

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the December 3, 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: David O'Toole for John Chiang, State Controller; Tom Sheehy for Michael Genest, Director of the Department of Finance; Tom Hughes for Theresa Parker, Executive Director of the California Housing Finance Agency; Elliot Mandel for Lynn Jacobs, Director of the Department Housing and Community Development; and David Rutledge, County Representative.

2. Approval of the minutes of the November 5, 2008 Committee meeting.

No public comment.

MOTION: Mr. Sheehy moved to adopt the minutes of the November 5, 2008 meeting. Mr. O'Toole seconded and the motion passed unanimously.

3. Executive Director's Report.

Mr. Pavão reported that TCAC reserved credits for 74 deals this year between the 2 rounds of 9%, of those 74 deals, 12 projects have returned or declined credits. Out of the 37 first round deals, 7 projects have returned their reservations. A summary of these 7 projects include, one project was a non-profit homeless assistance project in Los Angeles, a central valley competitor in Stockton, two rural set aside competitors (1 in Fortuna, the other in Orange Cove), a special needs set aside project in Sacramento, an Inland Empire regional competitor in Colton, and a Capitol Northern Region competitor proposing a project in Yuba City.

Mr. Pavão also summarized the 37 second round deals, 5 declined their reservations. In detail of the 5 projects that declined their credits, 4 were rural projects and 1 was a Central Valley competitor, who was proposing a project in Porterville. He noted a possible pattern that a number of rural projects declined their credits as well as Central Valley and Special Needs deals.

In regards to the waiting list, Mr. Pavão reported that staff have reviewed and reserved credits for 9 deals and are awaiting the acceptance of those reservations.

Mr. Pavão announced that TCAC would hold public hearings in January in order to receive public comments about prospective changes to the TCAC regulations. He stated that staff would bring a summary of the recommended changes to the Committee at the meeting in February.

Mr. Pavão informed the Committee that Senator Lowenthal recently introduced SB 16, a bill that would make state low-income housing tax credits refundable. He explained that if the amount of credit ordinarily available to a tax payer in a given year exceeds their state tax liability, the excess dollar amount would be refunded to the tax payer.

Mr. Sheehy asked Mr. Pavão if the refund would come out of the state general fund account.

Mr. Pavão replied that the refunded amount would not come out of the state general fund. He cited the text of SB 16, which indicates that the refunds would come from the "Tax Relief and Refund Account".

Mr. Pavão concluded his report by announcing that the next TCAC meeting would convene on January 28th.

4. Discussion 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.

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

<u>Project #</u>	<u>Project Name</u>	<u>Credit Amount</u>
CA-2008-902	Hollywood & Vine Apts.	\$1,229,736
CA-2008-910	Rochdale Grange Community	\$490,103
CA-2008-946	The Preserve	\$271,460
CA-2008-947	Ashland Village Apartments	\$963,071
CA-2008-950	Shadow Way Apartments	\$867,265
CA-2008-951	Tonner Hills Apartment Homes	\$1,115,487
CA-2008-954	Senior Manor	\$405,140
CA-2008-955	Southcrest Apartments	\$144,142
CA-2008-957	Fairmont Apartments	\$448,502

Mr. Pavão reported that the owner of Taylor Terrace (CA-2008-948) withdrew their application. He noted that the project was crossed off of today's meeting agenda.

Mr. Pavão announced that staff recently started the practice of calling applicants to confirm the credit prices they received from their investors when the prices reported in the application looks unusually high.

MOTION: Mr. Sheehy moved for approval of staff recommendations. Mr. O'Toole seconded and the motion passed unanimously.

5. Discussion of and Action on 2008 Farmworker Housing Assistance Program Project Application to considered for Reservation of State Credit, and appeals filed under Regulation Section 11006.

<u>Project #</u>	<u>Project Name</u>	<u>Credit Amount</u>
CA-2008-902	Hollywood & Vine Apartments	\$1,229,736

Mr. Pavão reminded the Committee that effective January 1, 2009, the Farmworker Housing Assistance Program would be eliminated and an annual set-aside established to allocate state low-income housing tax credits to farmworker housing developments. He stated that Hollywood & Vine Apartments (CA-2008-902) would be the last the project recommended for funding under the existing Farmworker Housing Assistance Program.

MOTION: Mr. O'Toole moved for approval of staff recommendations. Mr. Sheehy seconded and the motion passed unanimously.

6. Discussion of and Action to consider the refunding of 2008 performance deposits for projects that returned credits from 2008 9% competitive rounds.

Mr. Pavão reminded the Committee that TCAC regulations require applicants to submit a performance deposit within 20 days of their first credit reservation date. The performance deposit is equal to 4% of the credits the project will receive in the first year. Mr. Pavão reported that seven 2008 First Round applicants requested a refund of their performance deposit because they had returned their credit reservations. He explained that the applicants were forced to return credits due to lack of investors. Mr. Pavão stated that in November a memorandum was posted on the TCAC website, which summarized his recommendation to approve the refund requests provided the applicant can demonstrate that a previously interested investor or syndicator withdrew from the project after the reservation acceptance date. Additionally, the applicants needed to have returned their credit reservations by October 31, 2008. He assured the Committee that refunding the performance deposits would not have a negative impact on the TCAC budget.

Mr. Sheehy asked Mr. Pavão to confirm that he was recommending 5 of the refund requests.

Mr. Pavão stated that 5 of the 7 applicants returned their credit reservations by the October 31st deadline. The remaining two applicants returned their credits on November 17th. Mr. Pavão stated that the project sponsors would under normal circumstances receive negative points because they did not return the credits before the October 31st deadline. He commented that in light of current equity market conditions, TCAC staff should conduct a closer review of the applications to determine if negative points are warranted

Mr. O'Toole asked Mr. Pavão if the TCAC regulations provided him enough discretion to determine whether "extraordinary circumstances" forced the applicants to return credits.

Mr. Pavão stated that staff may recommend a regulation change for 2009 that would provide a little more administrative discretion to extend deadlines but only in extraordinary circumstances.

Ms. Redway stated that she supports Mr. Pavão's position and encouraged him to review the projects carefully to ensure that they withdrew due to severe economic conditions.

Mr. Sheehy concurred with Ms. Redway.

Mr. O'Toole also agreed with Ms. Redway.

Mr. Rutledge commented that he is concerned about future of the equity markets. He stated that he was involved in multiple projects where the lender withdrew unexpectedly.

Bill Torngrin commented on behalf of Rose Garden Apartments (CA-2008-037), one of the applicants that requested a return of credits after the October 31st deadline. He stated that the TCAC director should take into consideration the lending market conditions in addition to the equity markets. He commented that the director should be given the discretion to assist applicants when they are negatively affected by lending and equity market conditions.

Mr. Sheehy asked Mr. Pavão to explain how negative points affect an applicant's future chances of receiving credits.

Mr. Pavão stated that the 9% funding rounds are very competitive and every point matters. He explained that once a sponsor receives negative points the sponsor's future projects can be assessed those negative points for up to 2 years.

Ms. Redway commented that she believed Mr. Pavão would consider the lending market conditions effecting Rose Garden Apartments before assigning negative points.

Mr. Sheehy commented that there is a great deal of economic uncertainty among investors due to the unexpected collapse of capitol markets that occurred in October 2008. He predicted the recession would probably continue through 2009 and possible 2010.

Mr. Rutledge stated that Fannie Mae and Freddie Mac must be revived as they are the top buyer of tax credits and take out loans.

Mr. Sheehy stated that he was comfortable with Mr. Pavão's approach to handling returned credits and assessing negative points to 2008 applications.

7. Public Comment.

8. Adjournment.

The meeting adjourned at 2:50pm.