



## CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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### MEMBERS

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Director of Finance

**EXECUTIVE DIRECTOR**  
Vincent P. Brown

**DATE:** March 7, 2019

**TO:** Low Income Housing Tax Credit Project Owners

**FROM:** California Tax Credit Allocation Committee – Compliance Section

**RE:** Tax Credits and Ownership Transfers (Updated)

The California Tax Credit Allocation Committee (TCAC) periodically receives requests from project sponsors to sell or transfer ownership interests in existing tax credit projects. As part of our due diligence in processing such requests, TCAC staff must perform a qualifications review to determine if sufficient project development and property management experience exists for the newly proposed owner and property management organization. TCAC Regulation Sections 10320(b), 10325(c)(2), and 10326(g)(5) specifically identify general partner and property management experience requirements. In order to facilitate the qualifications review and before we can make a recommendation for approval, staff has developed the following questionnaire and checklist of required items that must be submitted to TCAC.

In addition, TCAC Regulation Section 10320(b)(2) of the regulations require that all transfer events, as defined in TCAC Regulation Section 10302(qq), shall obtain the prior written approval of the Executive Director and are conditioned upon the post-transfer event owner entering into a specified covenant with TCAC relating to the rehabilitation needs of the project. All transfer events that include properties that received a 4% tax credits in conjunction with a bond allocation from the California Debt Limit Allocation Committee (CDLAC), must also inform CDLAC about the intention to complete a transfer event on the property.

In order to facilitate the review of one or both types of requests and before we can make a recommendation for approval, staff has developed the following questionnaire to help you determine if you are subject to one or both of the reviews and, if so, a checklist of required items that must be submitted to TCAC.

*Please note: processing times for review of the documentation average 3-4 weeks to complete. Transfer Events are processed in the order they are received. TCAC cannot prioritize Transfer Events that are submitted with less than the average processing time from their closing date.*

**Please complete the following Questionnaire and submit with corresponding documentation:**

1. Is this a transfer of limited partnership interests in conjunction with the withdrawal of the investor entity as part of the original partnership agreement?

- Yes
- No

If “Yes”, please provide the following:

- Completed Questionnaire for Ownership Transfers and Transfer Events; and
- Letter from current owner of record notifying TCAC of the proposed transfer of existing tax credit project including TCAC project name and number. Please specify which entity is withdrawing and which entity will be assuming the partnership interests.

2. Is the Transfer Event solely where the role of the administrative general partnership (AGP) entity in the ownership is being assumed by the managing general partnership (MGP), or vice versa, where the ownership entity limited partnership (top level partnership) remains the same and no equity from the property is being used to finance the change?

- Yes
- No

If “Yes”, please provide the following:

- Completed Questionnaire for Ownership Transfers and Transfer Events;
- Letter from current owner of record notifying TCAC of the proposed change in general partnerships. Please include the TCAC project name and number and specify which entity is withdrawing and which entity will be assuming the roles; and
- Updated TCAC Project Ownership Profile Form (POP), identifying the new partnership entity roles and current property management agent.

3a. For Refinance Transfer Events – Does the refinancing, increase the outstanding principal balance of the debt or is there an equity payout involved in the refinance?

- Yes
- No (skip to 3b below)
- N/A

If “Yes”, please provide the following:

- Completed Questionnaire for Ownership Transfers and Transfer Events;
- Letter from current owner of record notifying TCAC of the proposed refinance of existing tax credit project. Please include the TCAC project name and number in the letter;
- TCAC [Stand Still Agreement](#) (editable Microsoft Word format);
- Sources and Uses worksheet indicating the net equity distribution;
- Current Capital Needs or Property Condition Assessment for the property completed within 120 days; and
- TCAC [Capital Needs Agreement - Refinance](#) (editable Microsoft Word format)

3b. For Refinance Transfer Events – Is there a refinancing of project debt added to the property which does not increase the outstanding principal balance of the debt other than in the amount of the closing costs and fees paid to the project lender and third parties as transaction costs?

- Yes
- No (see 3a above)
- N/A

If “Yes”, please provide the following:

- Completed Questionnaire for Ownership Transfers and Transfer Events;
- Letter from current owner of record notifying TCAC of the proposed refinance of existing tax credit project. Please include the TCAC project name and number in the letter; and
- TCAC [Stand Still Agreement](#) (editable Microsoft Word format)

4. Supplemental Loan – Is the supplemental loan for direct costs that will impact only the property or be put directly into the property reserves (not to pay out equity or other distributions)?

- Yes
- No
- N/A

If “Yes”, please provide the following:

- Completed Questionnaire for Ownership Transfers and Transfer Events;
- Letter from current owner of record notifying TCAC of the proposed supplemental loan. Please include the TCAC project name and number in the letter;
- Sources and Uses worksheet indicating the dispersion of the supplemental loan proceed; and
- TCAC [Stand Still Agreement](#) (editable Microsoft Word format)

If “No”, please provide the following:

- Completed Questionnaire for Ownership Transfers and Transfer Events;
- Letter from current owner of record notifying TCAC of the proposed supplemental loan. Please include the TCAC project name and number in the letter;
- TCAC [Stand Still Agreement](#) (editable Microsoft Word format);
- Sources and Uses worksheet indicating the distribution schedule;
- Current Capital Needs or Property Condition Assessment for the property completed within 120 days; and
- TCAC [Capital Needs Agreement - Refinance](#) (editable Microsoft Word format)

5. Sale or other Transfer Event:

For the Sale of a Property or any other Transfer event not noted above, please answer the following questions:

Does your Transfer Event qualify for one of the following exemptions?

- The project consists of less than 50% Tax Credit units;
- A transfer of the project or a partnership or membership interest in a project owner in which the debt encumbering the project is not increased, refinanced or otherwise modified [Provide Sources and Uses worksheet];
- A replacement of a general partner by the limited partner upon the occurrence of a default by a general partner in accordance with the partnership agreement of the project owner [Provide default notice and final documentation of replacement];

- A transfer pursuant to a foreclosure or deed in lieu of foreclosure to a non-related party [Provide evidence of foreclosure or deed in lieu of foreclosure by mortgage lender];
- A project subject to a Capital Needs Agreement (Covenant) and is now being transferred in connection with a new reservation of 9% or 4% tax credits (i.e., re-syndication);
- A transfer of the ownership of a project subject to an existing tax credit regulatory agreement with a remaining term of five (5) or less years that is made in connection with a new reservation of 9% or 4% tax credits (i.e., re-syndication); or
- This project does not meet one of the above exceptions**

Does your Transfer Event qualify for a full waiver from the Capital Needs Agreement (Covenant) because there are no distributions of Net Project Equity from the Transfer Event to parties related to the sponsor, developer, general partner(s) or limited partner(s) of the owner other than a distribution or a payment to the limited partner(s) of the selling entity in the amount equal to, or less than, all federal, state, and local taxes incurred by the limited partner(s) as a result of the Transfer Event?

- Yes
- No
- This project does not qualify for a full waiver of the Capital Needs Agreement (Covenant)**

Does your Transfer Event qualify for a modification of the Capital Needs Assessment (Covenant) requirements because there is insufficient Net Project Equity to fund all of the work contemplated by the Qualified Capital Needs Assessment?

- Yes
- No
- This project does not qualify for a modification of the Capital Needs Agreement (Covenant)**

If “Yes”, please provide:

- Sources and Uses worksheet which computes net project equity as defined in TCAC Regulation Section 10302(cc). TCAC staff will use the Sources and Uses worksheet to determine if the request for a partial modification will be approved. If the worksheet shows net project equity derived is not sufficient to complete the required short term work, then the provider of the Qualified Capital Needs Assessment shall update the reserve study to include the costs of short term work that cannot be funded in the costs of the long term work to be funded with annual deposits to replacement reserve accounts.

If the Sale of Transfer Event meets the requirements for an Exemption, Waiver of Capital Needs Assessment, or partial modification of the Capital Needs Requirements, please provide the following:

- Completed Questionnaire for Ownership Transfers and Transfer Events;
- Letter from current owner of record notifying TCAC of the proposed sale of existing tax credit project including TCAC project name and number;
- Purchase/Sales Agreement;
- Sources and Uses worksheet including net equity distribution to the seller;
- Organization Chart showing the newly proposed ownership structure;
- [Assignment and Assumption of TCAC Regulatory Agreement](#) (buyer assumes TCAC regulatory agreement). The agreement should include the TCAC # of the project (editable Microsoft Word format);

- TCAC [Stand Still Agreement](#) if the acquisition is being financed (editable Microsoft Word format);
- Filing of the newly formed ownership entity with the California Secretary of State's Office (*if applicable*);
- IRS letter which shows the federal taxpayer identification number for the new ownership entity (*if applicable*);
- Completed TCAC Project Ownership Profile Form (POP), identifying the new ownership entity and property management agent;
- Property Management Agreement for project (*if applicable*);
- Financial statements for new ownership entity including General Partner (GP) or Administrative General Partner (AGP). If entity is newly formed, include financial statements for the principals;
- Completed [Attachment 21 - General Partner \(G.P.\) Experience](#) and [Attachment 22 - Management Company Experience](#) evidencing GP, AGP and PM experience;
- Completed [Project Status Report](#) (PSR);
- Statement of the current Building Identification Numbers (BINs) and unit mix of the property. Please provide an additional explanation if this mix differs from the Recorded Regulatory Agreement;
- Statement of how much will rents increase after the transfer of ownership interests occurs;
- Statement of whether the project will be applying for a re-syndication of tax credits;
- Confirmation statement from current owner confirming that seller will transfer tenant records and all tenant demographic data collected up to the date the sale closes escrow to the buyer and their property management agent;
- Completed TCAC Annual Owner Certification (AOC) Form and TCAC Annual Operating Expense (AOE) reports;
- IRS Tax Form 990 for non-profit organization (*if applicable*); and
- [Reserve Certification](#) indicating that all unexpended funds in the project reserve funds associated with the project will remain with the project (TCAC Regulation Section 10327(c)(7)).

If the Sale of Transfer Event **does not meet** the requirements for an Exemption, Waiver of Capital Needs Assessment, or partial modification of the Capital Needs Requirements:

Please provide the following information:

- Completed Questionnaire for Ownership Transfers and Transfer Events;
- Letter from current owner of record notifying TCAC of the proposed sale of existing tax credit project including TCAC project name and number;
- Purchase/Sales Agreement;
- Sources and Uses worksheet including net equity distribution to the seller;
- Organization Chart showing the newly proposed ownership structure;
- [Assignment and Assumption of TCAC Regulatory Agreement](#) (*buyer assumes TCAC regulatory agreement*). The agreement should include the TCAC # of the project. Please submit this form in an editable Microsoft Word format;
- TCAC [Stand Still Agreement](#) if the acquisition is being financed (editable Microsoft Word format);
- Current Qualified Capital Needs Assessment or Property Condition Assessment, as defined in TCAC Regulation Section 10302(ff), for the property;
- TCAC [Capital Needs Agreement - Ownership Transfers](#) (editable Microsoft Word format);
- Filing of the newly formed ownership entity with the California Secretary of State's Office (*if applicable*);

- IRS letter which shows the federal taxpayer identification number for the new ownership entity (*if applicable*);
- Completed TCAC Project Ownership Profile Form (POP), identifying the new ownership entity and property management (PM) agent;
- Property Management Agreement for project (*if applicable*);
- Financial statements for new ownership entity including General Partner (GP) or Administrative General Partner (AGP). If entity is newly formed, include financial statements for the principals;
- Completed [Attachment 21 - General Partner \(G.P.\) Experience](#) and [Attachment 22 - Management Company Experience](#) evidencing GP, AGP and PM experience;
- Completed TCAC [Project Status Report](#) (PSR);
- A statement of the current Building Identification Numbers (BINs) and unit mix of the property. Please provide an additional explanation if this mix differs from the Recorded Regulatory Agreement;
- Statement of how much will rents increase after the transfer of ownership interests occurs.
- Statement of whether the project will be applying for a re-syndication of tax credits;
- Statement from current owner confirming that seller will transfer tenant records, rent records, and all tenant demographic data collected up to the date the sale closes escrow to the buyer and their property management agent;
- Completed TCAC Annual Owner Certification (AOC) Form and TCAC Annual Operating Expense (AOE) reports;
- IRS Tax Form 990 for non-profit organization (*if applicable*); and
- [Reserve Certification](#) indicating that all unexpended funds in the project reserve funds associated with the project will remain with the project (TCAC Regulation Section 10327(c)(7)).

*\* For Transfer Events requiring a Capital Needs Assessment and Capital Needs Agreement (Covenant) a 15 year projected Table must be used. Regulations require that any Immediate and Critical Repair Needs plus the needs indicated for Years 1-3 be set aside in a Short Term Reserve account with the work noted completed within 3 years. The Long Term Reserve annual contribution amount should be the average inflated per unit per year amount noted for the remainder of the 15 year term.*

If the responses noted on the completed Questionnaire do not match any of the above scenarios or if you have any additional questions, please contact Compliance Program Managers, Shannon Nardinelli and Mayra Lozano, at (916) 654-6340 or via email at [snardinelli@treasurer.ca.gov](mailto:snardinelli@treasurer.ca.gov) and [mlozano@treasurer.ca.gov](mailto:mlozano@treasurer.ca.gov) for guidance.