

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the July 16, 2008 Meeting

1. Roll Call.

Bettina Redway for Bill Lockyer, State Treasurer, chaired the meeting of the Tax Credit Allocation Committee (TCAC). Ms. Redway called the meeting to order at 2:15 p.m. Also present: Marcy Jo Mandel for John Chiang, State Controller; Molly Arnold for Michael Genest, Director of the Department of Finance; Elliott Mandell for Lynn Jacobs, Director of the Department Housing and Community Development; and Dennis Meidinger for Theresa Parker, Executive Director of the California Housing Finance Agency. David Rutledge, County Representative, was absent.

2. Approval of the minutes of the June 20, 2008 Committee meeting.

No public comment.

MOTION: Ms. Arnold moved to adopt the minutes of the June 20, 2008 meeting. Ms. Mandel seconded and the motion passed unanimously.

3. Executive Director's Report.

Mr. Pavão reported that the meeting agenda had been updated. He gave the Committee members amended agendas and announced that 3 projects, Waterford Gardens (CA-2008-855), Parc Grove Commons II (CA-2008-856), and Toberman Village (CA-2008-882), had been removed from Action Item 5.

Mr. Pavão reported that TCAC has been tracking federal legislation, H.R. 3221, which includes prospective changes to the low-income housing tax credit program.

Mr. Pavão announced that the due date for Second Round applications is Thursday, July 24, 2008.

He also announced that staff posted a memo on the TCAC website regarding third tie-breaker rules for recipients of First Round tax credit reservations. He reported that the feedback from the memo suggests First Round applicants are gravely concerned about the credit pricing they can expect. Mr. Pavão stated that TCAC would likely provide a grace period for applicants to return credits without penalty should they see less equity flowing into the project than they originally anticipated. TCAC would award the returned credits in the second round.

4. Discussion and Consideration of Approving CA-2008-087 the Hotel Berry project in the First Funding Round under the Special Needs/SRO Set-aside. The application has been reviewed and has met all Regulatory Requirements.

Mr. Pavão reminded the Committee that a 9% project, originally recommended for funding at the First Round meeting in June, was withdrawn because the project lacked a basic threshold requirement. He explained that the next highest scoring application in the Special Needs Set-aside, the Hotel Berry, is being recommended for the final First Round 9% award.

MOTION: Ms. Arnold moved for approval of staff recommendations. Ms. Mandel seconded and the motion passed unanimously.

5. Discussion of and Action on 2008 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.

<u>Project #</u>	<u>Project Name</u>	<u>Credit Amount</u>
CA-2008-850	Poplar Street Apartments	\$488,283
CA-2008-852	Rincon Gardens	\$1,391,890
CA-2008-853	Mission Village Senior	\$649,478
CA-2008-860	Armstrong Place Senior	\$1,260,800
CA-2008-872	Soho Apartments	\$208,782
CA-2008-874	Copperstone Village I Family Apartments	\$817,726
CA-2008-876	Rancho Workforce Apts.	\$918,196
CA-2008-878	Bay Avenue Senior Apartments	\$1,026,310
CA-2008-885	Niland Apartments	\$105,552

Mr. Pavão reported that 9 projects were being recommended for 4% tax credits. He restated that 3 applications, Waterford Gardens (CA-2008-855), Parc Grove Commons II (CA-2008-856), and Toberman Village (CA-2008-882), were removed from the original July meeting agenda.

Ms. Mandel made the following statement: "For the record, I will not be participating in two items: CA-2008-860 Armstrong Place Senior Housing and CA-2008-872 Soho Apartments. Wells Fargo is a primary construction lender and I will not be participating due to a potential financial conflict."

MOTION: Ms. Arnold moved for approval of CA-2008-860 Armstrong Place Senior and CA-2008-872 Soho Apartments. Ms. Redway seconded and the motion passed.

MOTION: Ms. Arnold moved for approval of staff recommendations, excluding CA-2008-860 Armstrong Place Senior and CA-2008-872 Soho Apartments. Ms. Mandel seconded and the motion passed unanimously.

6. Discussion and Consideration of Approving the process in which the Tax Credit Allocation Committee would distribute the increased \$0.20 per capita in Federal Tax Credits to the 2008 and 2009 Volume Cap.

Mr. Pavão directed the Committee's attention to the July 8th briefing memo in their meeting binders. He explained that the memo summarizes two issues TCAC would have to address if federal bill H.R. 3221 passed during the second funding round.

Mr. Pavão reviewed the first issue, explaining that H.R. 3221 would grant the state of California an additional \$7.3 million in annual federal credits. If the bill passed during the second funding round, staff would have to determine whether to make the additional credits available to second round applicants. His memorandum to the Committee had suggested depositing the additional credits into the supplemental set-aside, providing a source for rounding out awards in set asides and geographic apportionments where inadequate credits remain to award credits to the next highest-scoring project. However, Mr. Pavão noted that public commenters had suggested simply loading the additional credits into the formula that provides credits to each of the regulatory set-asides and apportionments. Mr. Pavão noted that this procedure would be more consistent with federal statute and State statute relating to nonprofit and rural set-asides. In addition, cascading the credits through the set-asides would be more consistent with priorities established within program regulations. Staff would like to consider the matter further and bring a proposal back to the Committee in August.

Mr. Pavão reviewed the second issue, explaining that if H.R. 3221 passed, California would be granted the authority to permit a federal boost to eligible basis even if the project resides outside of a federally designated difficult to develop area or qualified census track. He informed the Committee that applicants have been in contact with TCAC asking if the new authority will be in effect for the second funding round. Mr. Pavão noted that, in California, State low income housing credits were designed to provide additional equity in areas outside of the current federally-designated areas. Mr. Pavão stated that staff would continue to use the current federal system for providing basis increases during the second funding round, and staff would confer with the stakeholder community regarding the issue while considering regulation changes for the 2009 program year.

No action was required for this agenda item.

7. Public Comments.
8. Adjournment.

The meeting adjourned at 2:45 p.m.