

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Minutes of the July 16, 2014 Meeting**

1. Roll Call.

Bettina Redway for State Treasurer Bill Lockyer chaired the meeting of the Tax Credit Allocation Committee (TCAC). Ms. Redway called the meeting to order at 11:30 a.m. Also present: Natalie Sidarous for State Controller John Chiang; Eraina Ortega for the Department of Finance Director Michael Cohen; California Housing Finance Agency Executive Director Claudia Cappio; Department of Housing and Community Development Representative (HCD) Laura Whittall-Scherfee; and City Representative Lucas Frerichs.

2. Approval of the minutes of the June 11, 2014 Committee meeting.

MOTION: Ms. Ortega moved to adopt the minutes of the June 11, 2014 meeting. Ms. Sidarous seconded and the motion passed unanimously.

3. Executive Director's Report.

Executive Director, William Pavão announced that TCAC received applications for the 2014 Second Round competitive awards. He reminded the Committee that the competition involved applications for 9% tax credits and a smaller pool of applications for a combination of 4% credit plus State credits. He reported that TCAC received 88 applications for 9% credits; a slightly higher volume than the previous round. TCAC also received 9 applications for 4% plus State credits. Mr. Pavão stated that recommendations for the Second Round would be brought to the Committee meeting in September. He estimated staff would recommend 40-45 projects for 9% awards and 2-3 projects for 4% plus State credit awards based on the amount of credits available.

Mr. Pavão reported that staff adjusted the amount of credits available for the Central Valley region just prior to the receipt of the Second Round applications. He explained that staff published the amount of credits available for the Second Round specifying the amount available for each set aside and region. He stated that the original amount published for the Central Valley regions was adjusted downward in part because staff had not fully accounted for a set of State credits awarded to a First Round applicant in that region. The applicant had received both stated and federal credits. Mr. Pavão noted that staff melded the State and federal resources and presented the amount of credits available as a unified expression.

Mr. Pavão reported that staff was working on an administrative policy whereby they could entertain proposals from sponsors who put photovoltaic panels on existing TCAC properties. He explained that staff was trying to afford property owners the opportunity to recalculate the utility allowance for their projects using the Energy Commission's Utility Allowance Calculator (CUAC). Mr. Pavão stated that currently TCAC permitted use of the CUAC for new construction

projects only. He explained that it would be the first time TCAC permitted owners of existing structures to use the calculator; however with the addition of photovoltaic panels owners may be able to use the CUAC to arrive at a more accurate estimate of utility costs to tenants.

Mr. Pavão reported that TCAC entered into a two-year contract with Benningfield Group, Inc. for up to \$100,000. He stated that Nehemiah Stone was the principal contact working with staff. He explained that the contractor would provide energy consulting services to TCAC and act as the quality control agent for the CUAC calculations. The consultant would also broadly advise staff on a variety of sustainable building and energy efficiency matters.

Mr. Frerichs stated that he missed the TCAC meeting last month and asked Mr. Pavão to provide an update regarding the Housing Cost Study advisory group meeting held in Los Angeles.

Mr. Pavão stated that the meeting held in Los Angeles was the final meeting for the advisory group in its current form. He explained that it was the last opportunity for the 22-person advisory group to review their final draft version of the cost study. Mr. Pavão commented that the group thoroughly reviewed the draft and provided substantive informed comments, which caused staff to make some adjustments to the document. He reported that the document would be released in final draft form shortly.

4. Discussion and consideration of the 2014 First Round Application for Reservation of Federal and State Low Income Housing Tax Credits (LIHTCs).

Ms. Redway stated that staff recommended Curtis Park Court (CA-14-020) for First Round 9% credits because one of the previously funded projects from that competition had been withdrawn.

Mr. Pavão stated the Committee that the First Round meeting was held last month. On the morning of that meeting one of the applicants staff intended to recommend in the Capital Northern Region withdrew their application. Mr. Pavão explained that under public meeting noticing rules staff was unable to recommend the next highest scoring application for funding at the last meeting. Staff was required to give public notice that the project would be recommended for funding and then bring it to a subsequent TCAC meeting. Mr. Pavão stated that Curtis Park Court was a Senior housing type, new construction project located in the rail yards that separated Curtis Park from Sacramento City College. He stated that the project may be the first residential development to be built in that master development.

MOTION: Ms. Sidarous moved to adopt staff recommendations. Ms. Ortega seconded and the motion unanimously.

5. Discussion and consideration of the 2014 Applications for Reservation of Federal Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects.

Mr. Pavão stated that 14 projects were recommended for 4% tax credits. And the projects had been reviewed for compliance with the various federal and state requirements and statutory obligations. He brought the Committee's attention to Bill Sorro Community CA-14-861, a new construction project in San Francisco. Mr. Pavão commented that the project was meritorious and conformed to all TCAC requirements; however it was quite expensive. He explained that the cost per unit, as shown in the Project Staff Report, was a large number even for a San Francisco project. He advised the Committee that a representative was present to explain some of the project features and challenges that led to the reported costs.

Barbara Gualco stated that she represented Mercy Housing, the project sponsor developer for Bill Sorro Community. Ms. Gualco stated that the project was located at the corner of 6<sup>th</sup> Street and Howard Street in San Francisco. It was part of the former South of Market Redevelopment Agency and had been vacant and quite dilapidated for over 20 years. Ms. Gualco stated that every developer tried to buy the property over the years. Finally, the city acquired the property some years ago through eminent domain and Mercy Housing was selected as the non-profit developer to build it.

Ms. Gualco stated that there were a number of reasons the project was so expensive. She explained that the project was on a very small site of about 10,000 square feet. She stated that her firm was building a Type 1 concrete building in order to maximize the number of units in the allowable height. The firm was building 67 units, over 50% of which were large units.

Ms. Gualco stated that another contributing issue was the incredibly poor soil at the site, which put the project into a very expensive structural system. She stated that her firm was building soil cement columns. Ms. Gualco noted that her staff had to work around old wooden piles in the building, which dated back to the original structure.

Ms. Gualco stated that the project was subject to the new San Francisco ordinance regarding reclaimed water. She explained that the project had a below grade cistern that was collecting water. She stated that all of the toilets in the building would initially be flushed with reclaimed water. Ms. Gualco stated that 6<sup>th</sup> Street was part of the Lodging House Historic District, a newly created historic district in San Francisco. She explained that all the old SRO properties on 6<sup>th</sup> Street were actually historic and her firm was therefore required to do an Environmental Impact Report (EIR) in order to demolish the structure. As part of the EIR process and working with the Landmarks Board, the sponsor was subject to requirements involving exterior materials and skin. Ms. Gualco stated that the project had a lovely brick veneer on the building and there were certain requirements related to massing.

Ms. Gualco stated that the project was also subject to a new plan area in San Francisco, Eastern Neighborhoods. Fortunately, no parking was required; however there were significant requirements related to open space. Ms. Gualco stated that the project had much more open space than anywhere else in South of Market. She stated that the project included a very attractive roof deck that came with some significant costs. She concluded that the project completely met the new open space requirements.

Ms. Gualco stated that 6<sup>th</sup> Street was on the way to the freeway and the project had a filtered air system in the building, which required mechanical ventilation. She stated that she had additional project cost information available if the Committee wished to see it. She offered to answer any questions.

Ms. Redway asked Ms. Gualco if the air filter system was part of a San Francisco regulation or did the sponsor include it for health reasons.

Ms. Gualco stated that the air filter system was part of the EIR process and was also assessed as part of the California Environmental Quality Act (CEQA) evaluation. She noted that the requirement was a relatively new part of CEQA.

Ms. Cappio asked Ms. Gualco if the requirement was due to the proximity of the highway.

Ms. Gualco confirmed that the requirement was due to the proximity of the highway.

Ms. Cappio stated she used to be involved with the Bay Area Air Quality Management.

Mr. Pavão asked Ms. Gualco if the project had nine stories.

Ms. Gualco confirmed that the project had nine stories and therefore obligated to a category of building code requirements.

Ms. Ortega asked Ms. Gualco if the board could expect to see cost pressures such as the reclaimed water requirements on future bay area projects.

Ms. Gualco stated that Ms. Ortega was correct. She stated that her firm was looking into running purple pipe in many other developments around water. She commented that water was a huge issue that San Francisco was focused on.

Mr. Pavão reported that the city committed a phenomenal amount of resources to the project. He estimated the total project cost to be \$47.3 million of which the city had committed about \$23 million. He commented that the project was clearly a value to the city.

Ms. Redway commented that the project should be expensive since it was vacant for 20 years.

Mr. Pavão noted that TCAC's sister agency, HCD, also committed resources to the project.

Ms. Redway thanked Ms. Gualco for her helpful comments.

MOTION: Ms. Ortega moved to adopt staff recommendations. Ms. Sidarous seconded and the motion passed unanimously.

6. Discussion and consideration of a Resolution authorizing the Executive Director of the California Tax Credit Allocation Committee to sign contracts and Interagency Agreements.

Deputy Director, Lisa Vergolini, explained that the Resolution was an annual exercise whereby the Committee delegated authority to the Executive Director to enter into contracts and interagency agreements for an amount not to exceed \$250,000 per fiscal year. Ms. Vergolini noted that the dollar limit had not changed in several years. She stated that the Resolution required the Executive Director to report to the Committee any contracts or interagency agreements that exceeded \$50,000 as he did earlier in the meeting.

Ms. Vergolini explained that the Resolution was different from the previous year because it did not include information about the contract with the State Treasurer's Office (STO) for administrative services. She explained that STO had not yet provided the total amount for the service to TCAC. She stated that TCAC would recommend another Resolution for the administrative services contract as soon as STO provided the total amount.

Mr. Pavão explained that TCAC contracted with STO for the lease of office space and services like human resources and legal services. Ordinarily, the STO contract would be included in the Resolution; however the cost information was not available in time for the meeting. He confirmed that staff would recommend another Resolution, which included the STO services contract.

MOTION: Ms. Sidarous moved to adopt staff recommendations. Ms. Ortega seconded and the motion unanimously.

7. Public Comments.

No public comments.

8. Adjournment

The meeting adjourned at 11:54 a.m.