

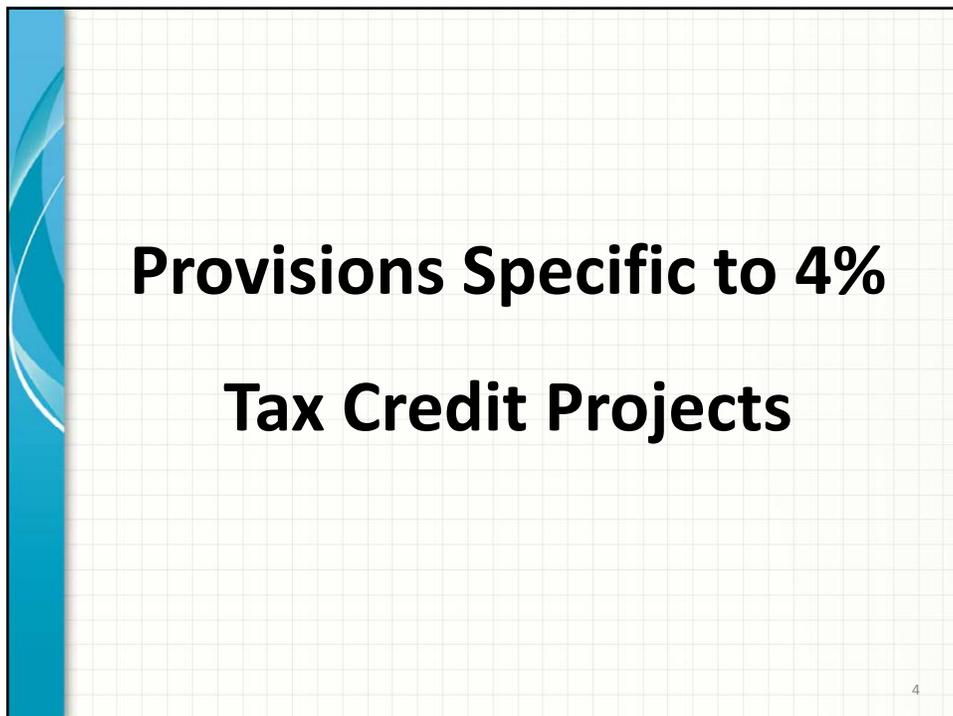
**2016 CALIFORNIA TAX CREDIT
ALLOCATION COMMITTEE (TCAC)
DEVELOPMENT APPLICATION
WORKSHOPS**

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Discussion Topics

- 1 • Regulation Changes
- 2 • 9% Application, Attachments, Checklist
- 3 • CDLAC Update

2



Acquisition Basis for Low-Value Projects

- Allow applicants to forego an appraisal and use as the acquisition basis the amount of assumed debt encumbering the property.

5

Minimum Rehab Thresholds

- Increase minimum rehabilitation threshold to \$15,000 per unit.

6

4% Developer Fees

- Eliminate the cap on developer fees but require that any amount over \$2.5 million be deferred or contributed.
 - The threshold at which deferral or contribution starts increases by \$10,000 per unit for each unit over 100.

7

CDLAC Coordination

- Conform land use entitlement requirements for 4% tax credit applications to CDLAC requirements.
- Require applicants to submit the CDLAC bond application prior to or concurrently with the CTCAC application.
- Require applicants to receive a CDLAC bond allocation within 90 days of receiving a tax credit reservation.

8

4% + State Credit Applications

- Require projects to apply to CDLAC within 10 days after a TCAC reservation, as opposed to by the TCAC application deadline.
- Make all state credits in 4% set aside available during the first round to maximum score projects and hold any remainder until the second round.
- Accept applications for State Farmworker Credits with 4% federal credits over the counter.

9

Provisions Specific to 9% Tax Credit Projects

10

Protecting DDA Status

- Grandfather for one year the DDA status of any 9% project that loses DDA status.
- Allow projects gaining DDA/QCT status on July 1, 2016 to apply at as DDA/QCT project in first round.

11

Native American Apportionment

- Continue Native American apportionment without a sunset.
- Clarify that TCAC may award all credits available in this apportionment during the first round.
- Allow projects sponsored by a tribe to be off reservation, provided the units are reserved for tribal households.

12

Native American Apportionment

- Allow tribal communities to score points in the general partner and management company experience categories on their own and require applicants to score the minimum points in these categories.
- Disregard site amenity points within the Native American apportionment.

13

Large Family Housing Type

- Reduce required 3-bedroom percentage to 25%.
- Require an additional 25% of units to be 2-bedroom or larger.

14

Special Needs Housing Type

- Increase the special needs housing type goal to 25%.
- Relax the requirement for special needs projects to meet an extra housing type. Non-special needs units must meet senior or SRO housing type **OR** provide at least 20% 1-bedroom units and 10% 2-bedroom or larger units.

15

Nonprofit Homeless Assistance Priority

- Within the homeless assistance priority set a minimum contribution from the identified funding sources at \$500,000 or \$10,000 per total units, whichever is greater.

16

Experience Points

- Allow maximum points for general partner experience with 5 or more projects, including one project in service for more than 5 years.
- Clarify that special needs projects may receive points for general experience or special needs experience.

17

Site and Service Amenity Points

- Widen radii for site amenities.
- Provide site amenity points for the provision of transit passes.
- Require applicants to provide committed services for 15 years.

18

Sustainability Points

- Set maximum points at 5.
- Allow energy efficiency points in lieu of certification points.
- Recalibrate energy efficiency and zero net energy levels.
- Allow points for the use of rainwater, greywater, or recycled water for irrigation.
- Remove continual staff training requirement from the sustainable building management category and reduce points from 3 to 2.

19

Readiness to Proceed Points

- Remove separate readiness points for design review and accordingly reduce maximum readiness points to 15.
- Clarify in the general land use readiness provision that the project must have all approvals subject to the discretion of local or tribal officials.

20

Miscellaneous Federal and State Policy Points

- Alter the smoke free points category to provide points for having a policy prohibiting smoking in certain units and, for projects with more than one building, having at least one smoke-free building.
- Broaden the community revitalization plan point category to include projects in Promise Zones and in census tracts with at least 50% of the households below 60% AMI.

21

Final Tiebreaker

- Alter the public funds factor of the tiebreaker to count leveraged soft resources, including public or private soft loans and land donations from unrelated entities (and land donations from related entities on a case by case basis).

22

Final Tiebreaker

- Alter the credit efficiency factor in the tiebreaker by adding back leveraged soft resources that supplant requested basis.
- Beginning in 2017, for projects with 50 or more new construction units, multiply the leveraged soft resources factor of the tiebreaker by a size factor: $75\% + \text{units}/200$.

23

Final Tiebreaker

- Allow TCAC to contract with an appraisal reviewer.
- If a contract is in place, require review if a 15% reduction in the appraised value would change a funding outcome.

24

Readiness Deadlines

- After awards, divide 9% awardees into two groups.
- The first group must prove readiness in 180 days.
- The second group must prove readiness in 194 days.

25

High-Cost Projects

- Require high-cost projects seeking Committee approval to come before the Committee no later than the first meeting after the application deadline.
- Allow negative points for projects awarded credits in 2016 or after that exceed 140% of most recent threshold basis limit at placed in service.

26

Right of First Refusal

- Subject new projects with only non-profit general partners to a right of first refusal for the general partners to purchase the project for debt plus taxes.

27

Provisions Applicable to Both 4% and 9% Tax Credit Projects

28

Scattered Site Projects

- Allow any number and location of sites for a scattered-site acquisition and/or rehabilitation project with a single pre-existing project-based Section 8 contract in effect for all the sites.

29

Scattered Site Projects

- Allow scattered site rehabilitation projects of up to 5 existing affordable housing developments (or more if approved by the Executive Director) if all sites are either within the boundaries of the same city, within a 10-mile diameter circle in the same county, or within the same county if no location is within a city having a population of 500,000 or more.

30

Scattered Site Projects

- Limit new construction projects and all other acquisition and/or rehabilitation projects to five scattered sites with all sites within a 1 mile diameter circle within the same county.
- Allow scattered site rehabilitation projects to meet project type requirements at each site independently.
- For all scattered site projects, require files to be brought to one location for inspection upon request of TCAC.

31

Market Studies

- Allow streamlined market study for projects that meet the following criteria:
 - The project is currently subject to affordability restrictions.
 - Targeted rents and income limits will not increase more than 5%.
 - Occupancy is 5% or less (10% for Special Needs)
- Exempt SRO rehabilitation projects from square foot ratio requirement.

32

Resyndication Projects

- Require resyndication projects to keep existing affordability for another 55 years but allow waivers for projects with negative cash flow, specified losses of rental or operating subsidy, or specified reductions in units.
- Require resyndication projects to use all funds in replacement reserve accounts for rehabilitation of the property.

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Resyndication Projects

- Allow resyndication projects to continue to use hold harmless rents (up to 60% AMI).
- The pro forma shall delay the rent adjuster accordingly.
- Regulatory agreement will reflect the standard rent and income limits.
- 9% applications must meet current rent limits for affordability points.

34

Minimum Construction Standards – Energy Efficiency

- Require applicants to consult with the design team and sustainability analysts early in the project design process to identify and consider sustainability measures beyond those required.
- Require building to code for new construction.

35

Minimum Construction Standards – Energy Efficiency

- Maintain 10% improvement requirement for rehabilitation projects generally at the project level and expand the lookback period for recent energy efficiency improvements to 5 years, including government programs.
- 4% threshold basis increase for newly constructed projects that are 15% or more energy efficient than the 2013 code.

36

Minimum Construction Standards

- Clarify that specified minimum construction standards only apply in rehabilitation projects if the items are being provided or replaced.
- Eliminate flooring requirement.
- Clarify size of energy efficient water heaters.

37

Minimum Construction Standards

- Cap the maximum number of managers' units at 4. Allow projects to forego a manager's unit if the appropriate number of property managers are employed full time on-site and the project has an equal number of security or desk staff on site at all other times.

38

Threshold Basis Limit Increases

- Allow prevailing wage basis boost for projects required to pay prevailing wages as a result of receiving funds from a labor-affiliated lender.
- Allow an additional 5% threshold basis limit boost for projects that are subject to a project labor agreement or that use a skilled and trained workforce, as defined.

39

Capital Needs Covenant

- For new or existing projects for which a sale or refinance will increase or refinance debt and result in equity distributions to partners (a “Transfer Event”), require the owner to enter into a Capital Needs Covenant to set-aside sufficient funds to cover the 2-year rehabilitation needs of the property and to right-size annual replacement reserve contributions to cover other 15-year rehabilitation and replacement needs.

40

Capital Needs Covenants and Resyndication

- If a resyndication project is subject to a covenant, require owner contribution of any value associated with the reduction in annual replacement reserve contributions.

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Capital Needs Covenants and Resyndication

Formula for required equity contribution:

(aggregate annual replacement reserve contributions required by the Capital Needs Covenant – aggregate annual replacement reserve contributions required by TCAC)

Cap rate

42

Capital Needs Covenants and Resyndication

- If a resyndication project is a) subject to a covenant with incomplete Short Term Work from the Initial Transfer Event or b) concurrent with a Transfer Event in which equity is distributed to owners, the applicant must choose one of the following two options:

43

Capital Needs Covenants and Resyndication

Option 1:

- Create a capitalized replacement reserve for post-rehabilitation needs equal to the Short Term Work Amount. This reserve is not basis eligible.

44

Capital Needs Covenants and Resyndication

Option 2:

- Alternatively, applicants may use the Short Term Work Amount to fund rehabilitation needs. The applicant may claim credits for these rehab expenditures if s/he can demonstrate that the Short Term Work Reserve Amount was funded by:
 - (i) a credit from the seller of the Project in the amount of the Short Term Work Reserve Amount,
 - (ii) a reduction in the purchase price of the project as compared to the purchase price of the project had the project not been subject to the Short Term Work capitalized replacement reserve requirement (as shown by an appraisal that calculates the impact of the Short Term Work capitalized replacement reserve requirement on value), and/or
 - (iii) general partner equity (which may be in the form of developer fee contributed to the project [a deferral does not qualify]).

45

Accountability

- Authorize TCAC to audit final cost certifications for accuracy and reasonableness.
- Require certification of cash flow limits for projects with state credits subject to such limits.

46

Accountability

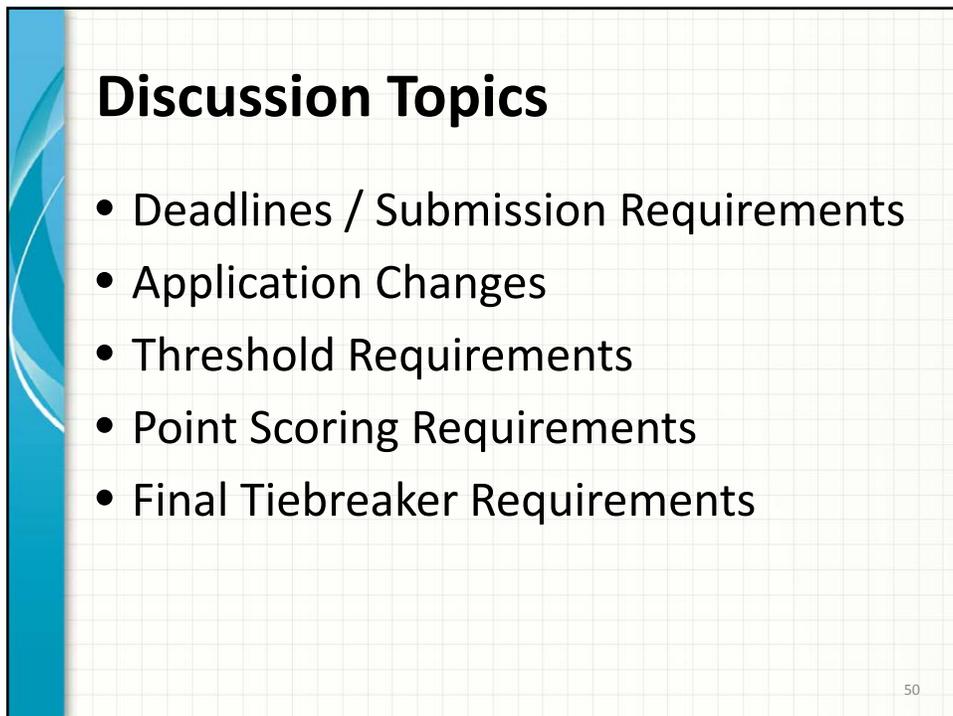
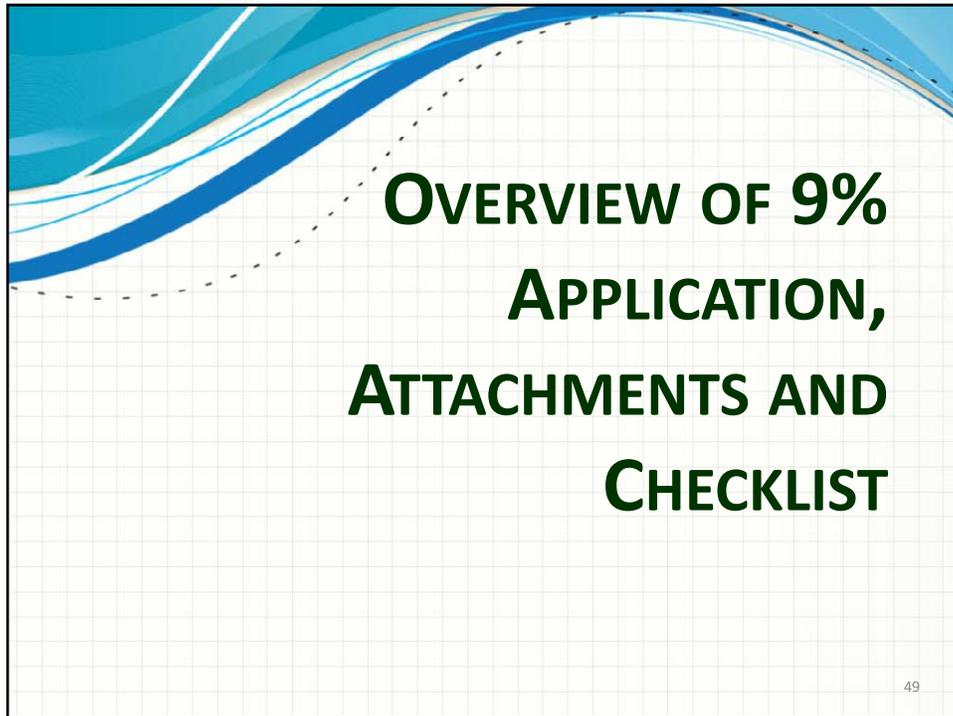
- Allow the imposition of negative points for serious failure to submit required compliance documentation.
- Allow for the imposition of negative points for failure to comply with a requirement of the regulatory agreement or a Capital Needs Covenant.

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Final Proposals Not Adopted

- 15% housing type goal for rehabilitation projects.
- Elimination of accessibility requirements beyond building codes.

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Deadlines / Submission Requirements

- Deadlines
- Electronic Submission Requirements
- Things to Remember Prior to Submission

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Application **Deadlines**

First Round	Second Round
Wednesday, March 2	Wednesday, June 29



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Electronic Submissions

Submit **2** copies



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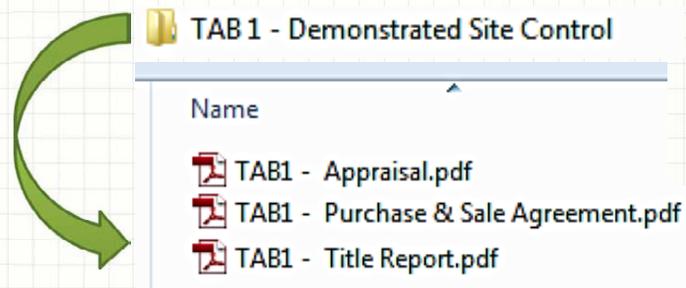
Go Green!



- TAB 1 - Demonstrated Site Control
- TAB 2 - Financial Feasibility
- TAB 3 - Set-Aside Designation
- TAB 3 - Set-Aside Designation - NA
- TAB 4 - Housing Type - Additional Threshold Requirements
- TAB 5 - Applicant OR Development Team
- TAB 6 - Development Team Information
- TAB 7 - Acquisition Credit Applications
- TAB 8 - Rehabilitation Credit Applications
- TAB 9 - Tenant Information
- TAB 10 - Project, Land, Building, & Unit Information
- TAB 11 - Project Size Limitations
- TAB 12 - Site and Project Information
- TAB 13 - Market Analysis
- TAB 14 - Local Approvals
- TAB 15 - Enforceable Financing Commitments
- TAB 16 - Syndication
- TAB 17 - Evidence of Subsidies
- TAB 18 - Threshold Basis Limit Increases and Certifications
- TAB 19 - Eligible Basis Certification
- TAB 20 - Public Funds
- TAB 21 - General Partner & Management Company Characteristics
- TAB 22 - Management Company Expertise
- TAB 23 - Site Amenities
- TAB 24 - Service Amenities
- TAB 25 - Sustainable Building Methods
- TAB 26 - Readiness to Proceed
- TAB 27 - Misc. Fed & State Policies
- TAB 28 - Farmworker Application
- Project Name - LRA Transmittal Letter.pdf
- Project Name E-Application.xls

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Organizing Folders



55

Things to Remember

DOUBLE CHECK CD / FLASHDRIVE
BEFORE SUBMITTING

- Correct Project?
- All Folders/Files Saved?
- Files in Correct Format?

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Application Changes

NEW/UPDATED in 2016

“Application” Worksheet

- Additional Information for Resyndication Projects (Row 373)
- Narrative Instructions Regarding Resyndication Hold Harmless Rents and Desk/Security Staff (Row 716)
- Updated Threshold Basis Limits (Row 926)



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Application Changes

UPDATED in 2016

“Sources and Uses” Budget Worksheet

- Addition of Required Capitalized Replacement Reserve (Row 70)



58

Application Changes

UPDATED in 2016

“Basis and Credits” Worksheet

- Underwriting Applicable Percentages
9.00% and **3.21%** (Row Y42)

“Point System” Worksheet

- Experience, Site Amenities,
Sustainability, Readiness, Total Points



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Application Changes

NEW/UPDATED in 2016

“Checklist Items” Worksheet

- Tab 8 – Rehabilitation and Resyndication Instructions
- Tab 10 – Minimum Construction Standards
- Updates to Corresponding Changes (Point System)



60

Application Checklist Items

- Refer to Regulations
- **Current** Application Attachments
- “Checklist Items” worksheet in Excel application
 - Every applicable Tab should be reviewed carefully

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Threshold Requirements

Tabs 1-19

- Demonstrated Site Control and Land Value
- Financial Feasibility
- Set Aside Designation
- Housing Type
- Applicant / Development Team

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Threshold Requirements

Tabs 1-19

- Acquisition and Rehabilitation Credit Applications
- Minimum Construction Standards
- Site and Project Information
- Market Analysis
- Required Approvals (Zoning)

63

Threshold Requirements

Tabs 1-19

- Enforceable Financing Commitments
- Syndication
- Evidence of Subsidies
- Threshold Basis Limits Increases
- Eligible Basis Certification

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Demonstrate **Site Control**

TAB 1



Current Title Report Within 90 Days

AND

If do not yet hold fee title:

- Executed Lease Agreement or Option
- Executed DDA with Public Agency
- Executed Purchase & Sale or Option Agreement

65

Demonstrate **Site Control**

TAB 1



REMEMBER...

- Narrative/Summary?
- Closing Date runs past Application Deadline?
- Evidence of Payments for Extensions to Closing Date?
- “As-is” Value in Appraisals?
- Must have Land Value

66



Demonstrate **Property Value**

TAB 1

All applicants must demonstrate the land value for the tie breaker analysis of total development cost

Include under **Tab 1**

Refer to the 2013 “Application Underwriting and Scoring Guidance” memo on the TCAC website

67



Demonstrate **Property Value**

TAB 1

Appraisals

Required for all competitive applications except new construction projects that have third party purchase contracts or evidence of a third party purchase

California certified general appraiser having no identity of interest with development’s partner(s) or general contractor

68

Demonstrate **Property Value**

TAB 1



Appraisals

Acquisition-Rehabilitation: An “as is” appraisal prepared within **120 days** before or after the execution of purchase contract

New Construction: When required, an “as is” appraisal prepared within **one year** of tax credit application deadline

69

Financial **Feasibility**

TAB 2

Financing Plan

- Detailed Narrative of Const./Perm. Financing
- RDA funds
<http://www.treasurer.ca.gov/ctcac/2015/rda.pdf>
- “15 year pro forma” worksheet in TCAC Excel Application (Unlocked)



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Financial Feasibility

TAB 2

Underwriting Requirements

- Positive for at least 15 years
- $DCR \geq 1.15$ to 1.00
- “Cash Flow After Debt Service” \leq the greater of 8% Gross Income or 25% of annual must pay debt service payment



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Financial Feasibility

TAB 2

Underwriting Requirements

- “Cash Flow After Debt Service” Break-even value at Year 15
- Greater of (1) 2% Gross Income or (2) Lesser of \$500 per unit or \$25,000 **(NEW)**



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Financial Feasibility

TAB 2

Utility Allowance Estimate

- Public Housing Authority (PHA)
- California Utility Allowance Calculator (CUAC)
 - New Construction **only**
 - Questions contact: Ammer Singh
asingh@sto.ca.gov



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Financial Feasibility

TAB 2

Remember...

Provide description of limitations on developer fee required by any other funding source



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Set-Aside Designation

TAB 3

Nonprofit

- Qualified under IRC Section 42(h)(5)
- Homeless assistance priority

NEW in 2016

- Development capital funding minimums established for homeless assistance priority
 - Greater of (1) \$500,000 or (2) \$10,000 per unit for all units in project

75

Set-Aside Designation

TAB 3

Rural

- 2016 Methodology for Determining Rural Status of a Project Site (Include Evidence)
 - Rehabilitation Projects
- RHS (514, 515) and HOME apportionment
- Native American Apportionment (\$1M)
- Rural-related questions?

Contact **Zhuo (“Jewel”) Chen**

zchen@sto.ca.gov

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Set-Aside Designation

TAB 3

At-Risk

- Rural projects not eligible in Set-Aside
- Qualify for all housing type requirements

Special Needs/SRO

- Qualify for all housing type requirements
- Developer Experience

77

Housing Type Thresholds

TAB 4

Large Family

Special Needs

Senior

SRO

At-Risk



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Housing Type Thresholds TAB 4

- Current Year Attachments
- Detailed Description
- Waiver approvals from TCAC by application deadline

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Housing Type Thresholds TAB 4

Large Family

NEW in 2016

- At least **25%** of Tax Credit Units shall be 3-bedroom or larger
- An additional **25%** of Tax Credit Units shall be 2-bedroom or larger

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Housing Type Thresholds TAB 4

Special Needs

NEW in 2016

- If less than 75% special needs, non-special needs shall:
 - 1) meet Senior or SRO housing type, or
 - 2) meet bedroom and square footage requirements in §10325(g)(4)

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Applicant/Development Team TAB 5

Current Annual
Financial Statements

Organizational
Documents

Identity of
Interest

Legal Status Questionnaire



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Development Team TAB 6

Identify Project Participants Copies of Contracts

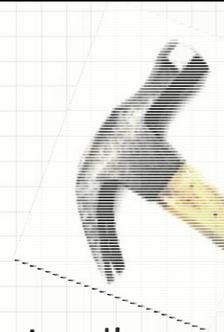
- Executed contracts
- Dated and Current
- Correct project referenced



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Acquisition Credit TAB 7

- Chain of title report
- 10 year rule – 3rd Party Tax Professional's Opinion (refer to IRC Section 42(d)(2)(B)(ii))
- Re-syndication (9% applications) - No acquisition credits (unless SPN, SRO or within 10 yrs. of expiring TCAC regulatory agreement)



84

Rehabilitation Credit TAB 8



“As Is” Appraisal

- Includes land value “as if vacant”
- Prepared 120 days before or after purchase agreement execution/transfer of ownership
- Highest and best use value as residential rental property
- Sales Comparison and Income Approach valuation methodologies

85

Acquisition & Rehabilitation Credit – TAB 8

Capital Needs Assessment (CNA)

- Performed within 180 days of the application deadline
- 15-Year Reserve Study
- Immediate Needs Addressed



86

Acquisition & Rehabilitation Credit – TAB 8

Rehabilitation Summary – Attachment 8

- Address immediate rehabilitation needs and any planned long term replacements
- If different from CNA estimates, provide explanation

Greater of \$40,000 in hard costs/unit or 20% of adjusted basis



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Acquisition & Rehabilitation Credit – TAB 8

Resyndication Projects

- Copy of recorded TCAC regulatory agreement
- Hold harmless rent provisions
- Existing replacement reserve and planned uses
- Capital Needs Covenant (Agreement)

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Acquisition & Rehabilitation Credit – TAB 8

Resyndication Projects

- “Checklist Items” worksheet
- Ownership Transfer Questionnaire
<http://www.treasurer.ca.gov/ctcac/compliance/covenant/questionnaire.pdf>
- Frequently Asked Questions (FAQs)
<http://www.treasurer.ca.gov/ctcac/compliance/transfer/faq.pdf>

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Rehabilitation Credit TAB 9

Tenant-Occupied Housing

- Income, rent and family size information for existing tenants
- Tenant Relocation Plan
- Detailed Budget with Identified Funding Sources
- When required, compliance with Uniform Relocation Assistance and Real Property Acquisition Policy Act

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TABS 10

Minimum Construction Standards

- **Attachment 10**
- **NC and REHABILITATION projects:**
 - Documentation of applicant's consultation with design team and a 2013 CEA and LEED or GreenPoint Rater
 - Copy of CEA's Model results, meeting agenda, list of attendees and major outcomes from meeting

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TABS 10

Minimum Construction Standards

- **REHABILITATION projects:**
 - Sustainable Building Method and Energy Efficiency Requirements Workbook
 - Not required if completing LEED or GreenPoint Rated programs requirements UNLESS receiving points from CDLAC

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TABS 10 & 11

Minimum Construction Standards & Project Size Limitations

TCAC Executive Director must approve waiver requests prior application deadline.

Submit all waiver requests in a timely manner.



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Site & Project Information TAB 12

- Physical Description
 - Current use, adjacent property
 - Site, parcel map, color photos
 - Description of Off-Site Costs
 - If Scattered Site project, provide a description of how it meets definition
- “Checklist Items” worksheet
- Attachment 12

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Site & Project Information TAB 12

- Project Description
 - Architectural drawings – project and unit square footage, bedroom count, laundry facilities, play area, commercial space, etc.
- Architect Certification



95

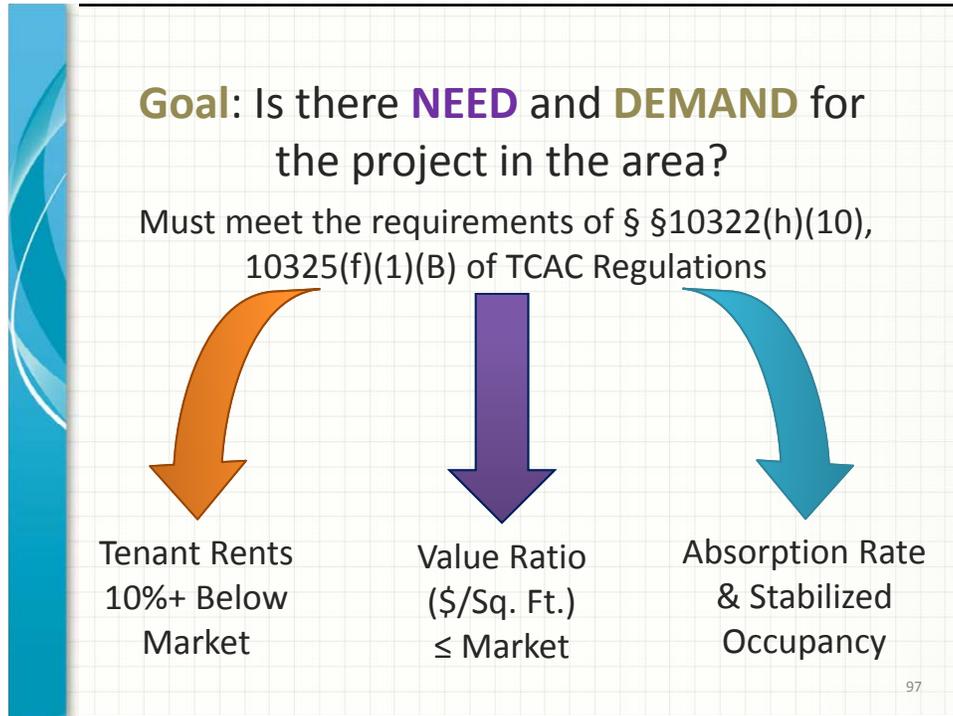
Market Study TAB 13

Market Study Guidelines:

<http://www.treasurer.ca.gov/ctcac/mktstudy/2016.pdf>

Analysis should be unbiased, objective, and supported with clear data and explanation when needed.

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Market Study Components

Need and Demand

Competitive Rental Market

- Existing and Planned Affordable Housing Comparables
- Matrices in **Excel Format**
- Adjustments on comparables
- An updated market study where **>12 months** have passed between the earliest site inspection date and the application deadline will **not** be accepted by TCAC

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Market Study Components

Need and Demand

NEW in 2016

- SRO rehabilitation project exempt from unit value requirement
- Written statement by 3rd party market analyst for acquisition/rehabilitation projects meeting criteria described in §10322(h)(10)

99

Local Approvals

TAB 14



Verification of Zoning

- Attachment 14
- Current
- Zoned for intended use
- Within maximum density



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Financing Commitments

TAB 15

Grants/Subsidies Committed

Permanent = 15 Year Term

Provide Executed Documentation



50% Construction or Permanent Committed

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Syndication

TAB 16

Federal Pricing: **\$0.90 Min**

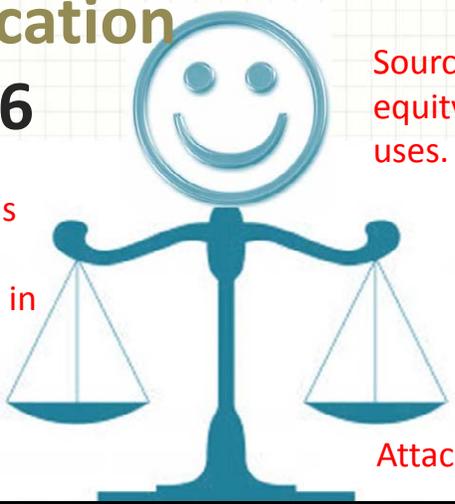


State Pricing: **\$0.60 Min**

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Syndication

TAB 16



Sources, including equity, must match uses.

Net proceeds must match equity listed in your TCAC application

Attachment 16

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Evidence of Subsidies

TAB 17

- Commitments showing the funds are secured or have been renewed
- Source of the subsidy
- Annual amount
- Term
- Number of units
- Expiration date

REMEMBER
 Accurately complete the table on Page 19 of TCAC Application and the "Subsidy Contract Calculation" worksheet

104

Evidence of **Subsidies**

TAB 17

Subsidy Layering Reviews

- May provide in application (optional)
- Memorandums
 - http://www.treasurer.ca.gov/ctcac/2015/slr_8.pdf
 - http://www.treasurer.ca.gov/ctcac/2015/slr_911.pdf

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Threshold Basis Limit Boosts

TAB 18



- Prevailing Wages (up to 25%)
- Parking Beneath Residential Units (7%)
- Day Care Center (2%)
- 100% Special Needs (2%)
- 95% Upper Floors – Elevators (10%)

106

Threshold Basis Limit Boosts TAB 18



- 1+ Energy efficiencies (up to 10%)
- Seismic upgrading (up to 15%)
- Toxic or other environmental (up to 15%)
- Local Development Impact Fees

107

Eligible Basis Certification TAB 19

- Meets requirements of IRC Section 42(h)(1)(E)
- If rehabilitation of existing structures is involved, meets minimum requirements.
- 130% high cost limit / Cost Efficiency



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Point Scoring Requirements

Tabs 20-27

- Leveraging
- GP and Management Experience
- Site and Service Amenities
- Sustainable Building Methods
- Readiness to Proceed
- Miscellaneous Federal and State Policies

109

Leveraging

- Maximum 20 points
 - Cost Efficiency
 - Credit Reduction
 - Public Funds



110

Leveraging – Cost Efficiency

$$\frac{(\text{Adjusted Threshold Basis Limit} - \text{Actual Eligible Basis})}{\text{Adjusted Threshold Basis Limit}}$$

- Maximum 20 points
- One point (1 point) for each one percent (1%)



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Leveraging – Cost Efficiency

	TOTAL PROJECT COST	RES. COST	TAX CREDIT EQUITY	1)	2)	SUBTOTAL	70% PVC for New Const/Rehab	30% PVC for Acquisition
LAND COST/ACQUISITION								
Land Cost or Value	\$1,000,000	\$1,000,000		\$1,000,000		\$1,000,000		
Demolition								
Legal								
Land Lease Rent Prepayment								
Total Land Cost or Value	\$1,000,000	\$1,000,000		\$1,000,000		\$1,000,000		
Existing Improvements Value								
Off-Site Improvements								
Total Acquisition Cost	\$1,000,000	\$1,000,000		\$1,000,000		\$1,000,000		
NEW CONSTRUCTION								
Site Work	\$9,000,000	\$9,000,000	\$2,000,000	\$4,000,000	\$3,000,000	\$9,000,000	\$9,000,000	
Structures								
General Requirements	\$200,000	\$200,000	\$200,000			\$200,000	\$200,000	
Contractor Overhead	\$300,000	\$300,000	\$300,000			\$300,000	\$300,000	
Contractor Profit	\$300,000	\$300,000	\$300,000			\$300,000	\$300,000	
Prevailing Wages								
General Liability Insurance	\$400,000	\$400,000	\$400,000			\$400,000	\$400,000	
Other: (Specify)								
Total New Construction Costs	\$10,200,000	\$10,200,000	\$3,200,000	\$4,000,000	\$3,000,000	\$10,200,000	\$10,200,000	
ARCHITECTURAL FEES								
Design	\$200,000	\$200,000	\$200,000			\$200,000	\$200,000	
Supervision	\$50,000	\$50,000	\$50,000			\$50,000	\$50,000	
Total Architectural Costs	\$250,000	\$250,000	\$250,000			\$250,000	\$250,000	
Total Survey & Engineering								

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Leveraging – Cost Efficiency

CONSTRUCTION INTEREST & FEES						
Construction Loan Interest	\$500,000	\$500,000	\$500,000		\$500,000	\$300,000
Origination Fee	\$10,000	\$10,000	\$10,000		\$10,000	\$10,000
Taxes						
Insurance						
Title & Recording	\$10,000	\$10,000	\$10,000		\$10,000	\$10,000
Other: (Specify)						
Other: (Specify)						
Total Construction Interest & Fees	\$520,000	\$520,000	\$520,000	\$50,000	\$520,000	\$330,000
PERMANENT FINANCING						
Total Permanent Financing Costs						
Subtotals Forward	\$11,970,000	\$11,970,000	\$11,970,000	\$3,000,000	\$11,970,000	\$10,770,000
LEGAL FEES						
RESERVES						
Rent Reserves						
Capitalized Rent Reserves						
3-Month Operating Reserve	\$200,000	\$200,000	\$200,000		\$200,000	\$200,000
Other: (Specify)						
Total Reserve Costs	\$200,000	\$200,000	\$200,000		\$200,000	\$200,000
APPRAISAL						
Total Appraisal Costs	\$10,000	\$10,000	\$10,000		\$10,000	\$10,000
Total Contingency Cost	\$700,000	\$700,000	\$700,000		\$700,000	\$500,000
OTHER PROJECT COSTS						
TCAC App/Allocation/Monitoring Fees	\$200,000	\$200,000	\$200,000		\$200,000	\$200,000
Local Development Impact Fees	\$500,000	\$500,000	\$500,000		\$500,000	\$500,000
Permit Processing Fees						
Furnishings	\$20,000	\$20,000	\$20,000		\$20,000	\$20,000
Market Study	\$5,000	\$5,000	\$5,000		\$5,000	\$5,000
Accounting/Reimbursables	\$3,000	\$3,000	\$3,000		\$3,000	\$3,000
Soft Cost Contingency	\$100,000	\$100,000	\$100,000		\$100,000	\$50,000
Total Other Costs	\$838,000	\$838,000	\$838,000	\$500,000	\$838,000	\$578,000
SUBTOTAL PROJECT COST	\$13,718,000	\$13,718,000	\$13,718,000	\$5,010,000	\$13,718,000	\$11,858,000
DEVELOPER COSTS						
Developer Overhead/Profit	\$1,400,000	\$1,400,000	\$1,400,000		\$1,400,000	\$1,400,000
Total Developer Costs	\$1,400,000	\$1,400,000	\$1,400,000		\$1,400,000	\$1,400,000
TOTAL PROJECT COSTS	\$15,118,000	\$15,118,000	\$15,208,000	\$5,010,000	\$3,500,000	\$13,258,000

Note: Syndication Costs may not be included as a project cost. Calculate Maximum Developer Fee using the eligible basis subtotals. Bridge Loan Expense During Construction: Total Eligible Basis: \$13,258,000

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Leveraging – Credit Reduction

- Example: 10%
 - Qualified Basis X 10% = Reduction
 - Qualified Basis – Reduction = Adjusted Qualified Basis
- One point (1 point) for each one percent (1%)



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Leveraging - Public Funds

Tab 20

$$\frac{\text{Total Committed Public Funds, Fee Waivers, or Value of Donated Land}}{\text{Total Development Costs}}$$



- One point (1 point) for each one percent (1%)
- § 10325(c)(1)(C)

115

Leveraging - Public Funds

Tab 20

- Local Community Foundation Funds
- “Tranche B” loans
- Public contributions of eligible off-site costs
- Assumed loans (Principal balance only)



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General Partner Experience

Tab 21

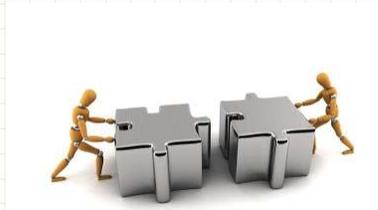
- Maximum 6 points (5 projects, >3 yrs.)
 - Including 1 in service >5 years; and
 - Including 2 TCAC projects
- Nonprofit/Special Needs Set Aside and Special Needs Housing Type (4 Special Needs projects, >3 yrs.)
 - At least 1 TCAC project (does not need to be one of the 4 Special Needs projects)

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General Partner Experience

Tab 21

- Attachment 21
- CPA Certification - positive cash flow, funded reserves



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Management Experience

Tab 22

- Maximum 3 points (11 projects, >3 yrs.)
 - Including 2 TCAC projects
- Nonprofit/Special Needs Set Aside and Special Needs Housing Type (4 Special Needs projects, >3 yrs.)
 - At least 1 TCAC project (does not need to be one of the 4 Special Needs projects)

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Management Experience

Tab 22

- Attachment 22
- Management Agreement
- Nationally Recognized Housing Tax Credit Compliance Entity (2 points)



120

Housing Needs

Tab 4



- 10 Points and Additional Threshold
- 9% Projects must meet a Housing Type
- Document how requirements are met
 - Attachment 4(A)-(E)
 - Architectural Drawings
- Scattered Site Rehabilitation Projects

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Site Amenities

Tab 23

- Maximum 15 points
- Requirements:
 - Map with distance measurements
 - Clear color photos
 - Contact person & contact information
 - Scattered site scoring
 - Physical Barriers?

122

Site Amenities

Tab 23

NEW in 2016

- Increased distances
- Not scored for Native American apportionment projects only
 - Must be scored if dropped down to general Rural set aside

123

Site Amenities

Tab 23

- Transit Amenities
 - Bus rapid transit station, light rail station, commuter rail station, bus station, or public bus stop
 - Free/discounted transit passes to residents (up to 3 points) **(NEW)**



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Site Amenities

Tab 23



- Public Park/Community Center
 - Joint use agreement
- Book-Lending Public Library
 - Inter-branch lending



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Site Amenities

Tab 23



- Grocery Store Amenities
 - Square Footage Certification
 - Large Multi-purpose stores
 - Measure “Grocery Section”



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Site Amenities

Tab 23

- Public School
 - Attendance Boundary
 - At least **25%** three-bedroom units
- Senior Center
- Special Needs or SRO Facilities



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Site Amenities

Tab 23

- Medical Clinic
 - Medi-Cal / Medicare (Seniors) / Health Care for the Homeless
- Pharmacy
- High Speed Internet Service



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Service Amenities

Tab 24

- Scattered Site scoring
- Services provided for **15** years
(NEW)



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Service Amenities

Tab 24

- Large Family, Senior, At-Risk:
 - Service coordinator
 - Services specialist
 - Adult classes: educational, health/wellness, skill building
 - Health & wellness services programs
 - Licensed childcare
 - After school program

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Service Amenities

Tab 24

- Special Needs, SRO:
 - Case manager
 - Service coordinator, Services specialist
 - Adult classes: educational, health/wellness, skill building
 - Health or behavioral health services provided by licensed organization or individual
 - Licensed childcare
 - After school program

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Service Amenities

Tab 24

- Application Components:
 - Evidence of services to be provided and description (MOU)
 - Evidence of physical space
 - Services sources and uses budget
 - Position descriptions
 - Service Provider Experience Chart (Attachment 24)



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Service Amenities

Tab 24

- Budget reflect level of service

Complete the yellow-shaded areas of the services budget below, including information on the source and use of each service funding commitment. **Do not alter the format of this spreadsheet.** Rows may be added as needed to provide additional details regarding the services to be provided.

Name of Applicant: Number of low income units in project:

Name of Project: Number of low income bedrooms:

Housing type: (select one)

Services to be Provided	Quantity of Services Committed (Hours/Yr or FTE) ¹	Total Dollars Committed	Cash or In Kind	Name of Service Provider	Type of Commitment Attached (e.g. letter, MOU, contract) ²
Family, Senior or At-Risk Projects					
1. Service Coordinator					
2. Other Services Specialist					
3. Adult education, health, skill building classes					
4. Health and wellness services and programs					
5. Licensed child care					
6. After school program					
Special Needs or BRQ projects					
7. Case manager					
8. Service Coordinator or Other Services Specialist					
9. Adult education, health, skill building classes					
10. Health or behavioral health services					
11. Licensed child care*					
12. After school program*					
Other Services:					
TOTAL		\$0			

¹ Applicants proposing to provide item #10 do not need to provide this information. Items 5, 6, 11, 12 may be shown as # of Hours per Week. 1 FTE = 2,080 hours per year.
² Committed documentation (letter, MOU, contract) MUST be attached in Exhibit 24 and MUST describe service quantity and dollar amounts consistent with this budget.

Sustainable Building Methods

Tab 25

- New Construction/Adaptive Reuse:
 - LEED, Green Communities*, GreenPoint Rated Program (5 points)
 - Energy Efficiency beyond **2013** Title 24 (up to 5 points)*
 - Zero Net Energy (ZNE) – Offset of Tenants’ Load (up to 5 points)*

Sustainable Building Methods

Tab 25

- Rehabilitation:
 - LEED, GreenPoint Rated Existing Home Multifamily Program, 2011 Enterprise Green Communities* (5 points)
 - Improvement over current (up to **5** points)*
 - Lookback **5** years prior to application date

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Sustainable Building Methods

Tab 25

- Rehabilitation:
 - Additional project measures* (**2** points each)
 - Sustainable building management practices* (**2** points)
 - Individual metering* (**2** points)
- Water Efficiency (**3** points) (**NEW**)

136

Lowest Income

- Maximum 52 points
 - Points Table
 - Additional 2 points for 10% @ or below 30% AMI
 - Spread 30% units across the various bedroom-count units

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Lowest Income

- Example:
67 units
 - 41 three-bedroom units = **5 units**
 - 19 two-bedroom units = **2 units**
 - 7 one-bedroom units = **0 units**
 - Units at 30% AMI = **7 units**

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Readiness to Proceed

Tab 26



- Maximum 15 points
 - Enforceable commitments for construction financing (5 points)
 - Site plan, environmental review clearance (5 points)
 - All necessary public or tribal approvals subject to the discretion of local or tribal elected officials (5 points)

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Readiness to Proceed

Tab 26



- NEPA Documentation
 - HUD form 7015.15 & 7015.16
 - Clearance for **each** federal funding source (HOME, CDBG, USDA, Section 8, etc.)
 - If exempt, Finding of Exemption form with all required information
 - If categorically excluded (not converted to exempt) or requires FONSI, HUD forms 7015.15 & 7015.16 must be in application

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Readiness to Proceed

Tab 26



- Common NEPA Errors
 - Multiple federal sources and documentation does not address each
 - Example: Documentation for HOME funds, but not for Section 8
 - Level of clearance is Exempt per 24 CFR Part 58.35 under supplemental funds where prior NEPA clearance was obtained, but no Finding of Exemption form

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Readiness to Proceed

Tab 26

- Attachment 26
- Appeal Period
- 90-day Letter of Intent (LOI) deadline
 - Required if any points are received
- 180 or 194-day Readiness deadline
 - Required if maximum points are received

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Misc. Federal and State Policies

Tab 27

- Maximum 2 points
 - State credit substitution (2 points)
 - Enhanced Accessibility and Visitability (2 points)*
 - Smoke Free Residence (2 points)
 - Historic Tax Credits (1 point)
 - Revitalization Area Project (2 points)*
 - Eventual Tenant Ownership (1 point)*

143

Final Tie Breaker

- Calculation of self score
- Includes space for additional explanatory information

$$\frac{\text{Committed, permanent, leveraged soft financing defraying residential costs} \times \text{subsidy percentage factor}}{\text{Total residential project development costs}}$$

$$\left(1 - \frac{\text{Requested unadjusted eligible basis} + \text{amount of basis reduction up to leveraged soft financing exclusive of donated land and fee waivers}}{\text{Total residential project development costs}} \right) / 3$$

144

Final Tie Breaker

- First Ratio (Leveraged soft resources)
 - 1) Public Funds (§ 10325(c)(1)(C))
 - 2) Soft loans that meet the criteria of Public Funds, or grants, from unrelated non-public entities not included in (1) and do not represent Financing available through the National Mortgage Settlement Affordable Rental Housing Consumer Relief programs

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Final Tie Breaker

- First Ratio (Leveraged soft resources)
 - 3) Value of donated land and improvements not included in (1) that meet criteria of Public Funds and contributed by an unrelated entity
 - Contributed asset held by entity for at least **5** years prior to application deadline

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Final Tie Breaker

- First Ratio (Leveraged soft resources)
 - Appraisal review for donate land and improvements
 - Numerator increased by 25% of the percentage of subsidy-assisted tax credit units

147

Final Tie Breaker

- Second Ratio
 - 1 minus ratio of requested unadjusted eligible basis to total residential project development costs
 - Requested unadjusted eligible basis increased by any reduction to eligible basis \leq to the amount of leveraged soft resources (excluding donated land, fee waivers, and “Tranche B” loans)
 - Divide by 3

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Final Tie Breaker

MIXED USE PROJECTS

For mixed-use projects, the permanent public fund numerator must be discounted/reduced by the mixed-use ratio below.

Mixed-use projects: Total commercial cost / Total project cost:

THE PRORATED COMMERCIAL COST DEDUCTION TO SOFT FUNDS MUST BE CALCULATED FIRST, BEFORE APPLYING ANY SUBSIDY ADJUSTMENT/INCREASE TO THE

NUMERATOR (REGULATION SECTION 10325(c)(10)(A)). TCAC staff may adjust this ratio as deemed appropriate.

Sample formula (commercial costs) for numerator: *Committed permanent soft funds defraying residential costs* = (G41)*(1-J46)

RENTAL/OPERATING SUBSIDY BOOST

For projects with public operating or rental subsidies listed in Reg. Section 10325(c)(10)(A), calculate the percentage increase below and increase the

soft funds numerator by the adjustment percentage:

Operating and rental subsidies: % of subsidized units:

Subsidy adjustment/increase to permanent public funds numerator
(This adjustment is calculated in the numerator after any commercial cost adjustment).

The number of rental subsidy units and the number of operating subsidy units are cumulative, up to 100%.

FINAL TIE BREAKER CALCULATION

Soft financing less commercial proration

Requested unadjusted eligible basis

\$0

With rental/operating subsidy boost

$$\frac{\text{#DIV/0!}}{\$0} + \left(\left(1 - \frac{\$0}{\$0} \right) / 3 \right) = \text{#DIV/0!}$$

Final Tie Breaker

Tranche B calculation

For purposes of the public funds points section and the final tie breaker, a Tranche B loan is the lesser of the actual commitment amount or the following. Please note, an application must include a private Tranche B loan supported by a public subsidy to utilize this calculation.

Rental Income Differential:

Unit Type	# of Units	Rent Limit:		Public Subsidy Contract Rent	Calculated Annual Rent
		40% AMI (SRO/SpN) OR 50% AMI (ALL OTHER)			
SRO					\$0
SRO					\$0
SRO					\$0
SRO					\$0
SRO					\$0
TOTAL					\$0

Rental Income Differential	\$0
Less Vacancy	5.0%
Net Rental Income	\$0
Available for debt service @ 1.15 DSC ratio:	\$0
Loan term (years)	15
Interest rate (annual)	6.0%
DSC ratio	1.15
Loan amount per TCAC underwriting standards:	\$0
Actual Tranche B loan amount:	<input style="width: 50px;" type="text" value=""/>



CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE (CDLAC) UPDATE

Jeree Glasser, Executive Director

153



Qualified Residential Rental Program

Expiration, Performance Deposits, Performance Forfeiture

- Create a two tiered approach to bond issuance time frames:
 - Competitive: 90-110 days with 130 days for pooled issuances
 - Open: 180-194 days (**with option for shorter period**)
 - Upon request for extension, performance deposit will be forfeited
 - Projects will still have access to extension process
 - Process for a waiver of performance deposit forfeiture

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Qualified Residential Rental Program

Evaluation Criteria

- Expand the At-Risk point category to a broader Preservation Category
- Broadening of Site Amenity radii in the Amenity Category
- Retool of the Community Revitalization definition CRA Category
- Points for Large Family if 25% 3-bedroom
- New Construction has been expanded to a New Construction/Substantial Renovation category

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Qualified Residential Rental Program

FHA Applications

- Create an additional allocation option for FHA financed transactions
 - If an application utilizing FHA financing is submitted with a HUD acknowledgement letter, it will be processed and proceed to the Committee to receive allocation immediately following its submission.
 - If a project already has secured a CDLAC Forward Commitment and is able to submit a HUD acknowledgement letter 4 days before the first public posting of the Committee recommendations for a given round, CDLAC will recommend the project receive an allocation in the round.

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Qualified Residential Rental Program Expiring DDA

- To retain 2015 DDA status, a project must submit a CDLAC application no later than 15 days before the DDA Status changes.
 - DDA status changes January 1st in 2017; 2015 DDA status will change July 1, 2016.
 - Projects will have 730 days from submitting a complete application to CDLAC to be placed in service or issue bonds.
 - Application should identify the proposed CDLAC round.
 - Request that CDLAC confirm the application is complete.
 - If application is complete, CDLAC will provide written confirmation of completeness no later than the DDA status change.
 - CDLAC will issue guidance regarding the elongated closing timeframe.

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Qualified Residential Rental Program Point Threshold

- Threshold Score for 2016
 - 45 points for General and Rural Pools
 - 20 points for Mixed Income Deals

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Qualified Residential Rental Program Application/Compliance

- Eliminate stand alone tables for permanent sources and uses.
- Sources and Uses to be submitted on the TCAC form or a TCAC like form and may be uploaded (E-2).
- You will see another module in the online-system for our new compliance monitoring system.
- All Compliance monitoring will be handled on-line and the Sponsor Compliance Certifications will be retained by the Issuer.

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Top 10 Application Pitfalls

FHA Forward Commitments: If the project is seeking a “Forward Commitment”, the Application must be accurately identified as such by checking the box allotted for Forward Commitments on the first page of the Application.

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Top 10 Application Pitfalls

Attachment B (TEFRA Resolution): When submitting the TEFRA Resolution, please confirm that it contains the accurate project name and project address. Resolutions with information that is inconsistent with other application material may be deemed incomplete for threshold purposes. CDLAC is now requesting a copy of the proof of publication. Please ensure it is included.

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Top 10 Application Pitfalls

Application Summary Information and Attachments: Detailed financial information provided in Hard Construction Costs (H-1), Construction Sources (E-1), and Operating Expense (Attachment I) must match the summarized totals provided in the application and in the E-2 Sources and Uses.

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Top 10 Application Pitfalls

- Attachment W-1 (Proposed Ownership):
- The partnership break down should always be for the proposed final ownership.
- Principals and the principal titles should be provided for each Partner entity.
- When listing the Partners, please include the Limited Partner by name or as TBD.
- The combined ownership percentages should always equate to 100%.

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Top 10 Application Pitfalls

- Attachment R and Table 1: The “Proposed Tenant Paid Rents” and “Unit Sizes” listed on Table 1 of the Application should be consistent with the Subject Property “Base Rent” and “Unit Size in SF” represented on the rent comparability matrices for each unit type.

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Top 10 Application Pitfalls

- Attachment M-1 (Title Report): If there are any deeds of trust to secure indebtedness/liens on the property that will be paid off at close, please specify and identify each under Attachment E-3.

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Top 10 Application Pitfalls

- Attachment O (Utility Allowances): Utility components applicable to the Project must be clearly identified.

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Top 10 Application Pitfalls

- Attachment P (Competitive Market Analysis):
 - If there are no comps within the 1-mile radius or within the Primary Market Area (PMA), the market study Analyst must specifically state this.

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Top 10 Application Pitfalls

- Attachment P (Competitive Market Analysis) cont.:
 - If there are no market rate units for a specific unit type within the 1-mile radius, or within the PMA, the market study analyst must specifically state this. In addition, single family home comparables may only be used in the absence of multifamily comparables if the Project is designated Rural. For all other Projects, the next closest bedroom-size must be used and adjusted accordingly in the matrix.

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Top 10 Application Pitfalls

- Attachment P (Competitive Market Analysis) cont.:
 - Market Rate Comparables may not be “skipped over” due to perceived inferior conditions. Instead, the market study matrix must be used to account for amenities, age, size, etc. differences between the subject and comparable.

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Top 10 Application Pitfalls

- Attachment U: When seeking points for a Bona Fide Service Coordinator/Social Worker, please confirm that the following evidence is provided:
 - A contract (including experience and duties),
 - The number of hours to be provided per year, and
 - The Budget to pay for the services.

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Top 10 Application Pitfalls

- Table 1 General Distribution Rule: All unit types at or below 50% AMI must be generally distributed and represented in terms of location and bedroom type throughout the Project.

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Resources

TCAC

- Application Information:
<http://www.treasurer.ca.gov/ctcac/2016/application.asp>
- Regulations (QAP):
<http://www.treasurer.ca.gov/ctcac/programreg/regulations.asp>

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Resources

CDLAC

- Homepage:
<http://www.treasurer.ca.gov/cdlac/index.asp>
- Regulations:
<http://www.treasurer.ca.gov/cdlac/procedures.asp>

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QUESTIONS?

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