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DATE: February 10, 2011
TO: 2010 Nine Percent (9%) Credit Recipients
FROM: William J. Pavão, Executive Director
SUBJECT: Project Funding Update for 2010 9% Credit Recipients

On October 13, 2010 the California Tax Credit Committee (TCAC) released an advisory memorandum that discussed development budget and financing changes to 2010 9% credit projects (see <http://www.treasurer.ca.gov/ctcac/2010/exchange.pdf>). The memorandum was authored in the context of many projects receiving greater equity contributions than envisioned in the original tax credit application.

That memorandum stated that “public fund contributions may not be decreased for any reason.” That prohibition was due to public funding’s critical importance in the final tiebreaker calculation, and TCAC’s interest in recovering surplus credits if projects were over-sourced. However, that same paragraph went on to state that changes to a project’s financing structure must occur in a manner that maintains the original final tiebreaker score.

In response to projects being over-sourced due to improved equity contributions, TCAC has received requests to proportionately reduce both excess credit and excess public funding in a manner that maintains the original tiebreaker score. Alternatively, some 2010 credit recipients have reduced their permanent private financing and reduced rents.

With this memorandum, TCAC is amending the October 13, 2010 statement prohibiting any reduction in local public funding in 2010 competitive tax credit projects. So long as a project maintains its original tiebreaker score, it may reduce its public funding. TCAC has received proposals to combine a credit reduction and public funds reduction to offset an increase in available equity. TCAC’s prefers to recover and re-award any excess credits as soon as possible. However, if final project costs remain uncertain, TCAC and the sponsor may agree to reducing credits during Final Reservation or at Placed In Service.

If you have any questions regarding this matter, please contact your regional representative.