

2020 LOW-INCOME HOUSING TAX CREDIT (LIHTC) APPLICATION WORKSHOPS

TCAC

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Discussion Topics

1

- Regulation Changes

2

- 9% Application

3

- Tips / Common Errors



Highlights of Adopted Regulation Changes Related to Competitive Applications

Highlights of Adopted Regulation Changes

Application Efficiencies

- Remove requirement for current financial statements for general partners
- Remove TCAC review of environmental clearance (NEPA and CEQA) in the Readiness to Proceed point category

Highlights of Adopted Regulation Changes

Senior housing type – restricted to 62 years

All residents

- Clarification of the exception related to federal funding source: the funds must be federally designated for senior housing only and prohibit a restriction of 62 years of age (requiring a different senior age restriction)

Highlights of Adopted Regulation Changes

Deferred payment financing and Enforceable financing commitments

- Minor clarifying changes
- See sections 10325(f)(3) and (f)(8) - redline version on TCAC website

Highlights of Adopted Regulation Changes

Sustainable Building Methods

- Updates to the equivalent energy measurement of the 2019 Building Energy Efficiency Standards
- Increase the Water Efficiency point option from 3 points to 5 points in the Sustainable Building Methods point category

Highlights of Adopted Regulation Changes

4% + Competitive State Tax Credits (~\$15M)

Reduce 4% Competitive Requirements

- No Sustainable Building Methods point category
- Reduced maximum points for Lowest Income point category – 32 points

Highlights of Adopted Regulation Changes

All State Tax Credits

State Credit Certification

- Allow multiple sales of certificated State Tax Credits
- Relax standards for changing the election to certificate the State Tax Credits.

Highlights of Adopted Regulation Changes

- Eliminate Developer Fee \$1.4M limit in eligible basis for 9% projects
- Increase the average targeting requirement from 59% to 60% for 4% projects proposing Average Income Test (AIT) set aside

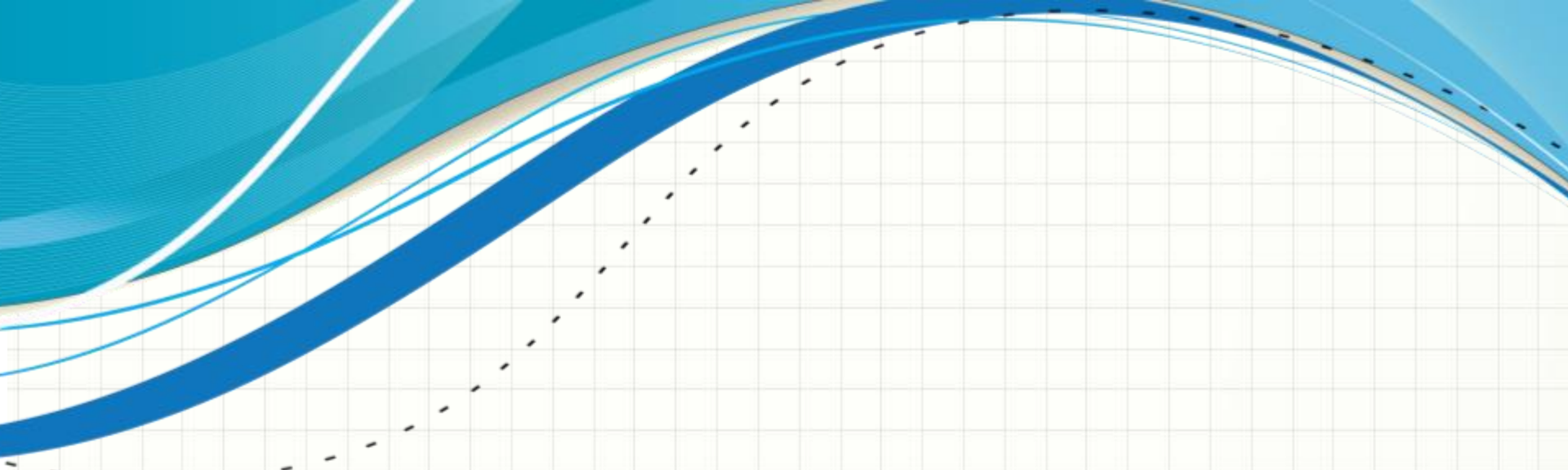


Highlights of Adopted Regulation Changes

- Provide TCAC Executive Director additional discretion relating to incomplete and complete applications
- Increase threshold to provide forbearance for minor financial and cash flow errors

Looking Forward

- Additional 9% tax credits from the Further Consolidated Appropriations Act, 2020 (HR 1865), section 207
- Changes to the TCAC competitive system:
 - Increase unit production, efficiencies
 - Incentivize decreased project costs
 - Simplify application process



2020 COMPETITIVE APPLICATION

Application **Deadlines**

First Round
Monday, March 9

Second Round
Wednesday, July 1



Submission Requirements

Electronic Submission BY MAIL
(no email submissions)

- Submit **2** Copies
- Flash drive

Double Check

- Correct project?
- All folders/files saved?

Re-Application **Tips**

Be sure a re-application meets any new regulation requirements – scoring and threshold

Use the current year application attachments

Application Checklist Items

- Use the Checklist worksheet and the regulation citations
- Review every applicable tab carefully
- Use the current year application attachments

Excel Application **Changes**

DDA Calculation Worksheets

Sources and Basis Breakdown

- Applicable ONLY FOR:
 - sites with both DDA/QCT and non-DDA/QCT buildings
- Purpose
 - Breakdown cost and eligible basis by DDA/QCT sites and non-DDA/non-QCT sites
 - Only eligible basis in DDA/QCT sites will receive 130% basis boost
- **SKIP THIS WORKSHEET IF N/A**

Sources & Basis Breakdown

- Bifurcate cost & basis by DDA/QCT and non-DDA/non-QCT sites

[illegible]

Basis and Credits **Worksheet**

- Modified to allow for sites with both DDA/QCT and non-DDA/QCT buildings
 - Headers will change according to DDA status
- If both DDA/QCT and non-DDA/QCT, you must complete the Cost and Basis Breakdown worksheet

Basis & Credits

	70% PVC for New Const/ Rehabilitation NON-DDA/ NON-QCT Building(s)		30% PVC for Acquisition NON-DDA/ NON-QCT Building(s)	
Total Eligible Basis:	\$35,977,300		\$11,000,000	
Ineligible Amounts				
Subtract All Grant Proceeds Used to Finance Costs in Eligible				
Subtract Non-Qualified Non-Recourse Financing:				
Subtract Non-Qualifying Portion of Higher Quality Units:				
Subtract Photovoltaic Credit (as applicable):				
Subtract Historic Credit (residential portion only):				
Subtract (specify other ineligible amounts):				
Subtract (specify other ineligible amounts):				
Total Ineligible Amounts:				
Total Eligible Basis Amount Voluntarily Excluded:				
Total Basis Reduction:				
Total Requested Unadjusted Eligible Basis:	\$35,977,300		\$11,000,000	
Total Adjusted Threshold Basis Limit:	\$49,799,718			
*QCT or DDA Adjustment:	100%	100%	100%	100%
Total Adjusted Eligible Basis:	\$35,977,300		\$11,000,000	
Applicable Fraction:	100%	100%	100%	100%
Qualified Basis:	\$35,977,300		\$11,000,000	
Total Qualified Basis:	\$46,977,300			

Basis & Credits

	70% PVC for New Const/ Rehabilitation DDA/QCT Building(s)	70% PVC for New Const/ Rehabilitation NON-DDA/ NON-QCT Building(s)	30% PVC for Acquisition DDA/QCT Building(s)	30% PVC for Acquisition NON-DDA/ NON-QCT Building(s)
Total Eligible Basis:	\$35,977,300		\$11,000,000	
Ineligible Amounts				
Subtract All Grant Proceeds Used to Finance Costs in Eligible				
Subtract Non-Qualified Non-Recourse Financing:				
Subtract Non-Qualifying Portion of Higher Quality Units:				
Subtract Photovoltaic Credit (as applicable):				
Subtract Historic Credit (residential portion only):				
Subtract (specify other ineligible amounts):				
Subtract (specify other ineligible amounts):				
Total Ineligible Amounts:				
Total Eligible Basis Amount Voluntarily Excluded:				
Total Basis Reduction:				
Total Requested Unadjusted Eligible Basis:	\$35,977,300		\$11,000,000	
Total Adjusted Threshold Basis Limit:	\$49,799,718			
*QCT or DDA Adjustment:	130%	100%	100%	100%
Total Adjusted Eligible Basis:	\$46,770,490		\$11,000,000	
Applicable Fraction:	100%	100%	100%	100%
Qualified Basis:	\$46,770,490		\$11,000,000	
Total Qualified Basis:	\$57,770,490			

Basis & Credits Bifurcated DDA

	70% PVC for New Const/ Rehab DDA/QCT SITES	for New Const/ Rehab NON-DDA/ NON-QCT SITES	30% PVC for Acquisition DDA/QCT SITES	30% PVC for Acquisition NON-DDA/ NON-QCT SITES
Total Eligible Basis:	\$16,933,333	\$8,466,667		
Ineligible Amounts				
Subtract All Grant Proceeds to Finance Costs in Eligible Basis:				
Subtract Non-Qualified Non-Recourse Financing:				
Subtract Non-Qualifying Portion of Higher Quality Units:				
Subtract Photovoltaic Credit (as applicable):				
Subtract Historic Credit (residential portion only):				
Subtract Ineligible Basis related to Excess Parking:	\$30,000	\$20,000		
Subtract (specify other ineligible amounts):				
Total Ineligible Amounts:	\$30,000	\$20,000		
Total Eligible Basis Voluntarily Excluded:	\$133,740	\$89,160		
Total Basis Reduction:	(\$163,740)	(\$109,160)		
Total Requested Unadjusted Eligible Basis:	\$16,769,593	\$8,357,507		
Total Adjusted Threshold Basis Limit:	\$25,127,100			
*QCT or DDA Adjustment:	130%	100%	100%	100%
Total Adjusted Eligible Basis:	\$21,800,471	\$8,357,507		
Applicable Fraction:	100%	100%	100%	100%
Qualified Basis:	\$21,800,471	\$8,357,507		
Total Qualified Basis:	\$30,157,978			



OVERVIEW OF TCAC POINT CATEGORIES

TABS 21-27

Point Scoring Requirements

Tabs 21-27

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

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.)
 - Including 1 TCAC project

General Partner Experience

Tab 21

- Tribal Applicants ONLY, who do not have minimum TCAC documented experience may contract with a developer who will not be a GP
- Developers with documented experience must complete Attachment 21 and provide required documentation
- If developer does not own the projects for which they are requesting experience points the developer must be pre-approved by TCAC

Attachment 21

	Project Name & Address	TCAC (or other) Project Identification Number, If applicable	TCAC Identify Special Needs Projects, If Applicable	Month, Day, & Year the Project was Placed-In-Service	Month, Day & Year G.P. Participation Began	Month, Day & Year G.P. Participation Ended, If Applicable	Full Number of Years of G.P. Participation, After Project Placed-In-Service*	Number of Low Income Units**	Number of Special Needs Units
1.			<input type="checkbox"/>						
2.			<input type="checkbox"/>						
3.			<input type="checkbox"/>						
4.			<input type="checkbox"/>						
5.			<input type="checkbox"/>						

* General Partner experience cannot start accumulating until after the project is placed-in-service. In addition, do NOT round up the amount of time/experience. For example, 2 years 11 months of G.P. experience is only 2 full years of experience, not 3 years.

** Project must have more than 10 units and be subject to a recorded regulatory agreement.

- ☐ Check this box if you are applying through the Nonprofit or Special Needs set-asides AND requesting points specifically for special needs housing type projects. For each above-listed project, at least 50% of the units must serve special needs tenants. Points will only be awarded to special needs housing type projects.
- ☐ General partners with fewer than 2 active California Low Income Housing Tax Credit projects in service more than 3 years, and general partner's for projects applying through the Nonprofit or Special Needs set-aside with no active California Low Income Tax Credit projects in service more than 3 years, shall contract with a bona-fide management company currently managing 2 California Low Income Housing Tax Credit projects in service more than 3 years and which itself earns a minimum combined total of 2 points at the time of application. Please refer to Tab 21 of the 2017 Application Checklist in the Excel application for additional requirements.

General Partner Experience

Tab 21

- CPA Certification
- In existence for at least 3 years
- Positive cash flow
- Funded reserves



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.)
 - Including 1 TCAC project

Management Experience

Tab 22

- Attachment 22
- Executed Property Management Agreement



Housing Needs

Tab 4

- 10 Points and a threshold requirement for 9% projects
- Document how requirements are met:
 - Attachment 4(A)-(D)
 - Architectural Drawings

Housing Needs Tips

Tab 4

Large Family

- For play/recreational facilities, specify areas for
 - (1) ages 2-12 **AND**
 - (2) ages 13-17
- For ages 13-17, open space is not sufficient
- If open space is proposed, must be adequately sized
 - provide at least a seating area
 - play equipment is encouraged

Housing Needs Tips

Tab 4

Senior housing with non-senior housing

- Mixed housing types. An applicant proposing a project to include senior housing in combination with non-senior housing **MUST** provide a third party legal opinion stating that the project complies with fair housing law -10322(h)(34)

Housing Needs

Tab 4

- Special Needs 10325(g)(3)
- 45% of the Low-Income Units (LI) to meet the housing type requirement
 - 50% if requesting state credit
- Less than 75% Special Needs, non special needs units must meet one of the following
 - Large Family or Senior housing type
 - 20% 1 bedroom units and at least 10% larger than 1 bedroom units as a % of LI units
 - 90% of all LI units are SRO

Housing Needs

Tab 4

Special Needs 10325(g)(3)

- For less than 100% special needs, identify the non-special needs units by bedroom size
- Must have rental subsidy or demonstrate that special needs units and non-special needs SRO units can pay the proposed rents
- **Targeted** income no more than 40% average for special needs units and non-special needs SRO units
- Include kitchen needs for SRO units without full kitchens

Housing Needs

Tab 4

Special Needs 10325(g)(3)

- If operated as senior housing (age 62+):
 - Senior housing elevator requirement
 - Senior housing accessibility requirement
- If homeless units, must comply with core components of Housing First

Housing Needs

Tab 4

At-Risk 10325(g)(4)

- The eligibility criteria must be verified by a third party legal opinion
- To verify, the third party must review the source documents and confirm eligibility based on those documents, including:
 - Subject to the listed affordability restrictions whose compliance period is expiring w/in 5 years
 - Restriction expiration occurs no later than 5 years after the TCAC application year

Housing Needs

Tab 4

At-Risk and USDA

- TCAC verification of at-risk status for USDA funding: the restricted use provision termination date stated in the USDA letter.
- What does not qualify: eligibility to prepay a USDA loan with a restriction termination date more than 5 years from the application year

Housing Needs

Tab 4



Scattered Site Projects

- More than 1 mile to nearest other site shall independently meet the requirements related to
 - Common areas
 - Play/recreational facilities
 - Laundry facilities

Site Amenities

Tab 23

- Maximum 15 points
 - Map with distance measurements
 - Clear color photos
 - Contact person & contact information
 - Scattered sites scored proportionately in the site amenity category based upon (i) each site's score, and (ii) the percentage of units represented by each site



Site Amenities

Tab 23

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

Site Amenities

Tab 23

- Transit
- Public Park/Community Center
 - Joint use agreement
- Book-Lending Public Library
 - Inter-branch lending
- Grocery Store Amenities
 - Square footage certification
 - Multi-purpose stores measure “grocery section”

Site Amenities

Tab 23

- Public School
 - Attendance boundary, $\geq 25\%$ three-bedroom units
- Senior Center, Special Needs Facility
 - Demonstrate this meets needs of proposed tenant population
- Medical Clinic that accepts Medi-Cal (Medicare if Senior tenants), or Hospital
- Pharmacy
- High Speed Internet (1.5megabits/second)

Site Amenities

Tab 23

- Highest or High Resource designation (8 Points)
- Large family new construction, not including inclusionary projects
- May use map in effect when initial site control was obtain up to 7 calendar years prior to application

Service Amenities

Tab 24



- Maximum 10 points
- Services provided for 15 years
- Scattered Site scoring
 - Scattered sites scored proportionately in the service amenity category based upon (i) each site's score, and (ii) the percentage of units represented by each site

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

Service Amenities

Tab 24

Special Needs:

- 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

Service Amenities

Tab 24

Application Components:

- Updated Attachment 24
- Description of services, hours to be provided (MOU)
- Evidence of physical space
- Services budget (Excel application)
- Position descriptions
- Service Provider Experience Chart (Attachment 24 page 3)



Service Amenities

Tab 24

- Special needs projects with 75% or more but less than 100% special needs units must demonstrate that all tenants will receive an appropriate level of services
- Special needs projects with less than 75% special needs units will be scored proportionately based on:
 - (i) the services provided to special needs and non-special needs units; and
 - (ii) the percentage of units represented by special needs and non-special needs units

Application Worksheet

Total Expenses

Total Annual Residential Operating Expenses:	
Total Number of Units in the Project:	
Total Annual Operating Expenses Per Unit:	
Total 3-Month Operating Reserve:	
Total Annual Internet Expense (site amenity election):	
Total Annual Services Amenities Budget (from project expenses):	
Total Annual Reserve for Replacement:	
Total Annual Real Estate Taxes:	
Other (Specify):	
Other (Specify):	

Service Amenities Budget Worksheet

**Cash
Amount
Must
Match**

Services to be Provided	Quantity of Services Committed (Hours/Yr or FTE) ¹	Total Dollars Committed	Cash Flow from Operation, Grant, In Kind, or Others
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 SRO 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	

Sustainable Building Methods

Tab 25

- 9% Maximum 5 points
- 4% Competitive no points in this category

All projects must meet the minimum construction standards

Sustainable Building Methods

Tab 25

- New Construction/Adaptive Reuse:
(5 Points)

Program	Att. 25 Required?	SBMW Required?	Program Example
Green Building	Yes	No	LEED, PHIUS, GreenPoint Rated Program
Energy Efficiency	Yes	Yes	Zero Net Energy, Efficiency beyond 2019 standards (2016 standards in some cases)

Sustainable Building Methods

Tab 25

- Rehabilitation: (5 Points)

Program	Att. 25 Required?	SBMW Required?	Program Example
Green Building	Yes	No	LEED, PHIUS, GreenPoint Rated Program
Energy Efficiency	Yes	Yes	Zero Net Energy, Improvement over current, additional rehabilitation measures, water efficiency

Lowest Income (9%)

- Maximum 52 points
 - Use the points table for 50 points
 - Additional 2 points for 10% @ or below 30% AMI
 - Spread 20% and 30% units across bedroom sizes favoring larger bedrooms
- Average Income set-aside must use 10% increments (NO 5% increments)

Lowest Income (4% Competitive)



- Maximum 32 points
 - Use the points table for 30 points
 - Additional 2 points for 10% @ or below 30% AMI
 - Spread 20% and 30% units across bedroom sizes favoring larger bedrooms
- Average Income set-aside must use 10% increments (NO 5% increments)

Lowest Income

		Percent of Area Median Income (AMI)							
		**60-80%	*55%	50%	45%	40%	35%	30%	20%
Percent of Low-Income Units (exclusive of manager's units)									
	50%			25.0*	37.5				
	45%			22.5*	33.8				
	40%		10.0*	20.0	30.0				
	35%		8.8*	17.5	26.3	35.0		50.0	
	30%		7.5*	15.0	22.5	30.0	37.5	45.0	
	25%		6.3*	12.5	18.8	25.0	31.3	37.5	50.0
	20%		5.0*	10.0	15.0	20.0	25.0	30.0	40.0
	15%		3.8*	7.5	11.3	15.0	18.8	22.5	30.0
	10%		2.5*	5.0	7.5	10.0	12.5	15.0	20.0

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

Readiness to Proceed

Tab 26



- Maximum 10 points
 - Enforceable commitments for construction financing (5 points)
 - Local land use approvals (5 points)
- 180 or 194-day Readiness deadline required if maximum points are received
 - If less than maximum points, an updated Excel application is required (10328(c))

Readiness to Proceed

Tab 26

- Attachment 26
 - Streamlined approval
 - CEQA now part of “other requirements”
- Final Appeal Period may run up to 30 days beyond application due date

Attachment 26

ATTACHMENT 26 Approvals Necessary to Begin Construction

Project Name: _____ Housing Type: _____
 Site Address: _____ City: _____
 County: _____ Number Of Units: _____
 Census Tract Number: _____ APN(s): _____

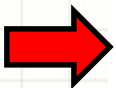
Note: Multiple forms may be needed. Each agency with individual responsibility for the items below must complete the particular item(s) under its jurisdiction.

This letter is to confirm that the following public or tribal approvals (except building permits) and all land use clearances for this project are issued or are unnecessary and the expiration dates of all required appeal periods for each item are listed and have expired, or will expire no later than 30 days beyond the application deadline date.

Check All Required Items	Approval Date	Appeal Expiration Date*	X if N/A	If N/A, <u>MUST</u> provide a detailed explanation**
<input type="checkbox"/> Site Plan Review Completed	_____	_____	<input type="checkbox"/>	
<input type="checkbox"/> Conditional Use Permit	_____	_____	<input type="checkbox"/>	
<input type="checkbox"/> Variance Approval	_____	_____	<input type="checkbox"/>	
<input type="checkbox"/> Toxic Report	_____	_____	<input type="checkbox"/>	
<input type="checkbox"/> Soils Report	_____	_____	<input type="checkbox"/>	
<input type="checkbox"/> <u>All Discretionary Reviews:</u> _____	_____	_____	<input type="checkbox"/>	
<input type="checkbox"/> Streamlined Ministerial Approval (SB35)	_____	_____	<input type="checkbox"/>	
<input type="checkbox"/> Streamlined Approval (_____)	_____	_____	<input type="checkbox"/>	
<input type="checkbox"/> Article 34 of State Constitution	_____	_____	<input type="checkbox"/>	
<input type="checkbox"/> Coastal Commission Approval	_____	_____	<input type="checkbox"/>	
<input type="checkbox"/> <u>Any</u> Other Requirements: _____*	_____	_____	<input type="checkbox"/>	

*Excluding Design Review

**A detailed explanation must be provided for each of the above items that have been checked, "N/A." Please attach an extra sheet of paper if unable to fit entire explanation, as this is important for the review process.


 ☐ *By checking box, THE APPLICANT acknowledges responsibility to re-submit Attachment 26, Approvals Necessary to Begin Construction form, due to a final appeal period permitted to run up to 30 days beyond the application due date (February 18, 2020). The applicant must provide proof/documentation that either no appeals were received, or that any appeals received during that time period were resolved within that 30-day period. The updated/re-submitted Attachment 26 and documentation must be provided within 7 days of the expiration of the 30-day appeal period, by February 25, 2020.

Misc. Federal and State Policies

Tab 27

Maximum 2 points

- Credit substitution (2 points)
 - Any exchange will use application tax credit factors in equity calculation
- Enhanced Accessibility & Visitability (2 points)*
- Smoke Free Residence (2 points)
- Historic Tax Credits (1 point)
- Revitalization Area Project (2 points)*
- Eventual Tenant Ownership (1 point)*



OVERVIEW OF FINAL TIE BREAKER

Final Tie Breaker

- First Ratio: Leveraged Soft Financing

LEVERAGED SOFT FINANCING

Capitalized Value of Rent Differentials of Public Rent/operating Subsidies

#DIV/0!

Total donated land value

Total fee waivers

List Leveraged Soft Financing **excluding** donated land and fee waivers:

Less: Excess Purchase Price Over Appraised Value

\$0

Less: Ineligible Offsites

Total Leveraged Soft Financing excluding donated land and fee waivers

\$0

TOTAL

#DIV/0!

Final Tie Breaker Checklist Section 20

- First Ratio: Leveraged Soft Financing
 - Public Funds
 - Exclude seller carryback financing
 - EXCEPT public land loan to a new construction project
 - Exclude excess purchase price over appraised value
 - Exclude ineligible off-sites (if NC and no off-sites, explain)
 - Unrelated-party Soft Loans
 - CPA/Tax Attorney Certification
 - Value of donated land, fee waivers
 - Appraisal required for donated value
 - Capitalized Value of Rent Differentials from Public Subsidies

Final Tie Breaker

Public rent subsidy – USE WHOLE NUMBERS

- Use appropriate AMI (see slide 10)
- Specify gross or net of utility allowance

Annual Rental Income Differential for Public Rent Subsidies:

		<u>Rent Limit:</u> Use 30% AMI for Special Needs Projects <u>OR</u> Use 40% AMI for ALL OTHERS		Public Subsidy Contract Rent	Calculated Annual Rent
Unit Type	# of Units				
SRO	20				\$0
1 bedroom	20				\$0
SRO					\$0
SRO					\$0
SRO					\$0
SRO					\$0
Annual Rent Differential for Pulic Rent Subsidies:					\$0

Final Tie Breaker

Public operating subsidy, NOT RENTAL SUBSIDY

- Input an annual or aggregate subsidy amount

Annual Rental Income Differential for Public Operating Subsidies:

If annual operating subsidy amount are similar in each year, enter:

Annual Operating Subsidy Amount in Year 1:

OR

If the contract does not specify an annual subsidy amount, enter:

Aggregate Subsidy Amount:

Number of Years in the Subsidy Contract:

Average Annual Operating Subsidy Amount:

Annual Public Operating Subsidies:

Final Tie Breaker

Size Factor for Leveraged Soft Financing

- New Construction with 50 or more Tax Credit units
 - Excludes market rate units
 - Includes manager units
- Size factor = $75\% + (\text{Total NC Tax Credit Units}/200)$
- Size factor defaults to 1.00 for rehab and other smaller new construction units

SIZE FACTOR CALCULATION

New Construction:	Yes
Tax Credit Units:	85
Size Factor:	1.18

Final Tie Breaker

High/Highest Resource Area Bonus

- New Construction, Large Family Housing Type
 - Excludes DDA agreement or inclusionary housing (see TCAC Reg. section 10325(c)(9)(C) for complete exclusion)

Bonus for new construction large-family projects in high/higher resource area based on TCAC/HCD Opportunity Area Map (Please see TCAC Regulations 10325(c)(9)(C) for projects excluded):

Non-rural project, Census Tract is High Resource (10 percentage points)

Hybrid Final Tie Breaker

- Enter Leveraged Soft Financing for both projects
- Enter 4% Project Cost
- Enter 4% Tax Credit Units (size factor)

Hybrid Final Tie Breaker Sections

Hybrid Cost

4% Residential Project Development Cost	\$35,000,000
4% Commercial Project Development Cost	\$0
4% Total Project Cost	\$35,000,000

SIZE FACTOR CALCULATION

New Construction:	Yes	
9% Tax Credit Units:	85	4% Tax Credit Units: 60
Size Factor:	1.48	Total Tax Credit Units: 145



THRESHOLD REQUIREMENTS

TABS 1-19

Site Control

TAB 1

- Current title report within 90 days
- Evidence of site control
- Ensure the application includes the proper documentation for applicants without fee title – refer to Checklist Tab 1
- Include explanations for unique sites
 - Scattered, non-contiguous, hybrid, multi-phase, future parcel splits, complex land transactions

Site Control and Property Cost/Value

TAB 1

IMPORTANT:

- **Review Sections 10327(c)(6) and 10322(h)(9) and the Checklist**
- **Ask questions**
- **Section 10327(c)(6): acquisition cost requirements for new construction and rehabilitation**
- **Section 10322(h)(9): appraisal requirements for new construction and rehabilitation**

Property Cost/Value

TAB 1

Evidence of site cost

- Review TCAC regulations and Checklist Tab 1: purchase agreement, escrow statement, etc.
- **Related Party** relationship to the seller must be disclosed and an appraisal must be submitted
 - IF RELATED PARTY IS A PASS THROUGH ENTITY, AN APPRAISAL IS NOT REQUIRED – MUST BE DOCUMENTED

Rehabilitation applications must include an appraisal

- 4% APPLICATION EXCEPTION: ACQUISITION BASIS EQUAL TO EXISTING THIRD PARTY DEBT (MAY BE HIGHER THAN AN APPRAISED VALUE)

Appraisals

TAB 1

An appraisal is required for:

- rehabilitation applications
- competitive applications except new construction unrelated 3rd party purchases
- competitive applications seeking tiebreaker credit for donated or leased land
- new construction applications involving a related party land sale

As-is appraised value

Appraisal must include a land value

Appraisals

TAB 1

New Construction: Appraisal prepared within 120 days before or after the execution of purchase contract/transfer of ownership or within 1 year of application deadline if latest purchase contract was executed within that year

Rehabilitation: Appraisal prepared within 120 days before or after the execution of purchase contract/transfer of ownership

Financing

TAB 2



- Narrative description of project financing
- Description of other funding source
developer fee limitations
- Utility allowance documentation

Set-Aside Designation

TAB 3

Nonprofit – 10%

- Qualified under IRC Section 42(h)(5)
- Homeless assistance priority
- Federal and state capital funding sources

Rural – 20%

- Rural Methodology Memo
- RHS (514, 515) and HOME apportionment
- Native American Apportionment (\$1M)
- **Ruben Barcelo** rbarcelo@sto.ca.gov

Set-Aside Designation

TAB 3

Native American Apportionment Applicants

If applying under the Apportionment, land must be owned by a Tribe in fee or in trust and occupancy is legally limited to tribal households.

20% of low-income units may serve non-tribal households if required by HOME funding.

Native American Apportionment Applicants

Experience with the LIHTC program is required. Apportionment applicants may contract with a developer that is not a project owner and receive general partner experience points commensurate with the developer's experience.

See TCAC regulation sections 10315(c)(2) and 10325(c)(1)(A)(iii) for complete information and requirements.

Set-Aside Designation

TAB 3

At-Risk – 5%

Special Needs – 4%

- Qualify for all housing type requirements **IF REQUESTING STATE CREDIT and 130% boost**
Project must have at least 50% designated special needs – This is greater than the housing type requirement of 45% special needs low income units
- Developer experience requirement

Housing Type Thresholds

TAB 4

Complete the applicable Attachment 4

Provide **detailed explanations** in Attachments 4(A)-(D)

- Don't refer to other sections of the application as an explanation

Any waiver approvals from TCAC by the application deadline

Applicant/Development Team

TAB 5

Organizational Documents

Organizational Chart

Identity of Interest

Legal Status Questionnaire



Acquisition Credit

TAB 7



- Chain of title report
- Applicant statement – Exempt 10 year rule
- 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 Special Needs or within 10 years of expiring TCAC regulatory agreement)

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

Rehabilitation Credit

TAB 8

Capital Needs Assessment (CNA)

- Performed within 180 days of the application deadline
- Pre-rehabilitation 15-Year Reserve Study
 - If resyndication, CNA must demonstrate rehab need of at least \$5,000 per unit over the first 3 years (Short Term Work)

Rehabilitation Credit

TAB 8

Rehabilitation Summary

- Address immediate rehabilitation needs and any planned long-term replacements
- Explain any variance from the CNA estimates

Rehabilitation Credit

TAB 9



Tenant-Occupied Housing

- Income, rent and family size information for existing tenants
- Tenant Relocation Plan –review proposed regulation changes
- Detailed Budget with Identified Funding Sources

Rehabilitation Credit

TAB 8

Resyndication Projects
Complete Checklist Items
AND

Development Section Resyndication
Questionnaire

<https://www.treasurer.ca.gov/ctcac/forms/transfer-event-questionnaire.pdf>

Rehabilitation Credit

TAB 8

Resyndication Projects

- Copy of recorded TCAC regulatory agreement
- Hold harmless rent provisions
- Similar or greater level of services
- Existing replacement reserve & planned uses
- Capital Needs Agreement

Minimum Construction Standards & Project Size Limitations

TABS 10 & 11

MCS: see Attachment 10 for details

MCS Energy Efficiency: effectively fulfilled through SBM point category requirements (Tab 25)

TCAC Executive Director must approve any waiver requests prior to the application deadline. Submit all waiver requests in a timely manner.



Site & Project Information

TAB 12

Physical Description

- Current use, adjacent property
- Site, parcel map, color photos
- Planned parcel changes, multi-phase projects
- Description of off-site costs
- If Scattered Site project, provide a description of how it meets definition

Use Checklist and Attachment 12

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

Market Study

TAB 13

Market Study Guidelines:

<http://www.treasurer.ca.gov/ctcac/2020/market-study-guidelines.pdf>

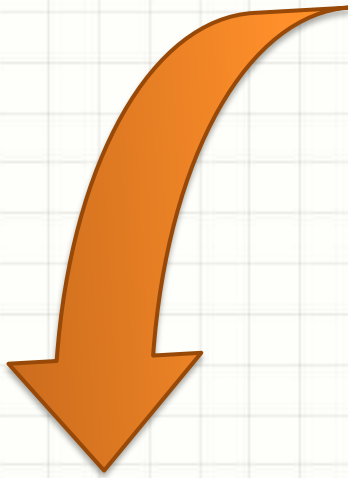
Analysis should be unbiased, objective, and supported with clear data and explanation when needed.

ALTERNATIVE FOR REHABILITATION PROJECTS

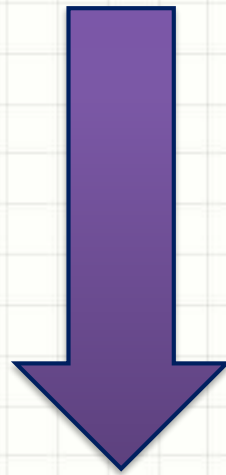
Written statement by 3rd party market analyst for acquisition/rehabilitation projects meeting criteria described in Section 10322(h)(10)

Goal: Is there **NEED** and **DEMAND** for the project in the area?

Must meet the requirements of Sections 10322(h)(10), 10325(f)(1)(B) of TCAC Regulations



Tenant Rents
10%+ Below
Market



Value Ratio
(\$/Sq. Ft.)
 \leq Market



Absorption Rate
& Stabilized
Occupancy

Market Study Components

Need and Demand

Competitive Rental Market

- Existing and Planned Affordable Housing Comparables
- Matrixes in **Excel Format**
- 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

Local Approvals

TAB 14

Attachment 14

Verification of Zoning

- Use TCAC's Attachment 14
- Zoned for intended use, within max density
- Local land use approvals
 - Approvals may have pending appeal 30 days beyond the TCAC application due date

Financing Commitments

TAB 15

Grants/Subsidies
Committed

Permanent = 15 Year Term

Provide Executed
Documentation



50% Construction or
Permanent Committed

Syndication

TAB 16

Federal
Pricing:
\$0.85 Min



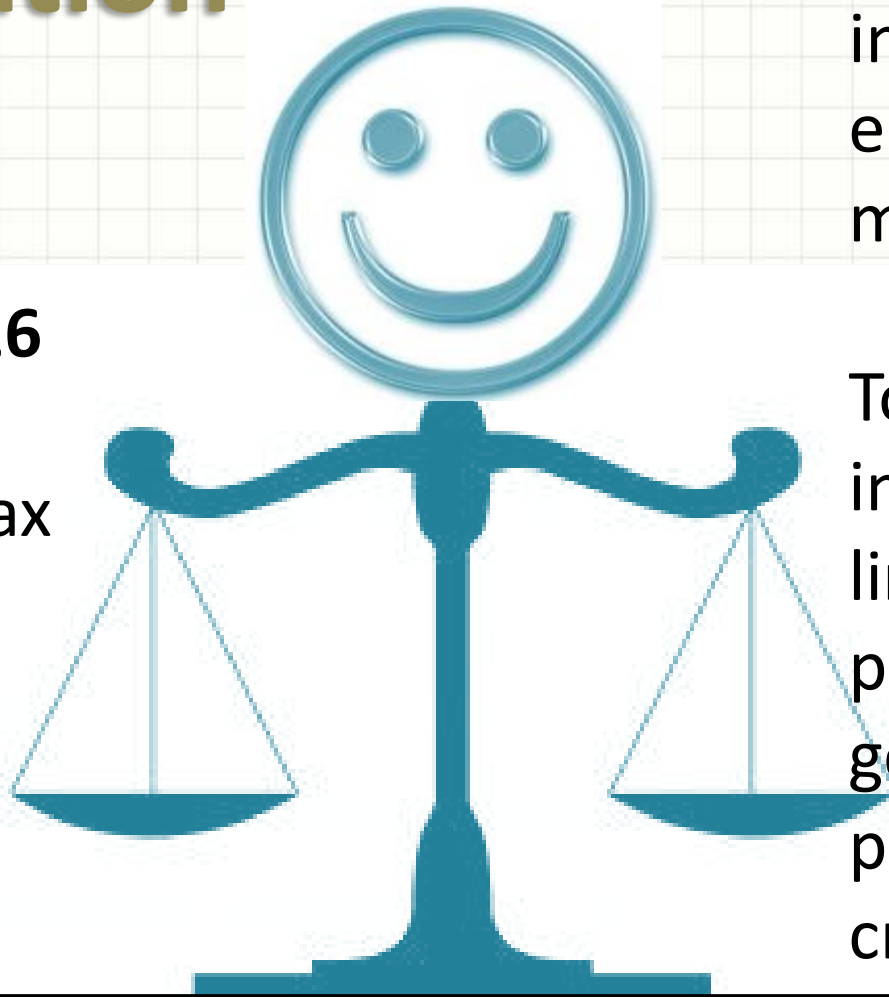
State
Pricing:
\$0.70 Min

Syndication

TAB 16

Attachment 16

Net proceeds must match tax credit equity listed in the TCAC application.



Sources, including equity, must match uses.

Total equity includes limited partner and general partner tax credit equity.

Evidence of Subsidies

TAB 17

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

REMEMBER

Accurately complete the table on App. Page 19 & the Subsidy Contract Calculation worksheet

Subsidy Contract Calculation Worksheet

[illegible]

Number of Units Receiving Assistance:	
Length of Contract (years):	
Expiration Date of Contract:	
Total Projected Annual Rental Subsidy	

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%)

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
- High Opportunity Area (10%)

Application Worksheet

A. Threshold Basis Limit

Unit Size	Unit Basis Limit	No. of Units	(Basis) X (No. of Units)
SRO/STUDIO			
1 Bedroom			
2 Bedrooms			
3 Bedrooms			
4+ Bedrooms			
TOTAL UNITS:			
TOTAL UNADJUSTED THRESHOLD BASIS LIMIT:			
		Yes/No	
(a) Plus (+) 20% basis adjustment for projects paid in whole or part out of public funds subject to a legal requirement for the payment of state or federal prevailing wages or financed in part by a labor-affiliated organization requiring the employment of construction workers who are paid at least state or federal prevailing wages. List source(s) or labor-affiliated organization(s):		No	
Plus (+) 5% basis adjustment for projects that certify that (1) they are subject to a project labor agreement within the meaning of Section 2500(b)(1) of the Public Contract Code, or (2) they will use a skilled and trained workforce as defined by Section 25536.7 of the Health and Safety Code to perform all onsite work within an apprenticeable occupation in the building and construction trades.		No	
(b) Plus (+) 7% basis adjustment for new construction projects required to provide parking beneath residential units (not "tuck under" parking) or through construction of an on-site parking structure of two or more levels.		No	
(c) Plus (+) 2% basis adjustment for projects where a day care center is part of the development.		No	
(d) Plus (+) 2% basis adjustment for projects where 100 percent of the Low-Income Units are for Special Needs populations.		No	
(e) Plus (+) up to 10% basis adjustment for projects applying under Section 10325 or Section 10326 of these regulations that include one or more of the features in the section: Item (e) Features.		No	
(f) Plus (+) the lesser of the associated costs or up to a 15% basis adjustment for projects requiring seismic upgrading of existing structures, and/or on-site toxic or other environmental mitigation as certified by the project architect or seismic engineer. If Yes, select type: N/A		No	
(g) Plus (+) local development impact fees required to be paid to local government entities. Certification from local entities assessing fees also required. WAIVED IMPACT FEES ARE INELIGIBLE.		No	
(h) Plus (+) 10% basis adjustment for projects wherein at least 95% of the project's upper floor units are serviced by an elevator.		No	
(i) Plus (+) 10% basis adjustment for a project that is: (i) in a county that has an unadjusted 9% threshold basis limit for a 2-bedroom unit equal to or less than \$400,000; AND (ii) located in a census tract designated on the TCAC/HCD Opportunity Area Map as Highest or High Resource.		No	
TOTAL ADJUSTED THRESHOLD BASIS LIMIT:			

Local Development Impact Fees

Attachment 18(A)

NOTE: Permit processing fees, building permit fees, and plan check fees are NOT considered local development impact fees.

TYPE OF FEES TO BE PAID	AMOUNT OF FEE
Community Development Fees	\$
Drainage Facilities	\$
Facilities Assessment	\$
Fire Facilities	\$
General Facilities	\$
Governmental/Environmental	\$
Law Enforcement Facilities	\$
Library Facilities	\$
Parks & Recreation	\$
Public Facilities	\$
Schools	\$
Streets & Signals	\$
Traffic Fees	\$
Waste Water Collection	\$
Waste Water Treatment	\$
Water Facilities	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
Total Local Development Impact Fees	\$

Eligible Basis Certification

TAB 19



- Meets the requirements of IRC Section 42(h)(1)(E)
- Verification of costs not included in basis
- Description of basis excluded for **fees to be paid by tenants** (garage, storage)
- Rehabilitation of existing structures: meets minimum requirements of TCAC Reg. 10325(f)(10)

CERTIFICATION AMOUNTS MUST MATCH THE BUDGET AMOUNTS

High Cost Test

If there are any corrections to eligible basis or the adjusted threshold basis limit, the high cost test will be recalculated by TCAC. If this occurs and the applicant's calculation is near 130%, it could result in application disqualification.

Formula: Total Eligible Basis / Adjusted Threshold Basis Limit

Common corrections:

- Ineligible basis not included in the CPA certification resulting in eligible basis reduction
- Corrections to basis boosts (impact fees, etc.) resulting in adj TBL reduction

High Cost Test

Additional 4% + state credit high cost test components:

- Developer fees above the deferral threshold are excluded from the numerator
- Basis limit increases for deeper targeting are excluded from the denominators

TCAC Underwriting Criteria for Cash Flow Pro Forma

15 year pro forma in TCAC Excel Application

Requirements include:

- Vacancy factors
- Minimum operating expenses
- Minimum reserve requirements
- Cash flow limits and minimum debt coverage ratio
- Rates of annual increase (2.5% revenue, 3.5% expenses)

TCAC Underwriting Criteria for Cash Flow Pro Forma

15 year pro forma in TCAC Excel Application

Rental revenue vacancy factors

- A 5% vacancy factor for most applications
- Only special needs or non-special needs SRO units without rental subsidy use 10%

Minimum operating expenses

- Do not include: monitoring or asset management fees, lender fees, the cost of any amenities

CUAC Utility Allowance

TAB 2

Can choose CUAC at PIS

CUAC requires formal TCAC approval

- SUBMIT FOR APPROVAL PRIOR TO LEASE UP
- MUST BE APPROVED BY TCAC PRIOR TO 8609 ISSUANCE

Questions?

Contact Mayra Lozano mlozano@sto.ca.gov

<http://www.treasurer.ca.gov/ctcac/cuac/index.asp>

Resources

TCAC

- Application Information:
<http://www.treasurer.ca.gov/ctcac/2020/application.asp>
- Regulations (QAP):
<http://www.treasurer.ca.gov/ctcac/programreg/regulations.asp>