

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the February 15, 2006 Meeting

1. Roll Call.

Ted Eliopoulos for Philip Angelides, State Treasurer, chaired the meeting of the Tax Credit Allocation Committee (TCAC). Mr. Eliopoulos called the meeting to order at 1:20 p.m. Also present were: Amy Hair for Steve Westly, State Controller; Ann Sheehan for Michael Genest, Director of the Department of Finance; Richard Friedman representing Judy Nevis, Acting Executive Director, the Department of Housing and Community Development; Dennis Meidinger for Theresa Parker, Executive Director of the California Housing Finance Agency; and Kathleen Paley, County Representative.

2. Approval of the minutes of the January 18, 2006 meeting.

MOTION: Ms. Hair moved to adopt the minutes of the January 18 meeting. Ms. Sheehan seconded the motion. The motion passed.

3. Executive Director's Report

Mr. Pavão introduced Lisa Vergolini, the new Deputy Director of TCAC. He announced that, effective February 1, 2006, Ms. Vergolini has assumed the duties of former Deputy Director, Kathy Ely.

Mr. Pavão also announced that TCAC would be conducting two application workshops: the first of which convened in Sacramento that morning, Wednesday, February 15, 2006; and the second would be in Anaheim on Friday, February 17, 2006. He stated that the purpose of the workshops is to orient the public to the TCAC application process and to communicate changes to the TCAC regulations, adopted in January 2006.

Mr. Pavão noted that in adopting the January regulation changes, the Committee elected to omit a proposed change to the Homeless Assistance Apportionment. Since that time staff has been conferring with stakeholders, who are frequent apportionment users and will attempt to have a redrafted proposed change available for Committee review in March.

Mr. Pavão reported that one of the seven projects listed on the agenda, CA-2006-807 Mira Vista Senior Apartments, would not be up for consideration this month, but would likely be considered in March. He stated that the remaining six projects on the agenda have been reviewed and all comply with TCAC feasibility and threshold requirements. TCAC has provided Staff Report Summaries for these projects and recommends approval of their 4% tax credit applications.

4. Discussion and consideration of applications for award or reservation of federal Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects, and appeals filed under TCAC Regulation Section 10330.

Mr. Pavão recommended approval of the following projects with standard conditions:

<u>Project #</u>	<u>Project Name</u>	<u>Credit Amount</u>
2005-924	Summerfield Plaza	\$149,433
2006-800	Northland Village Apts.	\$502,078
2006-803	Orchard Glen Apartments	\$1,189,548
2006-804	Casa de la Villa Apartments	\$765,603
2006-806	The Gateway	\$126,705
2006-810	Sunrise Terrace I Apts.	\$915,553

There were no appeals.

MOTION: Ms. Hair moved to adopt staff recommendations. Ms. Sheehan seconded the motion. The motion passed.

5. Public Comment.

Pat Sabelhaus, California Council for Affordable Housing, asked the Committee to consider developing a task force to review regulatory issues and provide feedback for Committee consideration. Mr. Sabelhaus reported that new-growth communities across California are ineligible for 9% credits due to a requirement that the project be located within a neighborhood revitalization area.

Mr. Sabelhaus also reported a problem with the 221 (d)(3) HUD limitations. He suggested that the Committee change the current basis limitations to help tax credit applicants in high cost areas secure the enough 9% credits to fund their projects. Mr. Sabelhaus also asked the Committee to further research the current augmentation system of the Tax Credit program.

Mr. Sabelhaus discussed an issue regarding rural set-asides. He reported that the 9% tax credit program has done well over the years in terms of concentrating funds in the poorest communities overall. He reviewed the USDA Rural Development's special geographic designations, which the agency assigns to assist distressed areas. The special federal designations include areas within Renewal Communities, Empowerment Zones, Enterprise Communities, Champion Communities, State Enterprise Zones, and Qualified Census Tracts (QCT's). Mr. Sabelhaus stated that over the past four years USDA Rural Development had reduced the number of USDA designated areas. He shared the results of his own analysis, and reported that USDA designated 109 cities as rural qualified or in need of USDA assistance. He stated that of the rural qualified areas, 68 do not qualify for the 9% program under the QCT designation. He stated that 27 counties have been excluded from the tax credit program since the QCT designation was adopted. Mr. Sabelhaus urged the Committee to include the

Council for Affordable Housing should the Community decide to create a task force to re-examine the QCT and other special designations.

Mr. Eliopoulos asked Mr. Pavão to review the augmentation issue and consider the idea of creating a task force as Mr. Sabelhaus suggested.

Mr. Pavão stated that TCAC staff had begun to perform research and analysis of three issues mentioned by Mr. Sabelhaus. He also stated that TCAC staff had been researching the augmentation issue and has been reviewing the tax credit policies of other states. Mr. Pavão responded to Mr. Sabelhaus' second issue, stating that the current regulations have a sound policy basis, which encourages applicants to put projects in already developed areas. He also noted that the public benefit might also be derived from the including affordable units within the regular market development of a new-growth community. Mr. Pavão also responded to the issue regarding the 221(d)(3) limits, recommending that the current standards be reviewed for potential changes. He also agreed to review the special designations issue.

Mr. Pavão stated that he would attempt to report at the March meeting on progress made to date reviewing other state's practices regarding additional credits to previously awarded projects. He also recommended creating a working group to research the issues discussed by Mr. Sabelhaus.

7. Adjournment

The meeting was adjourned at 1:35 pm.