CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
2020 Annual Report

Affordable Housing for California

April 2021

Fiona Ma, CPA
Treasurer
State of California

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

2020 Annual Report

Report on the Allocation of Federal and State Low-income Housing Tax Credits in California

Section 50199.15 (a) of the California Health and Safety Code requires the Committee to submit an annual report of the prior year's activities to the Legislature. The statute specifically requires the Committee to report the following information:

- the total amount of low-income housing credits allocated;
- the total number of low-income units that are, or will be, assisted by the credits;
- the amount of credits allocated to each project, other financing available to the project, and the number of units that are, or will be, assisted by the credits; and
- sufficient information to identify the projects.

The report must also describe the status of units reserved for low-income occupancy from projects receiving allocations in previous years. Page 48 of this report contains a link to additional data for 2020 and earlier program years.

This entire report can also be viewed at:

http://www.treasurer.ca.gov/ctcac/2020/annualreport.asp

**cover photos of current portfolio projects, top to bottom: Avila Avenue Apartments II, Twenty Three Nevin, PATH Villas Eucalyptus*

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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Betty Yee, State Controller

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California Housing Finance Agency

Gustavo Velasquez, Director
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Julio Villanueva
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Jerry Yang
Pa Kou Yang

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Executive Summary
2020 Program Year

While the world is coping with the complexities of the health and economic effects of COVID-19, one thing has remained a critical need for the State of California – more affordable housing. The need has seemingly further increased due to changes in home office and teleworking conditions, allowing people to expand the regions they call home. The California Tax Credit Allocation Committee ("TCAC" or "the Committee") had an increase in tax credit applications across all programs during 2020 since demand for housing is high and the inventory of housing units across the board remains low.

TCAC has assisted more than 478,000 affordable units with tax credit awards since the program's inception in 1987.

In 2020, TCAC awarded $210.2 million in nine percent (9%) annual federal Low-income Housing Tax Credits (LIHTCs) to 103 proposed housing projects. As in previous years, the 9% LIHTCs remained competitive and oversubscribed with 204 applications received in 2020. The 103 projects awarded will induce $2 billion in private equity investment into the projects, allowing recipients to develop a total of 6,884 affordable rental housing units. The majority of the affordable units, 6,121 (89%), will be new construction.

The Committee's non-competitive four percent (4%) program awarded $301.7 million in annual federal tax credit to 181 proposed housing projects. Recipients will develop 16,908 affordable rental housing units, funded with approximately $3.2 billion in tax credit equity investments. The 4% program historically has produced a more equitable balance of new construction and rehabilitated housing compared to 9% awards. In 2020, as a result of an additional $500 million in state tax credits, the number of new construction awards increased significantly from previous years. This year, 75% of the awards were made for the development of 12,858 new construction affordable housing units.

Our goal is to allocate tax credits to provide the much needed housing and stability to make a difference in the lives of Californians in all corners of this state. Included with the 9% and 4% federal tax credit awards listed above, the Committee provided 91 of these projects with state tax credit awards totaling $581.2 million. State credits are instrumental in providing additional equity to projects when federal tax credits fall short of a project's needed financing, and state tax credit awards permit federal credits to be stretched across more projects, resulting in more housing built.

In response to the ongoing COVID-19 pandemic, the Internal Revenue Service (IRS) released Notice 2020-53, putting a temporary moratorium on the inspection of projects for the period of April 1, 2020 through December 31, 2020. Prior to the inspection moratorium, Committee staff conducted file and unit audits at 57 tax credit projects, which include reviewing files and physically inspecting the units and common areas. Adhering to the IRS inspection moratorium, TCAC staff conducted remote desk audits for 880 projects to review the project files in lieu of a physical review of the files at the project location to ensure project compliance and prevent projects from a significant gap between monitoring reviews. Internal Revenue Code Section 42 and state statutes require state allocating agencies to monitor occupancy compliance at least once every three years throughout the initial 15-year credit period. For the remaining 40-year term of the regulatory agreement, TCAC staff monitors on a five-year cycle. When TCAC monitors a project, it inspects and reviews at least 20% of the files and residential units.

Monitoring visits allow the staff to identify and decrease acts of non-compliance, including over-charging rents, inadequate documentation of resident files to establish income eligibility, or violation of uniform physical conditions standards. Of the 57 projects physically inspected in early 2020, 54 or 94.7% had some incident of file non-compliance and of the 880 projects that a desk audit was completed, 763 or 86.7% had some incident of file non-compliance. A large majority of the non-compliance issues were promptly corrected. During the 15-year federal compliance period, the IRS may recapture federal tax credits from owners for findings of non-compliance. Thereafter, and for violations of state requirements that exceed federal standards, TCAC may issue negative points to owners, levy fines, or pursue legal action.

Our team weathered the challenges of the pandemic, the catastrophic wildfires, and oversubscription in the program in 2020. TCAC will continue doing the work of monitoring completed projects while looking toward a future with new project awards to ensure the housing needs of Californians are supported through these vital tax credits.

9%

LOW-INCOME HOUSING TAX CREDITS

I. 2020 Accomplishments & Results - 9% Tax Credits

Overview

In 2020, the per capita annual federal tax credit ceiling was $111,128,127. The Further Consolidated Appropriations Act, 2020 provided an additional $98,620,247 in annual federal tax credit for disaster relief to assist those counties devastated by wildfires that occurred in 2017 and 2018. As a result, the total federal credit available was $209,748,374. During 2020, $2,566,609 in net annual federal tax credit[1] was returned to the Committee, and $471,731 in annual federal credit was awarded by the IRS to California from the "National Pool."[2] TCAC pre-committed $467,147 in 2019 from the 2020 credit ceiling, and this brought the annual federal credit ceiling available to California in 2020 to $212,319,567. California allocated $210,190,924 in annual federal credit. This annual total includes $889,580 forward-committed from the 2021 credit ceiling. While low-income housing tax credits are referred to in annual terms, each award earns investors 10 years of annual federal tax credits. The real value of the $210,190,924 in annual federal credits allocated in 2020 was $2,101,909,240.

Mission Cove Seniors (CA-16-068)

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[1] Net of federal credit exchanges, typically for high-rise buildings.

[2] National pool credits are unused tax credits from other states that are divided among states that have allocated all their credit in the preceding year.

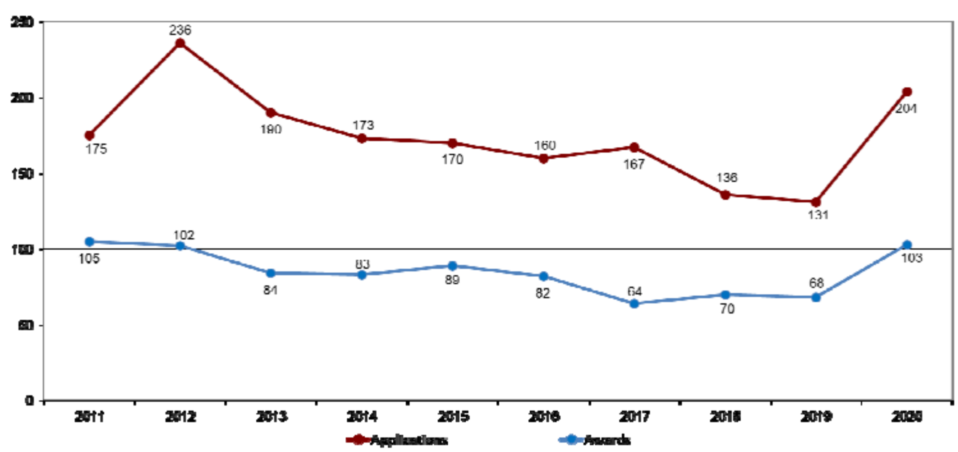
2020 Demand for 9% Tax Credits

Applicants submitted a total of 204 applications for competitive 9% tax credits in 2020 with 103 projects, or 51%, receiving a tax credit allocation. Over the previous five years, demand has ranged from 131 to 170 applications. The increase in demand during 2020 resulted from the availability of $98.6 million federal disaster credits in addition to the annual federal credit ceiling. These disaster credits were made available to applicants in the second half of the year. The applicant success rate in 2020 was similar in comparison to the previous year. Over the past five years, application success rates have ranged from 38% (in 2017) to 52% (in 2019).

Applications

In 2020, 204 applicants requested $430 million in annual 9% federal tax credit, exceeding the $209 million available.[3] Thirty-one of the 204 applicants also requested $135.8 million in total state tax credit. Chart 1 below provides additional historical data on federal credit ceiling applicants.

Chart 1
9% Application Submissions 2011 – 2020



State Funding from Housing Programs

Project applying for 9% projects include a wide range of funding sources ranging from loans from private lenders to soft loans or grants from local government agencies. With the growing need for housing in California, other state housing programs provide funding commitments to

[3] This amount includes second round reapplications.

projects applying for 9% tax credits. Of the 204 projects that applied for 9% tax credits in 2020, 55 received funding from other state housing programs. The state housing programs primarily include the programs through the State Department of Housing and Community Development (HCD) and the California Housing Finance Agency (CalHFA). 32 of the 55 projects that received funding from state funding programs were awarded 9% tax credits.

Housing Types

State regulations require all 9% tax credit applicants to compete as one of five housing types. These include: Large Family (3-bedroom or larger units accounting for at least 25% of total project units); Senior; Special Needs (e.g. persons with developmental, physical, or mental health disabilities, physical abuse survivors, homeless persons, or persons with chronic illness); existing projects "At-Risk" of losing affordability; and Single Room Occupancy (SRO) (90% of all units shall be efficiency or studio units). Table 1 below outlines the distribution of low-income units and tax credits among housing types for 9% federal and state tax credits awarded in 2020. The listed "goal" refers to the distribution of federal tax credits, not units.

Table 1
2020 9% Housing Type Units and Credits

Housing Type	Projects Awarded Credit	Low-Income Units	Total Federal Credits Awarded	Total State Credits Awarded	Percentage of Total Credit	2020 Goals
Large Family	48	3,433	$1,107,653,000	$29,702,340	52.04%	65%
Special Needs	32	1,837	$578,851,760	$30,007,747	27.85%	25%
Senior	17	1,283	$349,846,890	$18,792,554	16.86%	15%
At-Risk	6	331	$65,557,590	$5,567,743	3.25%	15%
SRO	0	0	$0	$0	0.00%	15%

Tax Credit Set-Asides

Consistent with federal and state law, TCAC sets aside ten percent (10%) of the available 9% tax credits for nonprofit entities. State law also provides that 20% of federal credits be set aside for allocation to rural projects. TCAC regulations provide for a 4% set-aside for special needs developments and a 5% set-aside for affordable housing at risk of converting to market rate developments. While Table 2 on the following page outlines the 2020 allocation of 9% federal tax credit among the various set-asides and the geographic apportionment, projects initially applying under certain set-asides may have been awarded under a different set-aside or apportionment. This is due to the nature of the 9% competitive system, which allows nonprofit, special needs, and at-risk set-aside applicants to compete in the geographic apportionment if unsuccessful in their set-aside.[4] Table 2 provides information on the federal and state allocations for each set-aside. Percentages reflect the non-disaster credit allocations, since the set-asides and geographic apportionment did not include these additional credit amounts.

Table 2
2020 9% Allocations by Set-Aside

Set-Aside		Projects	Low-Income Units	Total Federal Allocation	% of Total	Total State Allocation	% of Total
Nonprofit	Homeless Assistance	6	494	$127,547,460	11.38%	$31,162,220	35.72%
	Nonprofit	0	0	$0		$0	
Rural	RHS/Tribal/HOME	6	213	$80,321,400	19.95%	$8,471,690	11.74%
	Rural	14	561	$143,333,810		$1,770,797	
At-Risk		4	237	$54,485,040	4.86%	$3,796,946	4.35%
Special Needs		4	203	$52,134,120	4.65%	$1,990,804	2.28%
Geographic Apportionment		35	2,224	$663,067,170	59.16%	$40,041,201	45.90%
SUBTOTAL		**69**	**3,932**	**$1,120,889,000**	**100.00%**	**$87,233,658**	**100.00%**
Disaster Credit Awards		34	2,952	$981,020,240		$0	
TOTAL		**103**	**6,884**	**$2,101,909,240**		**$87,233,658**	

Qualifying nonprofit awards were not limited to those funded within the Nonprofit Set-Aside. Project applications submitted to the Nonprofit Set-Aside may have been awarded in the above Geographic Apportionment if unsuccessful in the Set-Aside. Of the $112.1 million in annual federal credit ceiling awarded, 37% was awarded to Nonprofit Set-Aside applicants.

[4] Please refer to TCAC Regulation Sections 10315 and 10325(d) for further information.

Geographic Apportionments and Credit Distribution

Table 3 on the following page shows the portion of federal and state tax credit distribution awarded in the geographic apportionments. This table includes only those projects receiving funding from the geographic apportionments, and does not include projects funded in these geographic regions under the set-asides. For set-asides, please refer to page 7. The Target Apportionment of Table 3 does not account for prior years' results and their effect on available tax credit in 2020. That is, those areas receiving more credits than they were apportioned in 2019 had their 2018 apportionments discounted by the overage amount. In addition, regions awarded less credit than was available for their region in 2020 will have a greater amount of credit available in 2021. The Allocation Percentages shown on Page 10, however, do reflect these additions or subtractions.

Table 3
2020 Federal and State Apportionments and Allocations

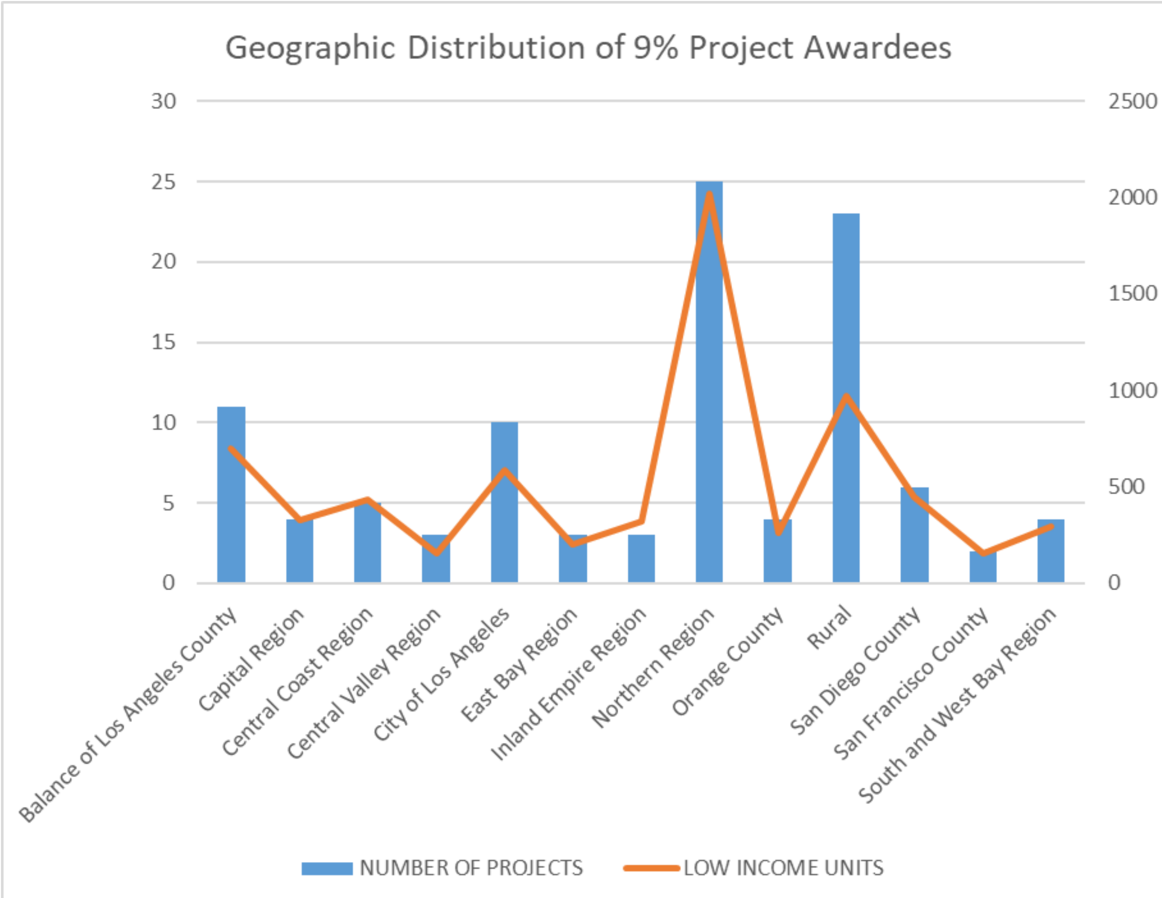
Geographic Area	Target Apportionment	Allocation Percentage	Allocation Amount
City of Los Angeles	17.6%	18.66%	$131,231,826
Balance of Los Angeles County	17.2%	15.50%	$108,990,170
Central Valley Region	8.6%	6.99%	$49,147,347
San Diego County	8.6%	8.44%	$59,318,760
Inland Empire Region	8.3%	8.83%	$62,065,481
East Bay Region	7.4%	5.95%	$41,868,130
Orange County	7.3%	6.84%	$48,101,880
South and West Bay Region	6.0%	8.16%	$57,387,924
Capital Region	5.7%	2.11%	$14,827,890
Central Coast Region	5.2%	8.21%	$57,757,643
Northern Region	4.4%	2.61%	$18,357,350
San Francisco County	3.7%	7.69%	$54,053,970
TOTAL	**100.0%**	**100.0%**	**$703,108,371**

Table 4 below shows 9% federal and state tax credit distribution for 2020 by TCAC geographic region and includes projects funded with set-aside allocations and disaster credits.

Table 4
2020 Total Federal and State Allocations by Geographic Area
Including Disaster Credit Allocations

Geographic Area	Number of Projects	Total Low-Income Units	Total Federal Allocation	% of Total	Total State Allocation	% of Total
City of Los Angeles	10	584	$176,898,500	8.42%	$25,270,584	28.97%
Balance of Los Angeles County	11	701	$218,980,690	10.42%	$0	0.00%
Central Valley Region	3	158	$49,129,350	2.34%	$17,997	0.02%
San Diego County	6	449	$92,262,840	4.39%	$0	0.00%
Inland Empire Region	3	320	$55,006,490	2.62%	$7,058,991	8.09%
East Bay Region	3	205	$66,868,130	3.18%	$11,658,432	13.36%
Orange County	4	260	$74,948,470	3.57%	$0	0.00%
South and West Bay Region	4	298	$92,544,070	4.40%	$10,901,858	12.50%
Capital Region	4	327	$81,407,890	3.87%	$10,163,816	11.65%
Central Coast Region	5	436	$133,414,740	6.35%	$865,523	0.99%
Northern Region	25	2,019	$714,721,910	34.00%	$0	0.00%
San Francisco County	2	155	$43,000,000	2.05%	$11,053,970	12.67%
Rural	23	972	$302,726,160	14.40%	$10,242,487	11.74%
TOTAL	**103**	**6,884**	**$2,101,909,240**	**100.00%**	**$87,233,658**	**100.00%**

Since disaster credits were not available in previous years, the geographic distribution of the 9% projects funded in 2020 saw a large number of projects awarded in the Northern Region and Rural areas where the most number of homes were lost in 2017 and 2018 due to the wildfires. The county allocation of disaster credits, partly determined by the number of lost homes, provided more credit to Butte and Sonoma counties, both in the Northern Region as well as some Rural areas. The following graph shows the geographic distribution of all 9% awards based on number of projects and low-income units.



Unit Distribution by Income Levels and Type

In 2020, the 103 projects awarded 9% credits produced 6,884 low-income units. Of the 6,884 low-income units, 1,974 units were targeted to extremely low income households at income levels at or below 30% Area Median Income (AMI), 3,192 units were targeted to very low income households at income levels between 30% and 50% AMI, and 1,745 units were targeted to low income households at income levels between 50% and 80% AMI. Moderate income units exceed 80% AMI and are considered not tax credit units. The 103 projects awarded 9% credits created 7,129 total housing units consisting of 1,115 SRO/Studio units, 2,661 one-bedroom units, 2,001 two-bedroom units, 1,235 three-bedroom units, and 117 four-bedroom units.

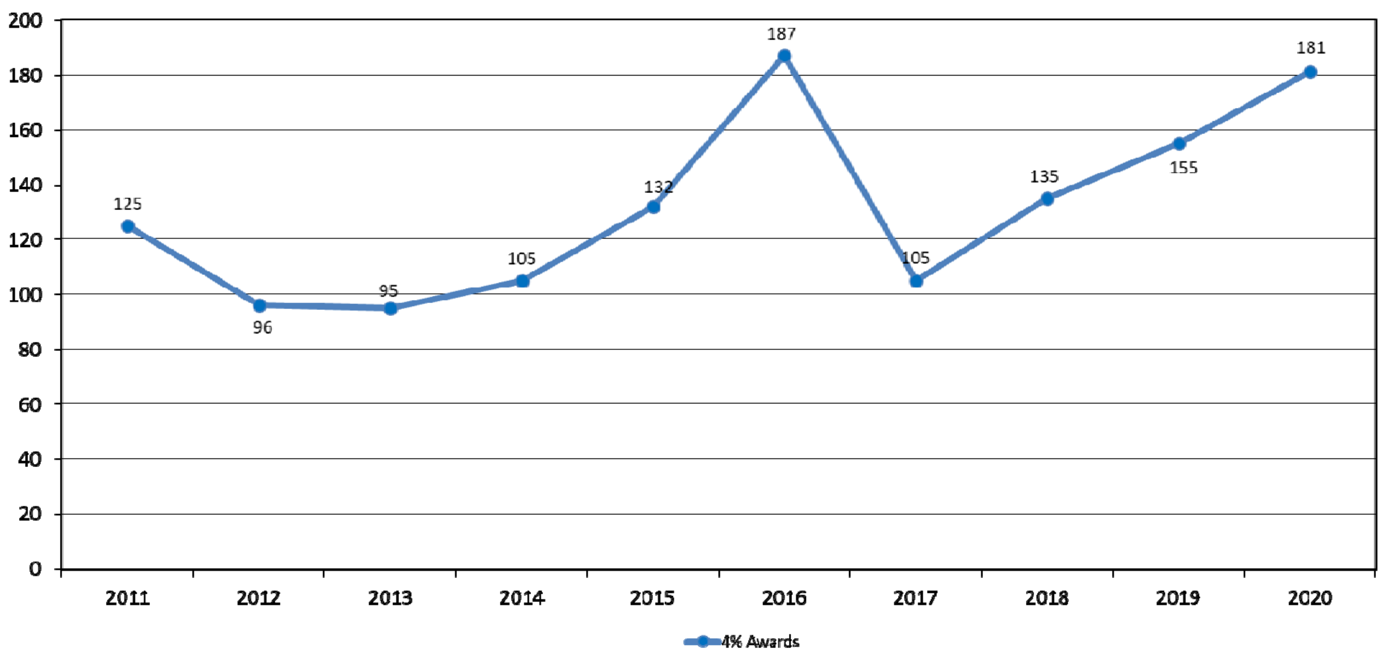
4%
LOW-INCOME
HOUSING TAX CREDITS

II. Accomplishments & Results – 4% Tax Credits

In 2020, the Committee received 310 applications for projects financed with tax-exempt bond proceeds and reserved 4% federal tax credits for 181 projects. The number of 4% applications and awards has varied in recent years with the national economic environment (see Chart 2 below), with recent upward trends beginning in 2014. In 2016, 4% credit had a record high of 187 projects awarded for 29,804 affordable rental housing units, utilizing $229.6 million in 4% federal tax credits. In 2018 and 2019, 4% credit applications and awards increased after a decline in 2017 (see Chart 2 below).

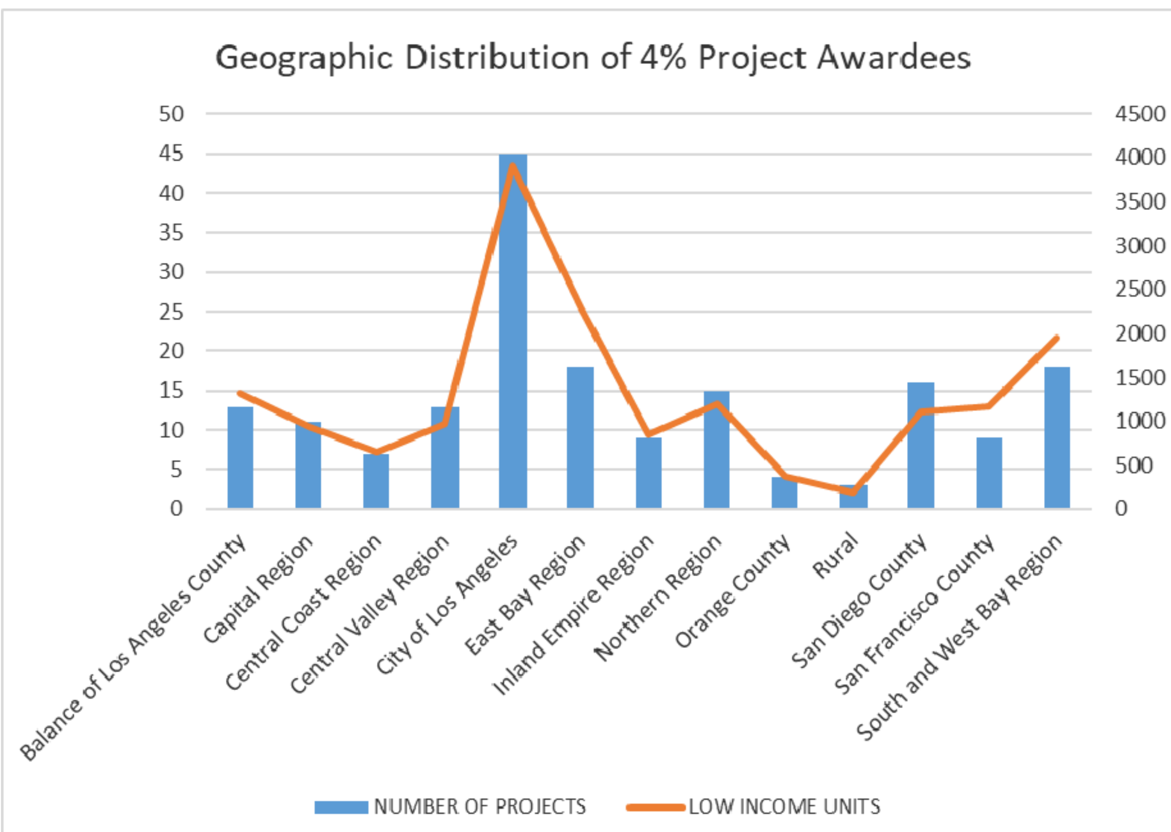
On July 31, 2019 Assembly Bill 101 (AB 101) was signed into law. AB 101 provided $500 million additional state low-income housing tax credits to be combined with 4% federal tax credit to construct new construction multifamily housing projects. This year 310 4% credit applications were submitted, and out of those, 181 received a reservation of tax credits. Of the 181 projects, 75 also received allocations of state credit totaling $494,037,277.

Chart 2
4% Awards 2011 – 2020



The following table and graph show the geographic distribution of all 4% awards based on number of projects and low-income units.

Geographic Area	Number of Projects	Number of Low-Income Units
Balance of Los Angeles County	13	1,316
Capital Region	11	935
Central Coast Region	7	645
Central Valley Region	13	969
City of Los Angeles	45	3,911
East Bay Region	18	2,297
Inland Empire Region	9	846
Northern Region	15	1,200
Orange County	4	366
Rural	3	190
San Diego County	16	1,111
San Francisco County	9	1,163
South and West Bay Region	18	1,959
TOTAL	**181**	**16,908**



In 2020, the average annual federal credit awarded to a 4% project was $1,666,886. The average project size was 94 affordable units, a decrease from the previous year, which averaged 107 affordable per project. The average annual federal credit award per unit in 2020 was $17,186, or $171,860 in total federal credit per unit.

Unit Distribution by Income Levels and Type

In 2020, the 181 projects awarded 4% credits produced 16,908 low-income units. Of the 16,908 low-income units, 3,541 units were targeted to extremely low income households at income levels at or below 30% Area Median Income (AMI), 6,793 units were targeted to very low income households at income levels between 30% and 50% AMI, and 6,574 units were targeted to low income households at income levels between 50% and 80% AMI. Moderate income units exceed 80% AMI and are considered not tax credit units. In 2020, the 181 projects awarded 4% credits created 17,555 total housing units consisting of 3,522 SRO/Studio units, 6,459 one-bedroom units, 4,657 two-bedroom units, 2,667 three-bedroom units, and 250 four-bedroom units.

State Funding from Housing Programs

Project financing for 4% projects including a wide range of other funding sources ranging from loans from private lenders to soft loans from local government agencies. With the growing need for housing in California, other state housing programs provide funding commitments to projects applying for 4% tax credits. Of the 310 projects that applied for 4% tax credits in 2020, 162 received funding from other state housing programs. As previously stated, the state housing programs primarily include the programs through the State Department of Housing and Community Development (HCD) and the California Housing Finance Agency (CalHFA). 108 of the 162 projects that received funding from state funding programs were awarded 4% tax credits.

STATE
LOW-INCOME
HOUSING TAX CREDITS

III. Accomplishments & Results - State Tax Credits

Recognizing the high cost of developing housing in California, the state legislature created a state low-income housing tax credit program to augment the federal tax credit program. Authorized by Chapter 1138, Statutes of 1987, the state credit is only available to a project which has previously received, or is concurrently receiving, an allocation of federal credits.[5] Thus the state program does not stand alone, but instead, supplements the federal tax credit program. State tax credits are particularly important to projects outside federally-designated high cost areas or qualified census tracts. For these projects, state tax credits generate additional equity funds which fill a financing gap remaining after federal tax credits have been allocated. Since the 9% geographic regional apportionments are calculated based on the available federal and state tax credits, state credits increase the geographic apportionments to all regions. Tax-exempt bond financed projects (4% projects) are allocated 15% of the state credit ceiling. On July 31, 2019 Assembly Bill 101 (AB 101) was signed into law. AB 101 provided $500 million additional state low-income housing tax credits to be combined with 4% federal tax credit to construct new construction multifamily housing projects.

In 2020, the total original state credit ceiling available was $101,753,553. The 2020 state credit ceiling was $102,730,896 (excluding the additional $500,000,000 provided by AB 101), however, $977,343 from the 2020 state credit ceiling had been forward-committed to fund projects awarded in 2019. In addition, $3,689,063 in farmworker state credit was available for agricultural worker housing. In total, $605,442,616 state credit was available.

As a result of the additional $500 million in state tax credits available, applicants requested $947 million in state credits in 2020, significantly higher than the $216 million requested in 2019. Fifteen percent of 9% applicants requested state credit in 2020, a decrease from 2019 when 38% of 9% credit applicants requested state credit. The percentage decrease was due to the fact that disaster credit applications were not permitted to request state tax credits. Four percent applications for state credit increased significantly in 2020 as a result of the additional $500 million available. In 2019, there were 4 applications for 4% federal credit with state credit, and in 2020 TCAC received 125 applications.

In 2019, the Committee awarded $100,753,589 million in state tax credits to 25 projects: approximately $87.3 million to twenty-two 9% projects and $13.5 million to three 4% projects. (Approximately $1 million was forward committed from the 2020 state credit ceiling to fund these 25 projects.) In 2020, the Committee awarded over five times that amount with $581,270,935 in total state credits to 91 projects. Approximately $87.2 million in state tax credits was awarded to sixteen 9% projects and $494 million to seventy-five 4% projects. These 2020 state credit awards will facilitate developing a total of 7,960 affordable housing units.

The average state credit award of $5.4 million for 9% projects increased in 2020, from an average award of $3.97 million in 2019. The average state credit award per 9% project has varied over the past five years, ranging from $2.7 million in 2016 to $5.4 million in 2020. From 2018-2020, state credit awards to 9% projects averaged $4.3 million per project. The average state credit award per tax-exempt bond financed project has varied over the past five years, ranging from $2.9 million in 2017 to $6.5 million in 2020. From 2018-2020, state credit awards to 4% projects averaged $4.9 million per project.

In previous years TCAC forward-committed significant portions of the state credit ceiling (see Table 8, page 47) in part as a result of applicants forgoing federal credit in exchange for more state credit, which allowed them to fair better when competing for a credit award. This practice and trend was discontinued in 2018 as a result of a program change.

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[5] Projects applying for the state farmworker housing tax credit may legally receive these state credits without a federal credit award, but it is very unlikely that an applicant would forego available 4% federal tax credits.

Table 5
9% Historical State Credit Ceiling Data

	2016	2017	2018	2019	2020
Total State Award	$73,548,126	$84,395,506	$63,863,106	$87,268,614	$87,233,658
Total Number of Projects	27	17	20	22	16
Total Units	1,465	1,192	1,205	1,454	1,305
Total Low-Income Units	1,421	1,174	1,184	1,426	1,152
Average Award	$2,724,005	$4,688,639	$3,361,216	$3,966,755	$5,452,104
Credit per Low-Income Unit	$51,758	$71,887	$53,938	$61,198	$75,724
Avg. Tax Credit Factor at App.	$0.68	$0.74	$0.74	$0.78	$0.76

State Tax Credits for Special Needs Housing

Changes to state law in 2013 enabled special needs housing projects to receive state credit awards with larger federal credit awards. The volume of competitive applications for 9% credits for special needs projects increased significantly beginning in 2014. In both 2012 and 2013, one 9% special needs project requested state credit; 17 special needs housing applicants requested state credit in 2014. In 2020, six 9% special needs housing applicants requested state credit and ten 4% special needs housing applicants requested state credit all of which were awarded a total of $74.6 million in state credit awards, or 13% of the total state credit awarded, which will develop 1,228 housing units.

State Tax Credits for 4% New Construction

In July 2019, Assembly Bill 101 (AB 101) provided $500 million additional state low-income housing tax credits for the 4% credit program in combination with tax-exempt bond financing. These additional state low income housing tax credits were designated for 4% credit new construction multifamily housing projects able to begin construction within 180 days from award. The bill also provided a higher rate of tax credit per project for this tranche of state tax credits (30% versus the 13% typically available to 4% credit projects). It also increased the rate to 95% for low-value projects needing substantial rehabilitation, applicable to the original state ceiling. Of the $500 million, TCAC set aside $200 million for projects receiving financing from the California Housing Finance Agency's Mixed-Income Program (MIP). AB 101 required that, for 2020, TCAC must allocate the state tax credits utilizing the minimum program requirements for 4% credit applications. In 2020, 110 applications were received for these state credits and 72 were awarded. Of the 72 awards, 54 projects from the $300 million set aside were awarded $295.2 million and 18 projects from the CalHFA MIP $200 million set aside were awarded approximately $189.4 million. The state tax credits from AB 101 resulted in the new construction of 6,545 low-income units.

Certificated State Credit

In 2016, the Legislature provided authority for TCAC to "certificate" state low-income housing tax credits for reservations made between 2017 and 2019, and in 2019 the Legislature made this permanent. "Certificated" state credits allow the state tax credit investor to take no ownership interest in the project partnership but rather buy the credits outright. Breaking the ownership link changes the federal tax treatment of the state credit, which increases the value of the state tax credits. Because traditional credits reduce an investor's federal deductions and therefore increase the investor's federal tax liability, traditional credits had historically been worth only $0.65 to the investor (based on the old 35% federal corporate tax rate) and now with tax law changes are worth $0.79 to the investor (based on the new 21% federal corporate tax rate). Certificated credits do not reduce an investor's federal deductions. As a result, certificated credits are worth closer to $1 to the investor. The net effect is that investors will pay more for certificated state credits and the state realizes more private investment into affordable housing for the same tax expenditure.

In 2017, 11 of 22 projects (50%) receiving state tax credits elected to certificate their credits. In 2018, 5 of 24 projects receiving state tax credit awards elected to certificate their credits. For 2018, TCAC originally expected a greater percentage of projects to certificate state credits, but this may have been affected by the federal tax cuts. The reduction in the federal corporate tax rate reduces the marginal price benefit of certificated credits over traditional credits. Nonetheless, certificated credits remain more valuable. In 2019, 9 of 25 projects receiving state tax credit awards elected to certificate their credits. In 2020, 44 of 91 projects receiving state tax credit awards elected to certificate their credits. The average certificated state credit price in 2020 was $0.82 per dollar of credit. The range was $0.80 to $0.91, with more than half of projects having a price of $0.80. The average traditional state credit price was $0.76. Ultimately, certificated credits raised an additional $18 million in equity in 2020.

Federal and State Credit Exchanges

Beginning in 2017, TCAC began exchanging state credit awarded for additional federal credit due to a trend of allocating significantly more state credit than available. This trend began in 2015 (see Table 8, page 47), but in 2018 the over-allocation of state credit decreased, likely influenced by a regulation change requiring projects requesting state credit to also request the maximum federal credit permitted. In 2018, four projects exchanged awarded state credit for federal credit, reducing the initial forward commitment from the 2018 state credit ceiling by $13.3 million. In 2019 and 2020, no state credit exchange was necessary.

Farmworker State Tax Credits

In 2009, the California legislature established an annual set-aside of state tax credits for farmworker housing developments, eliminating a separate, stand-alone farmworker tax credit program established in 1997. TCAC receives a $500,000 farmworker state tax credit allocation each year, available for projects dedicating 50% of their affordable units to agricultural workers and their families. Beginning in 2016, TCAC regulations permitted applicants to request farmworker state credits through a non-competitive "over the counter" process. Recently enacted legislation has made the farmworker housing credits more attractive. Projects will be allowed to receive both the 130% federal basis boost and state credits, and the state credit percentage was increased. Between 2015 and 2020, four projects received awards of farmworker state tax credit, and one project returned the award. As of December 31, 2020, the available farmworker state tax credit was $3,689,063.

2020

KEY EVENTS

IV. Key Events During 2020

More Tax Credit Assistance

After being signed into law on July 31, 2019, Assembly Bill 101 (AB 101) provided $500 million in additional state low-income housing tax credits for 2020 to be combined with 4% federal tax credit new construction multifamily housing projects that are able to begin construction within 180 days of an award from the Committee. Of the $500 million provided by AB 101 for 2020, $200 million was set aside for projects receiving financing from the California Housing Finance Agency's Mixed-Income Program (MIP).

The first applications for the $500 million in state tax credits were received on November 15, 2019 and the first round of state tax credit awards were made in February 2020. Applications for the remaining $500 million were received in three subsequent rounds with the majority of the $500 million awarded by April 2020. Seventy-two projects were awarded totaling approximately $484.6 million in state tax credits. Of the 72 awards, 54 projects from the $300 million set aside were awarded $295.2 million and 18 projects from the CalHFA MIP $200 million set aside were awarded approximately $189.4 million. The state tax credits from AB 101 resulted in the new construction of 6,545 low-income units.

Assembly Bill 83 (AB 83) was signed into law on June 30, 2020 and authorized an additional $500 million for 2021 with the condition that TCAC and CDLAC adopt regulations to align both Committees with the objective of increasing production and containing costs, including a scoring system that maximizes the efficient use of public subsidy and benefit.

Transparent Overhaul and Diversity Inclusion

In the summer of 2020, the California Debt Limit Allocation Committee (CDLAC) began the regulation change process through numerous public meetings that would culminate in the adoption by the Committee on December 21, 2021 to meet the requirements of AB 83. The substantive changes include:

- Overhaul of the competitive ranking system and scoring criteria, incentivizing deeper income targeting, projects located in high and highest resources areas, and increased project density;
- Update the tie breaker to incentivize efficient use of public subsidy, reduce costs, and maximize unit production;
- Clarify definitions of At-Risk and New Construction projects;
- Establish allocation pools and set asides, which include a Black, Indigenous, and Other People of Color (BIPOC) pool for projects made up of a BIPOC sponsor entity, and establish set asides within the New Construction pool for Homeless projects, Extremely Low/Very Low Income projects, and Mixed Income projects; and
- To ensure distribution of bonds throughout the state, Geographic Regions for New Construction projects were established.

Concurrently, regulation changes for TCAC were adopted by the Committee on December 21, 2020. The regulation changes include further alignment of the TCAC and CDLAC regulations pursuant to AB 83. The substantive changes include:

- Require all 4% tax credit applications and bond applications be submitted simultaneously using the 4% tax credit-bond allocation joint application and conform to the CDLAC competitive ranking and scoring system;
- Elimination of the sustainability point category in an effort to reduce costs given the increasing California Building Code (CBC) standards;
- Simplification of the Readiness to Proceed point category and clarification to the Local approvals and Zoning requirements;
- Modification to the final tie breaker, including the addition of recycled private activity bonds as leveraged soft resources for 4% applications;
- Increased accessibility for mobility and communication features in new construction projects;
- Clarification of the At-Risk housing type definition;
- Simplification of the developer fee calculation, increase to per unit hard cost minimum relating to cash out developer fee, and permitting higher developer fees to joint ventures with BIPOC entities; and

- Additional basis limit increase for projects where 95% of the building(s) are constructed as Type I or Type III as defined by the CBC.

Disaster Relief for Wildfires Areas

After being signed into law on December 20, 2019, the Further Consolidated Appropriations Act, 2020 (FCAA) provided approximately $1 billion of additional 9% federal tax credit for projects located in qualified 2017 and 2018 presidentially-declared disaster areas in California made up of 13 counties. Following numerous meetings with stakeholders, elected officials and local entities, TCAC published proposed regulation changes in early 2020 to administer the allocation process of these credits. Following review of public comments received, the final proposed regulation changes were adopted by the Committee on June 17, 2020. On July 1, 2020, TCAC received a total of 88 applications for the FCAA federal 9% disaster credits with requests totaling $242.4 million, representing a near 2.5:1 ratio of oversubscription. Of the 88 applications received, 34 projects located in the 13 counties were awarded FCAA federal 9% tax credits totaling $97.4 million creating 2,953 low-income units.

The Consolidated Appropriations Act, 2021 (CAA) was signed into law on December 27, 2020. The Act provided approximately $800 million in additional 9% federal tax credit for developments in qualified 2020 presidentially-declared disaster areas in the California resulting from wildfires. The qualified disaster zones encompass 22 counties in California and the annual federal credits total $80.7 million. TCAC is currently developing program changes and plans to allocate these credits in 2021.

The CAA also established a permanent minimum credit rate of 4% for low-income housing tax credit projects financed with tax-exempt bonds. This change brings a significant increase to the financing resources available to the low-income housing tax credit program. The additional tax credit equity the fixed 4% rate will generate is expected to increase housing production beginning in 2021.

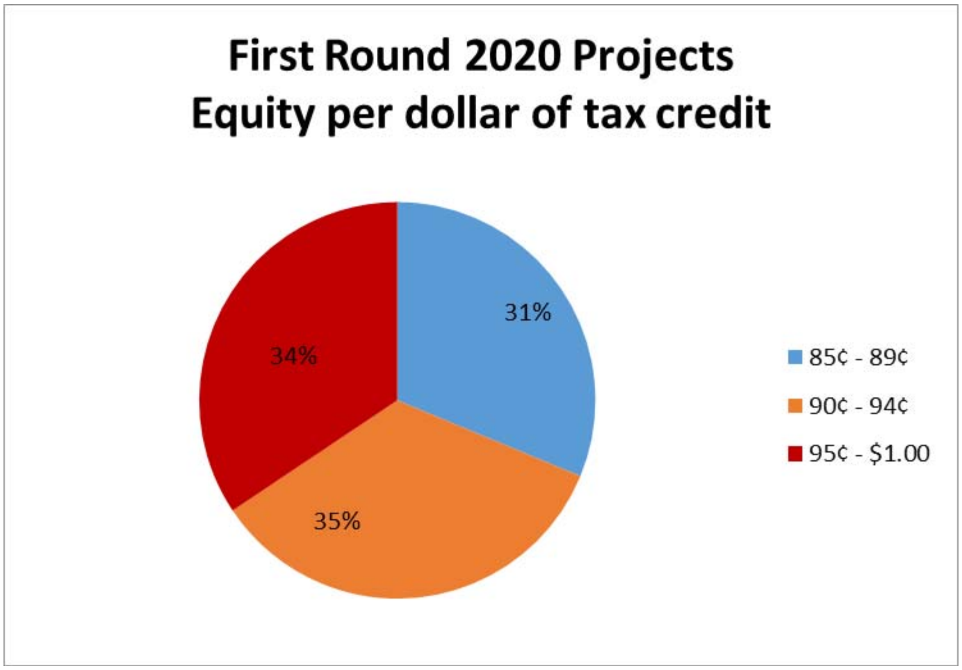
OTHER PROGRAM TRENDS

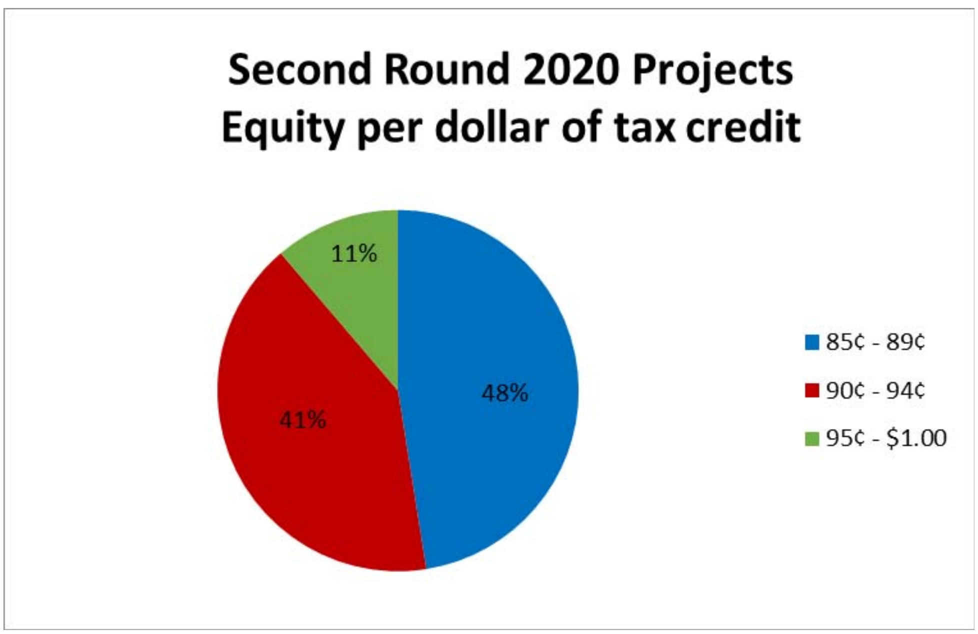
V. Other Program Trends

Federal Credit Pricing

Tax credits are generally offered through partnerships to investors, and their value is the price investors judge the tax credits to be worth in terms of dollars. As a result of the federal tax reform and decrease in corporate tax rates, tax credit pricing declined in 2017. This meant that, beginning in 2017 and continuing into 2020, projects needed more credit to be feasible. While rising interest rates and cost also had some effect, the tax cut effect has had a bigger impact, effectively locking in lower investor equity pricing. In the 9% credit program, the average annual federal credit award was $1.5 million in 2017 and 2018, an increase from the $1.1 million average of 2013-2015. Prior to 2017, the average federal 9% tax credit price was more than $1 per tax credit dollar. In 2017, the average price fell to $0.92 (see Table 6 on page 41). From 2018 to 2020, credit pricing remained below levels seen in 2015 and 2016. In 2020, the average annual federal credit award was $2 million, and the average tax credit price was $0.91. The increase in the average award was a result of disaster credit awards, which were permitted to request larger awards. This allowed these projects to access to additional tax credit equity, facilitating rebuilding efforts. Excluding disaster credit awards, the average award in 2020 was equivalent to the 2019 average of $1.6 million as expected due to the steady credit pricing. In periods where the credit pricing is lower, the need for more credit to generate the same amount of tax credit equity is expected.

The following charts depict pricing reflected in 9% applications submitted in the first and second rounds of 2020.





Federal credit pricing continued to vary by region and project type, with the highest pricing occurring in bank CRA investment areas and some of the lower pricing occurring in rural areas. At the time of application, the estimated federal and state tax credit equity for 9% projects in 2020 was approximately $2 billion. This amount provided on average approximately 64% of the financing necessary to fund the 103 projects awarded in 2020. Other financing sources for these projects included local, state, and federal funds, and private loans.

Sustainable Building Commitments

In 2011, the Committee adopted regulations significantly strengthening TCAC's competitive scoring, threshold construction standards, and verification procedures regarding sustainable building techniques. In response to scoring changes, project developers committed to a variety of sustainable building and energy-efficiency features. Effective in 2016, TCAC modified the sustainable building scoring, reducing maximum point thresholds.

California's building codes continue to increase in stringency, with a new cycle of standards released every three years. The changes to TCAC sustainable building scoring in 2016 were made to balance the benefit of high levels of sustainability with the costs of exceeding ever greater building code standards.

Of the 91 new construction projects in 2020, 34 were funded with disaster credits. To help facilitate rebuilding in the 13 counties impacted by 2017 and 2018 wildfires, these applications were exempted from the program's higher standard of sustainable building and energy efficiency. Of the remaining 57 new construction projects, 47 (82%) committed to green building programs, 7 projects committed to additional energy efficiencies of at least 15% beyond California's Building Energy Efficiency Standards (Title 24), and 3 projects committed to water conservation and efficiency. Twelve successful applicants proposed rehabilitation projects. Among the 12 awardees, 5 proposed improving the existing property's energy efficiency by 20%, 4 proposed renewable energy production offsetting tenants' energy loads, 2 proposed a combination of improved energy efficiency and sustainable management practices, and one committed to a green building program.

The applicant commitments to greater resource- and energy-efficiency will provide significant cost savings both to the projects' operations and to the residents. In addition, these projects will generate significantly less demand on energy resources during their long operational phase.

Native American Set-aside

In 2012, TCAC staff began meeting with California Native American tribal representatives and discussing Native American affordable housing needs. California is home to 109 federally recognized Native American tribes. Many tribal reservations are located in California's rural areas, and some reside in remote rural areas. Prior to 2014, no affordable housing projects had been built on reservation land in California using low-income housing tax credits. To reverse this trend, TCAC staff began meeting with tribal representatives in 2013 to formulate regulation changes enabling Native American tribes to utilize the tax credit program and compete more effectively for 9% credit awards. In 2014, the Committee established a two-year pilot program, a Native American annual apportionment of $1 million from the existing 9% Rural set-aside. In 2016, TCAC established an ongoing Native American annual apportionment of $1 million from the existing 9% Rural set-aside and resolved to disregard site amenity points within this apportionment given the often remote location of tribal lands. In 2020, TCAC awarded $2,480,956 in annual federal credit and $3,327,001 in state credit to two projects from the Native American set-aside for the construction of tribal housing. Awards were made to the Yurok Tribe for Yurok Homes #3 in Arcata (Humboldt County) and to the North Fork Housing Authority for North Fork LIHTC Homes #1 in North Fork (Madera County). In total, 62 units were awarded for tribal housing.

High Opportunity

Effective in 2018 and 2019, the Committee approved incentives to locate new construction projects for families in areas of "high opportunity." Historically, TCAC's new construction family projects have been located disproportionately in areas that academics consider to have low "opportunity" – census tracts with high segregation and poverty. TCAC made efforts to improve this record and assist low-income families with more choices in where they may live. In other words, TCAC wants to be part of the solution to overcoming economic and racial inequity in California. TCAC's goal is also to improve life outcomes for our residents, as numerous studies have shown that "zip codes matter." The maps were developed by a task force of academics, led by The Othering & Belonging Institute at UC Berkeley (formerly the Haas Institute at UC Berkeley). The maps received significant feedback and revision before final adoption, and TCAC will continue to refine the maps as data changes. For the methodology and maps, see http://www.treasurer.ca.gov/ctcac/opportunity.asp.

Feedback from stakeholders indicates that these incentives will indeed change behavior. To prevent the pendulum from swinging too far in favor of high opportunity area projects (our goal is parity across all economic areas, not that all new family projects be located in high opportunity areas), TCAC instituted a "housing type goal" for high opportunity, new construction, family projects. This goal works like a soft cap. Once the cap is exceeded, TCAC skips additional high opportunity projects unless there are no others available to fund. In 2020, 11 of the 103 9% projects awarded were located in high opportunity areas and represented nearly 11% of the 9% projects awarded. The 11 projects created 720 low-income units. With the incentives for high opportunity area projects focused on 9% projects, 7 of the 181 4% projects awarded in 2020, totaling 408 low-income units, were located in high opportunity areas representing 3.9% of the 4% projects awarded. In 2020, CDLAC adopted regulatory changes now incentivizing projects located in high opportunity areas, which is likely to increase the number of 4% projects located in high opportunity areas.

Hybrid Projects

In 2017, the Committee approved incentives for "hybrid" projects. Most of the competitive 9% tax credit applicants request fewer credits than they are eligible for. In other words, they have excess "basis" that they do not use. If they split the project into two components, one a 9% tax credit component and one a 4% tax credit component, this excess basis can be used to generate additional non-competitive 4% tax credits and equity, thereby reducing the 9% credit request even further. In other words, TCAC can stretch out the scarce 9% credits and fund more units overall if these applicants generate 4% credits with their unused basis. In 2018, TCAC awarded 9% and 4% credit to all of the four hybrid applicants who applied. In 2019, 9% and 4% credit was awarded to three hybrid projects. No hybrid applications were received in 2020. This was the result of increased demand and oversubscription to the tax-exempt bond financing program and the uncertainty of receiving both a 9% and a 4% credit reservation in two separate competitive application processes.

MONITORING PROGRAM COMPLIANCE

VI. Monitoring – Project Performance & Program Compliance

As required by federal law, TCAC monitors a tax credit project for progress in meeting milestones and reservation requirements up until it is completed and placed in service. Additionally, Internal Revenue Code Section 42 and state statutes require TCAC to monitor compliance throughout the entire term of the project's regulatory period. The Internal Revenue Service (IRS) requires TCAC to monitor projects when "placed-in-service" and then every three years during the 15 years of the federal credit compliance period and notify the IRS of any owner non-compliance or reporting failures. For the remaining term of the regulatory agreement, ranging from 30 for older projects to 55 years for new projects, TCAC is solely responsible for enforcement and monitors projects on a five-year schedule. The Committee must determine, among other requirements, whether the income of families residing in low-income units and the rents they are charged are within agreed upon limits stated in the regulatory agreement. Additionally, TCAC staff must conduct physical inspections of units and buildings in each development to ensure they are in safe, sanitary, and habitable condition.

TCAC's compliance monitoring program requires project owners to submit annual tax credit unit information. The information is reported on a number of TCAC forms: the Annual Owner Certification, the Project Ownership Profile, Annual Owner Expense report, and Tenant Demographic Data Collection. Committee staff analyzes the information for completeness, accuracy and compliance. In most instances, TCAC allows a grace period to correct non-compliance, although the IRS requires that all non-compliance during the credit compliance period be reported to the IRS, even when the violation is corrected.

Investors are at great risk if non-compliance is discovered since the IRS could recapture credits claimed during any years of non-compliance. The Committee's compliance monitoring program provides for newly placed-in-service projects to receive an early review of rent-up practices so that compliance problems may be avoided.

Monitoring Activities

In 2020, due to the COVID-19 pandemic, the IRS released Notice 2020-53, putting a temporary moratorium on the inspection of projects for the period of April 1, 2020 through December 31, 2020. Committee staff conducted file and unit audits at 57 tax credit projects, prior to the inspection moratorium. Staff completed at least 20 percent of the files or files/units at each development. To ensure project compliance and prevent projects from a significant gap between monitoring reviews following the inspection moratorium, TCAC staff conducted remote desk audits to review the project files in lieu of physical review of the files at the project as originally scheduled for monitoring review in 2020. The Committee staff completed desk audits for 880 projects. Of the 57 projects that had both a file and physical inspection, 54 or 94.7% had some incident of non-compliance and of the 880 projects where a desk audit was completed, 763 or 86.7% had some incident of file non-compliance. However, a large majority of the non-compliance issues were corrected. The most common non-compliance incidents were income ineligible households, over charging rents, or inadequately documenting files. Of such violations, 33 of 937 or 3.5% of the developments were reported to the IRS as required. In cases where excessive rent was charged, the project owner provided refunds to all residents who were able to be located.

Of the 16,332 units monitored for compliance, 94 were found to have households that were not income eligible at move-in. Project owners were required to bring projects into compliance or risk losing credits against their federal tax liability.

Compliance Report for Projects Placed in Service

In addition to the monitoring activities for the 937 projects previously referenced, project owners are required to report the occupancy status of the tax credit units as a part of their annual reporting. The information may be used for determining file inspection selections for projects in which owners have either not reported occupancy information or have not successfully rented units to qualifying tenants.

Compliance Report for Projects in Extended Use Portfolio

In addition to performing compliance monitoring functions during the 15-year federal compliance period, Committee staff conducted desk audits on 42 projects in the extended use periods stipulated in the recorded regulatory agreement (up to an additional 40 years). The extended use monitoring is performed on a five-year monitoring rotation and 10% of files and units were randomly selected. The Committee's compliance monitoring procedures for extended use projects ensure new households are income qualified, rents remain restricted, and the units and project are physically maintained during the extended use period.

In 2020, compliance staff conducted desk audits for approximately 2.5% of projects in the extended use portfolio. Due to the COVID-19 pandemic and to mitigate the burden on owners, TCAC staff deferred inspections on 302 extended use projects until 2021. For the 42 projects inspected, staff reported the non-compliance incidents to the project owners and established a 30-day correction period for owners to correct non-compliance findings. The owners responded with documentation evidencing corrections to the non-compliance issues and a large majority of the inspections have been closed out.

Compliance Report for Projects Receiving American Recovery and Reinvestment Act of 2009 Funds

The Committee is also responsible for asset management functions performed on projects awarded American Recovery and Reinvestment Act of 2009 (ARRA) funds to ensure the long term viability of those projects. Asset management reviews on the 138 ARRA projects are performed by either a contractor, presently Boston Capital Asset Management LP, or in cases where financing was also being provided by another agency, that agency. The agencies who share their asset management reviews include the California Housing Finance Agency (CalHFA), the State Department of Housing and Community Development (HCD), or the United States Department of Agriculture – Rural Development (USDA-RD). In addition, staff conducts the standard IRS Section 42 compliance monitoring inspections initially within the first two years of a project being placed in service and then every 3-years thereafter during the initial 15-year federal compliance period. In 2020, TCAC conducted desk audits on 54 ARRA projects while physical inspections were suspended due to the COVID-19 pandemic.

Tenant Demographic Data Collection

In July 2008, Congress passed the Housing and Economic Recovery Act (HERA), requiring all tax credit allocating agencies to annually collect and submit to the U.S. Department of Housing and Urban Development (HUD) specific demographic and economic information on tenants residing in Low-Income Housing Tax Credit (LIHTC) financed projects. In 2020, Committee staff, along with its contractor Spectrum Enterprises, collected and submitted to HUD 2019 tenant demographic data on approximately 3,694 projects or approximately 90.9% of the Committee's portfolio. The data submitted to HUD included 26,659 buildings, 294,569 units and 647,758 tenants. At the time of this report, tenant demographic data for 2020 is currently being compiled. The latest available demographic data is shown in Charts M-1 and M-2 below.

Chart M-1

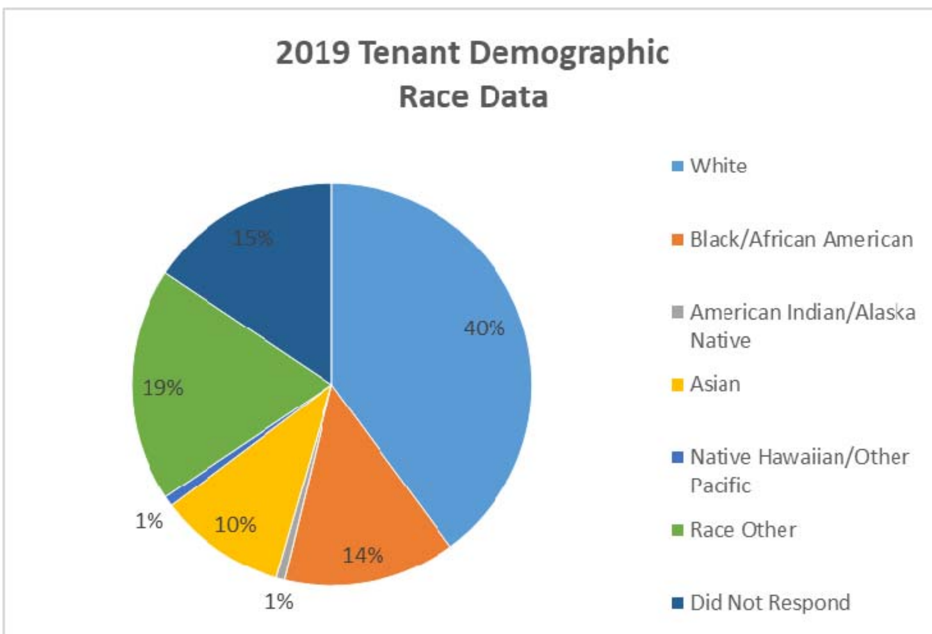
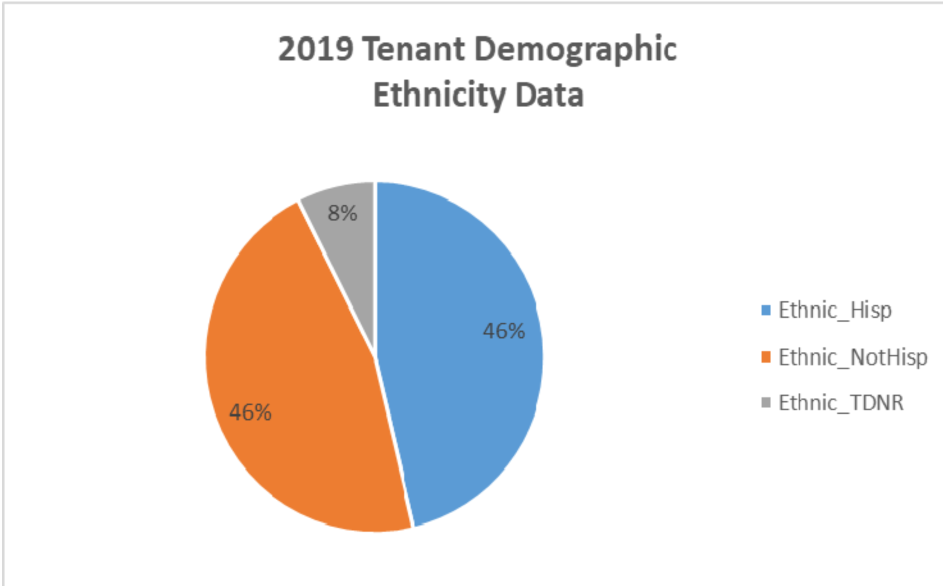


Chart M-2



2019 Tenant Demographic
Ethnicity Data
8%
46%
46%
Ethnic_Hisp
Ethnic_NotHisp
Ethnic_TDNR

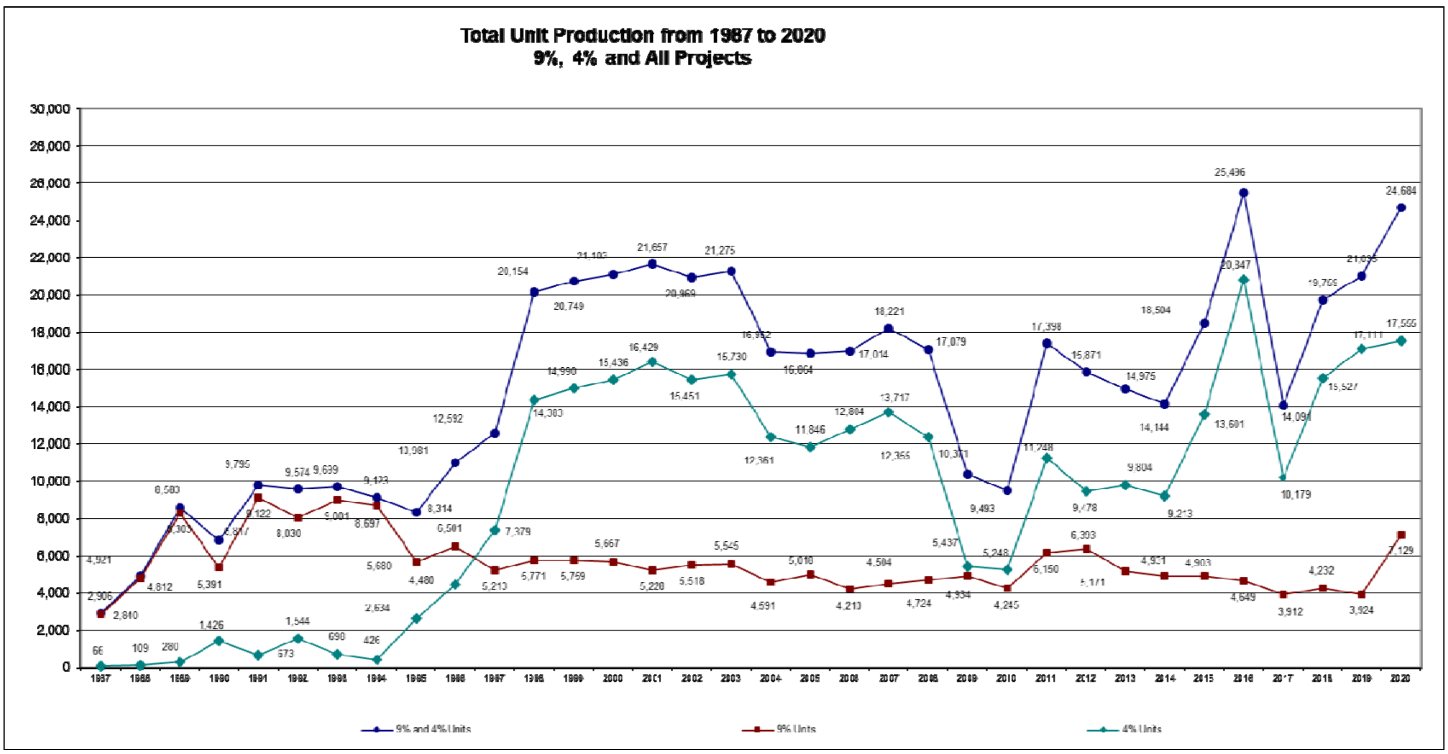
HISTORY
DATA & TRENDS

VII. Historical Data & Trends

Including 2020 awards, California has awarded $24 billion in annual 9% credits since the program's inception in 1987. These awards will result in more than 3,000 housing projects with approximately 190,000 units. Including tax-exempt bond financed projects receiving 4% credits, TCAC has assisted over 478,000 affordable units with tax credit awards since the program's inception. More than 1,000 projects have also utilized state tax credits totaling over $2.8 billion.

Chart 3[6] below displays historical data of the total units awarded each year for 9% and 4% projects from 1987 to 2020:

Chart 3



[6] These figures include projects whose original compliance period has expired and that have returned to TCAC for a second award of tax credits for rehabilitation. The award and affordable unit totals are based on TCAC's annual reports, and also include some projects with two separate awards counted in each year of awarding.

LIHTC Investment

TCAC estimates that in the past decade alone, approximately $10.8 billion in investor equity has been, or will be, funded from the allocations of federal and state tax credits of 9% projects. TCAC estimates the total equity invested in both 9% and 4% projects over the past five years is estimated to be more than $17.6 billion.[7] Tax credits are generally offered through partnerships to investors, and its value is the price investors determine the tax credits to be worth in terms of the immediate and future tax benefits received from the credits, along with other benefits received by owning a project. Table 6 below provides some summary information on various measurement factors of the 9% program.

Table 6
9% Historical Federal Credit Data

	2016	2017	2018	2019	2020
Annual Federal Award	$94,897,880	$97,105,701	$108,955,667	$111,548,104	$210,190,924
Total Number of Projects	82	64	70	68	103
Total Units	4,649	3,912	4,232	3,924	7,129
Total Low-Income Units	4,513	3,844	4,143	3,851	6,884
Average Award	$1,157,291	$1,517,277	$1,556,510	$1,640,413	$2,040,689
Credit per Low-Income Unit	$20,413	$25,262	$26,299	$28,966	$30,533
Average Project Cost	$21,620,599	$25,045,910	$25,402,389	$25,772,989	$30,442,009
Average Cost per Unit	$381,348	$409,749	$420,172	$446,627	$439,827
Avg. Tax Credit Factor at App.	$1.04	$0.92	$0.93	$0.94	$0.91
Average LI Units per Project	55	60	59	57	67

Charts 4 and 5 on the following page provide historical annual federal credit per unit.

[7] Calculated using TCAC historical investor equity data from awarded 9% applications, and from 4% applications.

Chart 4

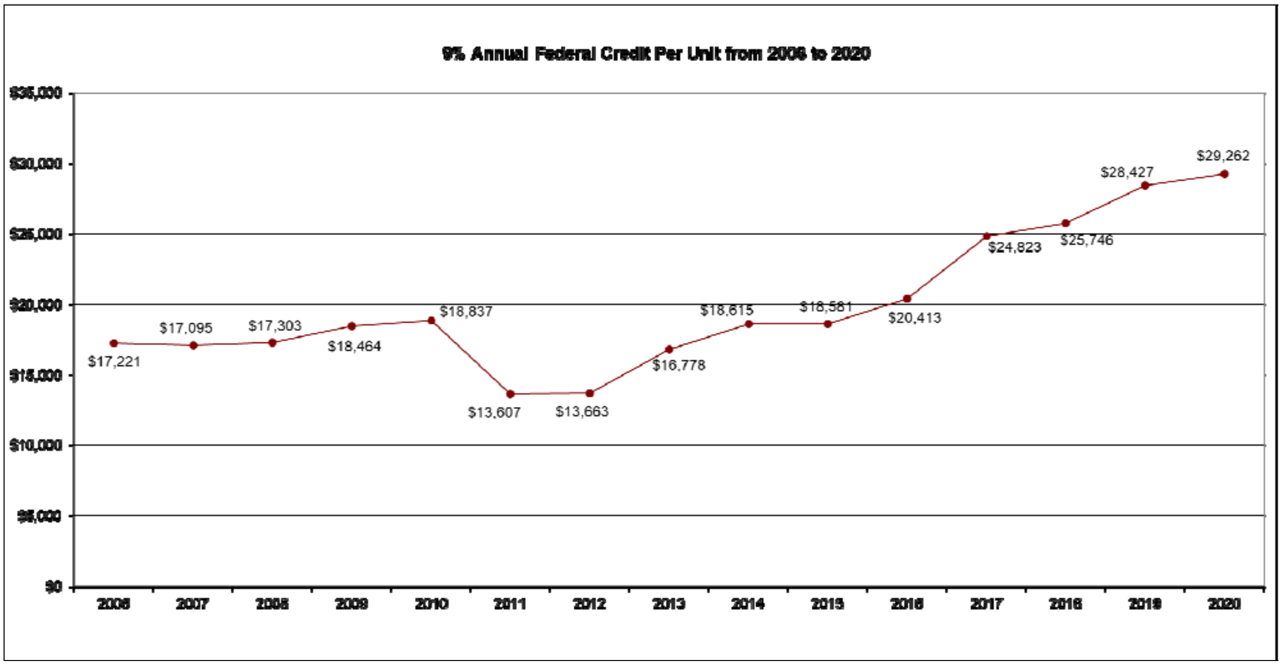
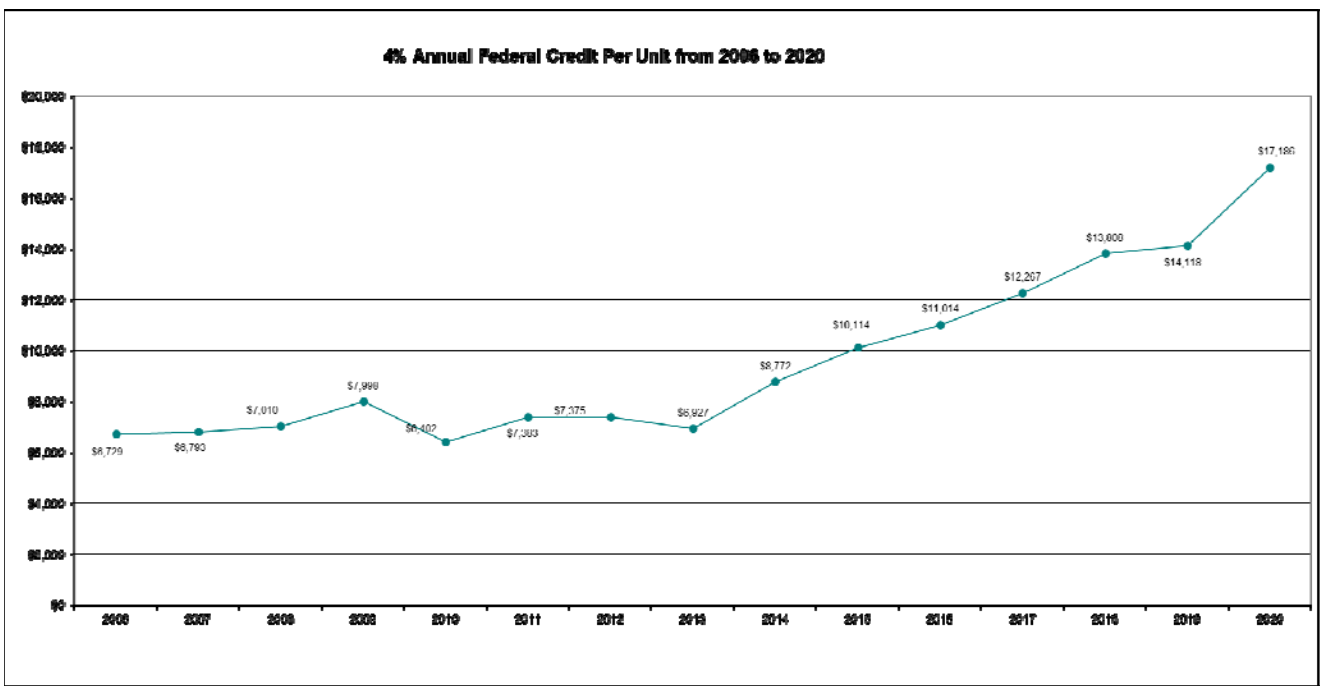


Chart 5



Historical Data for the 4% Program

Table 7 below provide selected summary data for historical 4% federal awards.

Table 7
4% Historical Federal Credit Data

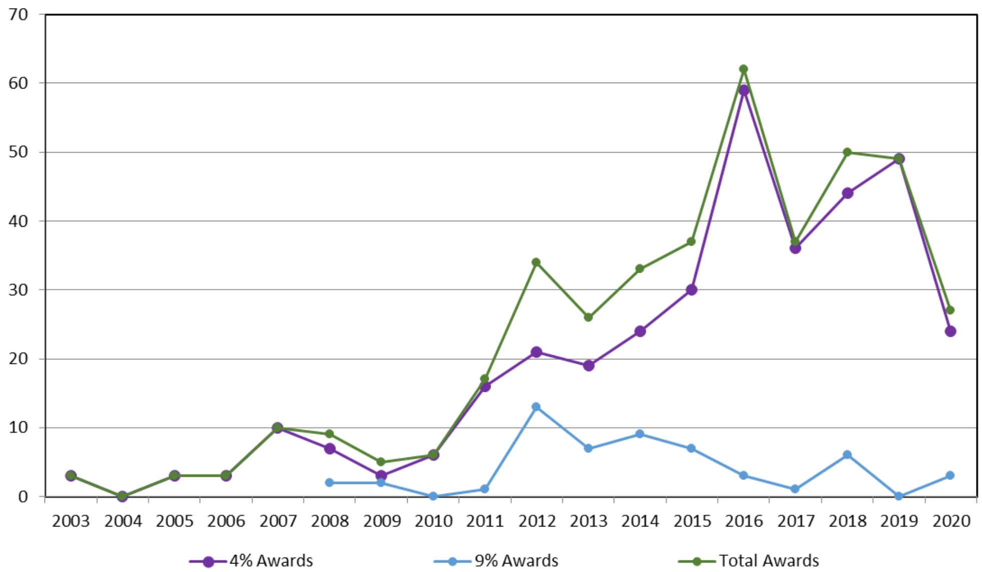
	2016	2017	2018	2019	2020
Annual Federal Award	$229,615,414	$124,868,779	$214,395,831	$241,573,051	$301,706,282
Total Number of Projects	187	105	135	155	181
Total Units	20,847	10,179	15,527	17,111	17,555
Total Low-Income Units	19,804	9,492	14,619	16,619	16,908
Average Award	$1,227,890	$1,189,226	$1,588,117	$1,558,536	$1,666,886
Credit per Low-Income Unit	$11,594	$13,155	$14,666	$14,537	$17,186
Average Project Cost	$38,485,244	$36,861,993	$48,411,990	$47,053,133	$48,542,709
Average Cost per Unit	$345,217	$407,765	$420,920	$426,231	$500,498
Average LI Units per Project	106	90	108	107	94

Re-syndications of Existing & Former Tax Credit Projects

Starting in 2003, the Committee began receiving applications for existing tax credit projects requesting a new award to rehabilitate and upgrade the property. In addition, TCAC has received applications from former tax credit projects no longer under a regulatory agreement. Applications for existing tax credit projects currently under a regulatory agreement are known as "re-syndications."[8] Since 2003, TCAC has awarded 411 applications for re-syndication (see Chart 6 on the following page). In 2020, TCAC awarded 27 re-syndication projects, fewer than the 49 awards in 2019. In 2019, all of the 49 re-syndications received 4% credit awards. In 2020, 3 of the 27 awards were 9% credit awards. The 2020 re-syndication awards will help rehabilitate 2,924 existing affordable housing units.

[8] Data in this section includes project applications with either existing or expired regulatory agreements.

Chart 6
Re-syndication Awards 2003 – 2020



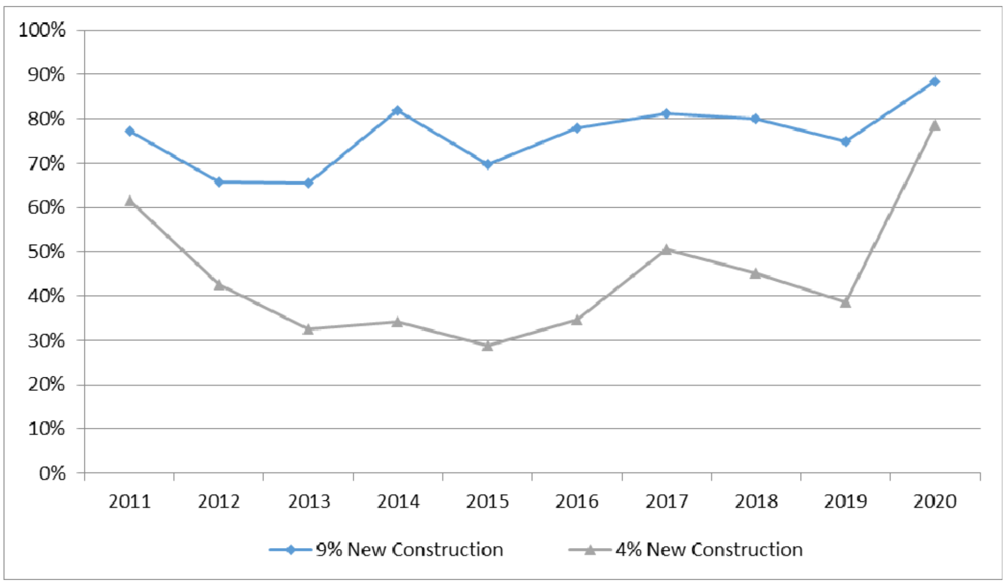
New Construction and Rehabilitation Trends

In 2020, 91 of the 103 credit ceiling (9%) awards were new construction projects. Historically, acquisition/rehabilitation applicants have been a distinct minority of 9% projects. Over the past ten years, 65% to 88% of the credit ceiling projects awarded have been new construction projects. In 2020, 12%, or 12 projects, were rehabilitation projects, a decrease from 2019 when 17 awards were to rehabilitation projects (25%). This significant decrease is the result of the disaster credit awarded projects in 2020, all of which were required to be new construction. New construction 9% annual federal tax credit awards totaled $197.7 million (94%) in 2020.

For 4% projects, new construction and rehabilitation awards have historically been more equitable. Between 2001 and 2006, new construction awards accounted for over half of 4% projects. This trend reversed in 2007, and from 2007-2009, more than 50% of 4% awards were made to rehabilitation projects. In both 2010 and 2011 new constructions projects again accounted for higher percentages of the awarded 4% projects. From 2012-2019, 4% rehabilitation awards increased, accounting for over half of the total number of 4% awards. In 2020 the rehabilitation trend reversed, and 22% of the projects awarded were for rehabilitation. New construction annual federal tax credit awards to 4% projects in 2020 totaled $242.6 million (81%). Rehabilitation projects were awarded $58.0 million in annual federal credit.

Chart 7 below shows recent historical construction trends. The percentage of new construction 9% projects exceeds that of rehabilitation projects, ranging from 75% to 88% over the past five years. These percentages for 4% projects have varied, but historically have been more balanced between the two construction types. Between 2015 and 2019, the percentage of 4% new construction projects ranged from 29% to 50%. With the additional state tax credit resources and changes to the tax-exempt bond financing program, this trend has reversed and the majority of 4% projects awarded credits in 2020 were for new construction projects (78%).

Chart 7
New Construction Trends 2011-2020



Geographic Distribution

In 2012, TCAC staff proposed updating the geographic apportionments (created in 1997 and last updated in 2004) to align the distribution of tax credits with statewide housing needs. The updated percentages were adopted into TCAC regulations in 2013 and made effective in 2014. Included in the update was a newly established geographic apportionment for the City of Los Angeles, with a separate apportionment for the balance of Los Angeles County. This addition was made effective in 2013 by prorating the existing Los Angeles County apportionment. Effective in 2018, a new region was created by taking northern counties from the existing North and East Bay and Capital and Northern Regions and creating the Northern Region.

Since the inception of the program in 1987, federal 9%, federal 4%, and state tax credits have been allocated for affordable housing developments in all 58 counties in California. County data for active tax credit projects awarded 1987 to 2019 can be viewed using the link at the bottom of page 48. This table compares tax credit project data to county population as a percentage of total state population, and includes each county's number of projects, number of rental units in service, and tax credit allocation dollars. These tables reflect data as of December 31, 2020.

Annual Historical Data

Table 8 on the following page summarizes the amount of federal and state tax credits awarded to 9% projects from 1987 through 2020. Table 9 on page 48 summarizes the amount of federal and state tax credits awarded to 4% projects from 1995 through 2020. These tables provide data representing award activities as of December 31 of the year in which the awards were made. The data contained in these tables are the results of actions taken that year, and reflect only a snapshot of the program at that point in time.

Table 8
9% Credits Awarded as of December 31 of the Allocation Year, 1987-2020

Year	Federal Credits Available	Federal Credits Awarded*	Number of Projects and Units		State Credits Available**	State Credits Awarded*	Number of Projects and Units	
1987	$33,730,000	$5,090,439	66	2,497	$34,578,625	$6,818,086	17	755
1988	$34,578,750	$18,889,759	169	4,812	$34,578,625	$35,461,086	67	2,545
1989	$35,060,129	$35,060,129	155	7,960	$35,000,000	$61,433,913	74	3,792
1990	$34,717,032	$34,717,032	84	5,391	$35,000,000	$28,976,550	26	1,490
1991	$68,885,066	$68,885,066	78	9,122	$35,000,000	$34,855,113	28	1,547
1992	$64,261,202	$64,017,031	133	8,030	$35,000,000	$48,699,970	29	2,183
1993	$70,434,569	$70,434,569	128	9,001	$35,000,000	$49,043,203	32	2,185
1994	$68,944,489	$67,113,568	121	8,612	$35,000,000	$47,220,796	29	2,085
1995	$49,716,643	$48,616,533	83	5,680	$47,133,862	$48,469,566	28	2,006
1996	$48,286,953	$48,992,572	107	6,482	$33,599,382	$38,894,819	31	1,878
1997	$42,851,707	$41,911,674	77	5,213	$35,038,813	$33,913,707	17	1,384
1998	$43,688,538	$44,093,456	86	5,757	$51,453,018	$45,658,584	30	2,061
1999	$43,800,383	$44,267,928	83	5,347	$51,784,811	$50,311,562	30	2,141
2000	$50,672,338	$50,667,206	81	5,057	$56,684,151	$56,040,292	32	2,218
2001	$51,574,882	$52,078,900	67	5,119	$71,207,244	$35,918,710	23	1,581
2002	$60,302,560	$62,802,560	68	5,392	$105,652,910	$91,928,018	24	2,492
2003	$62,732,155	$59,694,578	86	5,450	$83,835,104	$74,152,009	29	2,164
2004	$69,253,801	$61,038,716	65	4,508	$74,528,807	$67,423,784	22	1,526
2005	$71,582,089	$70,613,062	71	4,916	$78,593,303	$54,900,296	19	1,192
2006	$72,776,635	$72,500,934	70	4,098	$80,613,481	$67,913,607	18	1,146
2007	$75,897,915	$76,997,954	70	4,424	$92,450,265	$71,062,246	19	1,352
2008	$82,594,947	$81,738,210	72	4,640	$88,761,840	$67,371,340	19	1,195
2009	$88,399,735	$91,099,781	79	4,840	$107,996,565	$72,515,252	19	1,370
2010	$79,886,455	$79,964,641	75	4,170	$91,242,275	$31,372,828	14	742
2011	$80,902,713	$83,682,515	105	6,026	$129,463,639	$86,979,826	34	2,114
2012	$86,676,609	$87,345,016	102	6,246	$109,510,155	$85,508,947	28	1,822
2013	$89,963,084	$86,760,169	84	5,080	$93,102,456	$77,737,478	29	1,707
2014	$92,229,552	$91,789,133	83	4,846	$103,894,360	$97,523,148	29	1,705
2015	$92,309,204	$91,101,325	89	4,794	$89,452,736	$111,069,513	39	1,938
2016	$95,461,381	$94,897,880	82	4,513	$67,118,373	$73,548,126	27	1,421
2017	$97,699,609	$97,105,701	64	3,844	$61,808,069	$84,395,506	18	1,213
2018	$108,789,910	$108,955,667	70	4,143	$62,368,748	$63,863,106	19	1,129
2019	$111,080,957	$111,548,104	68	3,851	$84,366,903	$87,268,614	22	1,426
2020	$212,319,567	$210,190,924	103	6,884	$86,343,919	$87,233,658	16	1,152
TOTAL	**$2,472,061,559**	**$2,414,662,732**	**3,024**	**186,745**	**$2,317,162,299**	**$2,075,483,259**	**937**	**58,657**

*Federal Credits Awarded reports current year awarded and includes any forward commitment made. Projects receiving awards in multiple years or returning credits and reapplying in a subsequent year are counted for each award received. Staff has been unable to verify the complete accuracy of data from the early years of the program. State Credit Awarded from 1987-1993 is estimated based on available data. In 2020, $110,660,980 in federal credits were available from the credit ceiling and an additional $98,620,247 million in federal credits was made available by the FCAA disaster allocation.

**State Credits Available is estimated in some years based on available data. Beginning in 2003, 15% of State Credits Available was set aside for 4% projects.

Table 9
4% Credits Awarded as of December 31 of the Allocation Year, 1987-2020

Year	Federal Credits Awarded*	Number of Projects and Units		State Credits Available**	State Credits Awarded	Number of Projects and Units	
1995	$5,593,972	15	2,431		$0	0	0
1996	$7,064,992	26	3,976		$0	0	0
1997	$15,573,917	71	6,076		$0	0	0
1998	$32,565,503	116	12,743		$4,575,223	7	628
1999	$38,151,075	110	13,905		$3,246,160	2	293
2000	$47,010,344	109	14,759		$0	0	0
2001	$58,249,828	123	14,864		$0	0	0
2002	$62,496,934	130	12,627		$0	0	0
2003	$73,099,179	138	13,329	$12,575,266	$9,683,098	8	713
2004	$65,748,903	112	11,066	$11,179,321	$3,248,707	3	140
2005	$73,893,061	120	11,279	$11,788,995	$19,092,357	10	963
2006	$86,164,472	115	12,356	$12,092,022	$13,597,161	9	583
2007	$93,173,118	119	12,795	$13,867,540	$23,395,641	9	1,003
2008	$86,604,695	122	11,433	$13,314,276	$27,512,886	10	759
2009	$43,486,921	64	5,236	$16,199,485	$6,718,223	3	183
2010	$33,596,704	49	4,481	$13,686,341	$22,964,367	9	789
2011	$83,046,843	125	10,473	$19,419,546	$23,833,168	16	1,134
2012	$69,902,808	96	9,021	$16,426,502	$26,322,456	13	1,212
2013	$67,917,076	95	9,292	$13,965,368	$9,004,034	7	451
2014	$80,820,170	105	9,004	$15,584,154	$14,553,964	8	533
2015	$137,554,828	132	13,317	$13,417,910	$12,978,507	8	578
2016	$229,615,414	187	19,804	$14,183,335	$13,802,178	5	386
2017	$124,868,779	105	9,492	$14,477,647	$14,410,723	5	351
2018	$214,395,831	135	14,619	$14,782,992	$14,551,552	4	348
2019	$241,573,051	155	16,619	$15,065,371	$13,484,975	3	351
2020	$301,706,282	181	16,908	$515,409,634	$494,037,277	75	6,808
TOTAL	**$2,373,874,700**	**2,855**	**291,905**	**$757,435,705**	**$771,012,657**	**214**	**18,206**

*Federal Credits Awarded totals the awards made in each year. Projects receiving awards in multiple years or returning credits awarded in one year and reapplying in a subsequent year are counted for each award received. Although 4% credit awards were made from 1987-1994, staff has been unable to accurately verify the tax-exempt bond financed projects receiving tax credit awards in the early years of the program. Data presented is based on TCAC annual reports. In 2020, $15,409,634 in state credits was available from the credit ceiling and an additional $500 million in state credits was made available by AB101.
**Beginning in 2003, 15% of the State Credits Available was set aside for 4% projects.

Additional Data

Please use the link below to access additional data, including historical and mapping information.

http://www.treasurer.ca.gov/ctcac/2020/annualreport.asp