



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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William J. Pavão

DATE: February 27, 2014

TO: 2014 Low Income Housing Tax Credit Stakeholders

FROM: Anthony Zeto, Development Section Chief

SUBJECT: 2014 Application Workshop Questions and Answers (Q&As)

The California Tax Credit Allocation Committee (TCAC) conducted its 2014 Application Workshop training in Sacramento, Oakland, San Diego, Los Angeles, and Pasadena in early February. Staff responded to many questions during those sessions. The attached list of Q&As is posted to further assist the stakeholder community as they prepare their 2014 tax credit applications.

If you have any questions regarding the Q&As, please contact your regional analyst at <http://www.treasurer.ca.gov/ctcac/assignments.pdf>



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CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE (TCAC) 2014 DEVELOPMENT APPLICATION WORKSHOP QUESTION AND ANSWERS (Q&As) QUESTION #25 REVISED 12-13-16

SET-ASIDES

- 1. If an applicant is a qualified Nonprofit who is eligible to apply in the Nonprofit set aside, and has selected the Single Room Occupancy (SRO) housing type (not Special Needs), in what order of set asides and geographic apportionments would the application compete?**

The applicant may elect to apply first in the Nonprofit set-aside. If the applicant does not elect to apply in the Nonprofit set aside or is unsuccessful in the Nonprofit set aside, the application would then compete in the Special Needs/SRO set aside. Finally, if unsuccessful in the Special Needs/SRO set aside, the applicant would compete in appropriate the geographic region.

- 2. Does the "\$1" rule apply in the Native American Pilot Apportionment?**

Yes. If \$1 remains in the apportionment, the next highest scoring qualifying project will be selected, which may result in excess of \$500,000 per round being set aside. Regardless of how much the \$500,000 set aside is exceeded by in the 1st Round, another \$500,000 will be available in the 2nd round.

- 3. May Tribal applicants, without California low income housing tax credit experience, contract with a developer, or is a partnership with the developer required?**

TCAC Regulation Section 10315(c)(2) allows tribal communities to partner or contract with a developer and with a property management entity that would garner the maximum points available for general partner and management company experience under Section 10325(c)(2). A Tribe may choose to contract with a developer with a tax credit experience rather than enter into a formal partnership with the developer. However, to receive experience points under Section 10325(c)(2)(A), the proposed general partners or key

person within the general partner organization must meet the conditions of this section, which include California low income housing tax credit experience. If a Tribe choose to contract with rather than partner with an entity garnering the maximum general experience points available, they would qualify to apply under the Native American pilot apportionment, but would not qualify to receive general partner experience points.

POINT SECTION / TIE BREAKERS

- 4. If a General Partner (GP) acquires vacant land from a 3rd party and selling it to the Limited Partnership, do they need a current appraisal to establish the value?**

No. They would only need the original 3rd party purchase agreement to establish the land value.

- 5. If a public entity purchased a property from a 3rd party years ago and is now donating it to the applicant, how would the value of the donation be determined?**

The donation value would be based on the current appraised value.

- 6. Since FHA loans do not differentiate a Tranche A from a Tranche B, would they be eligible for competitive points as a Tranche B loan?**

No. If the Tranche A and Tranche B are not clearly identified, no competitive points will be given for a Tranche B loan.

- 7. A public agency is requiring in their current NOFA a \$10,000 per year debt service payment on their public funds, with any additional payments on a residual receipt basis. Will these funds qualify as public funds in spite of the debt service component similar to HCD and CalHFA loans that have a 0.042% interest payment requirement?**

These would qualify as public funds only if the payments are paying for asset management similar to how the 0.042% interest payment for asset management is set up with HCD and CalHFA loans.

- 8. If an applicant applies for 9% low-income housing tax credits in 2015 with a Senior Housing Type project, is the minimum age restriction 62 years?**

Yes. However, if the applicant chooses to apply and qualify under another Housing Type (At-Risk, Special Needs, SRO), but is still senior restricted, you may choose either 55 years or 62 years as the minimum.

- 9. In the Readiness to Proceed point category, does the HUD 7015.15 form for the environmental clearance only apply where NEPA is required?**

If a project has a source that requires different documentation for the environmental clearance such as a USDA financed project, or if the project is categorically excluded or

exempt, then that documentation must be provided to TCAC in the application. If the project has a federal source and is categorically excluded or exempt, include the appropriate documentation verifying how the project was determined to be categorically excluded or exempt. Please refer to Pages 3-4 of the memo currently on the TCAC website: <http://www.treasurer.ca.gov/ctcac/2013/secondround/guidance.pdf>

10. If the project is proposing HUD Section 8 rental assistance, but no other federal capital funds, is the project required to provide the environmental clearance?

Yes. The same federal documentation demonstrating environmental clearance must be provided.

11. On a rehabilitation projects that previously cleared NEPA, does a recast of an assumed Federal loan or a renewal of an existing HUD Section 8 rental assistance contract require another environmental review?

It is the responsibility of the applicant to complete an environmental review when required by a federal funding source per federal regulation. In the cases where an environmental review is not required, it must be documented on Attachment 26 as to why the environmental review is not required along with any supporting documentation. In the cases where another environmental review is required, Attachment 26 must be completed and submitted along with the verifying documentation. Please follow up with your federal funding source to confirm the necessary environmental review requirements, if any.

12. If a proposed project is in a QCT with a Redevelopment Plan, but the plan is being implemented very slowly with minimal activity within the redevelopment area currently (if any), will the applicant be eligible for the 2 points under the Miscellaneous Federal and State Policies point category as described in TCAC Regulation Section 10325(c)(9)(E)?

If there is minimal activity, it is unlikely that this will meet the requirements of TCAC Regulation Section 10325(c)(9)(E). Please submit the documentation in advance of the application deadline date for TCAC to make a determination.

13. For competitive projects in a single-jurisdiction regional competition (the City and County of San Francisco and the City of Los Angeles geographic apportionments), how current does the letter of support described in TCAC Regulation Section 10325(c)(10) have to be?

The formal letter of support must be dated for the current year in which they apply.

MINIMUM CONSTRUCTION STANDARDS / ENERGY EFFICIENCY / SUSTAINABLE BUILDING METHODS

14. For the minimum construction standard requirement for energy improvement over Title 24 for new construction or percentage increase over existing for rehabilitation projects, if the project has market-rate units in the project (a mixed use project, including stand-alone market rate buildings), do the market rate units and/or buildings have to meet

these minimum construction standard requirements or do they only apply to the tax-credit units/buildings?

All residential buildings must meet the minimum construction standard requirement for energy improvement or percentage increase over existing conditions under TCAC Regulation Sections 10325(f)(7) and 10326(g)(6).

- 15. For rehabilitation projects, is there a minimum amount of tenant load offset required for the “Photovoltaic (PV) generation that offsets tenant loads” point option in the Sustainable Building Methods point category as referenced in TCAC Regulations Section 10325(c)(6)(G)?**

No. There is no minimum amount of tenant load offset provided that some load is met for all tenants.

- 16. If a rehabilitation project receives 10 sustainable building methods points for improving the energy efficiency over current by 25% and implementing sustainable building management practices, but they ultimately improve energy efficiency by 30%, could they forgo implementing the sustainable building management practices since the 30% improvement would be sufficient to garner the full 10 points?**

Yes. The applicant must request the change from TCAC in advance and receive approval prior to proceeding with the change.

- 17. If a project is developed to the minimum requirements of LEED or GreenPoint Rated Multifamily Guidelines, does the project need to meet the energy efficiency minimum construction standards requirement (For new construction, 15% better than the 2008 Title 24 Energy Efficiency Standards; for rehabilitation, 10% post-rehabilitation improvement over existing conditions with at least 10% improvement over existing conditions achieved for each building)? In this example, is a Sustainable Building Method Workbook required?**

The applicant must incorporate TCAC’s energy efficiency minimum construction standards requirements into the LEED and GreenPoint Rated Multifamily Guidelines parameters for your project. By certifying to the LEED or GreenPoint Rated Multifamily Guidelines standards, you are agreeing to incorporate TCAC’s minimum construction standards into those certifications. In this example, a Sustainable Building Method Workbook is not required.

- 18. For 4% projects not requesting points in the sustainable building method point category and only planning to meet the TCAC rehabilitation energy efficiency minimum construction standards requirement (10% post-rehabilitation improvement over existing conditions with at least 10% improvement over existing conditions achieved for each building), can this be achieved by adding a PV generation system that improves the margin of energy use by at least 10%?**

No. The 10% energy efficiency improvement requirement must come from energy improvements to each building. PV system installations cannot be used to meet the TCAC regulation requirement that rehabilitated buildings improve energy efficiency over existing conditions by at least 10%.

- 19. If an application is unsuccessful in the 1st round of 2014 and re-applies in the 2nd round due on July 1, 2014, will they be held to the more rigorous energy efficiency requirements of the 2013 Title 24 standards?**

Yes. The 2nd round application will need to be updated to meet the higher percentages beyond 2008 Title 24 standards outlined in the TCAC Regulations Sections 10325(c)(6)(B) and 10325(f)(7)(A).

- 20. For projects applying the 2nd round of 2014, may the application reflect the energy efficiency in excess of the 2013 Title 24 standards using the new software?**

No. TCAC Regulations Sections 10325(c)(6)(B) and 10325(f)(7)(A) require that in the 2nd round that the energy efficiency percentages be based off of the 2008 Title 24 standards. The 2013 Title 24 standards have yet to be finalized.

- 21. Would virtual net metering (VNM) qualify for individual metering point options in the Sustainable Building Method point category for rehabilitation projects?**

No. VNM would only qualify for points under the first option outlined in TCAC Regulations Section 10325(c)(6)(G).

ACCESSIBILITY REQUIREMENTS

- 22. In a project that has commercial space on the ground floor with no elevators, are any of the units bound to California Code Chapter 11(B) standards?**

Please consult California Code Chapter 11(B) standards as it relates to the requirements.

- 23. With the 5% accessibility requirement in a project with different unit types, do the accessible units need to be spread among the different unit types?**

Please consult California Code Chapter 11(B) standards as it relates to the requirements.

- 24. For purposes of meeting the accessibility requirements, do units have to be built out as accessible or can they be adaptable for conversion later on to be accessible units?**

The units must be built initially as accessible.

25. In calculating the minimum percentage of accessible units required in a project, do you include all the units in the project or only the units that are on an accessible path?

The TCAC minimum construction standard for adherence to California Building Code Chapter 11(B) regarding accessibility is 5% of the units with mobility features and 2% of the units with communications features (10% and 4% beginning in 2015). The percentage requirements apply to all units (low income and manager units, not market rate units) regardless of whether the units are currently located on an accessible path of travel. A rehabilitation applicant proposing not to meet this standard may request a waiver from the Executive Director if the standard is excessively expensive.

Effective in 2015, projects subject to the senior housing requirements must meet the minimum construction standard above. In addition, for new construction projects, one half of all units on an accessible path (ground floor and elevator-serviced) shall be mobility accessible under the provisions of California Building Code (CBC) Chapter 11(B). For rehabilitation projects allocated credits in 2015 and thereafter, 25% of all units on an accessible path (ground and elevator-serviced) shall be mobility accessible under the provisions of CBC Chapter 11(B). All projects with elevators must comply with CBC Chapter 11(B) accessibility requirements for elevators. These units shall, to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout the project consistent with 24 CFR Section 8.26. For example, if you have an existing 2-story building without an elevator and are applying to TCAC in 2015, only the ground floor units on an accessible path will be counted in the denominator in the calculation of the minimum number of accessible units required for senior housing. If you had 20 units on the ground floor on an accessible path in an existing 40-unit, 2-story non-elevator project, and 25% of the units are required to be accessible, you would be required to make 5 units accessible on the ground floor (25% of 20 units, not 25% of 40 units). However, if the project had an elevator where the 2nd floor units are now on an accessible path, you would have to provide 10 accessible units (25% of 40 units).

Applying CBC Chapter 11(B) only to units on an accessible path is for the senior housing type requirement only. The minimum construction standard for 5% of the units with mobility features and 2% of the units with communications features (10% and 4% beginning in 2015) applies to all units in the project.

APPLICATION QUESTIONS

26. If a rehabilitation of an existing project includes building a brand new community room, does the new construction costs associated with the new community building count towards meeting the \$40,000 hard costs per unit minimum?

No. The costs must be separated on the Sources and Uses Development Budget and only the rehabilitation hard costs will be count towards meeting that minimum.

- 27. What rehabilitation costs are used in determining if the project meets the \$40,000 hard cost per unit rehabilitation expenditure requirement?**

The costs rehabilitation costs included are (1) site work, (2) structures, and (3) prevailing wage line items in the Sources and Uses Development Budget of the application.

- 28. The HUD 223(f) program is limited to \$40,000 hard costs per unit for rehabilitation projects. Since TCAC's new hard cost per unit minimum rehabilitation expenditure requirement on 9% projects is \$40,000, will these projects work with 9% credits?**

No. Projects with HUD 223(f) financing will not be able to meet the minimum rehabilitation requirements in order to utilize 9% tax credits. These projects may apply for 4% tax credits.

- 29. If the applicant has old correspondence from the Department of Finance (DOF) in the form of emails and/or letters regarding redevelopment-related financing that is subject to DOF approval, will TCAC accept it as sufficient documentation in the application?**

No. The applicant must submit either (1) Final and Conclusive Determination Letter, or (2) other written communication from DOF stating that DOF does not issue, or concludes is unnecessary, Final and Conclusive Determinations for this form of redevelopment financing obligation. Please refer to the memo, dated January 29, 2014, currently on the TCAC website at: <http://www.treasurer.ca.gov/ctcac/2014/determination.pdf>

COMPLIANCE

- 30. For ownership transfers, does the new GP replacing the exiting GP still need to have equal experience as the exiting GP if it is a joint venture and the second GP itself garners the same experience points?**

Yes. The regulations do not make an accommodation for joint ventures. Please refer to TCAC Regulations Sections 10320(b)(2) and 10325(c)(2).