



**2018 CALIFORNIA TAX CREDIT
ALLOCATION COMMITTEE (TCAC)
PLACED-IN-SERVICE (PIS)
WORKSHOPS**

**MARISOL PARKS
GINA FERGUSON**

Discussion Topics

1

- Overview of the PIS review
- Slides 3-7

2

- Document submissions (PIS Checklist)
- Slides 8-30

3

- Developer fee recalculation
- Slides 31-33

4

- Current PIS review timeline
- Slide 34

Resources

- Placed-in-Service (PIS) webpage:
<http://www.treasurer.ca.gov/ctcac/inservice/STOhome.asp>
- PIS Tutorials:
<https://www.treasurer.ca.gov/ctcac/inservice/videos.asp>
- Regulations (QAP):
<http://www.treasurer.ca.gov/ctcac/programreg/regulations.asp>

Best Practices for PIS Packages

Contact TCAC PIS staff with questions before sending the final PIS documents.

Treat the submission like a 9% application. A better effort will result in a shorter TCAC review time and faster turn around time for 8609 issuance.

Perform your internal quality control/verification before the 8609s are issued, not afterwards.

PIS Review Process

Two Step Review

<https://www.treasurer.ca.gov/ctcac/in-service/processing.pdf>

1. Prepare regulatory agreement (and lease rider if applicable)
2. PIS/8609 review:
 - TCAC staff review
 - 2nd level management review
 - 8609 issuance

1. Prepare regulatory agreement

The regulatory agreement preparation includes checking:

- Certificate of occupancy/notice of completion (site control is also verified)
- Legal description
- Owner information from Excel application and LPA
- Form B

2. PIS/8609 review

The TCAC analyst review includes:

- Checking that all required documents are submitted and are consistent
- Verification that documents meet TCAC requirements

Form B

**FORM B
COSTS INCURRED IN THE CONSTRUCTION OR MAJOR RENOVATION OF A BUILDING IN A LOW-INCOME HOUSING PROJECT**

PART A PROJECT INFORMATION

Project Name: _____ All Project Address: _____ Phone Number: _____	Total Number of Residential Buildings in Project: _____ Construction Type: _____ Federal Agency Involved: _____	Total Annual Peak-of-Credits Requirement: _____ Total State Credits Requirement: _____ Adjustment Factor: _____		RELEVANT BASIS State Expenses Used for Program Costs in Eligible Basis: _____ Non-Qualified Non-Residence Permitting: _____ Non-Qualifying Transfer of Higher-Cost-to-Lower-Cost: _____ Prioritized Credits (see applicable) _____ Missouri Credits transferred from other work: _____ Other (Specify): _____ Total: _____
Partnership/Owner Name: _____ Partnership/Owner Address: _____	Corporate Sole 50% Property: _____ Non-Corporate Sole 50% Property: _____ Building Credits % Based on: _____	MANAGEMENT INFORMATION Location of Storage/Transfer Costs: _____ Building #: _____ Bedroom Use: _____ Location of Storage/Transfer Costs: _____ _____ Location of Storage/Transfer Costs: _____ _____ Location of Storage/Transfer Costs: _____ _____		USM Eligible Basis Increase: _____ TOTAL BASIS: _____

**PART B BUILDING INFORMATION
PART B BUILDING COSTS WHICH ARE INCLUDED IN "ELIGIBLE BASIS"**

Owner Building Number (ID)	Building Identification Number (IRIS)	Building Street Address	Total # of Non-Manager Units in Building	Total # of Low-Income (LI) Units in Building	# of LI Units in Building	Total Square Footage of Units in Building	Total Square Footage of LI Units in Building	# of Spaces Ranges of 0-100 sq. ft.	Total # of 0-100 Units	Total # of 101-150 Units	Total # of 151-200 Units	Total # of 201-300 Units	Total # of 301-500 Units	Total # of 500+ Units	Total # of Units (including Storage/Transfer Costs)	Total Building Eligible Basis for Non-Construction / Rehabilitation Costs (LI, LI-Low, LI-Mid, LI-High, LI-Other)	Total Building Eligible Basis	Building LI Eligible Basis	Total Building Adjusted Qualified Basis	Building Placed in Service Date	Building Credit Rate %	Building Credit	Adjusted Annual Federal Credit	Total Building Annual Federal Credit	
TOTAL																									

PART C CERTIFICATION BY OWNER AND MANAGEMENT AGENT JOINTLY

As the owner of the above referenced low-income housing project, I, we/it, under penalty of perjury, that the information contained above and on the subsequent pages, which are incorporated by reference herein, is true and correct and that the main chosen above and on the attached pages are includable in "eligible basis" as the term is used in Internal Revenue Code Section 42.

As the management agent (agency) of the above referenced low-income housing project, I, we/it, under penalty of perjury, that the information regarding the location of the project, building, and the number/location of units within each building contained above and on the subsequent pages, which are incorporated by reference herein, is true and correct.

Signature of Owner: _____
 Printed Name of Signatory: _____
 Title of Signatory: _____
 Date Signed: _____

Signature of Management Agent: _____
 Management Company Name: _____
 Printed Name of Signatory: _____
 Title of Signatory: _____
 Date Signed: _____

If agency is different from the management agent, please provide address signatory is authorized to sign for.

If agency is different from the management agent, please provide address signatory is authorized to sign for the management agent.

Form B

- Submit the Excel format
- Read the cell Comments
- The form calculates federal credit per building
 - The form rounds into whole numbers, which can necessitate manual corrections by TCAC staff
 - You should receive a final corrected version any time TCAC staff adjusts for rounding issues
- Different worksheets for rehab and acq.
- Different worksheet for projects with more than 20 buildings (BINs)
- Signed by the owner and property management (PDF)

PIS Review

Checklist

The PIS Checklist acts as a list of documents to submit AND as a guide to help track consistency among the documents.

PIS Checklist

SECTION 1

- Placed in service date, site control documentation
- Projects with a ground lease must execute a TCAC Lease Rider, if not done previously
 - **CONTACT MARISOL PARKS**

PIS Checklist

SECTION 2

- Update the project's Excel application, don't start a new application
- **Don't forget:**
 - GP entities, contact information
 - Square footage (Project Information, section G)
 - Financing tables (match to loan documents)
 - Tie breaker recalculation (contact TCAC managers with questions)

Sources and Uses Budget

- Can use Sources and Uses Budget as the Cost Certification
- Land cost updates and proration of acquisition basis
- Provide a detailed final off-site cost breakdown
- “Other Costs” must be described
- “Cost savings”

Basis and Credits Calculation

- Correct applicable percentage
- Correct tax credit factor (must be based on 100% not 99.99%)
- Remove any basis voluntarily excluded (9% projects)
- Calculation does not result in 100% of tax credits maximum (4% projects)

B. Determination of Federal Credit

	New Construction /Rehabilitation	Acquisition
Qualified Basis:	\$8,450,000	\$5,000,000
Applicable Percentage:	3.25%	3.25%
Subtotal Annual Federal Credit:	\$274,625	\$162,500
Total Combined Annual Federal Credit:	\$437,125	

*Applicants are required to use this percentage in calculating credit at the application stage.

C. Determination of Minimum Federal Credit Necessary For Feasibility

Total Project Cost	\$13,500,000
Permanent Financing	\$9,200,000
Funding Gap	\$4,300,000
Federal Tax Credit Factor	\$0.99001

Use the higher of the federal tax credit factor listed in your Investor's letter (i.e. ATTACHMENT 16: Terms of Syndication Agreement), OR the minimum federal tax credit factor established by an independent CPA (if no syndication). **The federal tax credit factor must be a least \$0.90.**

Total Credits Necessary for Feasibility	\$4,343,390
Annual Federal Credit Necessary for Feasibility	\$434,339
Maximum Annual Federal Credits	\$434,339
Equity Raised From Federal Credit	\$4,300,000
Remaining Funding Gap	

Basis and Credits Calculation

Common Errors

- Doesn't match investor letter (equity amount, tax credit amount, and/or tax credit factor)
- Contact TCAC staff for federal and state credit calculation problems in the Excel application

15 year Pro Forma

Common Errors

- TCAC cash flow limits
 - 8% of gross income or 25% of debt service
 - At least 1.15 DCR
 - Must be positive in Year 15
- Commercial proration of debt service
 - Debt must be prorated if there are any commercial costs
- Residential revenue cannot support commercial cost debt

15 year Pro Forma

- Don't change the percentage increases for Years 2-15 (vacancy rate, operating expense increases, etc.)
- Rental subsidy amounts in the application must be supported by the rental subsidy documentation included in the PIS package (current contract rents and utility allowances)

Post-Award Cost Changes

- Update the Post-Award Cost Changes spreadsheet and provide brief but comprehensive explanations for significant increases
- Competitive projects: include explanations for off-site cost increases in the spreadsheet

PIS Checklist

SECTION 3

- Final cost certification (FCC)
- Investor letter
- Lender documents for financing sources on FCC
- Form B (federal credit by building)
- Partnership Agreement
- TCAC underwriting requirements

Final Cost Certification

Common Errors

- Land and acquisition value increases: not permitted
- Developer fee increase, developer fee allocation between rehabilitation and acquisition basis is incorrect
- Consultant fees listed outside developer fee section

Permanent Financing Documentation

- Provide documentation of the permanent loan amount(s) and annual debt payment (rate, term)
- How to show loan repayments after final equity payment

Loan Repayment Scenario

FINAL COST CERTIFICATION	Permanent Sources								SUBTOTAL	70% PVC for New Const/Rehab	30% PVC for Acquisition
	TOTAL PROJECT COST	TAX CREDIT EQUITY	PRIVATE LOAN	PUBLIC LOAN 1	PUBLIC LOAN 2	PUBLIC LOAN 2	DEFERRED DEVELOPER FEE				
SUBTOTAL PROJECT COST	\$19,000,000									\$14,000,000	
<i>DEVELOPER COSTS</i>											
Developer Overhead/Profit	\$1,000,000									\$1,000,000	
Consultant/Processing Agent											
Project Administration											
Broker Fees Paid to a Related Party											
Construction Oversight by Developer											
Other: (Specify)											
Total Developer Costs										\$1,000,000	
TOTAL PROJECT COST	\$20,000,000	\$8,000,000	\$5,000,000	\$3,000,000	\$2,000,000	\$1,000,000	\$1,000,000			\$15,000,000	
LOAN REPAYMENT		\$500,000				-\$500,000					
TOTAL USES OF FUNDS	\$20,000,000	\$8,500,000	\$5,000,000	\$3,000,000	\$2,000,000	\$500,000	\$1,000,000			\$15,000,000	

Common Errors

Final cost certification

Errors that result in the need for a new cost certification stop TCAC's review of your project.

This results in a significant time delay and often requires other PIS documents be revised and re-submitted.

Tips

Do a final check for consistency:

Application = FCC = Form B = Investor Letter

- Changes to these documents have a cascading effect

PIS Checklist

SECTION 3

Eligible Basis must match on all documents:

Basis and Credit PIS Excel Application Total Eligible Basis
Sources and Uses PIS Excel Application Total Eligible Basis
Final Cost Certification Total Eligible Basis
Form B Total Eligible Basis

\$	
\$	
\$	
\$	

Tax Credit Equity must match on all documents:

PIS Excel Application Permanent Financing Tax Credit Equity
Final Cost Certification
Investor Certification (if for 100%)

\$	
\$	
\$	

Tax Credit Factor must match on all documents:

Basis and Credit PIS Excel App
Investor Letter

PIS Checklist

SECTION 4

- Certifications
 - Refer to project staff report for original requirements
 - Changes: TBLs, service amenities, CDLAC resolution
 - incorporate any approvals made after reservation, request any other changes before submitting PIS package
- Project photos
- Multi-phase project information

Certification Templates

State of California



Tax Credit Allocation Committee

Owner Placed in Service Certifications

Project Name: _____
 TCAC Number: CA-16

CHECK THE RELEVANT BOXES AND SIGN BELOW

1. Minimum Construction Standards – check the appropriate box or provide waiver
- Consistent with California State law, projects with 16 or more residential units must have an on-site manager's unit. Projects with at least 161 units shall provide a second on-site manager's unit for either another on-site manager or other maintenance personnel, and there shall be one additional on-site manager's unit for either another on-site manager or other maintenance personnel for each 80 units beyond 161 units, up to a maximum of four on-site manager's units. Scattered site projects totaling 16 or more units must have at least one on-site manager's unit for the entire project, and at least one manager's unit at each site where that site's building(s) consist of 16 or more units. Scattered sites within 100 yards of each other shall be treated as a single site for purposes of the on-site manager rule only.

In lieu of on-site manager units, a project may commit to employ an equivalent number of on-site full-time property management staff (at least one of whom is a property manager) and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property's fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. CTCAC reserves the right to require that one or more on-site managers' units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

If the project utilizes "in lieu" property management staff as described above, provide an explanation of how this requirement is met:

A previously approved waiver of the above requirements is attached.

2. Identify all federal, state, and local subsidies, including the source, type (loan, grant, deferred or waived fees, rent subsidy, other) and amount. The terms should be included in the TCAC Excel Application's financing section. Include public loans, grants, land donations, rental subsidies. Do not include tax-exempt bond financing, related-party or seller financing, or other private funds.

SOURCE	TYPE	AMOUNT
_____	_____	_____
_____	_____	_____
_____	_____	_____

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3. There are no charges or fees that may be paid by tenants in addition to rent.
- If applicable, a description of any charges or fees that may be paid by tenants in addition to rent, with an explanation of how such charges/fees affect eligible basis.

Explanation of charges/fees and amount(s) excluded from eligible basis in the Final Cost Certification:

4. The utility allowance does not include water, trash, or sewer.
- The utility allowance includes water, trash, or sewer and the applicable items are individually metered.

5. List physical amenities (community room/building, laundry, play area, fitness facility, pool, etc.) and service amenities provided at the project site. If different from the application, an explanation must be provided. If points were awarded for service amenities, contact TCAC or CDLAC for approval prior to changing the service amenity(ies).

PHYSICAL AMENITIES	
_____	_____
_____	_____
_____	_____
_____	_____

SERVICE AMENITIES	SERVICE PROVIDER	HOURS/YEAR
_____	_____	_____
_____	_____	_____
_____	_____	_____

Explanation of any changes:

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PIS Checklist

SECTION 5

- Energy efficiency and sustainable building
 - Refer to project staff report and application (Tab 10 and 25) for original requirements
 - There is a Sustainable/Energy Efficiency Webpage by award year

PIS Document Submissions

SECTION 6

- Point scoring, housing type requirements
- Tie breaker recalculation
- High cost test

4% Developer Fee Recalculation

Section 10327(c)(2)(C)

The developer fee in cost and in basis for a non-competitive 4% project with a 2016 or later reservation may increase or decrease in the event of modification on basis.

An increase in the developer fee in cost shall only be allowed if the sum total of all permanent funding sources from related parties included in the initial application is maintained at placed in service and the entire increase is additionally deferred or contributed as equity to the project.

4% Developer Fee Recalculation Example

PR information:

Developer fee \$2.5M in cost and basis

Permanent Loan	\$16,400,000
Deferred Developer Fee	\$59,207
Cash Flow During Construction	\$585,000
Tax Credit Equity	\$7,736,205
TOTAL	\$24,780,412

Developer sources include deferred fee and NOI: $\$59,207 + \$585,000 = \$644,207$

Other developer sources would include seller carryback from a related party, GP equity, etc.

4% Developer Fee Recalculation Example

PIS information:

Developer fee \$2,929,433 in cost and basis.
Developer fee has increased by \$429,433.

Permanent Loan	\$16,400,000
Deferred Developer Fee	\$677,594
Cash Flow During Construction	\$903,988
Tax Credit Equity	\$8,416,115
TOTAL	\$26,397,697

Test 1: Project is eligible because it's a 2016 4% project

Test 2: PR developer sources of \$644,207 are maintained.

Test 3: The sum total of developer sources at PIS
($\$677,594 + \$903,988 = \$1,581,582$) is greater than the sum of the
developer sources at PR plus the increase in developer fee
($\$644,207 + \$429,433 = \$1,073,640$)

Result: Increase is allowable

Current PIS Review Timeline

Regulatory agreements are being prepared and mailed as packages are received (2-3 weeks).

PIS/8609 TCAC staff review:

The review should start within 60 days of receipt by TCAC.



QUESTIONS DISCUSSION