

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the January 18, 2017 Meeting

1. Roll Call.

Alan Gordon for State Treasurer John Chiang chaired the meeting of the Tax Credit Allocation Committee (TCAC). Mr. Gordon called the meeting to order at 11:00 a.m. Also present: Anne Baker for State Controller Betty Yee; Eraina Ortega for Department of Finance Director Michael Cohen; California Housing Finance Agency (CalHFA) Executive Director Tia Boatman-Patterson; and Laura Whittall-Scherfee for Department of Housing and Community Development (HCD) Director Ben Metcalf.

County Representative Santos Kreimann and City Representative Lucas Frerichs were absent.

2. Approval of the minutes of the January 18, 2017.

MOTION: Ms. Ortega moved approval of the December 14, 2016 minutes. Ms. Baker seconded. Ms. Baker abstained from the vote. The motion passed by a roll call vote.

3. Executive Director's report.

Executive Director Mark Stivers stated that in previous meetings there have been discussions about the turmoil in the tax credit market resulting in prices dropping precipitously. He stated that TCAC was given authority with the approval of the regulations to extend the closing deadline for the 2016 projects. The First Round projects were given a 3-month extension and the Second Round projects were given a 2-month extension. Mr. Stivers stated that the most recent closing deadline was December 19th, which most projects were able to meet. He reported that 4 projects were not able to meet the deadline, but he hoped that giving extensions to the projects would give them enough time to restructure and close on time.

Mr. Stivers stated that projects which are still having trouble closing or require additional credits would be allowed to return credits and reapply for them in the upcoming year, however they would have to do so in the standard competitive process.

Mr. Stivers reported that TCAC is developing a schedule of fines pertaining to compliance concerns. The schedule was published for public comments, which are due on January 31st. He stated that staff would bring their final recommendations to the March Committee meeting.

Mr. Stivers announced that he and staff will conduct Application Workshops in 5 cities to educate the public about changes to the application process.

4. Discussion and consideration of the 2017 Applications for Reservation of Federal Four Percent (4%) Low income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond financed Projects.

Deputy Director, Anthony Zeto reported that TCAC received 6 applications and has reviewed them for compliance with federal and state regulations. He recommended them to the Committee for approval.

MOTION: Ms. Ortega moved approval of staff recommendations. Ms. Baker seconded and the motion passed unanimously by a roll call vote.

5. Discussion and Consideration of establishing a minimum point requirement for the competitive 2017 applications.

Mr. Zeto reported that at the beginning of each year TCAC establishes a minimum point total which helps ensure that projects receiving tax credit reservations are meeting TCAC's public policy objectives. He explained that TCAC has established a minimum score of 117 points out of 138 total points for 9% projects. For 4% plus state applications the minimum score is 98 points out of 116 total points. Mr. Zeto stated that staff has provided a memo that explains the minimum point requirements and gives specific details about the 4% plus state requirements.

Mr. Gordon asked Mr. Zeto if all developers that apply for tax credits have found a way of meeting the minimum point requirement. He commented that most of them get the maximum points.

Mr. Zeto stated that it is rare that an applicant scores below the maximum points and is successful in the competition. He noted that projects in certain counties like San Francisco may not score the full maximum, however their scores may not matter if they are the only applicant competing in their region.

MOTION: Ms. Ortega moved approval of staff recommendations. Ms. Baker seconded and the motion passed unanimously by a roll call vote.

6. Public Comment.

Ms. Boatman-Patterson commented that over the course of the last year her agency along with HCD and TCAC have reviewed the details behind costs associated with certain projects. She noted that some of the once extraordinary contingencies have become more controlled, however some of the soft costs in architecture and engineering are starting to increase.

Ms. Boatman-Patterson reported one particular project had extremely high architectural and engineering costs and her staff was unable to determine the reason. She stated that she would continue to review the project. She noted that some of the very high construction contingencies have shifted, but she wanted to make sure that they were not being shifted to other places.

Ms. Boatman-Patterson stated that CalHFA will continue to work with CTCAC and HCD to reduce the cost of affordable housing in light of the Governor's statement and evaluations by agencies such as the Government Accountability Office (GAO).

Mr. Gordon commented that the Governor's opinion was very clear when he withdrew \$400 million from last year's budget and demanded that costs be reduced. He stated that the system

is not sustainable given that housing costs are moving toward \$1 million per unit in some of our urban areas. Mr. Gordon stated that California is a very wealthy state but it ranks first in the country in poverty. He stated that one of the main drivers of the poverty is the cost of housing.

7. Adjournment.

Meeting adjourned at 11:13 a.m.