



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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Date: May 17, 2017

To: CA Tax Credit Allocation Committee Stakeholders

From: Mark Stivers, Executive Director

Re: Placed In Service (PIS) Package Processing

Great news! TCAC has broken the backlog on processing placed in service packages. We are currently caught up on starting and completing initial reviews. I want to thank the Legislature for approving additional staff resources and, most importantly, the TCAC staff's dedication and overtime to getting the job done. I know it has been a long time coming, and we appreciate your patience with us while we worked towards this important milestone.

Our goal is prepare the regulatory agreement and complete initial review of a placed in service application within 60 days of receipt. Unfortunately, over 90% of the placed in service packages have one or more, or often multiple, deficiencies or issues to clarify or correct. Finalizing the reviews often takes months due to applicant delays in responding to and addressing these items. Applicants can ensure a timely issuance of tax forms by putting the same level of effort into a placed in service package as a 9% application and by implementing internal or external quality controls. In addition, TCAC is providing PIS package preparation training at locations throughout the state each year and highly encourages applicants to attend.

TCAC is also concerned that too many owners request amendments to tax forms *after issuance* as a result of their own errors. This puts a lot of strain on our ability to process initial and placed in service applications. Please ensure that your credits requests, placed in service dates, addresses, and all other information that will appear on the 8609 form are correct in the placed in service package.

This rest of this memo outlines placed in service requirements and explains our review process.

Submission of the Placed in Service Package

Within one year of a project's construction or rehabilitation completion the owner must submit a placed in service (PIS) package to TCAC for review. This deadline is applicable to all TCAC awarded projects. Short extensions may be granted on a case by case basis when requested in advance. Absent an extension, the owner may be subject to negative points.

TCAC conducts placed in service reviews (both first and second steps described below) in the order the placed in service packages were received.

Step One - Regulatory Agreements

The first step in the placed in service review is a review of the documentation needed for the regulatory agreement preparation. This includes cross checking the accuracy and consistency of: placed in service date(s), unit mix, Form B, owner contact information, and partnership entity documentation.

TCAC staff typically prepares regulatory agreements for placed in service packages within 2-3 weeks of the PIS package receipt. If there are inconsistencies or missing documentation needed for the regulatory agreement, TCAC will contact the project owner during this process to address any issues for those specific documents.

Step Two - Forms 8609

The second step in the placed in service review includes assignment to a TCAC staff member and a review of all the items on the placed in service checklist as well as the following: the credit calculation, cash flow limits, developer fee limit, the construction profit and overhead 14% limit, minimum construction standards, any service or sustainability points received through CDLAC, the applicable fraction used by the owner in calculating the final credit amount, etc. These items are not reviewed during the regulatory agreement preparation.

A project's second step review is not assigned to a TCAC analyst until workload permits. This is to ensure staff has adequate time to review and respond to owner correspondence for all assigned placed in service packages. TCAC has recently increased staffing for this function. Currently there are 3 analysts working on the second step placed in service reviews. Prior to staff assignment, projects are in an unassigned queue in order of receipt date. Projects are placed in this queue once the regulatory agreement has been sent to the owner. Staff's initial review does not take more than a few days, so the time to complete a review generally depends on the applicant timeliness in addressing issues.

Once the analyst review is complete, a manager or senior-level staff performs a second level review. This generally occurs within one week but can take 2-3 weeks during competitive application rounds or other busy times. Upon approval of the second review, TCAC issues the

Forms 8609 and, if applicable, Forms 3521A for state credits. An electronic copy is sent and the original is mailed.

Questions and Status Updates

Providing an estimate for when an individual project's placed in service review will be completed is difficult given the current volume, but please don't hesitate to contact TCAC staff for status updates or with other questions if TCAC has had the PIS application for at least three months. Questions should be directed to our new Development Program Manager for the placed in service process, Marisol Parks. Marisol's email is mparks@sto.ca.gov.