California Tax Credit Allocation Committee

901 P Street, Room 102
Sacramento, CA 95814

January 15, 2025

CTCAC Committee Meeting Minutes

1. *Agenda Item:* **Call to Order and Roll Call**

The California Tax Credit Allocation Committee (CTCAC) meeting was called to order at 1:46 p.m. with the following Committee members present:

Voting Members:
Fiona Ma, CPA, State Treasurer, Chairperson
Malia M. Cohen, State Controller
Michele Perrault for Joe Stephenshaw, Department of Finance (DOF) Director
Gustavo Velasquez, Department of Housing and Community Development (HCD) Director
Stephanie McFadden for VACANT, California Housing Finance Agency (CalHFA) Executive Director

Advisory Members:
Michelle Whitman, County Representative
Brian Tabatabai, City Representative – ABSENT

2. *Agenda Item:* **Approval of the Minutes of the December 11, 2024, Meeting**

Chairperson Ma called for public comments:
None.

MOTION: Ms. Cohen motioned to approve the minutes of the December 11, 2024, meeting, and Ms. Perrault seconded the motion.

The motion passed unanimously via roll call vote.

3. *Agenda Item:* **Executive Director's Report**
   Presented by: Marina Wiant

Marina Wiant, Executive Director, said that projects previously awarded tax credits may experience delays in meeting construction financing closing deadlines or placed-in-service deadlines due to the fires in Los Angeles County, and they are eligible for extensions due to the state of emergency and pursuant to CTCAC regulations. Projects with 9% tax credits should reach out to the staff if they are struggling.

Ms. Wiant said that during the 2024 program year, CTCAC allocated tax credits to support a total of 18,794 units. This includes 15,484 4% tax credit units, a total of $435 million in annual federal 4% tax credits, and $505 million in state tax credits. On the 9% side, a total of 3,310 units utilized $113 million in annual federal 9% tax credits and $162 million in state statutory tax credits.

Chairperson Ma called for public comments:
None.

4. *Agenda Item:* **Resolution No. 24/25-04, Establishing a Minimum Point Requirement for the Competitive 2025 Applications (Cal. Code of Regs., tit. 4, § 10305(g))**
   Presented by: Carmen Doonan

Ms. Doonan said staff is recommending the adoption of a resolution to establish a minimum point score threshold for the 2025 9% tax credit applications. CTCAC's regulations allow the Committee to annually establish a minimum point score for tax credit applications. For general 9% applications, the minimum point score is 93 and the maximum point score is 109. For the Native American Apportionment, the minimum point score is 80 and the maximum point score is 94. These are the same point scores that were adopted in previous years.

Chairperson Ma called for public comments:
None.

MOTION: Ms. Cohen motioned to adopt Resolution No. 24/25-04, and Ms. Perrault seconded the motion.

The motion passed unanimously via roll call vote.

5. *Agenda Item:* **Adoption of the approximate amount of tax credits available in each reservation cycle for the 2025 calendar year (Cal. Code Regs., tit. 4, §§ 10305, 10310)**
   Presented by: Ricki Hammett

Ms. Hammett explained that the estimate of the federal 9% tax credits was calculated using the per capita IRS multiplier of $3.00, which is 10 cents higher than in 2024. This is multiplied by the U.S. Census Bureau's population estimate of about 39.4 million. This equates to $118,293,789 in federal 9% tax credits. The 9% tax credits and original state tax credits have been distributed through the various set asides and geographic regions in accordance with the CTCAC regulations. That distribution is outlined in the meeting materials. Staff also recommends that the enhanced state tax credits be made available in the second and third 4% rounds to new construction projects. The amount requested by CalHFA for the Mixed-Income Program (MIP) is $100 million, which is $100 million less than it was allocated last year. Therefore, there is an additional $100 million available for the general allocation. Staff recommends approving the credit estimates as shown, proceeding similarly to last year, and equally distributing the enhanced state tax credits between the second and third rounds, since there will be three rounds this year. With the additional $100 million available in the general allocation, staff anticipates that more projects in the geographic regions will be funded than in 2024.

Ms. Cohen asked for the staff's perspective on the net impact of the changes to the distribution throughout the set asides.

Ms. Wiant said there was a robust discussion last year about the best use of state tax credits and how to allocate them. The state tax credits were previously made available in the first round until they were exhausted. That resulted in most projects that requested state tax credits in the first round being awarded, but projects in the second round did not have a chance at getting state tax credits. There was a lot of conversation among the Committee members about making sure the projects in the non-geographic pools and set asides would have a chance throughout the year to get state tax credits. In 2024, the available credits were split between the two rounds. Last year, a record number of projects applied without a state tax credit request, so in order to prioritize funding those projects and get them out of the queue, staff thought it would be wise to do three rounds this year, and not have state tax credits available in the first round. For example, there were 36 projects last year that had no state credit requests that CTCAC was unable to fund. The con of splitting the credits between the two rounds last year, as Ms. Hammett noted, was that projects in the geographic apportionments had less access to state tax credits. Staff had a lot of concerns about that. By allocating the state tax credits in two of the three rounds, and with the additional credits that will be available, staff anticipates being able to get much further down the list, and more projects seeking state tax credits in Round 2 and Round 3 will likely get funded.

Chairperson Ma called for public comments:

Caleb Roope from The Pacific Companies (TPC) and the California Housing Consortium (CHC) said CHC's working group hopes to see the state tax credits make their way to the geographic regions because that did not happen in 2024. A lot of projects that only requested a small amount of state tax credits could not get them because they were always gone by the time the set asides were done. Mr. Roope thanked CalHFA for stepping up and being part of the solution to that. The working group continues to support the MIP and the $100 million CalHFA has requested. They would like CalHFA to consider letting other permanent lenders into the borrowing system because of the lower interest rates, which lead to less need for public subsidy from CalHFA and state tax credits. That is how the program used to be, and it used to fund larger projects more efficiently at scale. It has turned into more of a typical set aside that does not have anything that distinguishes it from the general population of projects. The working group would like to see the program return to its roots. With that in mind, they highly support the allocation of state tax credits to CalHFA.

Chairperson Ma closed public comments.

MOTION: Ms. Cohen motioned to adopt the approximate amount of tax credits available in each reservation cycle for the 2025 calendar year, and Ms. Perrault seconded the motion.

The motion passed unanimously via roll call vote.

6. *Agenda Item:* **Public Comment**

Patricia Ramirez from the Workforce Defense League (WDL) said her organization is a labor management corporation that educates the general public about the rights to fair and lawful wages, benefits, and terms and conditions of employment for all workers. This includes monitoring working conditions on residential job sites. There are workers here today who have worked on several of TPC's projects that have received millions of dollars of public funding. While these workers were able to come forward today and speak about the poor labor conditions on these projects, the WDL is also aware that there has been denial of job site access to the people that have the legal right to be there to monitor safety conditions. This happened to one of Ms. Ramirez's colleagues at a TPC project in Hayward called La Vista Apartments, which received $12 million in state tax credits. Without site access, the WDL and other organizations will be forced to pursue legislative solutions due to the lack of transparency on the projects that are financed with public assistance. Ms. Ramirez thanked the Committee for listening to the workers who have taken time out of their workday to be here today.

Jose Luis Garcia Gomez made his comment in Spanish, which was translated by Ms. Ramirez. Mr. Gomez thanked the Committee for the opportunity to share his experience working on a Pacific West Builders (PWB) project for Hanson Drywall. He worked nine hours per day and only received 45 minutes for lunch. On Fridays, the owner of the company forced him to pay $25 so he could receive his check that same day. If he did not do that, the owner would force him to wait until the following Monday or sometimes longer. While working for Hanson Drywall, he was forced to work long hours and work faster, and he was under a lot of pressure. He was never paid for the overtime he worked. The company withheld his check, and he had no money to pay rent or provide for his family. He said he is asking for the Committee's help because they have the power to end this injustice, and the only thing Mr. Gomez is doing is working to provide for his family.

Silvano Loza, a construction worker, thanked the Committee for the opportunity to speak about his struggles while working for Hanson Drywall, a company that was contracted by PWB. He worked long hours and poured his energy into his job, going above and beyond with overtime, and then found out he was not being paid for the extra hours. At the end of the week, he was desperate to pay his rent on time to keep a roof over his family. His boss would tell him that he would have to pay $25 and buy a bottle of tequila to receive his paycheck on Friday. If he did not do that, he would not receive his check until Monday or sometimes later. He asked the Committee to imagine having their check held hostage and having to pay someone to get it. He does not make enough for health insurance, and he is in constant fear of something happening. He had to apply for Medi-Cal for himself and his family. This is wrong on so many levels, and he hopes the Committee will help and make these types of contractors stop taking advantage of their workers.

Isaac Davalos, Labor Compliance Investigator for the WDL, introduced Mario Tziboy, a carpenter who worked on a project in Oakland.

Mr. Tziboy made his comment in Spanish, and Mr. Davalos translated. Mr. Tziboy worked as a carpenter on a project for which PWB was the general contractor. The start time on that job was 7:00 a.m., but the project manager wanted employees to arrive at 5:30 a.m., and they were never paid overtime. They were only given 30 minutes to eat, and they worked between nine and ten hours per day. They were always pressured to work faster, and if they asked for breaks, they were told breaks were not given for that job. Mr. Tziboy received a direct deposit, but the amount was always wrong, and overtime was never paid. On one occasion, he his deposit was missing pay for 11 hours. When he asked the manager, nothing was done.

Chairperson Ma asked which company Mr. Tziboy worked for.

Mr. Davalos said the general contractor was PWB and the subcontractor was ProSet.

Cherene Sandidge from Sandidge Urban Group said she is a 40-year California-licensed real estate broker, and she received notification of the state law on price gouging from the DRE. They are collecting a list of bad actors, and Ms. Sandidge wants to be able to present that list to the Committee and the Executive Director and ask that they not fund and support those bad actors.

Ms. Wiant said that as of January 1, 2025, all tax credit projects are subject to an annual rent cap of 5% plus the Consumer Price Index (CPI), with a maximum of 10%, so price gougers are also breaking CTCAC regulations.

Harvey McKeon from NorCal Carpenters Union (NCCU) said he appreciates the comments made by the WDL representatives. Their organization does a very important job in the construction industry. Mr. McKeon is here today to raise the subject of adequate cost containment scrutiny measures in the CTCAC process, particularly for the financial claims of vertically integrated outfits. Conventional wisdom is that operational efficiencies contribute to cost savings that are then passed along to the awarded parties and ultimately the taxpayers. However, in the current system, Mr. McKeon is concerned about the lack of safeguards ensuring the costs set by vertically integrated players make sense.

Mr. McKeon said NCCU has looked at the construction costs that PWB provided to support some claims of public funding, including federal and state tax credits in the CTCAC application for Osgood Apartments South, a 100-unit project in Fremont. Pacific West Communities (PWC) claimed that the structural work would cost $31 million in total. Progress payment documents in connection to a City of Fremont loan suggest that approximately 40% of construction costs were for modular construction line items. NCCU's field representatives have noted that the subcontractor handling the drywall at the site was an entity affiliated with TPC, and the general contractor was PWB. HCD's inspection records show that Autovol, a company in which TPC is invested, was the modular supplier for this project. PWB made a variety of claims regarding their construction costs in documents provided to the City of Fremont, including claims regarding the modular costs. Millions were drawn from the city's loan to fund the construction of Osgood Apartments South. When NCCU asked the City of Fremont what supporting documents had been provided for the construction cost claims, they said there were none. Mr. McKeon asked if TPC entities can charge whatever they like for vertically integrated services, whose opaque prices they can presumably dictate, without any scrutiny from public bodies. NCCU will continue to call for increased scrutiny of vertically integrated players in this space, especially when costs claimed eat up public financial assistance and are bound for services that do not directly benefit California's economy.

Anthony Carroll from NCCU said the carpenters plan to continue to fight for a system that meets the incredible demand for affordable housing throughout the state while also ensuring family-sustaining wages, health care, training opportunities, and general dignity for the residential construction workers without whom the housing would not be possible. As Mr. McKeon just mentioned, NCCU is concerned about the multiple opportunities throughout the development process for vertically integrated players to set their own prices and extract significant profits from tax credits and broader affordable housing funding systems. In NCCU's analysis of CTCAC application data from the past 5 years, they noted that vertically integrated players estimated higher developer costs and profits than non-integrated players per unit and also as a proportion of overall project costs.

Mr. Carroll said Osgood Apartments South in Fremont is a textbook example of issues that may be faced when there are no cost containment measures or scrutiny as part of the process. PWB, the general contractor on that project, listed their builder's profit in the sources and uses budget table as $3 million. The project received a $3.8 million state tax credit award. That is $3 million out of $3.8 million going straight to the builder's profit line item. On that same project, the developer, PWC, listed their overhead and profit estimate as $7.8 million. That means that on one project, the combined overhead and profit for the developer and contractor, exclusive of contingency amounts of cost increases during the construction process, was close to $11 million out of $65 million for the project, or 15%. With these concerns in mind, NCCU asks that the Committee engage with them on regulation changes in the coming year. First, they would like a basis reduction for projects using out of state modular construction, specifically for projects that receive the basis boost that is given to prevailing wage projects and then turn around and use out of state modular construction. Second, they would like a commitment to increase oversight of vertically integrated players and some inquiry into how they are deciding their prices. Third, they would like an extension of the CDLAC tiebreaker to include the community benefit afforded because of prevailing wages.

Caleb Roope said he would like to address some of the things that were said. He could not agree more that adequate cost containment should become a focus in the affordable housing space. For far too long, that has not been done. While Mr. Roope appreciates the current CDLAC tiebreaker, it gives much more deference to public benefit and rent savings than to cost containment. He would highly support that. If there were a basis reduction for modular construction, he would highly support that as well; the reason his company uses modular construction is not because they have a strong desire to use it but because it is much lower cost. Mr. Roope has no issues with the Committee bringing in all the oversight they want about anything.

Mr. Roope said he would like to address the issues brought up about a couple of subcontractors, Hanson Drywall and ProSet, which he had not heard about. Any worker who has any issue with any subcontractor will have Mr. Roope's attention, and they are invited to come to him, even after today's meeting, to talk about their issues. The WDL is a union-sponsored and union-managed organization, so it should not be confused with an independent body. It is an organization that goes around and investigates labor issues and often targets subcontractors that are not its members. Regarding the $11 million question, the deferred fees were not brought to the Committee's attention. While that $11 million is in the budget, that is not actually what the developer collects, vertically integrated or otherwise. Mr. Roope always hopes the Committee will get the full story and full information, and if they ever have questions or want to dig into anything specific, his organization has been doing this for 26 years and is always ready to discuss any issue at any time. After developing approximately 20,000 units, about 17,000 of which are in California, they are happy to be part of the solution for any problems that come up.

7. *Agenda Item:* **Adjournment**

The meeting was adjourned at 2:18 p.m.