



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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BETTY YEE
State Controller

MICHAEL COHEN
Director of Finance

EXECUTIVE DIRECTOR

Mark Stivers

****REVISED****

DATE: February 19, 2016

TO: 2016 Low Income Housing Tax Credit Stakeholders

FROM: Anthony Zeto, Development Section Chief

SUBJECT: 2016 Development Application Workshop Questions and Answers (Q&As)

The California Tax Credit Allocation Committee (TCAC) conducted its 2016 Development Application Workshop training in Oakland, Sacramento, San Diego, Los Angeles, and Pasadena in late January. Staff responded to questions during those sessions. The attached Q&As are posted to further assist the stakeholder community as they prepare their 2016 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) 2016 DEVELOPMENT APPLICATION WORKSHOP QUESTIONS AND ANSWERS (Q&As) ****REVISED****

POINT SECTION / TIE BREAKERS

- 1. The sources and uses development budget includes ineligible off-site costs that must be excluded from the final tie breaker calculation and the public funds point category. How should these ineligible off-site costs be excluded in the application?**

In the final tiebreaker worksheet of the MS Excel application, the applicant list out the total ineligible off-site costs as a negative number on the "List of leveraged soft financing," which will subtract this amount from the leveraged soft resources numerator of the first ratio. The applicant would also subtract the same amount from the total residential costs denominators of both ratios. If you do not wish to reduce them from the total residential costs denominators, TCAC will reduce them accordingly if reviewed.

If you have any questions how to exclude the ineligible off-site costs, please contact Jack Waegell at jwaegell@treasurer.ca.gov.

- 2. What type of documentation must be submitted in the application to support a donation from an unrelated non-public entity for purposes of the first ratio in the final tie breaker calculation (§10325(c)(10)(A))?**

In order for an applicant to have a donation(s) from an unrelated non-public entity(ies) count in the first ratio of the final tiebreaker calculation, the applicant shall provide with the application (1) a certification from an independent Certified Public Accountant (CPA), or independent tax attorney that the donation(s) is from an unrelated non-public entity(ies), that the donor(s) shall not receive any benefit from a related party to the project, and that the funds are available and not committed to any other project or use;

and (2) a narrative from the applicant regarding the nature and source of the donation and the conditions under which it was given.

- 3. In the second ratio of the final tiebreaker calculation where TCAC adds back the lesser of any reduction to basis or leveraged soft financing (excluding donated land, fee waivers and Tranche B), will TCAC add back reductions to the requested eligible basis that are non-voluntary? These include, but are not limited to, reductions due to (a) the project's actual eligible basis resulting in an amount of annual federal credit that would exceed the \$2.5 million limit of annual federal credit per project, (b) the eligible basis resulting in an amount of requested credit that would exceed 125% of the amount of credit available in a geographic apportionment in the aggregate, (c) the requested eligible basis would exceed the threshold basis limit, (d) ineligible basis from grants or other types of tax credits, or (e) the project not being eligible to receive credits derived from acquisition basis.**

Yes. TCAC will consider the reduction in basis to be the difference of "Total Eligible Basis" and the "Total Requested Unadjusted Eligible Basis" (Row 22 of the "Basis and Credits" worksheet of the MS Excel application). While such eligible basis reductions may be required, TCAC does not believe that an applicant should receive a final tiebreaker benefit for such reductions. Moreover, treating all eligible basis reductions equally creates a level playing field for all applicants. Please also note that all costs that are eligible basis eligible under Section 42 must be included in the eligible basis column of the sources and uses development budget.

- 4. If a scattered site project is meeting the housing needs requirements noted in TCAC Regulation Section 10325(c)(4) and has an equal number of units in each of two or more housing types, which housing type is selected in the MS Excel application and ultimately used for purposes of the first tiebreaker?**

In the event of an equal number of units, the housing type which has the greatest number of bedrooms should be the housing type selected in the MS Excel application.

- 5. If a project is eligible to use the hold harmless rents after resyndication consistent with TCAC Regulations Section 10327(g)(8) , can these rents be used for purposes of scoring affordability points?**

No. An applicant must meet the current rent limits for purposes of scoring affordability points.

MINIMUM CONSTRUCTION STANDARDS / ENERGY EFFICIENCY / SUSTAINABLE BUILDING METHODS

- 6. May an applicant use the 2015 Sustainable Building Method and Energy Efficiency Requirements Workbook for an application being submitted in the first round of 2016?**

No. TCAC stated in early January when the applications were released, that applicants must use the updated 2016 Sustainable Building Method and Energy Efficiency Requirements Workbook when applying in the first round of 2016. It is now available on the TCAC website at <http://www.treasurer.ca.gov/ctcac/2016/sustainable.asp>.

APPLICATION QUESTIONS

- 7. Since the 2016 rents from HUD have not yet been released, should applicants use the 2015 Rent and Income Limits for the first competitive round?**

The applicant shall use the existing 2015 Rent and Income Limits for the first competitive round of 2016. TCAC anticipates that the 2016 Rent and Income Limits will be released in time for use in the second competitive round of 2016. Once released, TCAC will update the second round application accordingly.

- 8. If proposing HOME funds in the project, may the applicant use the HUD Calculator to determine the utility allowance?**

Yes. Please make sure the figures in the application are substantiated with documentation from HUD.

- 9. If an applicant submits a capital needs assessment (CNA) in the first round of a given year that meets the regulatory requirements and the applicant is unsuccessful in the competition, does the applicant need to submit an updated CNA in a second round application?**

A new CNA will need to be provided if the one submitted in the first round was performed more than 180 days prior to the second round filing deadline.

- 10. If proposing the demolition of an existing project and newly constructing a project, is the applicant required to provide the existing rent and income information, tenant relocation plan, etc. in the application?**

The applicant should provide a summary of how the existing tenants will be relocated in Tab 2 of the application. Whether the existing tenants are residential or commercial, there should be a summary outlining how these tenants will be relocated to assure that the project will be able to move forward in a timely manner without any issues in order

to meet TCAC deadlines such as the 180-day readiness and placed in service deadlines. This could include anything that would have a financial impact on the project such as buying out leases or if relocation benefits are required to be paid.

11. Can one access the 5% threshold basis limit increase for project labor agreements or a highly skilled and trained workforce even if one is not eligible for the 20% prevailing wage increase?

No. However, one could seek nominal funding from a public or labor-affiliated source to trigger the 20% prevailing wage increase.