



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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Mark Stivers

DATE: January 18, 2017

TO: Committee Members

FROM: Mark Stivers, Executive Director

RE: Establishing Minimum Point Score Thresholds for Nine Percent (9%) and Four-Percent Plus-State-Credit (4%) Competitive Applications

Under authority provided in regulation Section 10305(h), the Committee may establish minimum point thresholds prior to a funding round. Staff is proposing that the Committee do so for the 9% and 4% competitive funding rounds in 2017.

Background:

Section 10305(h) states that:

The Committee may, at its sole discretion, reject an application if the proposed project fails to meet the minimum point requirements established by the Committee prior to that funding round. The Committee may establish a minimum point requirement for competitive rounds under either Section 10325 (the 9% competition) or 10326 (the 4% plus state credits competition).

The Committee also has authority under Section 10325(c) to reject applications on a case-by-case basis for low scores. In past public forums, stakeholders clearly prefer the Committee to pre-establish a scoring floor, rather than exercise its authority on a case-by-case basis.

Recommendation:

Staff recommends establishing the minimum point threshold for the 2017 competition as follows:

<u>Application Type</u>	<u>Minimum Score</u>	<u>Maximum Score</u>
9% Applications	117 Points	138 Points
4% Competitive Applications ¹	98 Points	116 Points

¹ TCAC Regulation Section 10317(i)(1) states, "In the first round of each year, CTCAC shall make reservations, up to the 15% limit, for all projects receiving maximum point scores in order of final tiebreaker scores. CTCAC shall make reservations of any remaining State Tax Credits within this set-aside during the second round." TCAC will not make a reservation to a project that scores less than the maximum points applying in the first round.

Analysis:

Since 2007, the Committee has adopted recommended pass points, and this had a helpful effect in (a) signaling prospective applicants that the Committee would not entertain weak applications, and (b) giving staff the ability to efficiently spend its efforts on more meritorious applications. A stronger applicant pool resulted, and funded applications had very high scores. Staff believes this would ensure high quality and is confident that adequate demand will remain for the available credits.

Conclusion:

Staff believes setting the recommended pass points for 2017 is prudent public policy. This would avoid expending precious federal and state resources on extremely low-scoring applications that meet relatively few public policy objectives.