CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
2013 Annual Report

Affordable Housing for California

April 2014

Bill Lockyer
Treasurer
State of California

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

2013 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 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; 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. The bottom of page 43 of this report contains a link to additional data for 2013 and earlier program years.

This entire report can also be viewed at: http://www.treasurer.ca.gov/ctcac/2013/annualreport.asp

**cover photos of current portfolio projects, top to bottom: East Leland Court, La Valentina, MLK Village*

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Voting Committee Members:

Bill Lockyer, Chair
State Treasurer

Michael Cohen, Director of Finance

John Chiang, State Controller

Advisory Committee Members:

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Executive Summary

2013 Program Year

In 2013, the California Tax Credit Allocation Committee ("TCAC" or "the Committee") awarded $86.7 million in competitive nine percent (9%) annual federal Low Income Housing Tax Credits (LIHTCs) to 84 proposed housing projects. In addition, TCAC awarded $77.7 million in state tax credits to 29 of those competitive 9% projects, and approximately $9 million in state credit to seven projects receiving four percent (4%) federal tax credits with tax-exempt bonds. This brings the total units created since the inception in 1987 of the LIHTC program to more than 330,000.

Recipients will develop a total of 5,080 affordable housing units using 2013 9% tax credit awards, funded with $900 million in tax credit equity investments.

The 2013 federal 9% tax credits assisted projects in 25 Counties, 44 State Assembly Districts, 33 State Senate Districts and 41 Federal Congressional Districts. Of those projects, state tax credits assisted 29 projects in 16 Counties, 19 State Assembly Districts, 19 State Senate Districts and 18 Federal Congressional Districts. The link at the bottom of page 43 can be used to obtain a listing of the projects by district.

In 2013, the Committee physically monitored 734 tax credit projects to fulfill the IRS requirements that all completed tax credit developments be inspected at least once every three years. Monitoring visits included reviewing files and physically inspecting the units and common areas. Committee staff inspected and reviewed at least 20% of the files and residential units at each development. Of the 734 developments inspected, 619 or 84% had some incident of non-compliance, but a large majority of the non-compliance issues were promptly corrected. In most cases the non-compliance was due to over-charging rents, inadequately documenting resident files, or violating uniform physical conditions standards. Of such violations, TCAC reported 63 of 734 or 9% of the developments to the Internal Revenue Service, as required. In cases where too much rent was charged, property owners provided refunds to all residents who were able to be located.

Of the 13,362 units reviewed for compliance, TCAC found 84 to have income-ineligible households at move-in. The Committee required project owners to bring developments into compliance or risk losing credits against their federal (and in some cases state) tax liability.

9%

LOW INCOME

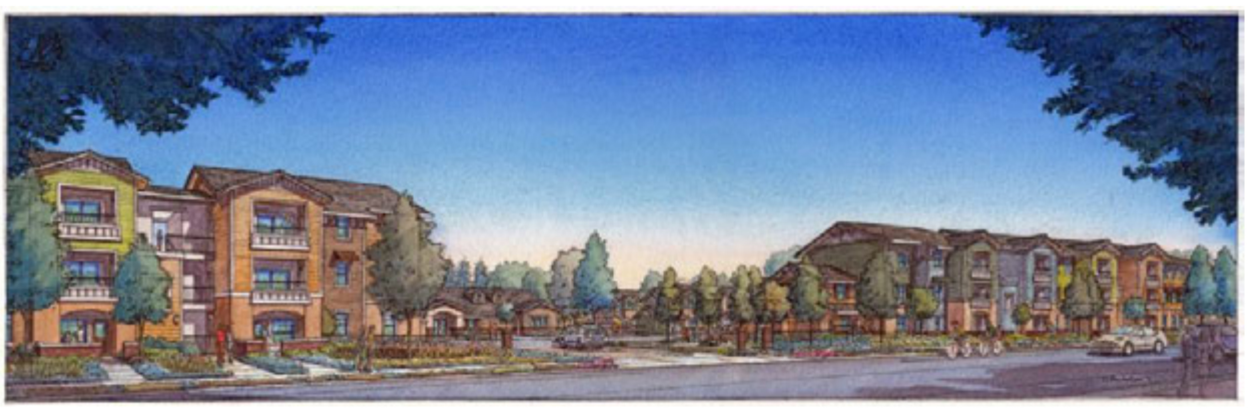
HOUSING TAX CREDITS

I. 2013 Accomplishments & Results - 9% Tax Credits

Overview

In 2013, the per capita annual federal tax credit ceiling was $85,593,218 ($855,932,180 of federal credit available to investors over a ten-year period). In addition, $3,999,760 in net annual federal tax credit was returned to the Committee during the year, and the $370,106 in annual credit was awarded by the Internal Revenue Service to California from the "national pool."[1] This brought the annual federal credit ceiling available to California in 2013 to $89,963,084.

California allocated $86,760,169, or $867,601,690 in total 9% federal tax credit available to investors over a ten-year period. This annual total includes $365,173 forward-committed from the 2014 federal tax credit ceiling. This total excludes $3,526,595 in annual tax credit the Committee pre-committed to projects awarded in 2012. In addition, award recipients returned $41,493 in annual credits at year end which was not re-allocated due to the late date. Accounting for these adjustments results in the annual federal credit available shown above of $89,963,084.



Mutual Housing at Spring Lake (CA-13-018)

[1] 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 .

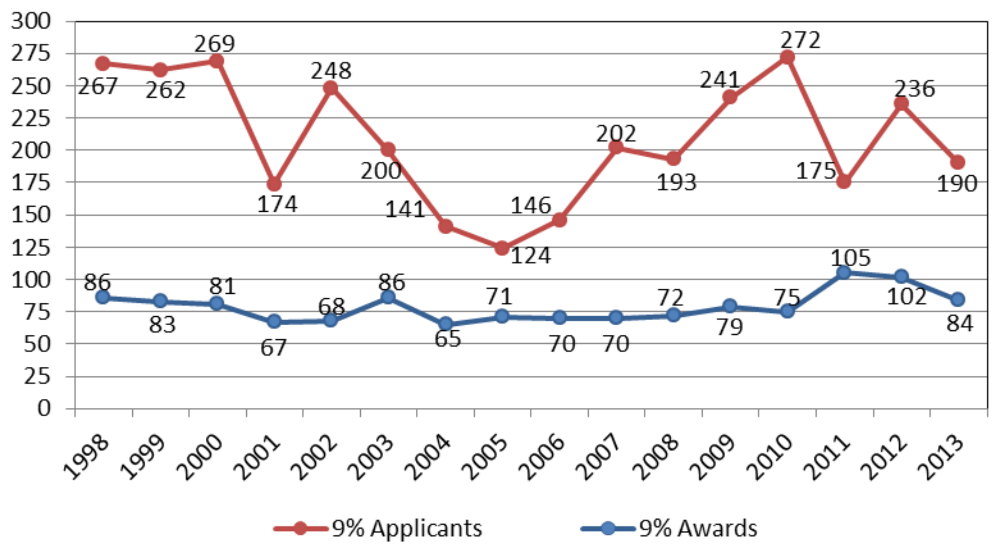
2013 Demand for 9% Tax Credits

Applicants submitted a total of 190 applications for competitive 9% tax credits in 2013 with 84 projects, or 44%, receiving a tax credit allocation. The success rate in 2013 was similar to the previous year. Over the past five years application success rates have ranged from 28% (in 2010) to 60% (in 2011).

Applications

In 2013, 190 9% applicants requested approximately $185.7 million in annual federal tax credit, exceeding the $90 million available.[2] Sixty-seven of the 190 applicants also requested approximately $179.5 million in total state tax credit. Chart 1 below provides additional historical data of federal credit ceiling applicants.

Chart 1
9% Application Submissions 1998 – 2013



[2] This amount includes second round reapplications.

Geographic Apportionments and Credit Distribution

In 2012 the TCAC updated and revised the regional apportionment formula within its adopted regulations. The updated percentages will become effective in 2014. Table 1 below shows federal and state tax credit distribution in the geographic apportionments in effect in 2013. This data 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 9. The Target Apportionment of Table 1 does not account for prior years' results and their effect on available tax credit in 2013. That is, those areas receiving more credits than they were apportioned in 2012 had their 2013 apportionments discounted by the overage amount. The Allocation Percentages shown below, however, do reflect these discounts.

Table 1
2013 Federal and State Apportionments versus Allocations

Geographic Area	Target Apportionment	Allocation Percentage	Allocation Amount
City of Los Angeles	16.7%	18.49%	$108,195,309
Balance of Los Angeles County	16.3%	16.20%	$94,803,410
Central Valley Region	10%	9.44%	$55,225,136
North and East Bay Region	10%	10.03%	$58,719,827
San Diego County	10%	12.06%	$70,597,000
Inland Empire Region	8%	8.58%	$50,222,874
Orange County	8%	8.94%	$52,336,370
South and West Bay Region	6%	6.46%	$37,789,613
Capital and Northern Region	6%	5.25%	$30,743,222
Central Coast Region	5%	4.54%	$26,554,670
San Francisco County	4%	0.00%	$0
TOTAL	**100%**	**100.00%**	**$585,187,431**

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 30% of total project units); Senior; Single Room Occupancy (SRO) units; Special Needs (e.g. persons with developmental disabilities, physical abuse survivors, homeless persons, or persons with chronic illness); and affordable projects "At-Risk" of conversion to market rate. Table 2 outlines the distribution of low-income units and tax credits among housing types for 9% federal and state tax credits awarded in 2013.

Table 2

2013 9% Housing Type Units and Credits

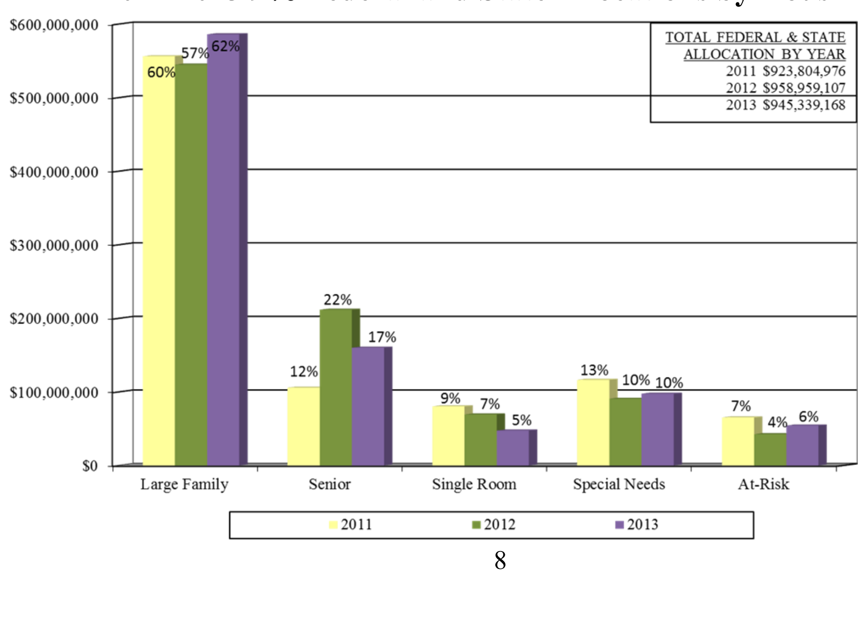
Housing Type	Projects Awarded Credit	Low Income Units	Total Federal Credits Awarded*	Total State Credits Awarded	Percentage of Total Credit	Current Goals
Large Family	46	2,764	$531,998,130	$54,037,875	61.99%	65%
Senior	15	1,214	$152,171,440	$7,955,406	16.94%	15%
SRO	4	280	$40,709,130	$6,772,428	5.02%	15%
Special Needs	11	441	$96,473,530	$1,001,708	10.31%	15%
At-Risk	8	381	$46,249,460	$7,970,061	5.74%	15%

** Includes forward committed amount of $365,173 in 2013 for 2014 tax credits, and excludes $3,526,595 previously forward committed.*

The housing types are listed in order of priority. The listed "goal" refers to the distribution of federal tax credits, not units. Chart 2 below displays 9% federal and state allocations by housing type for the last 3 years.

Chart 2

2011-2013 9% Federal and State Allocations by Housing Type



Tax Credit Set-Asides

Consistent with federal law, TCAC sets aside ten percent (10%) of the available 9% tax credits for non-profit sponsors. 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 and SRO developments and a 5% set-aside for affordable housing at risk of converting to market rate developments. While Table 3 below outlines the 2013 allocation of 9% federal tax credit among the various set-asides and apportionments, 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 non-profit, special needs/SRO, and at-risk set-aside applicants to compete in the geographic apportionment if unsuccessful in their set-aside.[3] Of the annual federal tax credit available for allocation ($89,963,084) in total; 38% was allocated to qualifying non-profit sponsors of 2013 projects. Of the total state tax available to the 9% program ($79,137,088), TCAC awarded 52% to non-profit projects.[4] TCAC awarded over 19% of the federal tax credit and 33% of state tax credit to rural projects, including those within the Rural Housing Service (RHS) apportionment. Table 3 below provides information on the federal and state allocations for each set-aside. Table 11 below (page 40) provides additional historical set-aside data.

Table 3
2013 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	276	$76,370,120	8.80%	$0	0%
	Nonprofit	0	0	$0		$0	
Rural	RHS	3	165	$32,347,420	18.72%	$10,782,470	32.55%
	Rural	16	960	$130,096,260		$14,518,025	
At-Risk		5	419	$46,328,430	5.34%	$8,036,812	10.34%
Special Needs/SRO		5	260	$39,463,280	4.55%	$2,208,920	2.84%
Geographic Apportionment		49	3,000	$542,996,180	62.59%	$42,191,251	54.27%
TOTAL		**84**	**5,080**	**$867,601,690**	**100.00%**	**$77,737,478**	**100.00%**

** Includes forward committed amount of $365,173 in 2013 for 2014 tax credits, and excludes $3,526,595 previously forward committed. One non-profit award was returned at the end of the year*

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

[4] Qualifying non-profit sponsors are not limited to those funded within the non-profit set-aside, but are tallied from all set-asides and geographic regions.

4%

LOW INCOME

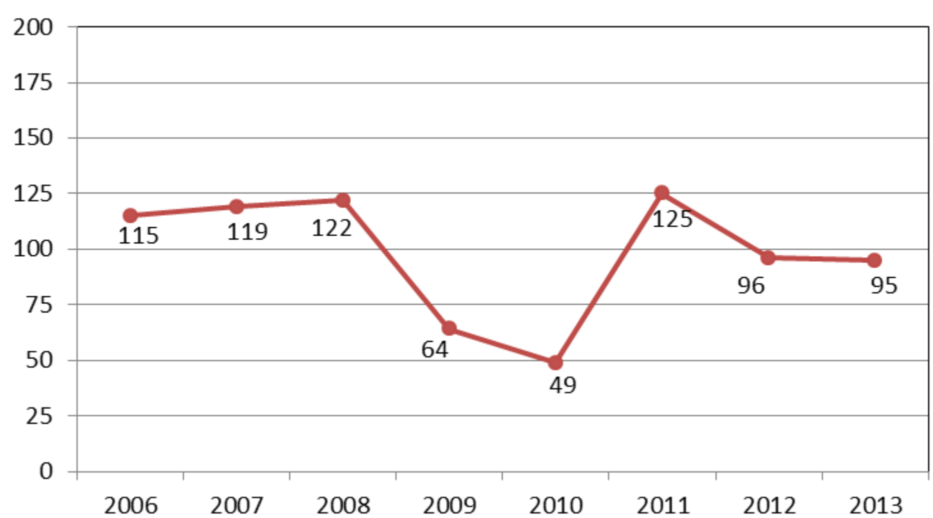
HOUSING TAX CREDITS

II. Accomplishments & Results – 4% Tax Credits

In 2013 the Committee received 111 applications for projects financed with tax-exempt bond proceeds and reserved 4% federal tax credits for 95 projects. The number of 4% applications and awards has varied in recent years with the national economic environment (see Chart 3 below). Tax-exempt bond programs available in 2011 (including privately placed bonds in Community Reinvestment Act eligible areas, the U.S. Treasury's New Issue Bond Program, and Fannie Mae and Freddie Mac Forward Commitment programs) contributed to the increase in 4% tax credits awards made in that year. The decrease in other available public funding due to the closure of local redevelopment agencies is also considered a factor in the decrease in 4% applications and awards in subsequent years (see page 22) for additional redevelopment agency funding information). The 95 projects received $67,917,076 in annual federal tax credit and will produce 9292 low-income units. Of the 95 projects awarded 4% federal tax credits in 2013, 7 also received allocations of state credits totaling $9,004,034.[5]

The average annual federal award for 4% projects in 2013 was $714,917 and the average project size was 98 affordable units, roughly the same as the previous year. The annual federal credit award per unit in 2013 was $7,309.

Chart 3
4% Application and Awards 2006 - 2013



Projects Financed with Tax-exempt Bonds & State Tax Credits

Of the 95 projects financed with tax-exempt bonds, 7 received allocations of both federal and state tax credits. These 7 projects received a total of $3,507,899 in annual federal tax credit ($35,078,990 as a ten year total) and $9,004,034 in total state tax credit. The average state credit award per project has varied over the past five years, ranging from $1.29 million in 2013 to $2.87 million in 2010. From 2009-2013, state credit awards to 4% projects averaged $2.0 million.

[5] Tax-exempt bond applicants requesting both federal and state tax credit for a project must apply for state credit through the credit ceiling competition. The federal tax credit awards for these projects are not made from the federal credit ceiling.

STATE
LOW INCOME
HOUSING TAX CREDITS

III. Accomplishments & Results - State Tax Credits

Recognizing the high cost of developing housing in California, the State Legislature authorized 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. 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 designated high cost areas. For these projects, state tax credits generate additional equity funds which fill a financing gap remaining after federal tax credits have been allocated.

In 2013, the total state credit available was $93,102,456. The Committee awarded approximately $86.7 million in state tax credit to 36 projects: Seven 4% projects and 29 to 9% projects. These 2013 State credit awards will facilitate developing a total of 2,158 affordable housing units. Applicants requested approximately $190 million in state credits in 2013. State credit demand from 9% applicants increased from 2012 to 2013, with 33% of all 2012 applicants requesting state credit and 35% in 2013. Four percent applications for state credit decreased from 15 applications in 2012 to eight in 2013. The number of 4% projects receiving state credits decreased from $26.3 million in 2012 to $9 million in 2013.

State Credit Exchange

By regulation, TCAC may place state low income housing tax credits in to competitively awarded projects in exchange for federal credits.

In 2013, TCAC exchanged state credits in seven competitively awarded projects originally requesting only federal tax credits. This was an increase over the six projects receiving state credit exchanges in 2012. In 2013, all state credit exchanges were done at the request of the project sponsors. The Committee reserved approximately $18.7 million in State credit for the seven projects in exchange for approximately $1.2 million in annual federal credit. This recovered federal credit reduced the amount of forward-committed federal credit taken from the subsequent year, 2014.

2013

Key Events

IV. Key Events During 2013

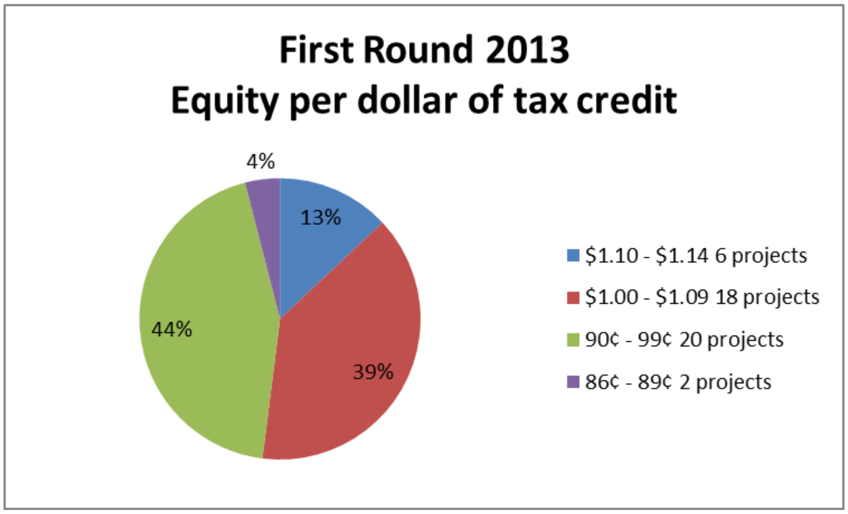
Regulation Changes in 2013

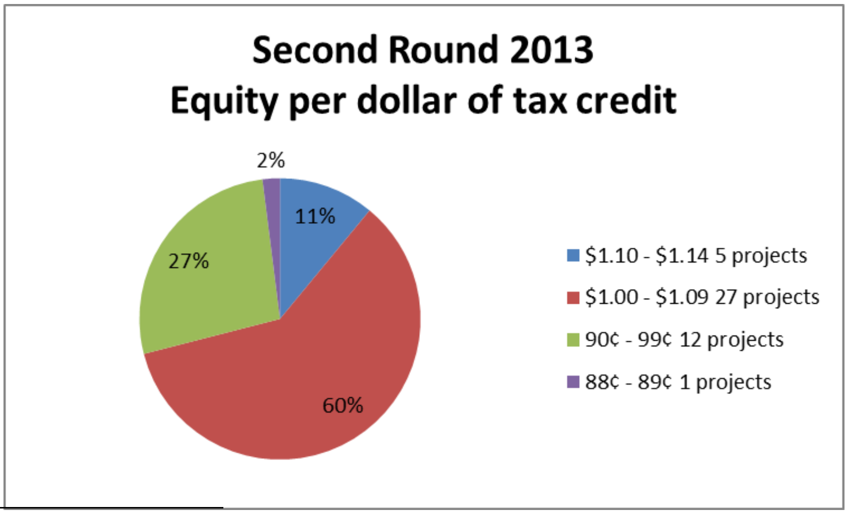
- Early in 2013, the Committee adopted regulatory changes designed to improve the program and strengthen the competitive allocation process. Substantive changes included:
- The Committee increased the at-risk housing type goal from 5% to 15% and will be used in the first tie-breaker.
- Re-syndicating Special Needs projects can now claim acquisition basis in a 9% tax credit application.
- The TCAC Executive Director may now waive the market study value ratio requirement for rehabilitation projects with existing rental assistance or operating subsidies proposing minimal rent increases and having a history of low vacancies.
- The Committee established a new City of Los Angeles geographic apportionment, and adopted a 2014 update to the geographic apportionment percentages. In 2013 TCAC proportionately split the Los Angeles County 33 percent between the new City of Los Angeles region and the new Balance of Los Angeles County region.
- The Committee will score existing debt to be assumed by a sponsor, by counting only principal, and not any accrued interest; new rules clarify that private loans with public loan guarantees are <u>not</u> scored as public funds; new language clarifies that donated land values must be supported by an appraisal; and the Committee will score public funds competitively only if lent at no more than 4% simple interest.
- New language requires that an independent CPA perform the final cost certification.
- New language excepts from the in-place requirement for transit amenities in the scoring for 9% tax credit applications, rail stations planned for completion within one year of the residential project's scheduled completion.
- The Committee eliminated the requirement that at least 50 percent of a 9% tax credit applicant's credit request amount be available in a geographic apportionment to receive

funding. TCAC will now rely upon the rule that a regions award cannot exceed 125 percent of the apportionment amount. In addition, the Committee will now limit skipping to projects that have the same score and a similar tie-breaker to the larger-request application being skipped.

Credit Pricing

The 2013 year continued a return to robust credit pricing throughout California that began in 2011. In contrast to 2009 and 2010 depressed equity contributions, tax credit project sponsors were able to attract sizeable commitments from equity partners, returning to pre-recession highs. The following charts[6] depict pricing reflected in competitive awardees' Letters of Intent executed with prospective limited partners:





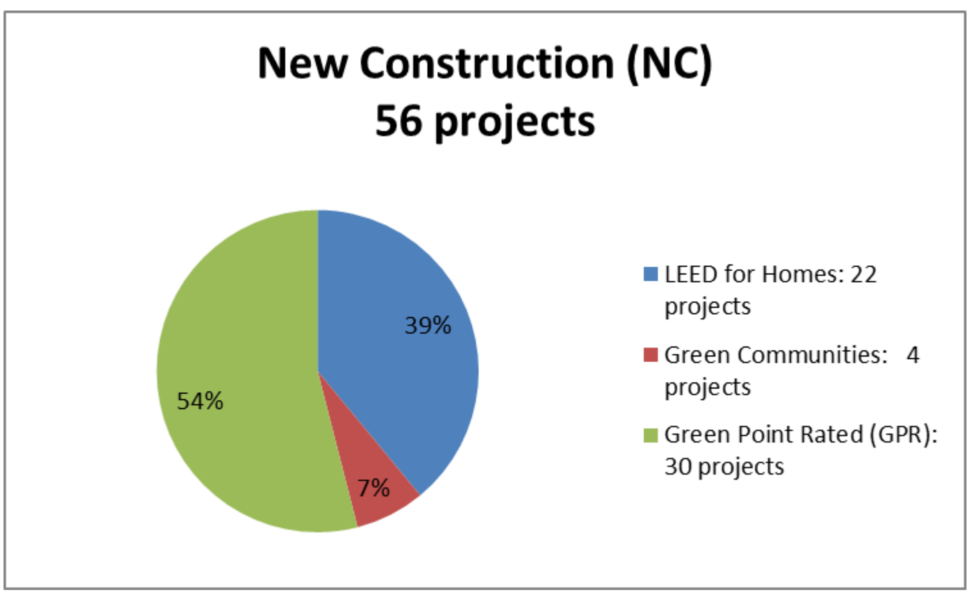
[6] (These 2 charts include 4% + State credit awards with letters of intent)

Credit pricing continued to vary by region and project type, with the very highest pricing occurring in bank CRA investment areas, while some of the lower pricing occurred in rural areas.

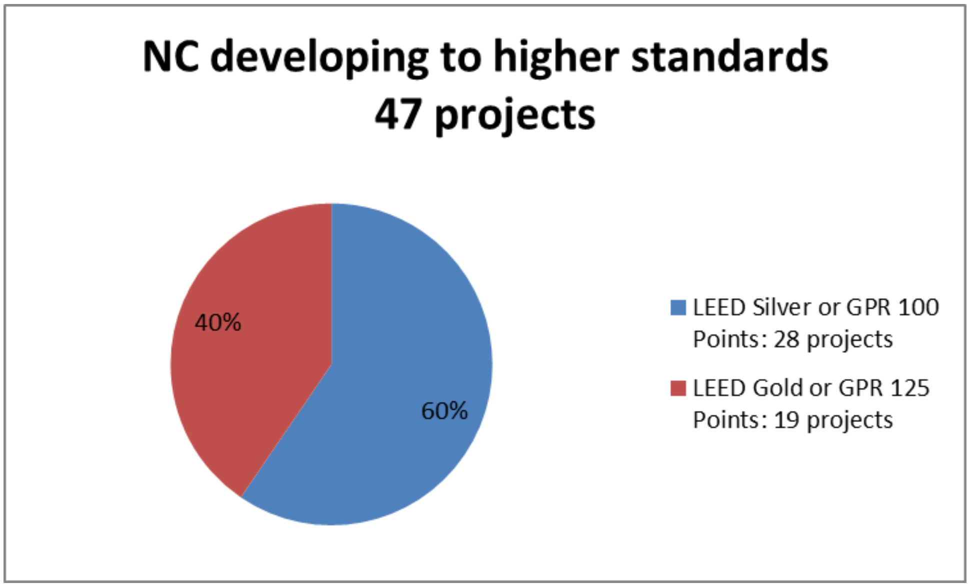
Sustainable Building Commitments

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 sponsors committed to a variety of sustainable building and energy-efficiency features. The following summarizes the 2013 9% credit application results related to sustainable building scoring:

Fifty-six successful 9% applicants proposed <u>new construction</u> projects. Among the 56 awardees, five competitive points were earned by committing to the following sustainable standards:

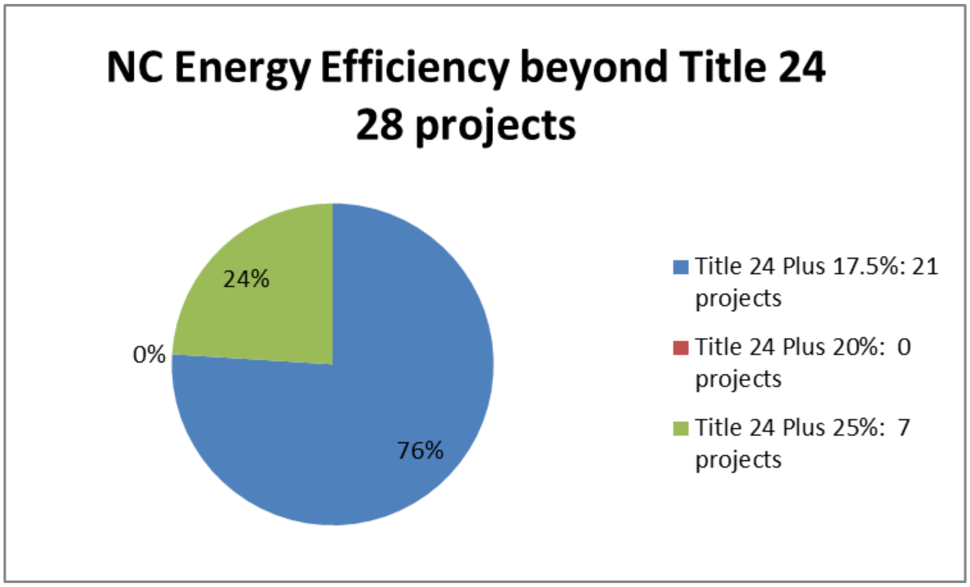


Of these 56 projects, 47 (84%) elected to develop to a higher level of these recognized standards as follows:

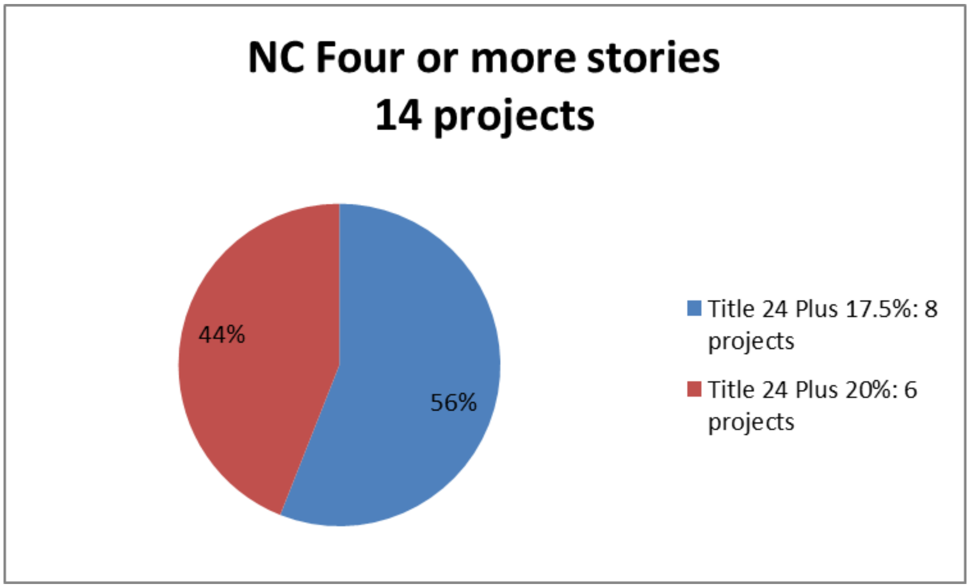


Note: Green Communities does not have a higher standard

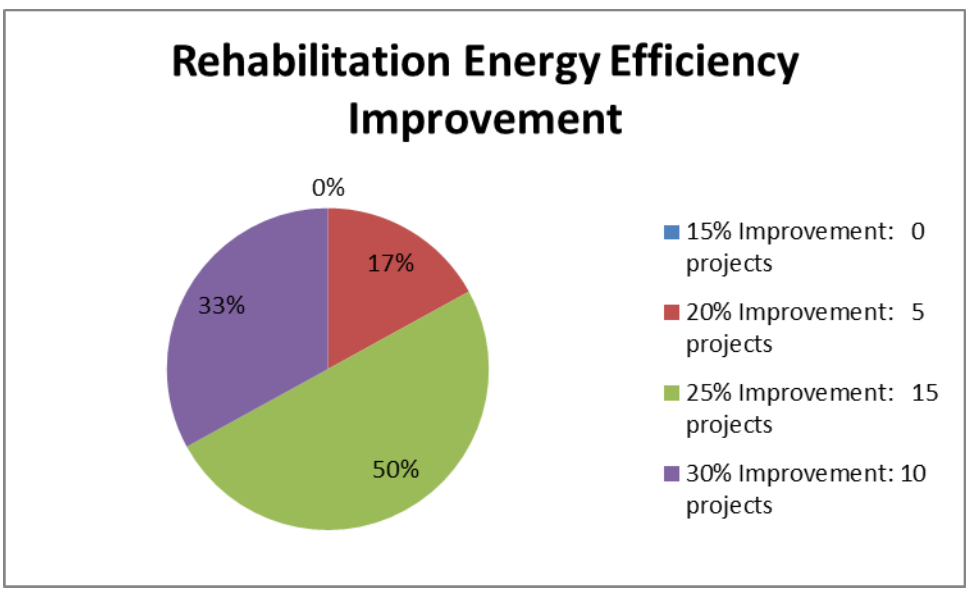
Of the 56 new construction projects, 28 (50%) committed to additional energy efficiencies beyond State Title 24 energy efficiency requirements as follows:



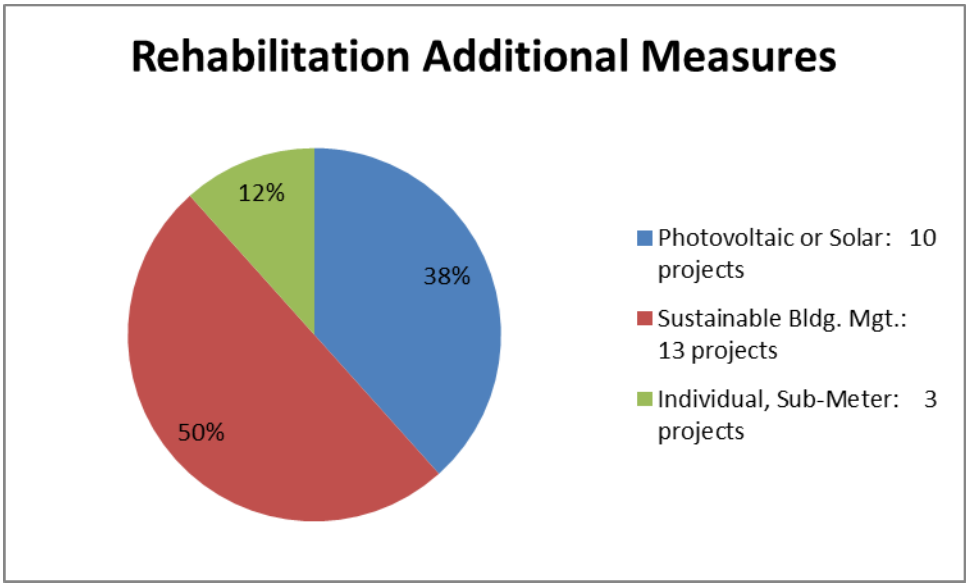
Of the 56 new construction projects, 14 (25%) garnered points using four-plus story standards:



In addition to the projects above, 30 successful applicants proposed <u>rehabilitation</u> projects, proposing to improve the existing property's energy efficiency as follows:



Finally, among the 30 rehabilitation projects, 26 (86%) elected additional options for energy efficiency as follows:



The sponsor 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.

Redevelopment Agency Funding

Like all affordable housing stakeholders in California, TCAC closely monitored the events in 2011 regarding redevelopment agency funding. California redevelopment agencies were officially dissolved February 1, 2012 and TCAC twice amended its regulations to allow more time for redevelopment agency-funded projects awarded tax credits in 2011 to close their construction period financing and begin construction (successor agencies were established to continue oversight of redevelopment assets and properties). TCAC provided no regulatory relief to redevelopment agency-funded projects awarded tax credits in 2012.

Of 91 competitively awarded projects in 2013, TCAC reserved credits for 18 (20%) with committed redevelopment funding.

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. To date, no affordable housing projects have 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 October 2013, TCAC staff proposed a two-year pilot program establishing a Native American annual apportionment of $1 million from the existing 9% rural set-aside. The Committee adopted this regulation change in January 2014. The Committee also adopted regulation changes including equivalent references relevant to tribal sovereignty in TCAC program requirements, such as project site control and land use approvals. In addition to a tribal set-aside, tribal representatives recommended proposals for an alternative competitive system for tribal applicants, given the unique cultural and historical elements of tribal reservation land. Going forward, TCAC staff will review the pilot apportionment results when formulating future regulatory changes to improve Native American access to low income housing tax credit resources. At the time of this report, TCAC had received two applications for the 9% tax credit pilot apportionment in 2014.

Special Needs - New Legislation

In 2013, Assembly Bill 952 (Atkins) Chapter 771, Statutes of 2013 was passed, permitting TCAC to award state credits to Special Needs projects within federally-designated Difficult Development Areas (DDAs) and Qualified Census Tracts (QCTs). In addition, accompanying 2014 regulations permit a 30 percent federal basis boost in non-DDA and non-QCT Special Needs projects requesting 9% credits. The legislation was broadly supported by supportive housing developers. At the time of this report, the volume of competitive applications for 9% credits for Special Needs projects has increased significantly in the first round of 2014.

MONITORING PROGRAM COMPLIANCE

V. 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 occupancy compliance throughout the project's regulated operation period, or extended-use period. The Internal Revenue Service (IRS) requires that allocating agencies notify it of any owner non-compliance or reporting failures during the initial 15 years of operation, or credit compliance period. 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 credit 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 reported on a number of TCAC forms: the Annual Owner Certification, the Project Ownership Profile and the Annual Owner Expense report. The Committee 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 where the violation is corrected.

Investors are at great risk if non-compliance is discovered because 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 2013, the Committee conducted monitoring activities at 734 tax credit projects to fulfill the IRS requirements that all completed tax credit developments be inspected at least once every three years. Committee staff conducted site inspection visits to review files and physically inspect the units and common areas. Staff inspected at least 20 percent of the files and units at each development. Of the 734 developments inspected, 619 or 84% had some incident of non-compliance. However, a large majority of the non-compliance issues were corrected. The most common non-compliance incidents were over-charging rents, inadequately documenting files, or violating the uniform physical conditions standards. Of such violations, 63 of 734 or 9% of the developments were reported to the IRS as required. In cases where excessive rent was charged, the property owner provided refunds to all residents who were able to be located.
Of the 13,362 units monitored for compliance, 84 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 (and in some cases State) tax liability.

Compliance Report for Projects Placed in Service

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

In 2013, Committee staff conducted file inspections for approximately 31 percent of the portfolio's projects. Of the 13,362 files inspected, low-income tenants occupied 13,278, or 99.4 percent 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 IRS, as required.

Table M-1
Results from Compliance Monitoring File Inspections Conducted in 2013
By Year of Allocation

Year of Allocation	Projects Inspected	Total Units	Required Low-Income Units	Unit Files Inspected	Inspected Units with Low-Income Occupants
Total	**734**	**66,218**	**61,723**	**13,362**	**13,278**

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.

Compliance Report for Projects in Extended Use Portfolio

In addition to performing compliance monitoring functions during the 15-year federal compliance period, Committee staff continue to monitor tax credit projects during the extended use periods stipulated in the recorded regulatory agreement which gores up to r an additional 40 years. The extended use monitoring is performed on a 5-year monitoring rotation and 10% randomly selected files and units are chosen. 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 2013, compliance staff conducted file inspections and unit inspections for approximately 26 percent of projects in the extended use portfolio. Committee staff inspected 1,321 units in 197 projects. Following the inspection, staff reported the noncompliance incidents to the project owners and established a 30-day correction period for owners to correct noncompliance findings. The owners responded with documentation evidencing corrections to the noncompliance issues and the inspections were closed out.

Table M-2
Results from Compliance Monitoring File Inspections for Extended Use Projects Conducted in 2013 by Year of Allocation

Year of Allocation	Projects Inspected	Total Units	Required Low-Income Units	Unit Files Inspected
Total	**197**	**13,894**	**12,571**	**1,321**

Compliance Report for Projects Receiving American Recovery and Reinvestment Act funds

The Committee is also responsible for performing asset management functions for projects awarded American Recovery and Reinvestment Act (ARRA) funds to ensure the long term viability of those projects. The Committee portfolio contains 138 ARRA projects and Committee staff performs annual financial reviews. In addition, staff conducts the standard IRS Section 42 compliance monitoring inspections initially within the first 2 years of a project being placed in service and then on a 3-year rotation during the initial 15-year federal compliance period.

During 2013, compliance staff financially reviewed 126 ARRA projects and compliance inspected 52 projects. The Committee determined the projects are financially feasible, being physically maintained and in compliance with IRS Section 42 regulations.

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 properties. In 2013 the Committee, along with its contractor Spectrum Enterprises, collected and submitted to HUD data on approximately 2,912 projects or approximately 92 percent of the Committee's portfolio. The data submitted to HUD included 22,983 buildings, 240,033 units and 512,904 tenants.

Table M-3

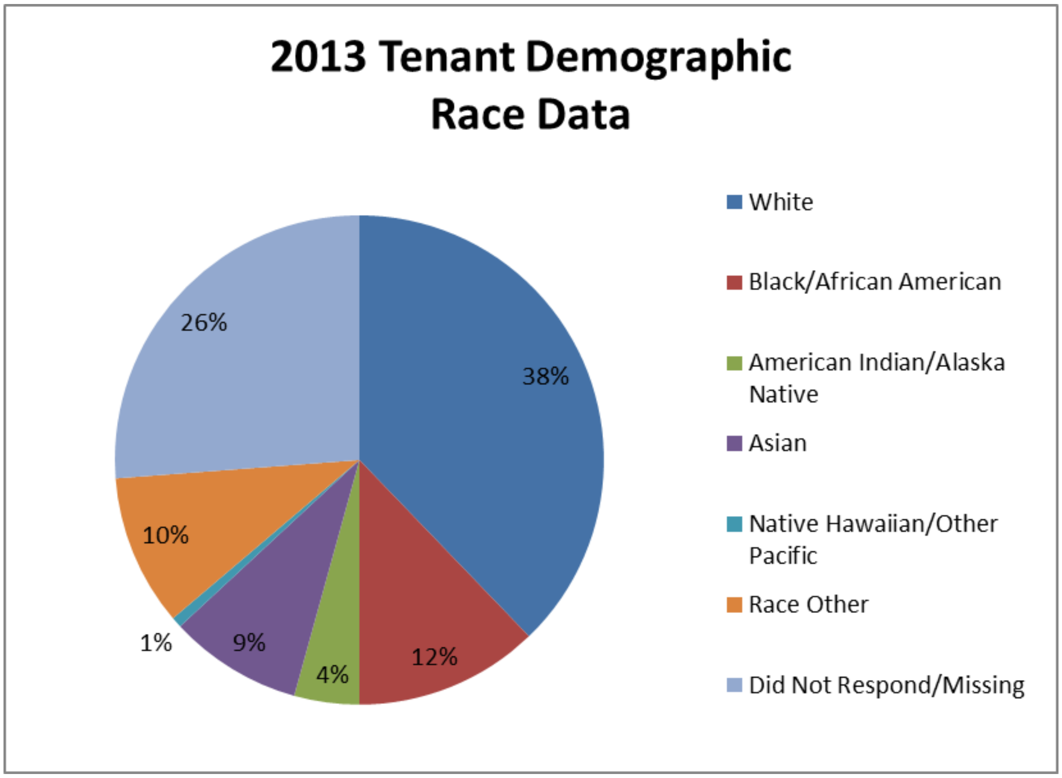
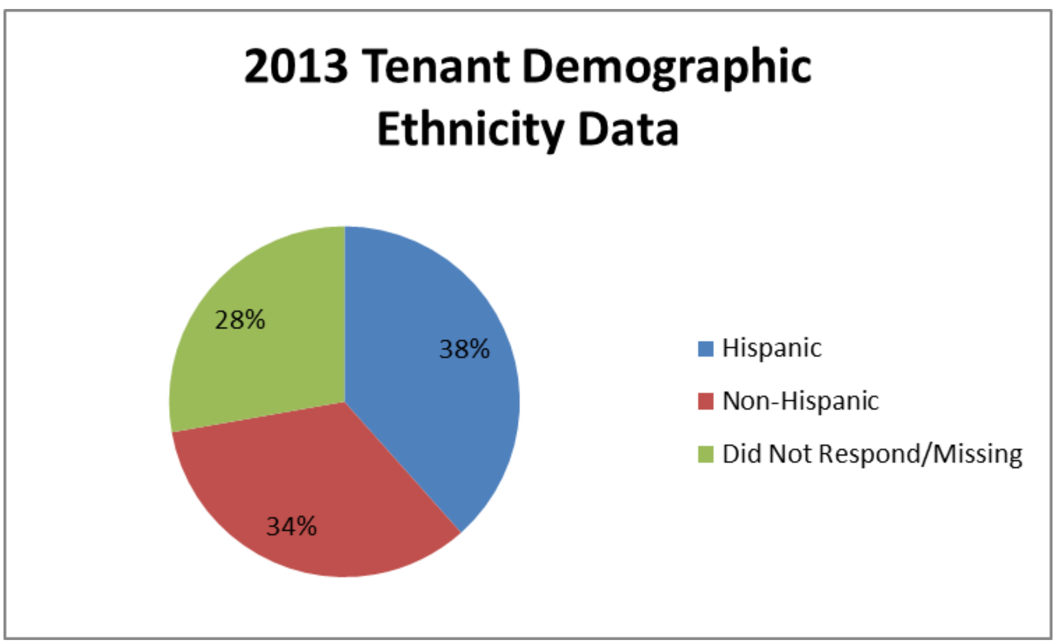


Table M-4



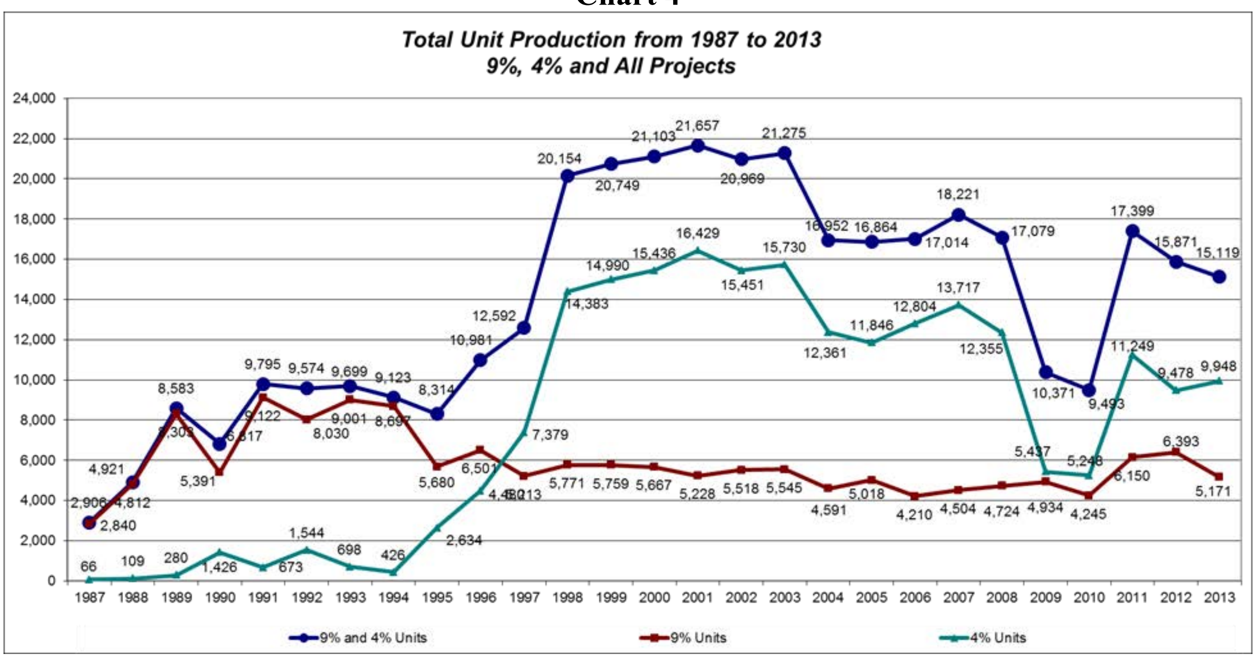
HISTORY
DATA & TRENDS

VI. Historical Data & Trends:

Including 2013 awards, California's has awarded over $15 billion in 9% credits since the program's inception in 1987. These awards will result in more than 2,400 housing projects with 130,000 units. Including tax-exempt bond financed projects receiving 4% credits, , TCAC has assisted approximately 330,000 affordable units with tax credit awards since the program's inception. More than 700 projects have also utilized State tax credits totaling over $1.4 billion.

Chart 4[7] below displays historical data of the total units awarded each year for 9% and 4% from 1987 to 2013:

Chart 4



LIHTC Investment

TCAC estimates that in the past decade alone, approximately $7 billion in investor equity has been, or will be, funded from the allocations of federal and state tax credits of 9% projects.

[7] These figures include projects whose original compliance period has expired and that have returned to TCAC for additional credits after their original compliance period ended. 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.

TCAC estimates the total equity invested in both 9% and 4% projects over the past 5 years is estimated to be more than $6.6 billion.[8] 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 the immediate and future tax benefits received from the credits, along with other benefits received by owning a project. Table 4 below provides some summary information on various measurement factors of the 9% program.

Table 4
9% Historical Federal Credit Data

	2009	2010	2011	2012	2013
Annual Federal Award	$91,099,781	$79,964,641	$83,682,515	$87,345,016	$86,760,169
Total Number of Projects	79	75	105	102	84
Total Units	4,934	4,245	6,150	6,393	5,171
Total Low Income Units	4,840	4,170	6,026	6,246	5,080
Average Award	$1,153,162	$1,066,195	$796,976	$856,324	$1,032,859
Credit per Low Income Unit	$18,822	$19,176	$13,887	$13,984	$17,079
Average Project Cost	$17,872,742	$18,093,465	$17,279,046	$16,293,561	$18,532,685
Average Cost per Unit	$286,167	$319,673	$295,008	$259,963	$301,248
Avg. Tax Credit Factor at App.	$0.72	$0.76	$0.90	$0.99	$0.98
Average LI Units per Project	61	56	57	61	60

Federal and State Credits Per Low Income Unit from 2003-2013

Table 5 below summarizes data on credits per low income unit for projects awarded 9% credit from 2004 to 2013. Charts 5 and 6 below provide additional historical data on awarded credit per unit.

[8] Estimate calculated using TCAC historical investor equity data for 9% projects and assuming for 4% projects $0.85 in investor equity generated per dollar of total federal credit awarded and $0.60 per dollar of state credit awarded.

Table 5

9% Federal and State Credits per Low Income Unit: 2004-2013

Year	Total # of Projects	Total Federal Credit	Total State Credit*	Total Low Income Units	Total Federal and State Credit per Low Income Unit
2004	65	$610,387,160	$67,423,784	4,508	$150,357
2005	71	$706,130,620	$54,900,296	4,916	$154,807
2006	70	$725,009,340	$67,913,607	4,098	$193,490
2007	70	$769,979,540	$71,062,246	4,424	$190,109
2008	72	$817,382,100	$67,371,340	4,640	$190,680
2009	79	$910,997,810	$72,515,252	4,840	$203,205
2010	75	$799,646,410	$31,372,828	4,170	$199,285
2011	105	$836,825,150	$86,979,826	6,026	$153,303
2012	102	$873,450,160	$85,508,947	6,246	$153,532
2013	84	$867,601,690[1]	$77,737,478	5,080	$186,090

**Additional state credit was awarded to tax-exempt bond projects; refer to Table 7 below. Data for 2008 excludes $1.2 million in state tax credits awarded under the Farmworker Housing Assistance Program.*
[1]Includes forward committed amount of $3,526,595 in 2012 for 2013 tax credits, and excludes $2,858,188 previously forward committed.

One Hundred Thirty-eight of the projects shown in Table 5 above (and Table 7 below) would have failed but for the American Recovery and Reinvestment Act of 2009 (ARRA) assistance provided by the federal government.

Chart 5

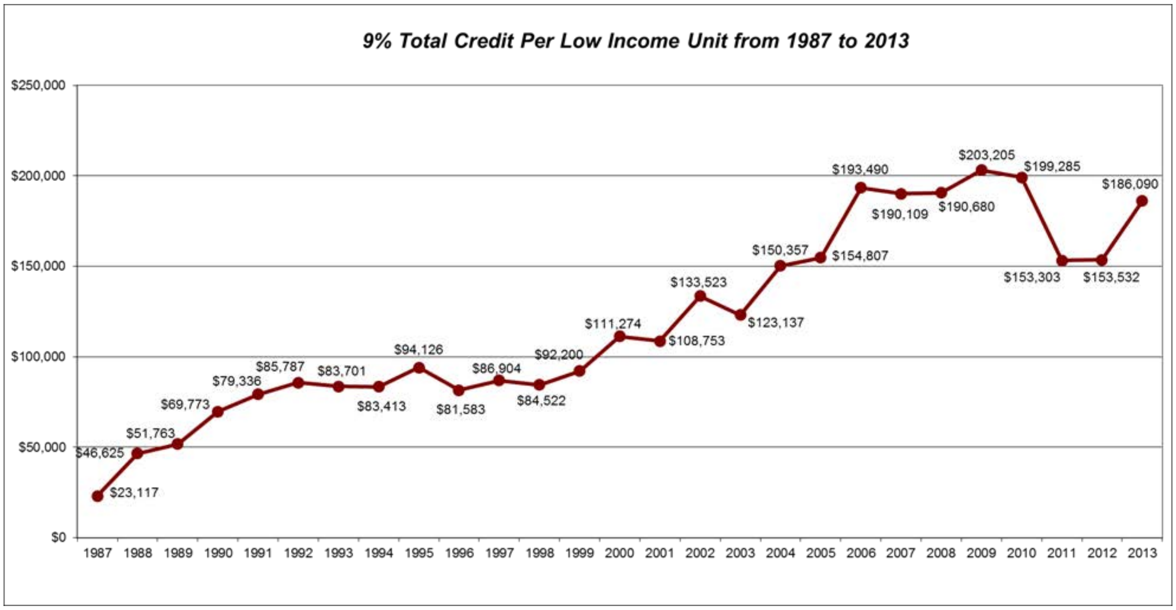
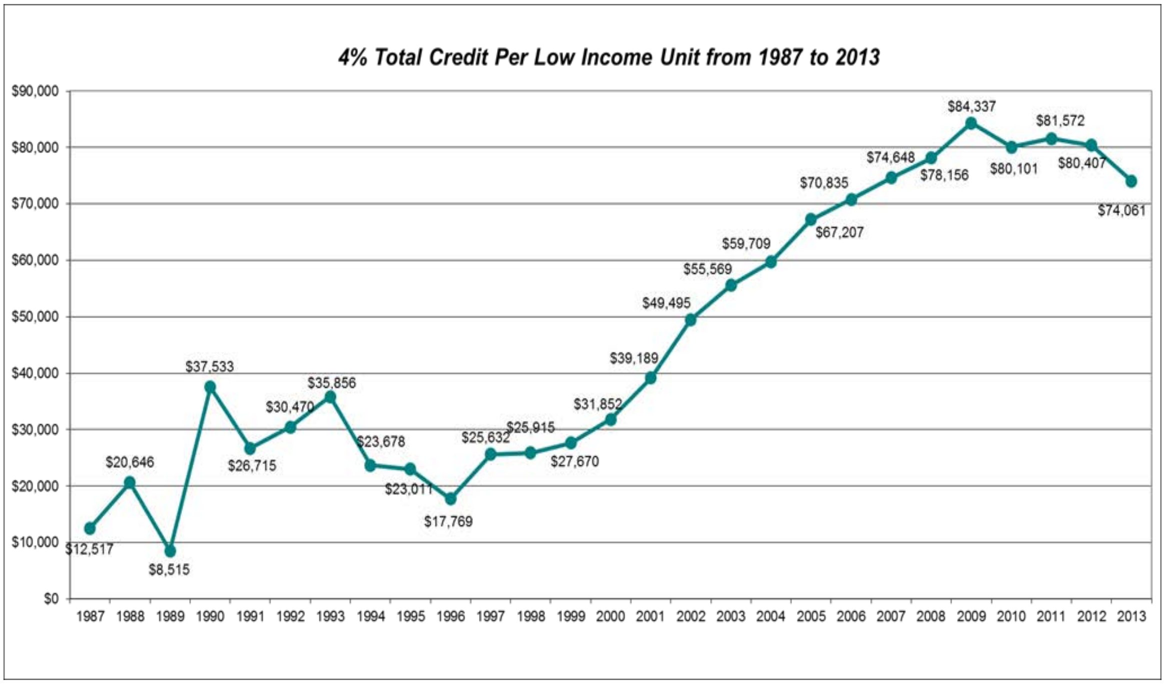


Chart 6



Historical Data for the 4% Program

Tables 6 and 7 below provide selected summary data for historical 4% federal awards.

Table 6
4% Historical Federal Credit Data

	2009	2010	2011	2012	2013
Annual Federal Award	$43,486,921	$33,596,704	$83,046,843	$69,902,808	$67,917,076
Total Number of Projects	64	49	125	96	95
Total Units	5,437	5,248	11,243	9,478	9,804
Total Low Income Units	5,236	4,481	10,473	9,021	9,292
Average Award	$679,483	$685,647	$664,375	$728,154	$714,917
Credit per Low Income Unit	$8,305	$7,498	$7,929	$7,749	$7,309
Average Project Cost	$20,397,019	$26,104,867	$21,287,207	$23,416,843	$23,552,065
Average Cost per Unit	$240,097	$243,738	$236,567	$237,183	$228,218
Average LI Units per Project	82	91	84	94	98

Table 7
4% Federal and State Credits per Low Income Unit: 2004-2013

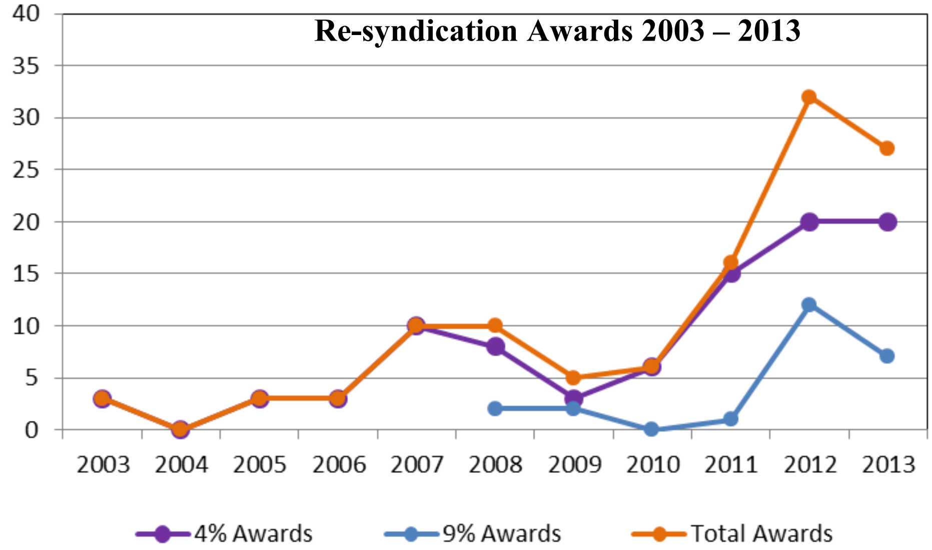
Year	Total # of Projects	Total Federal Credit	Total State Credit	Total Low Income Units	Total Federal and State Credit per Low Income Unit
2004	112	$657,489,030	$3,248,707	11,066	$59,709
2005	120	$738,930,610	$19,092,357	11,279	$67,207
2006	115	$861,644,720	$13,597,161	12,356	$70,835
2007	119	$931,731,180	$23,395,641	12,795	$74,648
2008	122	$866,046,950	$27,512,886	11,433	$78,156
2009	64	$434,869,210	$6,718,223	5,236	$84,337
2010	49	$335,967,040	$22,964,367	4,481	$80,101
2011	125	$830,468,430	$23,833,168	10,473	$81,564
2012	96	$699,028,080	$26,322,456	9,021	$80,407
2013	95	$679,170,760	$9,004,034	9,292	$74,061

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 two 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."[9] Since 2003, TCAC has received more than 115 applications for re-syndication (see Chart 7 below). In 2013, TCAC awarded 27 re-syndication projects, down from 32 awards in 2012. In 2012, 12 out of the 32 re-syndications received 9% credit awards. In 2013 seven of the 27 awards were 9% credit awards. The Committee's 2013 re-syndication awards will help rehabilitate 2,958 existing affordable housing units.

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

Chart 7



Rehabilitation and New Construction Trends

In 2013, 55 of the 84 credit ceiling (9%) awards were new construction projects. Historically, acquisition/rehabilitation applicants have been a distinct minority of 9% projects. However, the number of rehabilitation project awards has been increasing since 2009. Over the past five years, 19% to 35% of the awarded credit ceiling projects have been rehabilitation projects. In 2013, 35%, or 29 projects, were rehabilitation projects, an increase over 2012. New construction 9% tax credit awards totaled $65.7 million in annual federal credit.

For 4% projects, new construction and rehabilitation awards have historically been more equitable. Between 2001 and 2006, new construction applicants (and awards) accounted for over half of 4% projects receiving tax credit awards. This trend reversed in 2007, and from 2007-2009, over 50% of 4% awards have been made to rehabilitation projects. In both 2010 and 2011 new constructions projects again accounted for higher percentages of the awarded 4% projects. In 2012, rehabilitation awards increased accounting for 57% of the total number of 4% awards. In 2013, 68% of the awarded projects, or 64 projects, were rehabilitation. New construction annual federal tax credit awards to 4% projects in 2013 totaled nearly $28 million; rehabilitation projects were awarded $40 million.

Chart 8 below shows recent historical construction trends. The percentage of new construction 9% projects exceeds that of rehabilitation projects, ranging from 65% to 81%. These percentages for 4% projects have varied, but have been consistently more balanced between the two construction types than in the 9% program. The percentage of 4% rehabilitation projects ranged from 38% to 68% between 2008 and 2013.

Chart 8
New Construction and Rehabilitation Trends 2005-2013
Number of Projects

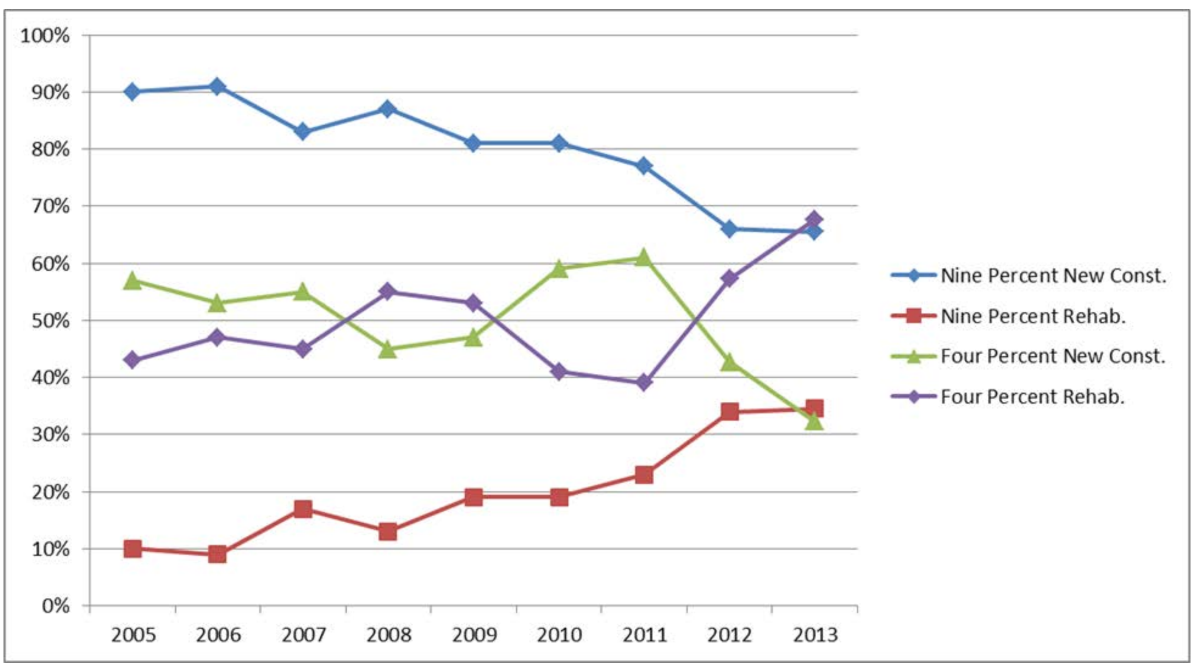


Table 8

Distribution of 9% Projects by Construction Type
2009-2013

Year	New Construction Projects	Rehabilitation Projects	Total
2009	63	16	79
2010	61	14	75
2011	81	24	105
2012	67	35	102
2013	55	29	84
TOTAL	**327**	**118**	**445**

Table 9

Distribution of 4% Projects by Construction Type
2009-2013

Year	New Construction Projects	Rehabilitation Projects	Total
2009	30	34	64
2010	29	20	49
2011	77	48	125
2012	41	55	96
2013	31	64	95
TOTAL	**208**	**222**	**430**

Housing Types

Table 10 presents the total ten-year federal tax credits and four-year state tax credits of all 9% projects awarded tax credits from 2009-2013. The 2013 regulatory goals for 9% tax credits by housing type are exhibited as well. To be eligible for 9% federal tax credits, all applicants must select and compete in only one of the categories listed below and must meet the applicable threshold requirements of Section 10325(g) and (f). The Committee employs a tiebreaker per

Section 10325(c)(10) in an effort to assure that no single housing type will exceed the following current percentage goals where other housing type maximums are not yet reached:

Table 10
9% Total Credits by Housing Type, 2009-2013

Project Housing Type	Total Credits Awarded	% of Total	Current Goals
Large Family	$2,790,457,711	60.11%	65%
Senior	$769,719,914	16.58%	15%
SRO	$355,737,734	7.66%	15%
Special Needs	$461,067,292	9.93%	15%
At-Risk	$265,652,900	5.72%	5%
TOTAL	**$4,642,635,551**	**100.00%**	

Note: At-Risk goal was changed to 15% in 2013

The Committee has readily met its current housing type goals for the distribution of tax credits to Senior projects. However, the housing type goals for Large Family, SRO, Special Needs, and At-Risk and are not being met in the aggregate, in part because of changes to the housing type goals that became effective in 2010. See Table 2 (page 8) for the 2013 9% Credits by Housing Type.

Set-Asides

Eligible projects that apply under the Non-profit, At-Risk, and Special Needs / SRO set-asides automatically compete with all other projects in their geographic region if insufficient credits are available in the set-asides. The At-Risk set-aside was established in 2000, and the Special Needs / SRO set-aside was established in 2003. Table 11 below summarizes projects receiving tax credits from 2004-2013.

Table 11

9% Total Projects, Total Credits, and Total Low-Income Units Produced, 2004-2013

Set-Aside		Number of Projects	Total Credits Awarded	% of Total Credit	Low-Income Units	% of Low-Income Units	Set-Aside %
Nonprofit		103	$1,128,858,003	13.13%	6,188	12.64%	10%
Rural	Rural – RHS	34	$381,879,278	4.44%	1,798	3.67%	20%
	Rural	145	$1,412,945,771	16.43%	8,701	17.78%	
Small Development*		29	$122,849,148	1.43%	524	1.07%	2%
At-Risk		44	$357,742,597	4.16%	3,377	6.90%	5%
Special Needs/SRO*		27	$279,263,748	3.25%	1,839	3.76%	4%
Geographic Apportionment		411	$4,916,657,039	57.17%	26,521	54.18%	
TOTAL		**793**	**$8,600,195,584**	**100.00%**	**48,948**	**100.00%**	

*The Small Development Set-Aside was removed in 2011 and includes data from 2003-2010. The Special Needs/SRO Set-Aside was increased from 2% to 4% in 2011.

Geographic Distribution

In 2012 TCAC staff conducted public forums and met with program stakeholders to discuss the proposed update and alternative methodologies for the geographic apportionments.[10] In 2012 staff proposed basing the geographic apportionments primarily on the proportion of very low-income persons within each region. This would use a population dataset more comparable to the LIHTC tenant population and allow TCAC to reduce the number of factors in the apportionment methodology. Staff did discount proposed datasets by a rural population figure to account for the population within each region served by TCAC's Rural set-aside. In addition, staff used a regional construction cost factor. Ultimately, TCAC staff determined county-level data for renters with high housing cost burden to be the most appropriate dataset upon which to base the updated geographic apportionments, adjusted by a construction cost factor.[11] The updated percentages became effective in 2014.

[10] The TCAC website currently contains the materials published in 2011 and 2012: http://www.treasurer.ca.gov/ctcac/apportionment/index.asp

[11] Data sources were U.S. Census Bureau's American Community Survey and RS Means Building Construction Cost Data.

One of the proposals received by the Committee was a request to establish a new geographic apportionment for the City of Los Angeles, leaving a separate apportionment for the balance of Los Angeles County. After discussion among TCAC staff and stakeholders, this proposal was approved and made effective in 2013, ahead of the updated geographic apportionment percentages effective in 2014. For 2013, the previous Los Angeles County apportion of 33% was prorated between the City of Los Angeles and the balance of Los Angeles County.

Since the inception of the program in 1987, federal 9%, federal 4%, and state tax credits have been allocated for affordable housing developments in 57 of the 58 counties in California. Active projects by county 1987 to 2013 can be viewed using the link at the bottom of page 43. This table compares active tax credit projects by county 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, 2013.

Annual Historical Data

Table 12 below summarizes the amount of federal and state tax credits awarded to 9% projects in years 1987 through 2013. Table 13 below summarizes the amount of federal and state tax credits awarded to 4% projects in years 1995 through 2013. 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 12
9% Credits Awarded as of December 31 of the Allocation Year, 1987-2013

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
TOTAL	**$1,662,171,379**	**$1,609,073,998**	**2,465**	**153,870**	**$1,761,809,191**	**$1,470,581,588**	**767**	**48,673**

*Federal Credits Awarded reports on current year awarded and includes any forward commitment made. 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. 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.

**State Credit Available is estimated in some years based on available data. Beginning in 2003, 15% of the State Credits Available was set aside for tax-exempt bond financed projects.

Table 13
4% Credits Awarded as of December 31 of the Allocation Year, 1995-2013*

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
TOTAL	**$1,043,340,345**	**1,855**	**192,142**	**$154,514,662**	**$193,193,481**	**106**	**8,851**

*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.

**Beginning in 2003, 15% of the State Credits Available was set aside for tax-exempt bond financed projects.

Additional Data:

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

http://www.treasurer.ca.gov/ctcac/2013/annualreport.asp