

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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William J. Pavão
Executive Director

MEMBERS:
Bill Lockyer, Chair
State Treasurer

Ana J. Matosantos, Director
Department of Finance

John Chiang
State Controller

RE: Asset Management Monitoring Fee for ARRA Projects (Cash in Lieu Assistance)

Dear ARRA Recipient:

The California Tax Credit Allocation Committee (TCAC) is responsible for performing asset management functions for projects awarded American Recovery and Reinvestment Act (ARRA) funds to ensure the long term viability of the ARRA portfolio.

The Department of Housing and Urban Development (HUD) issued formal guidance on September 18, 2009, identifying asset management activities and granting state housing credit agencies the right to charge fees to TCAP owners for asset management activities. The US Treasury issued similar guidance per Section 1602 (c) (3) that applies to projects that were awarded Section 1602 funds. The guidance allows states to establish differing fee levels for asset management services as long as the fee structure is transparent and applied equitably to all ARRA projects. TCAC has determined the asset management fee will be an up-front fee due January of each year that can be paid in one of three ways.

TCAC's project regulatory agreement for the subject property references an asset management fee in section (21), as authorized by regulation, Section 10323(f).

The following summarizes the fee structure for TCAC asset management during the initial 15-year asset management period:

Asset Management Fee Structure:

1. For projects that received Cash in Lieu Assistance:
 - Annual Asset Management fee of **\$7,500 per year (up to 75 units) and \$40 per unit per year** for each additional unit in tax credit project with a maximum cap of \$15,000 per year.
2. For small development projects with 30 units or less, that received Cash in Lieu Assistance:
 - Annual Asset Management fee of **\$5,000 per year (up to 30 units)**

TCAC understands some developers may be interested in pre-funding the asset management fees (capital account) as part of the tax credit transaction and has developed the following alternative payment options available to all ARRA project sponsors:

Choice #1: Regular Annual Payment

Example: For a 100 unit development, the owner would compute the fee as follows: \$7,500 (base fee) plus \$40/ unit x 25 units is \$1,000 which totals \$8,500 annually for 15 years.

Choice #2: One-time Advanced Payment

Example: For same 100 unit development, the owner would remit a one-time advanced fee of \$127,500 payable to TCAC.

Choice #3: Split Payment

Example: For the same 100 unit development, the owner would remit one-half \$63,750 (50%) as an advanced asset management fee with the remaining balance \$63,750(50%) due and payable in 14 equal payments of \$4,553.58 annually (year 2 thru 15).

Please make your payment option election on the enclosed Attachment A form and return to TCAC by . Please note the election option you make is a **one-time irrevocable election** for payment of your project's asset management fee. This election will cover the term of the 15-year asset management period for which your project will be subject to asset management services by TCAC.

If you have any questions regarding this letter, the fees or asset management services, please contact Ammer Singh, Compliance Program Manager at (916) 654-6340.

Sincerely,

Rose Guerrero, Chief
Compliance Section

Attachment A (enclosed)