10, 2024. She comes from the California Housing Consortium (CHC), where she has worked for the past 11 years, most recently as Vice President of Government Affairs. CTCAC and CDLAC staff are excited to have Marina's leadership.

Ms. Wiant thanked the Treasurer for the appointment and the Committee for the confirmation. She looks forward to working with everyone.

Mr. Zeto also welcomed two other new staff members, both of whom started on December 12, 2023. Bahareh Haft Shayjani is a new Program Analyst working with CTCAC's administrative staff. She comes

CTCAC Committee Meeting  
January 17, 2024



## California Tax Credit Allocation Committee

to CTCAC from the Franchise Tax Board. Jacob Couch is a new Program Analyst in CTCAC's Development section. He is a recent graduate from UC Berkeley and is excited to be part of the CTCAC team.

**2023 Program Highlights:** CTCAC awarded 9% tax credits to 57 projects, totaling approximately \$110.6 million in annual federal credits and \$160.3 million in state credits during two competitive rounds, including four projects from the waiting list. The awarded projects provided a total of 2,936 units of low-income housing.

For the 4% tax credit program, 127 projects were awarded approximately \$387 million in annual federal credits and \$529.3 million in state credits during three rounds. The awarded projects provided a total of 14,798 total units of low-income housing.

In total, CTCAC awarded nearly \$500 million in annual federal credits and nearly \$690 million in total state credits to help finance the creation or rehabilitation of nearly 18,000 units of housing throughout California.

On January 2, 2024, CTCAC received CalHFA's formal request for \$200 million in 2024 state tax credits for projects financed by CalHFA's Mixed Income Program (MIP). AB 101 authorizes CTCAC's Executive Director to award up to \$200 million in state tax credits for projects financed by CalHFA under its MIP. Based on the MIP pipeline, the Executive Director has determined that the request is reasonable and will approve the award of state tax credits.

Chairperson Ma called for public comments:  
None.

- 4. Agenda Item: Resolution No. 23/24-04, Adoption of a Resolution Confirming the Executive Director of the California Tax Credit Allocation Committee – (Action Item)**  
*Presented by: Anthony Zeto*

Mr. Zeto explained that this resolution would confirm the appointment of Marina Wiant as the Executive Director of CTCAC.

Chairperson Ma called for public comments:  
None.

**MOTION:** Ms. Miller motioned to adopt Resolution No. 23/24-04, and Mr. Velasquez seconded the motion.

The motion passed unanimously via roll call vote.

- 5. Resolution No. 23/24-05, 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 explained that on December 1, 2023, CTCAC released proposed regulations changes and held a public comment period through December 22, 2023. One public hearing was held within that timeframe. Staff received a total of 22 written comments and suggestions, most of which were supportive of the

CTCAC Committee Meeting  
January 17, 2024



## California Tax Credit Allocation Committee

changes. Following a review of all the comment letters, staff is recommending the regulations package to the Committee for approval.

Chairperson Ma called for public comments:

Alice Talcott from MidPen Housing said that she was pleased to see the increase to the developer fees in the regulations package. The developer fees have not kept pace with inflation, increased development costs, or the complexity of projects. However, Ms. Talcott is concerned that while the increases are helpful for larger projects, there will be no increase for many of the most difficult and time-consuming projects that are serving the homeless and special needs populations. MidPen Housing has proposed that projects serving these high priority populations receive an additional per-unit increase in the developer fee limits. These projects are very staff intensive, have longer development timelines, and pose an additional financial risk for developers. Therefore, these are projects that deserve extra compensation. They take longer and demand more staff time because of the need to assemble multiple capital subsidies in addition to rental subsidies and services funding. Services planning takes a lot of staff time throughout the organization and requires working with local public agencies and service providers, including working through the Coordinated Entry System (CES). MidPen Housing works in 11 different counties, all of which have different systems, processes, and rules; there is little efficiency in this work. In addition to taking more time to develop, these projects typically produce little to no cash flow over time, so they pose a risk of expiring services and operating funding while not producing any cash either. For those reasons, MidPen Housing believes these projects should benefit from developer fee increases.

Ms. Talcott expressed appreciation for staff's response to comments indicating that they intended to address this issue later in the year, but Ms. Talcott asked the Committee to consider adding this increase today so projects could start to get higher limits now. MidPen Housing is proposing a \$15,000 per-unit increase in the developer fee for every homeless or special needs unit in a project. Ms. Talcott believes that this proposal is reasonable and modest, and she hopes it can be approved today. If not, she encourages staff to address this issue and bring forward a proposal later in the year.

Chairperson Ma asked Mr. Zeto to explain the current proposal for the developer fees in the regulations package.

Mr. Zeto explained that staff proposed an increase to the developer fee for 4% tax credit projects exceeding 75 units and 9% tax credit projects exceeding 50 units. The proposal is unit-based and allows a higher developer fee limit with increased units, whereas Ms. Talcott is suggesting that projects with Permanent Supportive Housing (PSH) or special needs units should also receive an added benefit on top of the increase already proposed.

Chairperson Ma said it sounds like there is uniform support for the rest of the proposed regulations package, and only the developer fee is still in contention. She asked Ms. Wiant for her opinion.

Ms. Wiant said stakeholders were previously asking for a developer fee increase both for large projects and special needs projects due to the complexity of both types of projects. Staff's recommendation only includes an increase for large projects.

Ms. Miller asked if it would be feasible to approve the regulations package today with the exception of the changes to the developer fee, and then Ms. Wiant and the staff could work on this issue and come back to the Committee with a recommendation.



## California Tax Credit Allocation Committee

Mr. Zeto asked Ms. Miller if she is proposing the removal of the existing developer fee changes in the regulations package or moving forward with the package and then revisiting the issue of the special needs units at a later date.

Ms. Miller said she would prefer not to have this discussion at the Committee level, so she would like to remove the proposed changes to the developer fees.

Mr. Zeto asked Ms. Miller if she would support adopting all the other proposed regulations changes with the exception of the change to the developer fees.

Ms. Miller responded affirmatively.

Chairperson Ma asked how difficult that would be and if the regulations would have to be submitted to the Office of Administrative Law (OAL).

Mr. Zeto said the regulations would not have to be submitted to OAL for the regulations to be effective, but the 9% tax credit Round 1 application deadline is February 13, 2024, so staff wanted to get the increase in place so stakeholders could begin their applications under the amended regulations. If the Committee were to delay a decision on this, the changes to the developer fees would not be in place before Round 1, and staff would need to put out an additional regulations package for those changes.

Ms. Wiant echoed Ms. Talcott's comment that the developer fees have not kept pace with inflation for many years. Staff's recommendation is less than what would have been the inflationary change.

Ms. Miller said the developer fees are not stopping stakeholders from applying for tax credits; the Committee just had a conversation at the CDLAC meeting about how competitive the tax credits are. There is disagreement about where and how the per-unit increases should be made, and that is a discussion that should first be had with stakeholders at the staff level. The debate could continue at a future Committee meeting, which could take place before February 13. Developer fees are a function of who is and is not applying for tax credits, and CTCAC is not seeing a decreased demand for tax credits. During the CDLAC meeting this afternoon, the Committee had a discussion about how the amount of available tax credits is not high enough, and there are requests being submitted to the Governor's office to continue the tax credits. There is probably a solution somewhere in the middle. Ms. Miller is happy to have the discussion now, but she would prefer to wait until these issues are vetted more. Given the good points made about PSH, the good points made about whether changes to developer fees are necessary, and the questions about the per-unit fees, it seems like more discussion is warranted.

Chairperson Ma said the developer fee has not increased and has not kept up with inflation.

Ms. Wiant said that is correct.

Chairperson Ma said the developer fee increase could be even higher if the Committee were to continue this discussion later.

Ms. Ferguson asked Mr. Zeto if there is a reason why staff proposed an increase to the developer fees for large projects but did not consider an increase for the PSH projects.



## California Tax Credit Allocation Committee

Mr. Zeto said staff wanted to do more research and are not opposed to an increase for PSH projects, which staff stated in their response letter to the public comments. However, they wanted to dig a little bit deeper on this issue before making a recommendation.

Ms. Ferguson said there is still a conversation needed, and she does not necessarily see a problem with Ms. Miller's suggestions. CalHFA is happy to come back to another Committee meeting before the Round 1 deadline to ensure that this is included in the regulations and can be applied fairly throughout the year to everyone.

Mr. Johnson agreed with Ms. Ferguson's comments that the Committee would benefit from more information on this issue. He expressed that it is difficult to understand how the numbers are justified in terms of staff's proposed developer fee increases and the additional PSH per-unit increases proposed by Ms. Talcott. He asked if the proposed increases are justifiable by cost increases or if they are arbitrary. He does not have a sense of how the proposed fee increases match the need, and more information would be helpful at a future meeting.

Ms. Talcott expressed that it was not her intention for the Committee to hold off on the rest of the developer fee increases. MidPen Housing would love to see those changes implemented and would be happy to accept the proposed changes for now if the Committee decides to come back at a later date to discuss an increase for PSH units.

Ms. Wiant expressed concern because there are multiple places in the regulations where the developer fee is referenced, so holding off on those changes entirely would create some complications with moving the rest of the package forward.

Mr. Zeto asked if bifurcating that section would change anything with regard to the regulations process.

Ted Ballmer, legal counsel for CTCAC, clarified that per the CTCAC rules under the government code, regulations become effective as soon as they are adopted. His understanding, based on the discussion today, is that the regulations need to be in place for the next round. Part of the rulemaking process requires that any proposed regulations are subject to a 21-day notice period. One option would be for the Committee to adopt the regulations as proposed. Another option would be to go through the regulations and remove, clarify, or change anything the Committee wishes, including the developer fee references. However, those changes would have to be very clear because they would go into effect immediately. Alternatively, the Committee could pull back all the changes.

William Leach from Kingdom Development agreed with the sentiment that the development of PSH is challenging, and it would be good for the Committee to consider allowing higher developer fees for those projects. However, that idea is not fully developed at the staff level, and it is not timely to accomplish that prior to Round 1. The increase to the developer fee proposed by staff is reasonable, and the fact that the increase is less than inflation is a testament to the proposal's reasonableness. Developers appreciate that increase, and it should be noted to the Committee that the developer fee generates eligible basis, which generates tax credit proceeds. The developers can defer the extra basis and use it to fill gaps in their projects. By raising the developer fee, the Committee would make it possible for the developer community to make some projects feasible that otherwise would be infeasible. Mr. Leach expressed support for the Committee approving staff's proposed regulations package today since it has received widespread support from the developer community. Over the next few months, the Committee could consider Ms. Talcott's and other stakeholders' ideas about the developer fees for PSH units. The idea has merit, but the



## California Tax Credit Allocation Committee

regulations package should not be delayed because of that suggestion; that would cause more damage than good. Mr. Leach reiterated his support for staff's recommendations as proposed.

Mr. Velasquez asked if inflation was the impetus for the proposed changes to the developer fees.

Ms. Wiant said there were several reasons staff proposed the increases. For many years, stakeholders have been asking for an increase to the developer fees due to inflation and the increasingly complex nature of the developments. Staff's proposal did not fully reflect exactly what the stakeholders asked for; it was slightly less.

Mr. Velasquez said he was just speaking at the CDLAC meeting about how far behind the state is in terms of meeting its housing goals, and he wonders if it is appropriate to look at the developer fee as an incentive for developers. The state is prioritizing infill and ameliorating climate change, as well as density. One of the most important laws administered in California is the Density Bonus Law, and Mr. Velasquez is concerned about whether the proposed regulations provide an incentive for developers to meet state goals.

Ms. Wiant said she has never viewed the developer fee as an incentive as much as a fee for service. Developers are doing difficult work on behalf of the state and should be duly compensated.

Ms. Miller disagreed, stating that the developers are private entities, many of which have a profit incentive while others have a nonprofit incentive and are paid in other ways by the state. There are many agents of the state that get compensated for their work, and the developers are not among them. The tax credits and tax-exempt financing are incentives. The Committee can have a conversation about inflation and what is fair, but in no way is the developer fee a fee for a service provided to the State of California.

Mr. Velasquez expressed that he would like to continue the conversation about the proposal to increase the developer fee by \$10,000 per unit for projects exceeding 50 units, and whether that incentivizes density.

Chairperson Ma said that is a good question, and the Committee should consider whether it is incentivizing developers to do more or less. The goal is more density and more units, and if developers build more units, they should be incentivized for that. Chairperson Ma asked if this regulation change is going in that direction.

Ms. Ferguson said that if the developer fee is viewed as just a fee, the amount of which is controlled by the regulations, then the incentive comes from scoring, since that is where the Committee places its priorities. The developer fee is part of the cost of completing a project, whether the developer is a for-profit or nonprofit entity and whether the project is affordable or not. The developer fee is a fee charged to do the development. While Ms. Ferguson understands Mr. Velasquez's perspective, she does not think the developer fee is where most of the incentive is placed; rather, it is in the scoring.

Chairperson Ma said all costs increase, including the cost of living. State employees also get cost of living adjustments in their pay. The discussion at hand is whether the fee has kept up with the amount of work required for these projects.

Ms. Miller expressed that she is happy to have another meeting before February 13 in order to get the regulations adopted prior to Round 1. She is comfortable with increasing the developer fee so that it is somewhat consistent with inflation, but she believes it is possible to delay the conversation about per-unit



## California Tax Credit Allocation Committee

fee increases. However, the issue of if and when to increase the fee for PSH units and other units is debatable. It is important to have one discussion encompassing the discussion about all potential per-unit increases rather than approving the proposed regulations now and then also having a separate discussion about PSH increases. That could lead to overcompensating developers for PSH units in a way that is unfair to the developers of non-PSH units. The Committee recognizes that the developer fee has not kept up with inflation, so the base amount of the developer fee could be increased rather than the per-unit amount. That could be amended in the regulations prior to Round 1, and the additional \$10,000 per unit increase could either wait until the next round or a change could be made prior to February 13.

Caleb Roope from The Pacific Companies emphasized Ms. Miller's point about inflation. That is the real issue. Mr. Roope has worked closely with staff on the proposed changes and knows that Mr. Zeto put in a lot of time looking at historical inflation rates and what other states are doing, and everyone who commented on the regulations was highly supportive of staff's proposed changes. There were positive comments about the whole regulations package, not just this issue. Although it is at the Committee's discretion whether to make these changes incrementally, the proposed changes are still behind inflation. Staff's proposal is still lagging behind what would be the inflation rate, so it has been moderated to some degree. Mr. Roope also works on PSH projects and understands the struggles and complexity the developers face, as well as the need to take care of the residents properly. In some ways, these projects have to serve as mental health institutions without the support of a mental health institution's staff. Mr. Roope supports the nonprofit community and additional fees for PSH, and he believes staff wanted to do more work on that, but it was a different subject altogether. Mr. Roope believes staff has taken a moderated approach and advanced the ball a little bit. The community as a whole would like to see further increases, especially for PSH projects. When Mr. Roope came to the meeting today, he came to support the addition of fee increases for PSH; however, it is clear that the Committee wants more time to study that issue. Therefore, Mr. Roope supports what staff has already done as it is a good first step.

Mr. Zeto said that staff wanted to do more research on how to quantify a fee increase for PSH units.

Ms. Miller asked if increasing the base developer fee first and then addressing the possibility of per-unit increases later would be feasible.

Mr. Zeto said those issues are connected. The per-unit increase is one piece, but the discussion about a fee increase for PSH units would be a separate issue.

Ms. Wiant said that Ms. Miller is likely referring to the overall slight increase in the developer fee from \$2.2 million to \$2.5 million that is proposed in the regulations package. The proposed per-unit increase is on top of that, and Ms. Miller seems to be suggesting holding off on that piece but adopting the change to \$2.5 million for the 9% tax credit projects.

Ms. Miller said her proposal should indicate the Committee's willingness to increase the fees. The Committee could also schedule a meeting before February 13 to make a decision.

Doug Shoemaker from Mercy Housing stated that most developers of PSH develop projects with fewer than 75 units. Projects that are 100% PSH often consist of 50-75 units. Therefore, the developers would not receive the benefit of the per-unit fee increase in the proposed regulations package. The state has pushed hard to advance PSH in a financially unsustainable way for sponsors. Sponsors are struggling to get their projects insured, and Mr. Shoemaker does not know of any other ways PSH sponsors are compensated by the state for their operational work. In fact, the opposite is true; sponsors effectively cost subsidize the state and local governments by fundraising in order to manage and operate those projects.

CTCAC Committee Meeting  
January 17, 2024



## California Tax Credit Allocation Committee

That is done consistently across the industry. While Mr. Shoemaker understands that the Committee may need more time to make a decision on this issue, it is important to understand that the state is effectively burning out nonprofits that are developing PSH, as evidenced by a host of organizations that are either teetering on the edge or have already gone under, as in the case of Skid Row. He hopes Mr. Velasquez can speak to this issue. While that cannot be fully attributed to state policy, a huge amount of financial responsibility is pushed onto small nonprofits as well as bigger nonprofits like Mercy Housing.

Ms. Miller said that she meant that more research needs to be done because more information is needed. She would welcome continued debate on this issue, but this is not a good use of the Committee's time since they are looking for a solution to the issues that Mr. Shoemaker and Ms. Talcott raised.

Mr. Velasquez said the Committee acknowledges the difficulties of developing and running PSH in the State of California. As Mr. Shoemaker mentioned, certain organizations have gone under, but for the most part, that was a reflection of mismanagement and other problems that do not speak broadly about providers of PSH. The biggest issue the state is grappling with is the difficulty of the higher acuity levels needed to provide the necessary services onsite that require more money and operating support to be sustained over time. The Governor has stated that the state needs support in Congress to allow states like California to receive more vouchers to support the operating expenses of PSH. More partnership is needed at the federal level. However, the state has done great things with the subsidies, such as Homekey. Mr. Velasquez is more concerned about PSH projects over time, such as 10-20 years down the line, than the developer fees. He agrees with Ms. Miller that more time is needed to study this and assess the effect that an increased developer fee would have overall on the creation of this type of housing. The Committee should increase the developer fee to keep up with inflation, but the other proposals should be left on the table for now.

Chairperson Ma said that when she served on the California State Legislature, the jockeys complained that they had not received a raise in 50 years. The thoroughbred owners and others in that industry were making money, but the jockeys, who had a difficult job with a high risk of illnesses, were underpaid. Chairperson Ma proposed a law that implemented automatic raises for jockeys based on Consumer Price Index (CPI) increases, so the issue did not have to be addressed again. Similarly, if the Committee increases the developer fee, there should also be measures taken to ensure that it is keeping up with inflation on an ongoing basis.

William Wilcox, Bond Program Manager at the San Francisco Mayor's Office of Housing and Community Development (MOHCD), commented that in Section 10325(9)(A)(v) of the proposed regulations, the definition of "leveraged soft resources" allows for the consideration of Section 8 overhang and soft debt awards from agencies like MOHCD and HCD as leveraged soft resources. In 2021, recycled bonds were added as another leveraged soft resource, and Mr. Wilcox believes these are not equivalent. MOHCD has made great use of recycled bonds in projects throughout its portfolio and has a great partnership with CalHFA to issue those bonds. However, only 2-10% of the value of recycled bonds is actually subsidy because they only provide a tax exemption, so they are worth far less than the subsidy dollars from a soft debt loan from HCD or MOHCD. These different sources of leveraged soft resources should be counted similarly, so recycled bonds should be adjusted to only have 10% of the value, representing their actual subsidy value. The Committee should consider adjusting this in the regulations to reflect a more realistic understanding of recycled bonds. This expanded definition of leveraged soft resources was originally added to the regulations to support the use of recycled bonds, but CalHFA now has a thriving program that is being utilized, and the definition should be adjusted to describe the value of recycled bonds more realistically, similar to the Section 8 overhang formula.





## California Tax Credit Allocation Committee

Chairperson Ma said that would need to be conversation for another time, since many of the Committee members are not up to speed on recycled bonds.

Mr. Leach shared some context on the concept of a per-unit developer fee in excess of a certain threshold of units. That concept was put into the regulations about six years ago for 4% tax credit projects when both HCD and CTCAC noticed that the project sizes were getting smaller and developers were opting to develop 80-unit projects in two phases of 40 units each. The problem was how to incentivize developers to build single, larger phase, projects. Including a per-unit developer fee increase helped incentivize developers to not cut projects up into smaller projects, but rather to deliver larger projects with single phases. This is why the decision was made for 4% tax credit projects and might help inform the discussion on the 9% tax credit projects.

Andrew Dawson from the California Housing Partnership expressed support for all the proposed changes to the regulations as well as Ms. Talcott's suggestions.

Darren Bobrowsky from USA Properties Fund said it is important to recognize that the developer fee has not kept up with inflation, and as projects have gotten more complex, they have taken more staff time to develop for submission to CDLAC and CTCAC for funding. Additionally, even after projects are funded, there is no guarantee that developers will be paid the developer fee. Developers sign construction completion guarantees, operating deficit guarantees, and credit loss guarantees; and quite often, with rising construction costs and interest rates, as well as other challenges to the projects, developers do not receive much of the developer fee when the project is placed-in-service. The developer fee is an important tool to have, and as was mentioned previously, it can be counted as part of the basis for receiving tax credits and can be deferred to help with the feasibility of the project. Mr. Bobrowsky participated in the group that worked on the proposed changes to the regulations, and the changes were widely supported. Additionally, there were letters of support for this change in particular. Mr. Bobrowsky suggested that the Committee move forward with approving the proposed regulations changes and then address PSH projects at a future meeting.

Jimmy Silverwood from Affirmed Housing expressed support for the comments regarding PSH. Affirmed Housing is a for-profit company with more than 1,000 PSH units in operation in California. Mr. Silverwood has not seen a lot of PSH properties with more than 75 units. He agrees with the comments made by Mr. Leach and Mr. Roope; a lot of work went into the proposed changes to the developer fee, and rather than delaying action on this entirely, he recommends that the Committee move forward with the changes in place and address PSH at a later date. Affirmed Housing would like to be part of that discussion as a large PSH developer in California.

Chairperson Ma closed public comments.

Chairperson Ma said it seems like the stakeholders are happy enough with proposed regulations, but the nonprofits and other developers of PSH would like to have the developer fee addressed for those projects.

Mr. Velasquez said he also has questions about the 50-unit threshold in the proposed regulations.

Ms. Wiant asked Mr. Velasquez if he would prefer to table that issue.

Mr. Velasquez responded affirmatively.



## California Tax Credit Allocation Committee

Ms. Miller said that there appear to be two options to reconcile all the comments heard today. The first option is to adopt the proposed regulations with the exception of the changes to the developer fee for the 9% tax credit projects, and then come back to that issue at a future meeting. The second option would be to include the increase in the developer fee for the 9% tax credit projects from \$2.2 million to \$2.5 million as proposed, but not to include the \$10,000 per-unit increase above 50 units, and then address that issue at a future meeting. The Committee does not have enough information at this time and has to figure out the best way to solve the problem.

Chairperson Ma expressed that she wants to keep the process moving, but she also believes that the developer fee needs to keep up with inflation.

Ms. Miller asked if CPI could be used as the marker rather than inflation.

Chairperson Ma responded affirmatively.

Ms. Wiant clarified that staff's proposal includes an increase to the existing per-unit fee for large 4% tax credit projects. She asked Ms. Miller if she is suggesting moving forward with that and just holding off on the per-unit increase for the 9% tax credit projects.

Ms. Miller said she thought PSH projects were more commonly 9% tax credit projects, so she was supportive of the increase for the 4% tax credit projects.

Ms. Wiant said that a lot of PSH units are now being done under the 4% tax credit program with HCD funds.

Ms. Miller said it might be better to wait on both.

Ms. Ferguson said she heard Ms. Miller propose that the Committee approve the increase in the developer fee for the 9% tax credit projects but not the per-unit increase for either the 9% tax credit projects or the 4% tax credit projects. She asked Ms. Miller to clarify if that is what she proposed.

Ms. Miller said that was not her original proposal, but given the new information provided by Ms. Wiant, that is now her proposal.

Ms. Wiant asked for clarification that Ms. Miller's new proposal is to make no changes to the developer fee for 4% tax credit projects, and only increase the overall developer fee for 9% tax credit projects, not the per-unit fee.

Ms. Miller asked for clarification that there are two proposed changes for the 4% tax credit projects.

Mr. Zeto clarified that the proposal is to lower the number of units from 100 to 75 to meet the threshold for the per-unit fee.

Ms. Miller said that change is satisfactory.

Mr. Zeto asked if she would accept all the changes for the 4% tax credit projects.



## California Tax Credit Allocation Committee

Ms. Miller said she does not want to make the changes to the per-unit fees for either the 4% or 9% tax credit projects. She would rather come back later and have this discussion because it is important, and the Committee needs a better understanding of what additional fees are needed by developers of PSH.

Mr. Velasquez said the Committee acknowledges the complexity of PSH projects, and the complexity increases as a project gets bigger. The capital stack becomes more complex, and all of the dynamics are much more complex with the factors that the state is trying to promote. The Committee might need to come back with a more generous approach. The denser projects are more difficult for developers, so Mr. Velasquez is reluctant to support the \$10,000 per-unit increase for projects over 50 units because there may need to be a scale, and he would like more time to think about this. It could end up being more beneficial for developers if the Committee takes more time on the issue.

Chairperson Ma asked the Committee members how they would like to move forward.

Ms. Miller suggested that a more robust proposal is needed, and the Committee should schedule another meeting prior to February 13.

Mr. Zeto said the Round 1 application deadline is February 13, and he is unsure about the comfort level of the developers if the regulations are not definitive until shortly before the deadline.

Ms. Ferguson asked Ms. Miller if she would approve the overall increase to the developer fee for both 4% and 9% tax credit projects.

Mr. Zeto said the developer fee limit would increase from \$2.2 million to \$2.5 million for 9% tax credit projects in Section 10327(c)(2)(A). Additionally, the references to 100 units would change to 75 units in Section 10327(c)(2)(B). Those are the only changes Ms. Miller is recommending moving forward with today that pertain to this conversation.

Ms. Ferguson asked staff for their thoughts on that recommendation.

Ms. Wiant said staff is comfortable coming back at another meeting with a proposal regarding the per-unit fee increases for both larger projects and PSH projects. However, Mr. Zeto's question to the developer community was whether not having a decision so close to the Round 1 application deadline would have a material impact on their applications.

Mr. Bobrowsky said that it takes time to put together the large and complex applications, and one issue is that it can take a week or more for a CPA to provide an eligible basis certification. It is not feasible to wait until the day before the deadline to redo the application to make an adjustment to the developer fee.

Ms. Ferguson asked if the application due date is set in stone.

Mr. Zeto said that given how tight the schedule already is, he does not think it would be a good idea to push back the application due date.

The Committee and staff discussed the possibility of continuing this meeting at a later date to further discuss the proposed regulations package, including the developer fee.

The Committee decided to continue the meeting to January 24, 2024, at 9 a.m., to further discuss and take action on Agenda Item 5.



## California Tax Credit Allocation Committee

### 6. Resolution No. 23/24-06, Adoption of the CTCAC/HCD Opportunity Area Map for 2024 – (Action Item)

*Presented by: Anthony Zeto*

Mr. Zeto explained that the CTCAC/HCD Opportunity Map is updated annually. The 2024 draft map was released on October 23, 2023, and a public comment period was held through November 17, 2023. CTCAC staff worked closely with Mr. Velasquez's team at HCD and their research partners. Staff received 14 written comments specific to the proposed changes and recommends the CTCAC/HCD Opportunity Area Map for 2024 for Committee approval.

Mr. Velasquez said that even though the changes to the map were not significant, there was one change that brought more transparency. There have been a lot of comments and concerns that the map drives funding decisions only to approved areas, and Mr. Velasquez believes those comments have indicated that more transparency is needed in order for developers to understand the purpose of the map. This year, a threshold-based approach was implemented for the assignment of resource categories. In the past, there was a methodology that Mr. Velasquez would characterize as opaque because there were opportunity scores that were all blended together, and each census tract ended up with a single score. Now, developers can see how each census tract in the state performs on each indicator. The map was always intended to focus on families with children, and allocation decisions are made using a place-based strategy that focuses not only on the brick and mortar, but on the community as a whole where the housing is created. Education opportunities, transportation access, and job centers are a few of the indicators that need to be considered. Now that there is a score for each indicator, as opposed to a blended score, it is clear how these indicator scores contribute to the final opportunity score and shows how indicators drive changes in resource levels. A neighborhood change map was created this past fall that supports how the CTCAC/HCD Opportunity Map is presented. Gradual improvements are being made to the map, not to change its purpose – which is to drive opportunity in the allocation of tax credits – but to be more transparent to the developers.

Chairperson Ma called for public comments:

Caleb Smith from the City of Oakland Department of Housing and Community Development said his organization submitted a comment letter regarding the CTCAC/HCD Opportunity Map. This year's map is an improvement over the previous map, and Mr. Smith appreciates the enhanced transparency. However, the map could be further strengthened by incorporating some of the feedback that a number of stakeholders submitted in their comment letters. One of the key trends that he would like the Committee to reflect on is interregional disparities; over the past ten years, an increasing number of people have been displaced from coastal regions into interior areas, such as from the Bay Area to the Central Valley, and from Los Angeles to the Inland Empire. Therefore, instead of looking at opportunity purely on a regional level within the Bay Area, for example, it would make sense to consider scoring areas both in terms of their opportunity score on a regional level and also statewide. There is one area on the map that is considered low opportunity in Oakland, but if that same area were located in Los Angeles, it would be considered high opportunity. There is the potential for unintended consequences for these statewide competitions. Additionally, the neighborhood change maps are exciting but could be further strengthened by including some of the adjacent areas that were originally scored as low opportunity. There are some places in the Bay Area where the maps do not entirely capture natural neighborhoods, so having more of a spillover included in the maps could be an effective way to address that.

Mr. Smith also expressed concerns about the inclusion of home valuations in the map; he understands that it is difficult to find a good set of variables to try to capture these factors, but because of the historic

CTCAC Committee Meeting  
January 17, 2024



## California Tax Credit Allocation Committee

impacts of racism tainting relative home appraisals in minority neighborhoods, he is concerned that this could have unintended consequences in terms of the state's equity objectives. Therefore, that factor should be removed, even though the other factors are strong.

Caleb Roope from the Pacific Companies expressed support for the CTCAC/HCD Opportunity Map and the overall policy. Housing is being created for families in places where it did not exist previously. Mr. Roope's company has developed a lot of these projects, and it has been great to see how a policy objective came forward into production. The maps have changed a lot of lives, especially for children, which was the intent. He asked the Committee to maintain this policy and continue to support it in order to create more units in areas where they have not existed previously and keep working to house children in places with better schools, better job environments, and safer neighborhoods, because it will change future generations.

Chairperson Ma closed public comments.

**MOTION:** Mr. Velasquez motioned to adopt Resolution No. 23/24-06, and Ms. Miller seconded the motion.

The motion passed unanimously via roll call vote.

**7. Resolution No. 23/24-07, Establishing a Minimum Point Requirement for the Competitive 2024 Applications (Cal. Code of Regs., tit. 4, § 10305(g)) – (Action Item)**

*Presented by: Carmen Doonan*

Ms. Doonan explained that staff is recommending for Committee approval the adoption of a resolution to establish a minimum point requirement for 9% tax credit projects. This is done annually in order to ensure quality projects are submitted.

Chairperson Ma called for public comments:  
None.

**MOTION:** Ms. Miller motioned to adopt Resolution No. 23/24-07, and Mr. Velasquez seconded the motion.

The motion passed unanimously via roll call vote.

**8. Adoption of the approximate amount of tax credits available in each reservation cycle for the 2024 calendar year (Cal. Code Regs., tit. 4, §§ 10305, 10310) – (Action Item)**

*Presented by: Anthony Zeto*

Mr. Zeto explained that a copy of the credit estimates was included in the E-Binder prior to this meeting. There was a per capita increase from \$2.75 last year to \$2.90 this year. This resulted in an increase of the annual 9% tax credits of approximately \$5 million. Those credits are dispersed among the various set asides and regions. However, this item is dependent on the approval of the proposed regulations package (Agenda Item 5) because Community Development Block Grant Disaster Recovery (CDBG-DR) was added to an existing apportionment in the proposed regulations. Therefore, action on this item cannot be taken until the regulations are adopted. Additionally, staff will bring forward at a future meeting the discussion of how to distribute the state tax credits throughout the rounds, given that the 4% tax credit application deadline is in April.



## California Tax Credit Allocation Committee

Action on Agenda Item 8 was deferred until January 24, 2024, at 9 a.m., upon the continuation of the meeting.

### 9. *Agenda Item:* **Public Comment**

Caleb Roope from The Pacific Companies said there is pending legislation in Congress that could provide a big boost to the 9% tax credits, so it would be helpful for staff to be clear about when those credits would become available. If passed, the legislation would affect how much allocation would go to each region, and stakeholders may choose to apply or not dependent on when those credits were available. It would be a great opportunity but would also add complexity.

### 10. *Agenda Item:* **Adjournment**

At 4:25 p.m., the meeting was continued to January 24, 2024, at 9 a.m. at 901 P Street, Room 102, Sacramento, CA 95814, to further discuss and take action on Agenda Items 5 and 8.