North Los Angeles County Regional Center

Housing Committee Meeting Minutes

November 17, 2014

Present: Yolanda Bosch, Richard Dier, Jonathan Istrin, Duane Joslin, Elizabeth Lyons, Debra Newman, Kim Rolfes, George Stevens, and Tavia Wooley – Committee Members
Lou Paparozzi – Board Member
Dana Andrews, Linda Dier, and William Pavao - Guests
Erica Beall and Ryan Kodama – Staff Members

Absent: All present

I. Call to Order & Introductions

Tavia Wooley, chair, called the meeting to order at 12:05 p.m. Introductions were made.

II. Consent Items

A. Approval of Agenda

Item IV.E. was added to the agenda.

M/S/C (D. Newman/E. Lyons) To approve the agenda as modified.

B. Approval of August 11th Meeting Minutes

M/S/C (E. Lyons/Y. Bosch) To approve the minutes as presented.

III. Public Input – There was no public input

IV. Committee Business

A. California Tax Credit Allocation Committee (Bill Pavao, Executive Director)

Bill Pavao is the executive director of the California Tax Credit Allocation Committee ("TCAC") and he was present to provide an overview of his organization works and how tax credits are used to build low-income housing. He began his presentation by introducing himself and TCAC, which is headquartered in Sacramento and has a staff of 40. Thirty (30) employees are in the compliance unit and are tasked with ensuring housing built with TCAC credits are meeting their requirements: charging correct rents, properly maintaining buildings and ensuring residents are income-qualified. The other ten (10) employees are involved in the decision-making process to fund projects.

TCAC was created by the Tax Reform Act of 1986 as the Federal government removed itself from lending money. Instead of lending money, TCAC provides tax credits that investors can use to offset Federal tax liabilities. Bill mentioned that California state law created credits that can be used to offset California state tax liabilities for investors.

Elizabeth asked if they fund apartment projects and Bill confirmed that they did. TCAC funds both the construction of new properties and the rehabilitation of existing properties.

Bill explained that properties are generally funded through a combination of debt and equity financing and that the tax credits from TCAC help bring in the equity to the project. Investors borrow the rest using conventional debt (banks) and/or public debt (bonds).

Bill outlined the procedure of an approved project as (1) the developer comes to TCAC with a project; (2) TCAC provides the tax credits; (3) developer goes out to the marketplace to see which investors are interested in bidding on the tax credits. Investors may bid more than face value as the project may garner additional tax credits for investors, such as depreciation and accumulated interest. Bill noted that credits are applied over a 10-year span (for example, a credit award of $3.25 million would provide $325,000 tax credits per year for 10 years).

TCAC has two levels of funding based on the type of financing a developer brings to the project: 4% and 9% credits. 4% tax credits are given to projects that utilize tax-exempt bond financing. This type of financing provides lenders a tax exemption on interest earned which leads to lower interest on loans and thus a lower tax credit from TCAC. 9% credits are reserved for projects in which lenders do not receive tax exemptions. Both levels of credits are a percentage of "eligible basis," which Bill described as any cost directly attributable to building a depreciable asset and generally excludes the cost of land, some interest payments and reserves.

4% credits are usually for larger projects with an average of 80-85 units per property and are based on 30% of present value ("PV") as outlined in Federal tax law. Bill noted that this amount floats each month, so it is different month-to-month. There is no limit to the number of projects TCAC can provide the 4% credits to and Bill said they average 100 per year or 8 to 9 projects per month.

There is also no deadline to submit applications as credits are awarded throughout the year.

9% credits are generally for projects that average 60 units per property and are based on 70% of PV. Bill pointed out that unlike the 4% credit awards, the 9% tax credits are limited with only 85 projects out of 190 applications awarded in 2013. Also, there are only two rounds during which applications are accepted, the dates of which are set at the beginning of the year. Bill revealed that projects awarded the 9% tax credits usually have lower rents because they have no debt financing, instead using public funding that has no repayment requirements.

Bill also went over statewide set-asides, which are part of the 9% tax credit program. These set-asides account for 42% of the credits awarded and go toward funding housing for (1) nonprofit, homeless assistance, (2) rural projects, including Native American housing, (3) at risk population, (4) special needs and single-room occupancy projects and (5) supplemental or reserve funding.

The other 58% of credits awarded are apportioned geographically in California with City of Los Angeles and Los Angeles County being counted separately and accounting for 34.8% of the apportionment. Jonathan asked if a project could combine both LA city and LA county apportionments and Bill said it was possible, especially if it was a multi-location project. Most projects, however, would fall into either the city of LA or outside of the city but within the county.

Bill discussed how the 9% tax credit applications were awarded, including scoring factors and tiebreakers. Of particular interest to the group was the special needs tiebreaker, which was weighted at 15% as opposed to the large family tiebreaker at 65%. Bill shared that there was a proposal to bump special needs to 25%, but further action was being delayed due to a change in state treasurer. Jonathan asked how NLACRC could advocate for the increase, including letters to the treasurer. There was also a discussion on integration of different housing types with Lou mentioning Medicaid was pushing for integrated special housing. Duane mentioned HUD housing that included the elderly, disabled and Section 8. Bill said TCAC was concerned that it would dilute the impact they were seeking to address in meeting the housing for various groups.

Once projects are completed, TCAC conducts compliance monitoring with over 3,000 properties currently in the portfolio. Bill pointed out that the IRS has a 15-year Federal compliance period with each award and there are also 55-year regulatory agreements that extend beyond the IRS mandated period. Bill said there were concerns with some partnership agreements in which investors wanted projects to buy them out of their interest, so TCAC was looking into those.

TCAC produces annual reports that include vacancies, rents, ownership and loan status with reviews of each project every three years. Site visits are conducted every three years with the first visit by the second year of operation. Elizabeth asked if they inspect projects while the housing is being built and Bill said they do not.

The presentation ended with Bill taking several questions. Richard asked if they have housing for disabled individuals without physical impairments and Bill said they did. Erica questioned how to get more visibility for our consumer population and Kim followed up by asking how to find developers doing projects using the tax credits. Bill mentioned a couple of resources, including SCANPH and said he would send Kim information. Tavia noted NLACRC needs to be at the table when developers are considering projects.

The Committee thanked Bill for his time and his presentation after which he left the room.

Action: Kim to follow up with Bill Pavao to request information on projects currently being developed in NLACRC's catchment area.

B. Approved Committee Goals/Priorities for FY 2014-15

The committee's proposed goals/priorities for this fiscal year were approved by the Board of Trustees. Copies of the goals/priorities were provided for the committee's information.

1. Status of Developing a 1-page informational sheet (with a disclaimer) for distribution that would explain ways that family members could hold their homes in trust for their consumers.

   Kim reported that she was not able to obtain a one-page informational sheet from Tom Beltran. Kim reported that placing a home into a trust is very complex and individualized. As such, it was recommended that if family members have an interest in placing their home into a trust that we recommend that they seek legal counsel for advice and guidance.

C. Update on Community Placement Plan (CPP) Activities

Erica informed the Committee that all projects have been completed, including Babcock property. There are no new housing projects, just ongoing CPP facilities. Erica asked if the Committee wanted to continue receiving CPP updates and it was decided that until new projects are developed this topic would be removed from the agenda.

D. Update on Housing Legislation

Yolanda noted there are currently no new bills regarding housing. Yolanda will follow up with DDS who is working with health care services. Yolanda reported that there are 3 to 4 organizations at the state level who are looking at housing. There were meetings in the Bay Area to look at housing but nothing in the Los Angeles area. Yolanda will follow up with other regional centers and DDS to determine if there are any regional centers who are currently working with developers.

Action: Yolanda to follow up with other regional centers and DDS to determine if there are any regional centers who are currently working with developers.

Yolanda reported that on September 16, 2014, Kim and Yolanda had a conference call with Frances Jacobs, Doris Weiss, and Jessica Barba of the ELARC who developed a 56 unit apartment building called "Teague Terrace Apartments" in partnership with other funding entities. Eighteen (18) of the 56 apartment units were set aside for eligible individuals with developmental disabilities who are served by the ELARC. Financing for the Teague Terrace Apartment project was made in part by ELARC, City, County, State public funding, and private lending by lenders and investors. ELARC engaged a consultant who was responsible for coordinating all of the entities that were funding the project. Kim asked if the Committee would be interested in having representatives from ELARC present at the next meeting and it was agreed that it would be a good idea to invite them to the next Housing Committee meeting.

Action: Kim to invite representatives from ELARC to present information on the Teague Terrace Apartment project that ELARC developed.

E. Trend Reporting

Richard asked if NLACRC could produce a report on where the consumer population was living and if there were any trends or trajectories. He was interested in what could be offered to a consumer population with aging parents/caregivers. George said these were conversations each family had to have individually and that NLACRC would support their choices through planning and resource development. Dana mentioned that group homes offered the best solution and the housing outlook was bleak with most requiring incomes to be three times the amount of the rent. Tavia shared that her family had discussions and came up with a plan for their family and that it also included IPP discussions.

Richard also inquired about trends with auxiliary dwelling units and expressed concerns about zoning issues. There was a discussion to identify what issues can be addressed. Tavia noted that a lot work was left to be done and asked members to bring ideas to the next meeting on how NLACRC can be at the table when it comes to decision-making.

VI. Board Meeting Agenda Items

The following item was identified for the committee's section of the January 14th board meeting agenda:

A. Minutes of November 17th Meeting

VII. Announcements / Information

A. Next Quarterly Meeting: Monday, February 9th, at 12:00 p.m.

VIII. Adjournment

Tavia adjourned the meeting at 1:55 p.m.

Submitted by:

Ryan Kodama

Ryan Kodama
Executive Assistant

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