

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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DATE: February 17, 2009
TO: Low Income Housing Tax Credit Stakeholders
FROM: William J. Pavão, Executive Director
SUBJECT: The American Recovery and Reinvestment Act of 2009

Today President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the Act). As you know, this Act is a sweeping economic stimulus bill providing resources to various programs and other efforts to reinvigorate the nation's economy. Many provisions of the Act fund activities that will have an immediate affect on employment-intensive sectors while creating public benefit over the long-term.

The Low Income Housing Tax Credit program is among those receiving additional resources to stimulate the production of affordable rental housing for low-income families and households. One provision of the Act directs the Secretary of the Treasury to make grants to each State's housing credit agency in lieu of housing credits. In essence, this provision permits the State to exchange a portion of its 2009 credits, and prior-year returned credits, for a federal grant worth 85% of the exchanged credits.

In addition, the Act makes available \$2.25 billion to State housing credit agencies nationwide to distribute competitively to Low Income Housing Tax Credit projects. While the Tax Credit Allocation Committee (TCAC) is awaiting notice from the Internal Revenue Service as to how much of this resource will be available to California, it will almost certainly be more than \$250 million.

These federal resources could be a tremendous help to California tax credit projects that cannot go forward because of inadequate investor equity. The California Tax Credit Allocation Committee will be administering these resources, and promulgating regulations for inclusion within the State's Qualified Allocation Plan (QAP). Please stay tuned to our website for further information over the coming weeks.