CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

2006 Annual Report

Bill Lockyer
Treasurer
State of California

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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

April 2007

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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EXECUTIVE SUMMARY – 2006 Program Highlights

Tax Credit Units in California Exceed 215,000

In 2006, the California Tax Credit Allocation Committee (“TCAC” or “the Committee”) awarded over $72 million in competitive 9% federal Low Income Housing Tax Credits to 70 proposed housing projects.

Project Type	# of Projects Funded
Family	51
Senior	12
Single Room Occupancy	2
Special Needs	4
At-Risk	1

In addition, more than $67 million in state credit was awarded to 17 competitive projects, while an additional $13 million in state credit was allocated to 9 projects receiving 4% credits with tax-exempt bonds.

A total of 4,098 additional affordable housing units will be built using the 2006 9% credit awards, bringing the total aggregate number of affordable units awarded credit in the competitive, 9% program in California to 100,477. When including tax-exempt bond financed units, the total aggregate number of California units assisted with tax credits since the program’s inception is 215,331.

Demand for Tax Credits

Applications for competitive 9% credits received in 2006 totaled 146 (as compared to 124 in 2005), with 70, or 48%, receiving a tax credit allocation. The demand over supply for tax credits in 2006 was higher than that of 2005, when 58% of all applications received credit allocations. Historically, the demand for 9% tax credits exceed supply by between 3 and 4 to 1, however, in the past three years the demand to supply ration of 9%

credits has been approximately 2 to 1. Despite the lower ratios, TCAC still receives more high scoring applications than it can fund. The total dollar amount of annual federal credit requested in 2006 was $154.6 million, while the amount available to allocate was $72.7 million, or 47% of the requested amount.

Geographic Apportionments Affect Credit Distribution

In 1997 the Committee created geographic apportionments and in 2004 updated the geographic apportionments to align the distribution of tax credits with statewide population and housing needs. The 2004 geographic percentages were assigned to each of 10 areas by a formula incorporating population, housing costs, poverty and urbanization. The target percentages indicate the amount of credits available to an area, after funding the supplemental, non-profit homeless apportionment portion of the non-profit set-aside, rural and special needs/SRO set-asides. Table 1 shows federal and state credit distribution in relation to target apportionments based on the percentage of federal credit and state credit allocated by formula.

The targeted apportionment does not account for prior years' results and their effect on available credit in 2006. This, in part, explains the lower percentages in regions such as the Central and Inland Empire areas. That is, those areas receiving more credits than they were apportioned in 2005 had their 2006 apportionments discounted by the overage amount.

TABLE 1
2006 Apportionments versus Allocations

Geographic Area	Target Apportionment	Allocation Percentage
Los Angeles County	33%	40.49%
Central	10%	4.04%
Alameda, Contra Costa, Marin, Napa, Solano, Sonoma Counties	10%	9.31%
San Diego County	10%	10.32%
Inland Empire	8%	3.31%
Orange County	8%	6.39%
San Mateo & Santa Clara Counties	6%	8.93%
Capital/Northern Area	6%	4.41%
Coastal California	5%	9.61%
San Francisco County	4%	3.19%
TOTAL	**100%**	**100.00%**

Continued Increase in the Number of Projects Financed with Tax-exempt Bonds

In 2006, the Committee reserved credit for 115 projects financed with the proceeds of tax-exempt bonds, a 4 percent decrease from the 120 projects for which credits were reserved in 2005. The 115 projects received $86,164,472 in annual federal tax credits and will produce 12,356 low-income units. In addition, 9 of the 115 projects received a total of $13,597,161 state credits.

Monitoring Activities

In 2006, the Committee conducted monitoring activities at 611 tax credit projects to fulfill the IRS requirement that all completed tax credit developments be inspected at least once every three years. Monitoring activities included site inspection visits to review files and physically inspect the units and common areas. At least 20% of the files and units at each development were inspected. Of the 611 developments inspected, 482, or 78.9%, were found to have no incidents of non-compliance, or were able to provide documentation during the correction period to show issues of non-compliance were corrected. The remaining 129 developments had at least one incident of non-compliance. In most cases the non-compliance was due to over-charging rents, inadequately documenting files, or failing to perform timely income re-certifications. Of the 11,916 tenant files inspected, 11,809 or 99.1% were found in compliance with income restriction requirements. In cases where too much rent was charged, all locatable residents received refunds.

RESULTS OF THE 2006 PROGRAM

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 requires the Committee to report information as follows: the total amount of housing credit allocated; the total number of low-income units that are, or will be, assisted by the credit; the amount of credit allocated to each project, other financing available to the project, and the number of units that are, or will be, assisted by the credit; the amount of credit allocated to each project, other financing available to the project, and the number of units that are, or will be, occupied by low-income households. The report also must include information that describes the low-income status of units reserved for low-income occupancy from projects receiving allocations in previous years. Appendices A, B and C of this report contain data for 2006 and earlier program years. Appendix D contains several charts illustrating recent cost, credit allocation and unit production trends. Appendix E contains a summary description of the tax credit programs.

The 9% Program

In 2006, the per capita annual federal credit ceiling was $68,651,079 (or a total of $686,510,790 of federal credits available for investors over a ten-year period.) In addition to the per capita credit, $3,176,497 of annual federal credit was returned to the Committee, and an additional $949,059 of annual federal credit became available from the "national pool." National pool credits are unused credits from other states that are divided among states that have allocated all their credit in the preceding year. California's total 2006 annual federal credit ceiling from all sources was $72,776,635. The total annual federal credit awarded to projects in 2006 was $72,500,934, or a total of $725,009,340 of federal credits available for investors over a ten-year period. Additionally, the Committee previously allocated $499,489 of the 2006 annual federal credit ceiling to a project awarded credit in 2005.

Applications

In 2006, applicants requested approximately $154.6 million in federal credit exceeding the approximate $72.7 million available in annual federal credit. In addition, applicants requested approximately $39.8 million in total state credit, while $82.9 million in total state credit was available. Tables A-1 through A-4 in Appendix A provide summary listings by County, Assembly District, Senate District and Congressional District of all 2006 projects allocated credit. The 2006 federal 9% tax credits assisted 70 projects in 26 Counties, 42 Assembly Districts, 31 Senate Districts and 34 Congressional Districts. Of those projects, state tax credits assisted 17 projects in 9 Counties, 15 Assembly Districts, 13 Senate Districts and 14 Congressional Districts.

Housing Types

State regulations require all 9% tax credit applicants to compete under one of five housing types. Chart 1 breaks down the 2006 allocations by housing type. Of the 70 projects that received a 9% allocation, fifty-one (51) are designated for large families (3-bedroom or larger units accounting for at least 30% of total project units), twelve (12) are designated for seniors, two (2) provide Single Room Occupancy units, four (4) provide Special Needs units, and one (1) projects are "at risk" of conversion to market rate – this project also met the housing type definition for Single Room Occupancy units, but for reporting purposes is being considered "at-risk".

Chart 1

2006 Allocations by Housing Type

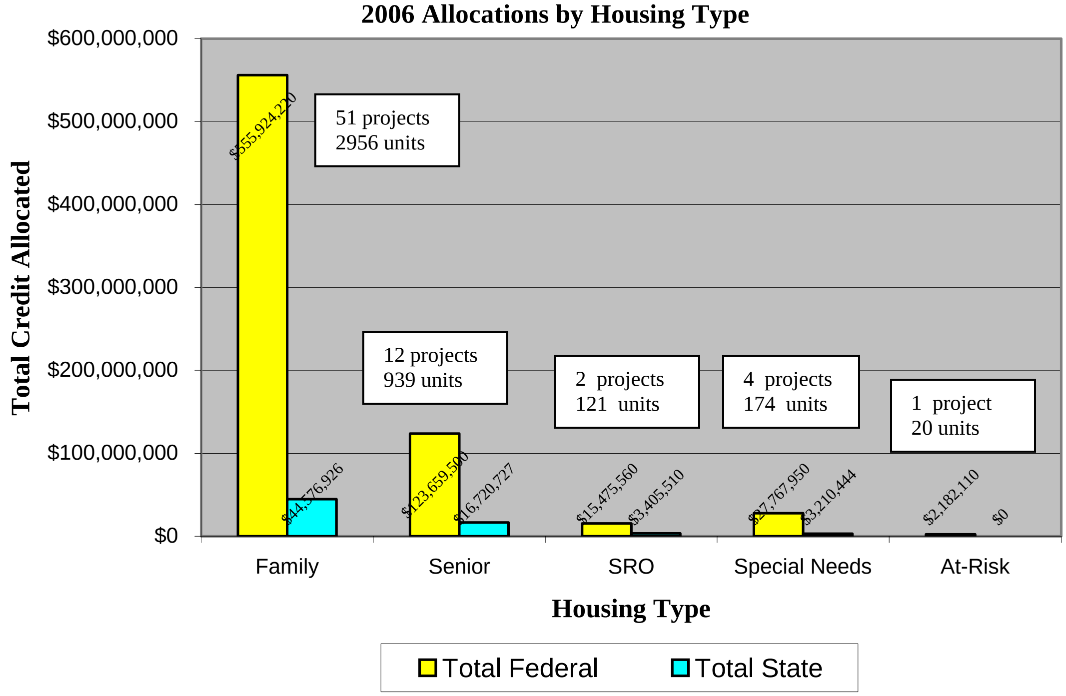


Table 2 outlines the distribution of units and credits among those housing types in 2006. These housing types are listed in order of priority and the listed “goal” refers to the distribution of federal credits, not units.

Table 2

2005 Housing Type Units and Credits

Housing Type	Projects Awarded Credit	Low Income Units	Total Federal Credits Awarded	Percentage of Federal Credit	Current Goals
Large Family	51	2901	$555,924,220	76.68%	65%
Single Room Occupancy	2	119	$15,475,560	2.13%	10%
At-Risk	1	19	$2,182,110	0.30%	5%
Special Needs	4	171	$27,767,950	3.83%	5%
Senior	12	522	$123,659,500	17.06%	15%

The majority of Large Family projects are new construction with an average size of 587 units in 2006. By geographic location, in comparison to rural projects, inner-city projects tend to be smaller and suburban projects larger. By State regulation, at least thirty percent of the units in Large Family projects must be 3-bedroom or larger units. Typical project amenities include laundry facilities, equipped play areas, outside family areas, community rooms, day care facilities, and security systems.

In 2006, TCAC funded two (2) Single Room Occupancy (SRO) projects with 53 and 68 units respectively. These projects are rehabilitations of existing buildings, a common scenario among tax credit awarded SROs. SRO projects are often rehabilitated urban hotels. SRO units do not have a separate bedroom, although they may have private bathroom and/or kitchen facilities. All units must be targeted on average to households with incomes of 40% of area median. Typical project amenities include laundry facilities, furnished community rooms, community kitchens and security. In addition, various social services are available to assist the tenants, including job counseling and drug and alcohol rehabilitation.

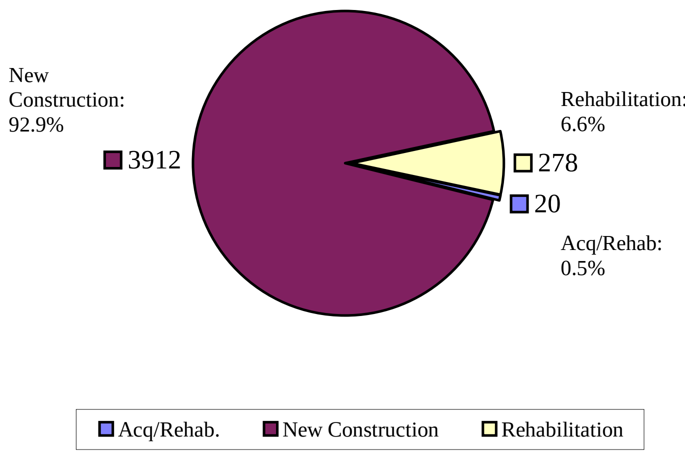
Senior projects were generally new construction with an average size of 78 units in 2006. In comparison, the average unit count among all federal 9% projects in 2006 was 60 units. Most senior projects are comprised of one-bedroom units and are on sites within walking distance of basic services. Typical project amenities include a security call system, furnished community rooms and laundry facilities.

Special Needs projects are generally small, with an average size of 43 units in 2006. All units must be targeted on average to households with incomes of 40% of area median. The targeted households have included HIV-positive households, frail elderly, mentally and physically handicapped individuals, and single mothers. Project amenities must be appropriate for the targeted population and the residents must have access to appropriate social services.

Finally, At-Risk projects are comprised of federally assisted units that are approaching or beyond the time when they can convert to market rate developments. In 2006, the single funded At-Risk project had 20 units. At-Risk is the only housing type that does not have any relevance to the type of tenants that will be targeted by the project, and in fact many of the At-Risk projects target one or more of the other populations represented by TCAC's housing types. The At-Risk project funded by the Committee met the Single Resident Occupancy housing type as well.

Chart 2 shows the number of 9% units and projects by construction type. Projects awarded credit contain 4,210 total units, with 4,098 available at affordable rents to low income households. Of the total units, 3,912 will be newly constructed, and 298 existing units will be rehabilitated.

Chart 2
2006 Unit Distribution by Construction Type



As required by federal and state law, at least 10% of the annual 9% tax credits available must be set aside for non-profit sponsors. State law also provides for 20% rural and 2% small development set-asides. Table 3 shows that 15.4% of the federal credits and 30.96% of the state credits were allocated to qualifying non-profit sponsors competing in the non-profit and general pool (or regional) set-asides. Over 20% of available federal credits, and over 6% of the state credit, went to rural projects including those within the Rural Housing Service set-aside. Finally, 2.5% of federal credits were awarded to small development projects. Table 3 outlines the 2006 allocation of 9% federal tax credits among the various set-asides and apportionments.

Table 3
2006 Allocations by Set-Aside

Set-Aside	Projects	Low Income Units	Total Federal Allocation	% of Total	Total State Allocation	% of Total
Homeless Assistance	4	172	$23,894,610	3.30%	$3,210,444	4.73%
Nonprofit	8	533	$85,147,070	11.74%	$17,816,779	26.23%
RHS	1	60	$11,071,650	1.53%	$0	0%
Rural	13	835	$135,157,970	18.64%	$4,544,688	6.69%
Small Development	5	88	$18,307,470	2.53%	$0	0%
At-Risk	1	19	$2,182,110	0.30%	$0	0%
Special Needs/SRO	1	51	$9,052,810	1.25%	$0	0%
General Pool	37	2340	$440,195,650	60.71%	$ 42,341,696	62.35%
Total	**70**	**4098**	**$725,009,340**	**100.00%**	**$67,913,607**	**100.00%**

Federal and State Credits-Per-Low-Income-Unit Increases from 2000-2005

Table 4 summarizes data on credits-per-low-income unit for projects allocated ceiling credit from 2000 through 2006. The data has been updated from previous annual reports, and reflects returned credits and unsuccessful projects.

Table 4
9% Federal and State Credits per Low Income Unit: 2000-2005

Year	Total # of Projects	Total Federal Credit	Total State Credit	Total Low Income Units	Total Federal and State Credit per Low Income Unit
2000	81	$503,988,360	$54,057,979	5,063	$110,220
2001	67	$510,298,140	$35,333,660	5,124	$106,486
2002	67	$620,815,290	$91,754,982	5,281	$134,931
2003	80	$620,711,690	$74,136,925*	5,192	$133,831
2004	62	$586,742,680	$63,925,809*	4,331	$150,235
2005	69	$685,070,440	$56,367,823*	4,761	$155,732
2006	70	$725,009,340	$67,913,607*	4,098	$193,490

***** *In addition to the above figures, $9,683,098 in State credits were awarded to tax exempt bond deals in 2003; as were $3,248,707 in 2004, $19,092,357 in 2005, and $13,597,161 in 2006.*

The 4% Program

In 2006, the Committee awarded 4% credits to 115 projects financed with the proceeds of tax-exempt bonds. A total of $86,164,472 annual 4% federal credits were allocated to these projects, an amount that exceeded the annual 9% federal credits allocated for the fourth year in a row. For the past four years, tax-exempt projects have been eligible to compete for state credits. Of these 115 projects awarded annual federal credits in 2006, 9 received allocations of state credits totaling $13,718,564. The 115 funded projects will generate 12,356 affordable units, 1,275 more low-income units than in 2005. Tables B-1 through B-4 in Appendix A provide summary listings by County, Assembly District, Senate District and Congressional District of all 2006 projects allocated 4% credit. The 2006 federal 4% tax credits assisted 115 projects in 32 Counties, 51 Assembly Districts, 33 Senate Districts and 42 Congressional Districts. Table 5 summarizes data on total credits-per-low-income unit (the ten years federal credit and four year state credit totals) for projects allocated 4% credit from 2000 through 2006. The data has been updated from previous annual reports, and reflects returned credits and unsuccessful projects.

Table 5
4% Federal and State Credits per Low Income Unit: 2000-2005

Year	Total # of Projects	Total Federal Credit	Total State Credit	Total Low Income Units	Total Federal and State Credit per Low Income Unit
2000	83	$320,620,520	$0	10,624	$30,179
2001	112	$500,853,530	$0	13,347	$37,526
2002	122	$573,154,550	$0	11,668	$49,122
2003	135	$717,961,460	$9,606,279	13,179	$55,207
2004	108	$650,310,920	$2,534,897	10,617	$61,491
2005	116	$717,905,960	$17,753,576	11,081	$66,389
2006	115	$861,644,720	$13,597,161	12,356	$70,835

KEY EVENTS DURING 2006

For the first time since 2002, the California Tax Credit Allocation Committee (TCAC) saw an increase in applications received for nine percent (9%) federal tax credits. TCAC received 146 applications for 9% credits in 2006, and funded 70 for an application oversubscription ratio of 2:1. In addition, TCAC funded nine projects with a combination of 4% federal and state credits.

Early in 2006, the Committee made regulatory changes designed to clarify the regulations and streamline the allocation process. Specific changes to the 9% program included:

- Adding State Enterprise Zones to the list of zones for which a project could receive neighborhood revitalization points.
- Phasing out Rural Housing Service (RHS) Section 538 loan guaranties from the RHS scoring apportionment.
- Adding El Centro to the Inland Empire geographic apportionment.
- Permitting specified application errors to be corrected.
- Developing a new menu of sustainable building actions from which to select for competitive points. TCAC also adjusted its minimum construction standards and basis limit boosts for various "green" or energy efficient features.
- Increasing basis limit boosts for 4% tax credit projects to address rising development costs.
- Establishing a broader threshold, and priorities, for qualifying homeless assistance apportionment projects.

In 2006, TCAC staff also convened a working group to review specific program features and advise the Committee. This working group helped develop concepts that eventually resulted in 2007 regulation changes eliminating the second, zone-based tiebreaker for rural projects, and applied additional boosts to basis limits. In addition, the group provided valuable guidance to TCAC as we go forward with additional proposed program improvements for 2008.

In 2006, TCAC also used its website more effectively as a vehicle for communicating program issues. These changes included the regular posting of Committee meeting minutes, regulation changes with reasons, and announcing public forums and events.

In 2006 TCAC also assigned development team analysts by region, in an effort to provide better customer service. By establishing a principal point of contact for each region, greater continuity and consistency of technical assistance will result. In addition, staff will become more familiar with the specific real estate and development dynamics within the region, and with the program users from that region.

CUMULATIVE PROGRAM RESULTS: 1987 THROUGH 2006

The existing active portfolio of 9% tax credit projects encompasses total federal allocations of over $8.9 billion in 1,660 projects with 100,477 affordable housing units.[1] A total of 540 of these projects used state credits totaling more than $893 million. Beginning in 1998, a historic trend reversed and the Committee began to award more tax-exempt bond projects credit than 9% tax credit projects. In 2000, the ratio of tax-exempt bond projects awarded credit to 9% projects awarded credit was approximately 3 to 2 and that rough ratio has held constant through 2006. In total, the existing active 4% tax credit projects add an additional 114,854 affordable housing units in 1,077 projects to the Committee's portfolio.

Since the Low Income Housing Tax Credit program's inception, a combined total of 215,331 affordable units have been generated by both the 9% and 4% tax credit programs.[2] TCAC conservatively estimates that over $10.5 billion in investor equity has been, or will be, raised from the allocations of federal and state tax credits for both 9% tax credit and tax-exempt bond financed projects.[3] Credits are generally offered through partnerships to investors, and their value is the price the investor judges the credits to be worth in terms of the immediate and future tax benefits they will receive from the credits, along with other benefits they receive by owning a project.

[1] These numbers include 9% projects that have been awarded credit in one year, and returned for additional federal or state credit in another (where they were treated as a separate application). The number of these projects is minimal.
[2] These figures include projects whose original compliance period has expired and projects that may have returned to TCAC for additional credits after their original compliance period ended.
[3] Estimate calculated assuming $0.75 in investor equity generated per dollar of total federal and state credit awarded.

State Credit Program Effectiveness

In 2006, $81 million in state credits were allocated while the amount of state credits requested was approximately $58 million. The $81 million in state credits include over $13 million allocated to tax exempt projects and at least $10 million in state credit exchanged for 9% credits. The decrease in demand for state credits may, to some extent, be the result of uncertainty regarding whether or not state credits trigger a requirement to pay prevailing wages.

State credits are particularly important to projects not located in designated high cost areas, or those using federal HOME Investment Partnership Program funds. For these projects, state credits generate additional equity finds which, as intended, fill a financing gap that remains after federal credits have been allocated.

New Construction Outpaces Rehabilitation Projects

Chart 4 shows 9% projects by construction type from 2000 through 2006. The percentage of new construction projects has shown a slight increase since 2000, and far exceeds that of rehabilitation projects. In fact, historically, rehabilitation and/or acquisition/rehabilitation projects have been the distinct minority of 9% projects. However, 4% rehabilitation projects have remained strong, with rehabilitation projects receiving 26 to 61% of all 4% credit awards since 2000. Chart 5 shows 4% projects by construction type from 2000 through 2006. The percentage of 4% rehabilitation projects has varied substantially, but consistently has been significantly higher than for the 9% program.

Chart 4
Distribution of 9% Projects by Construction Type

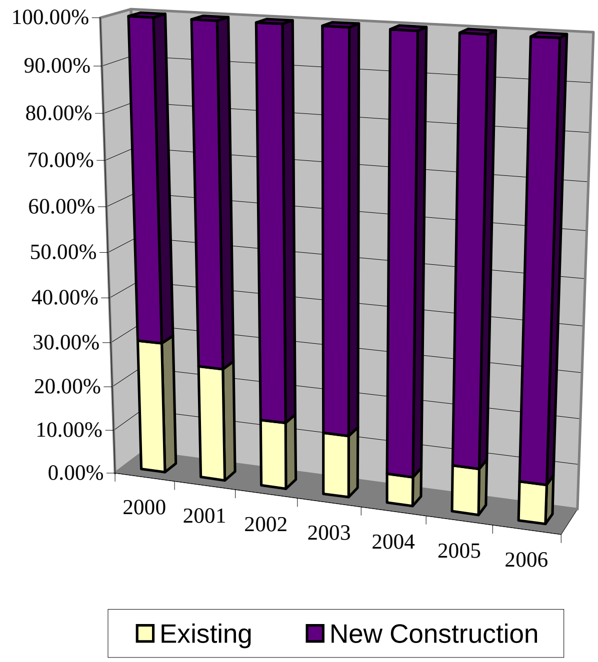
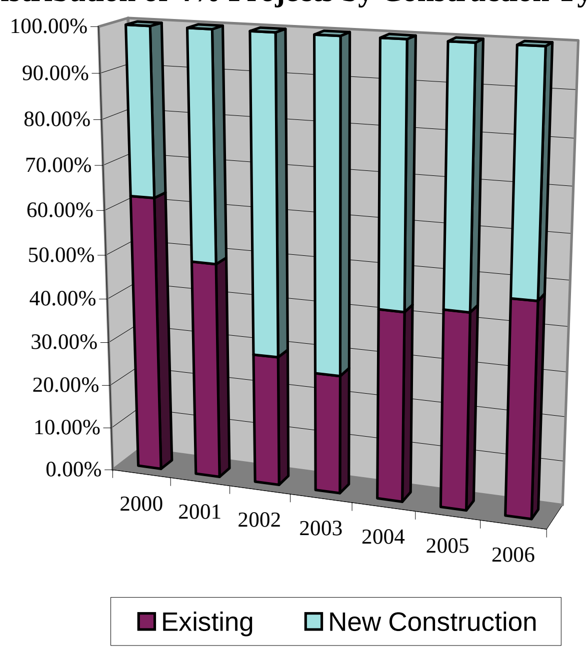


Chart 5
Distribution of 4% Projects by Construction Type



Housing Types

Table 6 shows the ten-year total for federal credits and the four-year total for state credits for all 9% projects awarded credit from 1990-2005. Since housing types were not taken into consideration under the Qualified Allocation Plan prior to 1990, the totals have been provided only for 1990-2006. Table 6 only shows the current regulatory goals for 9% credits by housing type.

Table 6
Total Amount of Credit to Projects by Currently Allowed Housing Types

Project's Housing Type	**1990-2006 Total Credits Awarded**	**% of Total**	**Current Goals**
Large Family	$ 6,479,214,385	70.29%	65%
Single Room Occupancy	$ 637,583,318	6.92%	10%
At-Risk	$ 218,375,888	2.37%	5%
Special Needs	$ 383,664,253	4.16%	5%
Senior	$ 1,499,173,595	16.26%	15%
Total	**$ 9,218,011,439**	**100.00%**	**100%**

The Committee has readily met its current goal percentages for the distribution of credit to both Large Family and Senior projects. However, the housing type goals for Single Room Occupancy, At-Risk and Special Needs are not being met in the aggregate.[4]

Set-Asides

Federal law requires that at least ten percent (10%) of the federal 9% tax credits are set-aside for qualified Non-profit Organizations (Internal Revenue Code Section 42(h)(5)).

[4] There are several reasons why the Committee has not met the Special Needs, Single Room Occupancy and At-Risk housing type goals: 1) Even though a special set-aside exists for Single Room Occupancy and Special Needs projects, the populations served by the these projects may present unique challenges to developers, owners and managers that limit their numbers; 2) the At-Risk goal may be difficult to reach in the aggregate, or even on an annual basis, because the oldest 9% At-Risk project in the Committee's portfolio dates from 1998; 3) the At-Risk set-aside was not established until 2000; and 4) many At-Risk projects are seeking and being awarded tax-exempt bonds and 4% credits.

Additionally, the California State Legislature established set-asides for projects in rural areas and small developments (Health and Safety Code Section 50199.20(a) and (b)). Therefore, in California, by federal and state law and regulations:

- Ten percent (10%) of the federal credit ceiling is set-aside for qualified nonprofit applicants. Of that total, by regulation, fifty percent (50%) of the credit in the nonprofit set-aside is further reserved for projects providing homeless assistance.
- Twenty percent (20%) of the federal ceiling is set-aside for projects in rural areas. By state regulation, fourteen percent (14%) of the rural set-aside is reserved for projects financed by the Rural Housing Service programs.
- Two percent (2%) of the federal 9% tax credits are set-aside for qualified Small Development projects consisting of 20 or fewer units.
- By regulation, five percent (5%) of the federal 9% tax credits are set-aside for "At-Risk" projects.
- Finally, an additional two percent (2%) of the federal 9% tax credits are set-aside for qualified Special Needs / SRO projects.

Eligible projects that apply under the Non-profit, At-Risk, Small Development of Special Needs / SRO set-asides automatically compete with all other projects in the general allocation pool if insufficient credits are available in the set-asides. The RHS apportionment and Small Development set-aside were not established until the 1990 application cycle. The At-Risk set-aside was established in 2000, and the Special Needs / SRO set-aside was established in 2003.

The data is grouped by each project's *application* set-aside, although they may actually have been *funded* from the general allocation pool. The Committee's most reliable data on set-aside awards is found from 1997 to the present; therefore, Table 7 only summarizes projects receiving tax credits in 1997-2006.

available to counties, after funding the supplemental, non-profit homeless apportionment portion of the non-profit set aside, rural and special needs / SRO set-asides.
Since the inception of the program in 1987, federal 9%, federal 4%, and state tax credits have been allocated for affordable housing developments in 56 of the 58 counties in California. Table C-1 in Appendix C compares active tax credit projects by county to the county's population as a percentage of total state population, including the number of projects, number of rental units in service, and credit dollars by county. These tables reflect data as of December 31, 2006. The current status of projects may not necessarily be reflected in this historical data.

Los Angeles County continues to be the largest beneficiary of the program, receiving 33% of the total federal and state tax credits. In total, federal credits of over $2,341 million and state credits of over $63 million have been allocated to 489 projects in Los Angeles County, which has resulted in over 34,000 affordable units. Santa Clara remained the county with the second highest number of units awarded, with San Diego close behind. Many smaller, more rural counties have also benefited from the tax credit program.

Demand for Credits

In 2006, the requests for tax credits included a high percentage of applications that were complete and eligible, but simply did not score high enough on the initial point review to receive an award. Staff anticipates a similar or higher level of demand for 2007.

Table 8 summarizes the amount of federal and state credits allocated to projects in years 1987 through 2005. Table 8 provides data that represent allocation activities as of December 31 of the year in which the awards were made. These data are the results of actions taken that year and reflect only a snapshot of the program at that point in time.

Table 8
Credits Allocated as of December 31 of the Allocation Year: 1987-2005

Year	Federal Credits Available	Federal Credits Awarded+	Number of Projects	and Units	State Credits Available	State Credits Awarded	Number of Projects	and Units
1987	$32,956,250	$4,825,463	63	2,264	$34,578,625	$6,818,086	17	755
1988	$34,578,750	$16,438,953	175	5,504	$34,578,625	$35,461,086	67	2,545
1989	$35,210,000	$34,444,417	155	7,960	$35,000,000	$61,433,913	74	3,792
1990	$36,328,750	$31,399,269	84	4,592	$35,000,000	$28,976,550	26	1,490
1991	$41,258,231	$41,258,231	78	4,277	$35,000,000	$34,855,113	28	1,547
1992	$63,517,994	$63,517,994	133	8,528	$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	$67,113,568	$67,113,568	122	8,612	$35,000,000	$47,220,796	30	2,135
1995	$44,427,630	$44,818,924	84	5,855	$47,133,862	$48,469,566	28	1,994
1996	$46,494,200	$47,215,733	107	6,467	$33,599,382	$36,006,092	30	1,718
1997	$42,130,174	$41,911,674	77	5,213	$35,038,813	$33,913,707	17	1,213
1998	$43,688,538	$43,688,538	86	5,757	$51,453,018	$50,234,029	37	2,697
1999	$44,205,301	$44,205,301	85	4,967	$51,784,811	$53,557,722	32	2,433
2000	$50,672,338	$50,672,338	81	5,667	$56,684,151	$56,040,292	32	2,218
2001	$52,078,900	$52,078,900	67	5,228	$71,207,244	$35,918,710	23	1,581
2002	$60,302,560	$60,302,560	68	5,518	$105,652,910	$91,928,018[a]	24	2,492
2003	$62,194,578	$62,194,578	86	5,450	$83,835,107	$83,835,107[b]	37	2,841
2004	$68,362,090	$68,362,090	65	4,508	$78,666,648	$74,810,332[c]	25	1,644
2005	$71,007,983	$71,007,983	72	4,939	$78,593,303	$79,593,303[d]	28	2,139
2006	$72,776,635	$72,776,635	70	4,210	$84,228,004	$84,228,004[e]	26	1,740

Note: Since 1989, the Committee is authorized to use remaining unused and returned credits from previous years.
+Includes forward commitments and\or second-phases in year credit available.

a In addition to the $91,928,018 state credit allocated in 2002, $13,630,399 of 2003 state credit was forward committed in 2002.
b Includes $9,683,098 in state credit allocation to 8 tax-exempt projects with a total of 713 units, which are reflected in the number of projects and units.
c Includes $3,248,707 in state credit allocation to 3 tax-exempt projects with a total of 140 units, which are reflected in the number of projects and units.
d Includes $19,092,357 in state credit allocation to 10 tax-exempt projects with a total of 963 units, which are reflected in the number of projects and units. Also includes $4,600,650 in state credit allocation to CA-2004-024 in exchange for a partial return of their federal credit allocation from 2004.
e Includes $13,597,161 in state credit allocation to 9 tax-exempt projects with a total of 594 units, which are reflected in the number of projects and units. Also includes $2,717,236 in state credit allocation to CA-2005-033 in exchange for a partial return of their federal credit allocation from 2005.

MONITORING – PROJECT PERFORMANCE AND PROGRAM COMPLIANCE

As required by law, during all reservation phases, a project is monitored for its progress in meeting milestones and reservation requirements up until it is placed in service. Additionally, IRC Section 42 and state statutes require state allocating agencies to monitor occupancy compliance throughout the credit period. The Internal Revenue Service (IRS) requires that allocating agencies notify it of any non-compliance or reporting failures by owners. The monitoring requirement begins at occupancy and continues under the project regulatory agreement for periods ranging from 30 to 55 years. Federal law requires that each project be monitored when "placed-in-service" and then every three years during the compliance period. 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, the Committee must now conduct physical inspections of units and buildings in each development.

TCAC's compliance monitoring program procedure requires project owners to submit tax credit unit information annually. The information is captured on a number of TCAC forms: Annual Owner Certification, Project Ownership Profile and the Annual Owner Expense report. Information is analyzed for completeness, accuracy and compliance. In most instances, a grace period is allowed to correct non-compliance, although the IRS requires that all non-compliance be reported to the IRS, whether or not the violation is corrected.

Investors are at great risk should non-compliance be discovered because the IRS could recapture credits claimed in 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.

Data presented in Appendix C show the results of the Committee's 2006 compliance monitoring activities. Table C-1 in Appendix C lists occupancy information received from project owners for all "placed-in-service" projects. Of the 11,916 units reviewed for compliance, 107 were found to have households that were not income-eligible at move-in. Other deficiencies, including rent overcharges and missing income recertifications were cited during file inspections. During 2006, 129 projects were cited with notices of "non-compliance," and 482 projects were determined to have no irregularities, or were able to provide documentation during the correction period to show issues of non-compliance were corrected. In total, 129 properties had findings of non-compliance that were uncorrected and reported to the IRS in 2006. Project owners must now bring projects into compliance or risk losing credits against their federal (and in some cases state) tax liability.

Compliance Report for Projects Placed in Service

Health and Safety Section 50199.15 requires the Committee to report all projects that were allocated tax credits in previous years, the total number of units in each project, the number of units assisted by the credit to be occupied by low-income tenants, and the number of units occupied by low-income tenants.

In 2006, Committee staff conducted file inspections for approximately 32.9% of projects in the portfolio. Of the 11,916 files inspected, low-income tenants occupied 11,809, or 99.1% of tax credit units as intended. The inspection findings for units with tenants that were not income-eligible at move-in were reported to the Internal Revenue Service, as required.

Table 9
Results from Compliance Monitoring File Inspections Conducted in 2006
By Year of Allocation

Year of Allocation	Projects Inspected in 2006	Total Units	Required Low-Income Units	Unit Files Inspected	Inspected Units with Low-Income Occupants
1989-1991	21	1,264	1,091	226	224
1992	17	1,127	1,125	230	223
1993	10	1,041	1,040	212	210
1994	22	1,899	1,892	384	370
1995	11	976	976	198	186
1996	49	4,445	4,135	845	839
1997	47	4,607	4,140	845	839
1998	61	7,016	6,784	1,379	1,361
1999	102	11,281	10,536	2,146	2,135
2000	90	8,979	8,446	1,722	1,709
2001	34	5,228	4,919	995	990
2002	75	8,010	7,168	1,457	1,452
2003	66	5,657	5,535	1,133	1,127
2004	6	795	704	144	144
Total	**611**	**62,325**	**58,491**	**11,916**	**11,809**

In addition to reporting the results of file inspections, Committee staff also asked project owners to report the occupancy of required tax credit units. 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.

APPENDIX A

2006 9% PROGRAM ALLOCATION INFORMATION

Table A-1
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
2006 9% Tax Credit Allocations by County

County	*Projects*	*Total Federal Allocation*	*% of Federal Total*	*Total State Allocation*	*% of State Total*	*Total Units*	*Low Income Units*
Alameda	3	$29,139,430	4.02%	$9,914,667	14.60%	193	190
Alpine	0	$0	0.00%	$0	0.00%	0	0
Amador	0	$0	0.00%	$0	0.00%	0	0
Butte	0	$0	0.00%	$0	0.00%	0	0
Calaveras	0	$0	0.00%	$0	0.00%	0	0
Colusa	1	$13,109,860	1.81%	$0	0.00%	81	80
Contra Costa	1	$8,577,960	1.18%	$0	0.00%	40	39
Del Norte	0	$0	0.00%	$0	0.00%	0	0
El Dorado	0	$0	0.00%	$0	0.00%	0	0
Fresno	1	$9,056,570	1.25%	$0	0.00%	69	68
Glenn	0	$0	0.00%	$0	0.00%	0	0
Humboldt	0	$0	0.00%	$0	0.00%	0	0
Imperial	1	$8,897,870	1.23%	$0	0.00%	72	70
Inyo	0	$0	0.00%	$0	0.00%	0	0
Kern	3	$37,630,810	5.19%	$4,544,688	6.69%	235	233
Kings	2	$18,369,580	2.53%	$0	0.00%	137	135
Lake	1	$6,856,060	0.95%	$0	0.00%	54	53
Lassen	0	$0	0.00%	$0	0.00%	0	0
Los Angeles	25	$238,777,930	32.93%	$23,813,415	35.06%	1251	1225
Madera	0	$0	0.00%	$0	0.00%	0	0
Marin	0	$0	0.00%	$0	0.00%	0	0
Mariposa	0	$0	0.00%	$0	0.00%	0	0
Mendocino	0	$0	0.00%	$0	0.00%	0	0
Merced	0	$0	0.00%	$0	0.00%	0	0
Modoc	0	$0	0.00%	$0	0.00%	0	0
Mono	0	$0	0.00%	$0	0.00%	0	0
Monterey	2	$30,549,850	4.21%	$0	0.00%	208	203
Napa	0	$0	0.00%	$0	0.00%	0	0
Nevada	0	$0	0.00%	$0	0.00%	0	0
Orange	3	$37,958,760	5.24%	$4,006,303	5.90%	161	158
Placer	0	$0	0.00%	$0	0.00%	0	0
Plumas	0	$0	0.00%	$0	0.00%	0	0
Riverside	2	$33,201,750	4.58%	$0	0.00%	270	228
Sacramento	3	$18,913,810	2.61%	$3,210,444	4.73%	127	125
San Benito	0	$0	0.00%	$0	0.00%	0	0
San Bernardino	0	$0	0.00%	$0	0.00%	0	0
San Diego	3	$50,492,790	6.96%	$5,673,982	8.35%	231	227
San Francisco	1	$17,368,120	2.40%	$0	0.00%	110	109
San Joaquin	1	$4,254,040	0.59%	$0	0.00%	21	20
San Luis Obispo	2	$14,856,820	2.05%	$1,676,062	2.47%	71	69
San Mateo	0	$0	0.00%	$0	0.00%	0	0
Santa Barbara	2	$15,943,400	2.20%	$0	0.00%	75	74
Santa Clara	2	$35,542,330	4.90%	$13,024,932	19.18%	205	203
Santa Cruz	0	$0	0.00%	$0	0.00%	0	0
Shasta	1	$14,475,620	2.00%	$0	0.00%	80	79
Sierra	0	$0	0.00%	$0	0.00%	0	0
Siskiyou	1	$9,396,680	1.30%	$0	0.00%	61	60
Solano	0	$0	0.00%	$0	0.00%	0	0
Sonoma	1	$16,647,830	2.30%	$0	0.00%	99	98
Stanislaus	0	$0	0.00%	$0	0.00%	0	0
Sutter	0	$0	0.00%	$0	0.00%	0	0
Tehama	1	$11,071,650	1.53%	$0	0.00%	61	60
Trinity	0	$0	0.00%	$0	0.00%	0	0
Tulare	2	$12,730,750	1.76%	$0	0.00%	107	105
Tuolumne	0	$0	0.00%	$0	0.00%	0	0
Ventura	4	$20,633,320	2.85%	$2,049,114	3.02%	118	115
Yolo	0	$0	0.00%	$0	0.00%	0	0
Yuba	1	$10,555,750	1.46%	$0	0.00%	73	72
Statewide	70	$725,009,340	100.00%	$67,913,607	100.00%	4210	4098