CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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DATE: July 22, 2025

TO: Low-Income Housing Tax Credit Stakeholders

FROM: Marina Wiant, Executive Director

RE: Notice of Proposed Emergency Rulemaking, Public Comment Period, and Statement of Reasons

The California Tax Credit Allocation Committee (CTCAC) is considering emergency rulemaking to be adopted at the CTCAC meeting scheduled on August 5, 2025. Any emergency rules or regulations adopted by the Committee pursuant to Chapter 3.6 of the Health and Safety Code shall be conclusively presumed to be necessary for the immediate preservation of the public peace, health, safety, or general welfare within the meaning or purposes of Section 11346.1 of the Government Code. This memorandum includes the proposed emergency rulemaking, the statement of reasons explaining why the changes are necessary, and the proposed regulation amendments.

CTCAC is accepting written public comment on the proposed emergency rulemaking until Tuesday, July 29, 2025 at 5:00 p.m. Interested persons may submit public comment in writing by email, mail, or hand deliver. For email, please send public comment to Anthony Zeto, Deputy Director at anthony.zeto@treasurer.ca.gov and please use the subject line “August 2025 Proposed Emergency Regulations.” For mailed or hand delivered public comment, please mail or deliver to CTCAC at 901 P Street, Suite 213A, Sacramento, CA 95814. All public comments must be received by 5:00 p.m. on Tuesday, July 29, 2025. For comments submitted electronically, please submit them as a Microsoft Word document or an alternate electronic format that allows for copying. CTCAC staff encourages commenters to be clear, efficient, and to the point with their public comments. Please explicitly indicate your agreement or disagreement with the changes to ensure CTCAC accurately captures your position. CTCAC will only consider public comments relevant to the proposed emergency rulemaking.

List of Proposed Emergency Regulation Changes with Statement of Reasons
July 22, 2025

1. **Section 10326(a). Tax-Exempt Bond Applications**

   Reason: Federal legislation was signed into law on July 4, 2025, lowering the minimum eligibility requirement for 4% federal tax credits from fifty percent (50%) to twenty-five percent (25%) thereby expanding the volume cap of tax-exempt bonds. Staff proposes to remove the reference to 50% and directly reference the federal requirement in Section 42(h)(4)(B) of the Internal Revenue Code (IRC). By directly referencing the federal language, future changes to this federal requirement will not require CTCAC regulation changes. The second proposed change within the same section adds a reference to subsection (g)(1)(B) relating to enhanced state tax credits as it was inadvertently omitted when (g)(1)(B) was added initially added to Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code.

   Proposed emergency change:

   (a) General. All applications requesting Federal Tax Credits under the requirements of IRC Section 42(h)(4)(B) ~~for buildings and land, the aggregate basis (including land) of which is financed at least fifty percent (50%) by tax-exempt bonds,~~ shall be eligible to apply under this Section for a reservation and allocation of Federal Tax Credits. Those projects requesting State Tax Credits pursuant to subsection (g)(1)(A) and (g)(1)(B) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code will also be subject to the applicable requirements of Section 10317. All applicants requesting Tax Credits for projects financed with tax-exempt bonds shall apply simultaneously to the CDLAC and CTCAC and shall use the CDLAC-CTCAC Joint Application. Applications will be eligible for a reservation of tax credits only if receiving a bond allocation pursuant to a joint application.

2. **New Section 10326(b)(3). Tax-Exempt Bond Applications, State Tax Credits**

   Reason: Federal legislation was signed into law on July 4, 2025, lowering the minimum eligibility requirement for 4% federal tax credits from fifty percent (50%) to twenty-five percent (25%) thereby expanding the volume cap of tax-exempt bonds and resulting in a significant increase in project awards with the same amount of resources. To more equitably distribute the enhanced State Tax Credits through the New Construction Pools and Set Asides, staff proposes to establish a limit in the New Construction Pools and Set Asides for enhanced State Tax Credits. The proposed percentages are based on the approximate percentage of enhanced State Tax Credit awarded in the New Construction Pools and Set Asides listed below in the last few years. This will ensure the distribution of enhanced State Tax Credits through the New Construction Pools and Set Asides is in line with the average amounts awarded in prior years.

   Proposed emergency change:

(3) In the last round of 2025, subject to the requirements of paragraph (1) and excluding the $25,000,000 in State Tax Credits available to Farmworker Housing, State Tax Credits allocated under Section 10317(j) shall not exceed the percentages of the total State Tax Credit amount available in the funding round for the following New Construction Pools and Set Asides.

Black, Indigenous, or Other People of Color (BIPOC) Project Pool	15%
Rural Project Pool	15%
New Construction Pool, Homeless Projects Set Aside	25%
New Construction Pool, ELI/VLI Project Set Aside	15%

3. New Section 10327(c)(2)(B)(iv). Developer Fee

Reason: Federal legislation was signed into law on July 4, 2025, lowering the minimum eligibility requirement for 4% federal tax credits from fifty percent (50%) to twenty-five percent (25%) thereby expanding the volume cap of tax-exempt bonds. To more efficiently utilize the tax-exempt bonds, staff proposes to allow applicants previously awarded 4% credits in round 1 or round 2 of 2025 to elect to reduce their bond allocation in exchange for an increase to the developer fee beyond the maximum allowed, up to $500,000, to offset increased lending costs associated with the revised bond allocation all subject to the satisfaction of the Executive Director. This will maximize the use of tax-exempt bonds as the returned tax-exempt bonds will be available in round 3 to award more projects and increase the number of housing units in the state.

Proposed emergency change:

(iv) Applicants awarded 4% credits in round 1 or round 2 of 2025 may elect to reduce their tax-exempt bond allocation amount consistent with CDLAC Resolution No. [TBD]. Applicants making this election may request a waiver to exceed the maximum developer fee by no more than five hundred thousand dollars ($500,000) to account for increased lending costs associated with the reduced bond allocation. Waiver requests must be received in writing by 5:00 p.m. on August 31, 2025, include all information and documentation required by the Executive Director, and demonstrate to the Executive Director's satisfaction specifically how the additional developer fee being requested mitigates the increased lending costs directly related to the revised bond allocation,

4. New Section 10336(b)(2)(B)(iii). Waiting Lists

Reason: On January 7, 2025, Governor Newsom proclaimed a State of Emergency to exist in Los Angeles and Ventura Counties due to fire and windstorm conditions that caused multiple fires. On March 7, 2025, Governor Newsom issued Executive Order N-23-25 and, in part, suspended certain tenant selection procedures authorized by state law for the purpose of giving waitlist priority to displaced households who are experiencing homelessness in Los Angeles County due to the proclaimed emergency. To ensure all households impacted by the proclaimed emergency and EO N-23-25 can benefit from the waitlist priority CTCAC is issuing this emergency rulemaking to clarify that owners and property managers must comply with any federal, state, or local requirement to provide waitlist priority to Low-Income Unit eligible households displaced and experiencing homelessness due to a federally or state declared disaster.

Proposed emergency change:

(iii) Waiting Lists. Owners and property managers shall comply with any federal, state, or local laws, rules, or policies that require a tenant waitlist priority for households displaced and experiencing homelessness due to a Presidentially declared disaster under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 USC 5121 et seq.) or State of Emergency declared by the Governor of California in accordance with the State Constitution and the California Emergency Services Act (Gov. Code, § 8550 et seq.)