



## CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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JOHN CHIANG, CHAIRMAN  
State Treasurer

BETTY YEE  
State Controller

MICHAEL COHEN  
Director of Finance

### EXECUTIVE DIRECTOR

Mark Stivers

DATE: February 26, 2015

TO: 2015 Low Income Housing Tax Credit Stakeholders

FROM: Anthony Zeto, Development Section Chief

SUBJECT: 2015 Application Workshop Questions and Answers (Q&As)

The California Tax Credit Allocation Committee (TCAC) conducted its 2015 Application Workshop training in Oakland, Sacramento, San Diego, Los Angeles, and Pasadena in early February. Staff responded to questions during those sessions. The attached list of Q&As is posted to further assist the stakeholder community as they prepare their 2015 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) 2015 DEVELOPMENT APPLICATION WORKSHOP QUESTIONS AND ANSWERS (Q&As)

### POINT SECTION / TIE BREAKERS

- 1. If a 3<sup>rd</sup> party purchase of vacant involves a portion of the purchase price being paid for in part or entirely with public funds, is an appraisal required or could the value be relied on the purchase contract?**

TCAC would rely upon the 3<sup>rd</sup> party purchase price for the vacant land as the appropriate development cost, and would not require an appraisal.

- 2. Do fees that are categorically waived for affordable housing by a local government agency qualify as public funds?**

Under TCAC Regulation Section 10325(c)(1)(C), "waivers resulting from quantifiable cost savings that are not required by federal or state law" qualify as public funds. If the local government makes a blanket waiver of certain fees for affordable housing that meet certain requirements, the subject project meets these requirements, and the waivers are not required by federal or state law, then the waived fees will qualify as public funds. However, the applicant must provide documentation from the local public agency verifying that if not for the affordable housing waiver, the subject project would otherwise have to pay the fees and quantify the waived fees. A letter from the local public agency providing the necessary information on the waived fees should be provided.

- 3. Would a community center that charges a monthly fee qualify for the public park/ community center points in the Site Amenities point category if the owner is paying for the monthly fee?**

No. The community center must be available to the general public and not require a fee similar to a public park.

**4. With Kaiser now accepting Medicare and Medi-Cal, would Kaiser Medical Centers qualify for points under the Site Amenities point category?**

Provided the project's tenants qualify for Medi-Cal (or Medicare for Senior projects) and the applicant demonstrates that the tenants may use Kaiser services as a Kaiser Medi-Cal/Medicare member at the amenity site, Kaiser Medical Centers would qualify for the medical clinic/hospital points under the Site Amenities point category.

**5. For rehabilitation projects, would a current bill/statement for high speed internet service at the existing project be substituted for a will serve letter of internet availability?**

For an existing project where the high speed internet will continue during rehabilitation, a current bill/statement verifying high speed internet service at the project will be accepted in lieu of a will serve letter provided it outlines the minimum average download speed of 768 kilobits/second as required in TCAC Regulation Section 10325(c)(5)(A)(10).

**6. If project is proposing financing with rental subsidy that does not allow service amenities to be paid from cash flow because the rental subsidy is determined based on the needs of the project to break even, how must it be reflected in the TCAC application?**

While the project may be proposing financing where the service amenities are not to be paid out of cash flow, TCAC Regulation Section 10327(g) requires that the service amenities to be accounted for in the TCAC underwriting review of the 15-year cash flow analysis. The budgeted costs for service amenities must be shown on the 15-year cash flow in the appropriate field labeled in the worksheet and must be accounted for prior to determination of the debt service coverage ratio ("above the line").

**MINIMUM CONSTRUCTION STANDARDS / ENERGY EFFICIENCY / SUSTAINABLE BUILDING METHODS**

**7. For points requested in the Zero Net Energy (ZNE) point option, does the proposed project need to be all electric?**

No. TCAC Regulation Section 10325(c)(6)(B)(ii) provides a conversion factor for gas use.

**8. If points are requested in the ZNE point option, what documentation must be submitted at the time of application?**

TCAC Regulation Section 10325(c)(6)(H)(1) requires a completed Sustainable Building Method Workbook (and required backup documentation) be submitted at the time of application. In addition, TCAC requires an architect certification (TCAC Application Attachment 25) be submitted in Tab 25 of the application.

## **APPLICATION QUESTIONS**

- 9. If a project is eligible for acquisition basis per IRC Section 42, but prohibited from receiving nine percent (9%) credits per TCAC Regulation Section 10322(k), should it be shown in the “Sources and Uses Development Budget” worksheet of the application?**

Yes. If the project is eligible for acquisition basis per IRC Section 42, it must be included in the “Sources and Uses Development Budget” worksheet of the application in order to establish the actual eligible basis in the project. The entire acquisition basis will be then voluntarily excluded in the “Basis and Credit” worksheet of the application.

- 10. If a re-syndication of an existing project applying for nine percent (9%) credits is prohibited from receiving credit derived from acquisition basis consistent with TCAC Regulation Section 10322(k), would developer fee be calculated entirely from the rehabilitation basis, excluding any acquisition basis?**

Yes. The developer fee can only be calculated from the rehabilitation basis.

- 11. Since the 2015 rents from HUD have not yet been released, should applicants be using the 2014 Rent and Income Limits for the competitive applications?**

Yes. The 2015 Rents and Income Limits will be updated in the applications for the second competitive funding round.