DATE: February 23, 2021

TO: 2020 Bond Allocation Recipients

FROM: Spencer Walker, General Counsel
State Treasurer’s Office

RE: Minimum 4% Credit Rate

The Consolidated Appropriations Act, 2021 (“H.R. 133” or “Act”) was signed into law on December 27, 2020 and established a minimum credit rate of 4% for housing projects developed with Low Income Housing Tax Credits (“LIHTCs”). This is applicable to housing projects financed with tax-exempt bonds and LIHTCs (“4% bond projects”). Since the passage of H.R. 133, there has been discussion surrounding the impact of this change to those housing projects that have issued their bonds prior to January 1, 2021 and those that have not.

H.R. 133 permits a minimum 4% credit rate for qualifying housing projects that meet certain criteria outlined in the Act. Until formal guidance is received from the Internal Revenue Service (“IRS”) or US Treasury, the California Tax Credit Allocation Committee (“TCAC”) has provided Minimum 4% Credit Rate guidance. For 4% bond projects that have received a bond allocation and tax credit reservation but have not yet closed their financing and have not yet issued any bonds prior to January 1, 2021, these 4% bond projects are eligible for the 4% credit rate.

Recipients Returning Public Funds
This notice confirms CDLAC will not issue negative points to pre-2021 bond allocation recipients that are able to utilize the fixed 4% credit rate and seek to return public funds for which CDLAC leveraging points were awarded. The 4% credit rate fix that occurred in December 2020 was not known at the time of these application submissions, and the financing structure of the applications reflect a much lower tax credit equity amount than yielded by 4%. The additional equity provided by the 4% credit rate allows these precious state and local funds to support increased future production. No negative points will be assessed.
Supplemental Bond Allocation

Until formal guidance is received from the US Treasury or IRS, CDLAC and TCAC will take the approach that the legislative intent for the 4% minimum rate was prospective in nature. This means housing projects issued a tax-exempt bond allocation prior to January 1, 2021 that have had any tax-exempt bonds issued prior to January 1, 2021 are ineligible for the 4% fixed rate. As a result, CDLAC will not entertain requests for post-closing issuances of tax-exempt bonds solely for the purpose of creating a technical qualification to access a 4% fixed credit rate.

Bond Issuance Deadlines

If bond allocation recipients need additional time for bond issuance closings due to underwriting using a 4% credit rate, a five day extension may be requested pursuant to CDLAC Regulation Section 5103. Please contact CDLAC program managers or staff with requests for this extension.