



CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

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LAURA A. WHITTALL-SCHERFEE

To: Qualified Residential Rental Program (QRRP) Applicants

From: Laura A. Whittall-Scherfee

Date: October 2, 2017

Re: 2017 Expiring Difficult Development Area and Qualified Census Tract Status

On Monday, September 11th, HUD published the 2018 Difficult Development Areas (DDAs) and Qualified Census Tracts (QCT) which are eligible for the 30 percent basis boost under the Housing Credit program. The methodology for determining the 2018 metropolitan DDAs relies on new Small Area Fair Market Rents.

New DDAs and QCTs will become effective on January 1, 2018. This means that bond projects located in an area that was a DDA in 2017, but will lose its DDA status in 2018, are still eligible for the basis boost as long as the bond allocating agency receives the completed application for the project by December 31, 2017 and the project is placed in service or the bonds are issued within 730 days after the project submits a complete application.

QRRP applicants should be advised that December 15, 2017 is the DDA and QCT application submittal due date to preserve the DDA and QCT eligibility as identified in Section 5258(a) of the CDLAC regulations. Upon receipt of applications, CDLAC will issue determinations regarding whether applications are complete prior to the expiration of the current year's DDA status by December 31, 2017. CDLAC will allow 18 months to secure a CDLAC allocation. In addition, the bonds must be issued or the project must be placed in service within 730 days from the date the complete application is submitted.

Within each application, applicants must identify in which CDLAC round they plan to request a bond allocation. For expiring 2017 projects, CDLAC will allow applicants and sponsors to request allocation in any of the 2018 rounds and the first three rounds of 2019.

At the time of submission, all application materials pursuant to CDLAC regulations must be submitted. This includes posting of the required performance deposit and Inducement Resolution. Absent the inclusion of all CDLAC required application materials, an application will not be deemed complete. CDLAC will not allow applicants to provide additional information or make corrections to the application during the two-week period from December 15-31, 2017. Please note that currently CDLAC's regulations **do not** tie the Tax Equity and Fiscal Responsibility Act ("TEFRA") submittal or the local approval documentation to the date an application is submitted. Rather, the proof of TEFRA is due four (4) days prior to the first posting date for the round in which allocation is requested ("the Specified Round") and the submission of local approval documentation is tied to the application deadline for the Specified Round. Accordingly, CDLAC **will deem** 2017 Expiring DDA/QCT applications submitted on or before December 15, 2017 **complete** absent the inclusion of the TEFRA documentation and the local approval documentation at the time of submission.

CDLAC will provide flexibility in updating documentation originally submitted December 15, 2017 prior to the application deadline of the Specified Round. **Please note: All revised materials must be submitted prior to the application deadline of the Specified Round. After December 15, 2017, it will not be possible to add additional units or sites, propose income targeting that is at higher levels than originally submitted, introduce new unit sizes not already included in the project, or to alter the project in such a manner that the original Inducement Resolution would no longer be valid after the application deadline.**

To preserve the opportunity to apply for bond proceeds in excess of the amount specified at the time of submittal, a letter must accompany the December 15, 2017 application requesting the ability to apply for up to a 20% increase in the bond amount as a result of events, either unforeseen or not quantifiable, at the time of submission including, but not limited to, increases in income and rent limits, escalating construction costs and expansion of the scope of work (excluding additional units or sites). To be considered to receive a bond allocation in excess of the original requested amount, documentation including updated application materials, commitment letter and an explanation for the increase must be submitted prior to the application deadline for the Specified Round. CDLAC considers that applications for projects where bonds are ultimately issued in excess of the bond amount listed in the initial bond application are complete at the time of the initial application if the application contains an initial bond request amount and is accompanied by a letter requesting the ability to increase the bond amount by up to 20%, subject to the parameters described above.

In keeping with CDLAC's current policies, no penalty aside from the non-refundable \$1,200 initial CDLAC fee will be assessed if projects do not proceed, but a formal withdrawal request will be required in advance of December 12, 2019 issuance deadline. Additionally, if a project does not proceed, the performance deposit will be released without penalty upon CDLAC's receipt of a formal withdrawal request.

2017 Expiring DDA/QCT projects **may** have a pending application with TCAC under the 9% Program at the time of the **December 15, 2017** submission to CDLAC. However, if an applicant opts to pursue a CDLAC award of allocation, any 9% application must be withdrawn pursuant to CDLAC Regulation 5182 or no longer pending by the application deadline for the Specified Round.

You are advised to visit the CDLAC website and/or subscribe to the CDLAC e-mail distribution list to receive additional information as it becomes available. Should you have questions regarding the information, please do not hesitate to contact the CDLAC main line at (916) 653-3255.