February 18, 2016

TO: TCAC Stakeholders

FROM: Mark Stivers, Executive Director

RE: Policy regarding vacancies pending a rehabilitation

It has come to the attention of the Tax Credit Allocation Committee (TCAC) that some project owners are holding tax credit units vacant for some time in anticipation of a rehabilitation. Given California’s extreme housing shortage for lower-income households and the owner’s commitment to provide affordable units, TCAC does not approve of this practice, particularly prior to a resyndication reservation and in excess of the units that will be needed for relocation. In our view, tax credit units are to remain occupied for the longest time and greatest extent feasible. Failure to turn, market, and occupy units is a violation of the vacant unit rule, UPCS standards, and the general public use rule, which TCAC will report to the IRS during the federal compliance period and for which TCAC will issue negative points during the extended use period.

TCAC will use the following standards for determining violations:

- Tax credit units may not be held vacant prior to a new reservation of tax credits (resyndication), except that special needs projects may, beginning six months prior to a TCAC application, hold up to 20% of tax credit units vacant.
- Upon a new reservation of tax credits, an owner may begin to hold unoccupied units vacant, provided that the numbers of units to be held vacant shall not exceed the number of units needed to house relocated tenants at any one time during the rehabilitation (i.e., if the rehabilitation will occur in phases, the number of units held vacant shall not exceed the number needed for the largest phase).

TCAC appreciates your efforts to provide affordable housing, even when a rehabilitation is planned.