California Tax Credit Allocation Committee Update

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Executive Director

Highlights of Proposed Regulation Changes

Overallocation of State Tax Credits

- Require applicants additionally to accept exchanges of state credits for extra federal credits in order to receive credit substitution points.

- Impose a $5 million cap on the amount of state credits a single project may receive.

Significant Tiebreaker Changes

- Eliminate the add-back to the second tiebreaker ratio.
- Disallow tiebreaker credit for land and improvement donations from either a public or private entity unless the land and improvements are wholly donated.
- Discount the tiebreaker value of soft loans by the value of buildings that will be demolished.

Lesser Tiebreaker Changes

- Remove the reference to local community foundations in the public funds definition and subject them to the requirements relating to soft loans from unrelated private entities.

- Codify TCAC's long-standing practice of giving donation credit for leased land only if the lease payments do not exceed $100 per year.

- Clarify that applicants may receive donation credit for land donated pursuant to either an inclusionary housing ordinance or development agreement negotiated between a public entity and an unrelated private developer and eliminate the requirement that the inclusionary housing ordinance have been in effect for at least one year.

Lesser Tiebreaker Changes

- Clarify that public land loans to a project that are replacing affordable housing within the footprint of the original developments are not exempt from the seller carryback exclusion from tiebreaker credit and that in the cases of projects including both new construction and rehabilitation or replacement housing TCAC will pro-rate the value of the land loan on a unit count basis.
- Clarify the Tranche B tiebreaker credit provisions such that only those units within a Special Needs Project that are subject to the 40% average AMI requirement may use the 30% AMI rent as the TCAC rent and that in the case of USDA rental assistance the contract rent shall be the higher of the 60% AMI rent or the committed contract rent.
- Clarify that a non-public entity providing a soft loan or grant may not receive funds from a related party to the project.

Lesser Tiebreaker Changes

- Allow the Executive Director to approve an exception to the 5-year hold rule for private land donations in a case where a non-profit entity is acting solely as a pass-through, provided that the donor to the non-profit organization held the contributed asset for at least 5 years and that both the original donor and non-profit donor meet current requirements.
- Allow a 9% project to receive the hybrid tiebreaker benefits if the Large Family multiple-bedroom unit requirement is met across the two components in the aggregate.
- Apply the exclusion from the higher resource area tiebreaker bonus to inclusionary projects for which the inclusionary obligation is the result of a development agreement negotiated between a public entity and a private developer.

Homeless Assistance Projects

- Require projects funded under the homeless assistance priorities within the Nonprofit Set-Aside to follow the statutorily mandated Housing First criteria.

- Apply the existing requirement for first priority homeless assistance projects to reserve homeless units for persons referred by specified coordinated entry systems to second priority homeless assistance projects as well.

15-year Pro Forma

- For purposes of the pro forma, require a 10% vacancy rate for special needs units and non-special needs SRO units without a significant project-based public rental subsidy, unless waived by the Executive Director; allow a range of vacancy rates between 5-10% for special needs units and non-special needs SRO units with a significant project-based public rental subsidy; and require a vacancy rate of 5% for all other units.

- Provide that commercial net income that exceeds specified cash flow limits shall count towards the residential cash flow limits and require applicants with commercial space to include in the placed in service package a letter from the hard lender specifying the portion of the loan underwritten with commercial income.

LRA Reviews

- Eliminate the Local Reviewing Agency review for non-competitive applications and reduce the application fee for such projects by $1000.

- For scattered site projects in differing jurisdictions, require a competitive applicant to pay an extra $1000 application fee for each additional LRA that does not waive its portion of the application fee.

Replacement Reserves

- Require an owner to continue funding replacement reserves in the required amount for the duration of the rental agreement and to maintain replacement reserves in a segregated account. Limit the use of replacement reserves to capital improvements or repairs.

Appraisals

- Codify TCAC's long-standing practice of excluding the value of favorable financing from appraised value.
- Allow for the allocation of the purchase price among land and improvements to vary at placed in service, provided that neither the overall purchase price increases nor the basis associated with existing improvements increases.

Other

- Eliminate the requirement for the market study to calculate a project's lifetime rental benefit.

- Eliminate the 150-unit size limit on 9% new construction projects in non-rural areas.

Other

- Eliminate the requirement for projects receiving any readiness points to submit an executed letter of intent from the equity partner within 90 days and instead require the applicant to submit an updated TCAC Attachment 16 by the 180- or 194-day deadline.

Other

- Require 9% resyndication projects to have no uncorrected compliance violations relating to over-income tenants or rent overcharges and no unpaid fines prior to receiving a tax credit reservation.

- Codify HUD guidance on the application of the Fair Housing Act to the use of criminal records.

Other

- Require 4% and 9% income averaging projects to select "Yes" on line 8b of the IRS Form 8609.
- Allow projects to score Lowest Income points for units targeted at 20% AMI and explicitly state that applicants utilizing the income averaging election must select targeting in 10% AMI increments.
- Allow applicants subject to the build and fill rule due to a higher ranking project in the same round to receive a waiver up to two weeks after the application deadline.

Written Comments

Due by 5 pm on Monday, October 29, 2018

Via email to mark.stivers@treasurer.ca.gov

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