

# **2019 LOW-INCOME HOUSING TAX CREDIT (LIHTC) APPLICATION WORKSHOPS**

**TCAC**

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# Discussion Topics

1

- Regulation Changes

2

- 9% Application

3

- Tips / Common Errors




# **Highlights of Adopted Regulation Changes**

# Fall 2017 Regulation Changes Taking Effect in 2019

- 5-20% increase to the tiebreaker for Large Family New Construction projects located in census tracts designated high and highest resource areas on the TCAC/HCD Opportunity Area Map
  - Does not apply to a project satisfying the obligations of an inclusionary housing ordinance or DDA agreement

# Fall 2017 Regulation Changes Taking Effect in 2019

- A 30% Large Family New Construction housing type goal for projects receiving the high/highest resource area increase to the tiebreaker
- A 30% goal is also within the Rural set-aside



# **Highlights of Fall 2018**

## **Regulation Changes**



# Tiebreaker Changes

- Eliminate the add-back to the second tiebreaker ratio
- Discount value of land leased by a public entity by the sum of up-front lease prepayments and by mandatory lease payments in excess of \$100 per year (excludes residual receipts)

# Tiebreaker Changes

- Exclude from tiebreaker credit public land loans (up to the amount of the seller proceeds) made to a project that is replacing affordable housing within the footprint of the original development
  - For projects that include both new construction and rehabilitation replacement housing, TCAC will pro-rate the value of the land loan on a unit count basis.



# Tiebreaker Changes

- Allow partial land donations from an unrelated entity (continue 5 year holding requirement)
  - For rehabilitation projects subject to existing regulatory agreement or with greater than 25% units having rent subsidy, the land and improvements must be wholly donated

# Tiebreaker Changes

- Capitalized rent differentials (fka Tranche B)- subtract the **40% AMI** rent limits from the committed contract rent UNLESS:
  - **USDA subsidy:** use the higher of **60% AMI** rents or the existing, committed contract rents
  - **Special needs:** use **30% AMI** if subject to TCAC special needs housing type

# Tiebreaker Changes

- Hybrid projects-

Allow a 9% project to receive the hybrid tiebreaker benefits if the housing type requirement is met across the 9% and 4% project components in the aggregate.

# State Credit

- If requesting state credit, an applicant cannot reduce basis related to federal tax credits except to:
  - reduce the federal credit request to \$2,500,000,
  - reduce requested basis to the project's threshold basis limit, or
  - reduce the credit request to the amount available in the project's geographic region.

# Homeless Assistance Projects

- Require projects funded under the homeless assistance priorities within the Nonprofit set-aside to follow the statutorily mandated Housing First criteria

# Site Amenity Point Categories

- Clarify what is not considered a public park
- Allow a hospital to be under construction at application if it will be completed prior to placed in service



# Lowest Income Point Category

- Allow projects to score points for units targeted at 20% AMI
- Applicants utilizing the income averaging election **must** select targeting in 10% AMI increments

# Housing Type

- Update the definition of common areas
  - Clarify that community room, service space, computer labs, and gym areas are included
- Special needs housing type-
  - Clarify unit mix options for <75% special needs
  - Add requirements for 3-bedroom unit size and for a special needs project operated as senior housing

# 15 Year Pro Forma

- 5% vacancy rate requirement

Exceptions:

- 5-10% range of vacancy rate for special needs units and non-special needs SRO units with a significant project-based public rental subsidy
- 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 (prior to application)

# 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
- 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

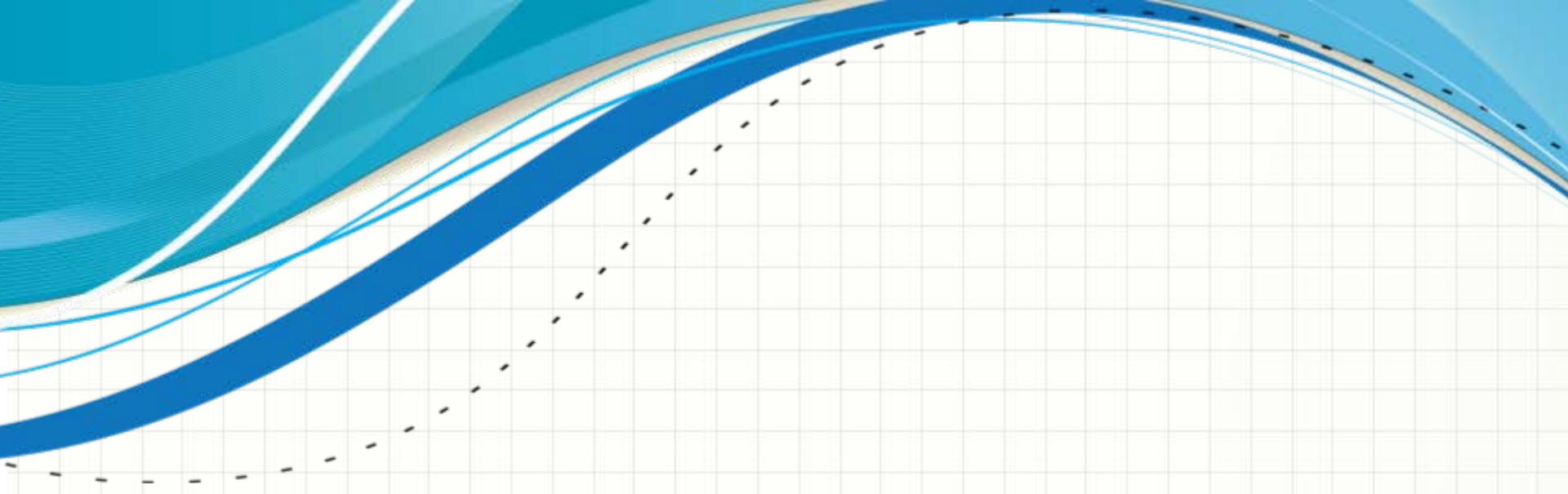
# Other

- Eliminate the Local Reviewing Agency review for **noncompetitive applications** and reduce the application fee for these projects to \$1,000
- Scattered site projects in differing jurisdictions: the competitive applicant must pay an extra \$1,000 application fee for each additional LRA

# Other

- Eliminate the 90-day letter of intent requirement for projects receiving any readiness points
- Applicants with commercial space must include in the placed in service package a letter from the hard-debt lender specifying the portion of the loan underwritten with commercial income





# **2019 COMPETITIVE APPLICATION**

# Application **Deadlines**

First Round  
Monday, March 4

Second Round  
Monday, July 1



# Submission Requirements

## Electronic Submission BY MAIL (no email submissions)

- Submit **2** Copies
- Flash drive

### Double Check

- Correct project?
- All folders/files saved?

# Re-Application **Tips**

Be sure a re-application meets any new regulation requirements – scoring and threshold

Use the current year application attachments

# Application Checklist Items

- Use the Checklist worksheet and the regulation citations
- Review every applicable tab carefully
- Use the current year application attachments

# Excel Application **Changes**

## DDA Calculation Worksheets

### Sources and Basis Breakdown

- Applicable ONLY FOR:
  - sites with both DDA/QCT and non-DDA/QCT buildings
- Purpose
  - Breakdown cost and eligible basis by DDA/QCT sites and non-DDA/non-QCT sites
  - Only eligible basis in DDA/QCT sites will receive 130% basis boost
- **SKIP THIS WORKSHEET IF N/A**



# Sources & Basis Breakdown

- Bifurcate cost & basis by DDA/QCT and non-DDA/non-QCT sites

IV. SOURCES AND USES BUDGET - SECTION 2: SOURCES AND BASIS BREAKDOWN BY DDA/QCT AND NON-DDA/NON-QCT SITES									
	TOTAL RESIDENTIAL COST	DDA/QCT SITES COST	NON-DDA/ NON-QCT SITES COST	TOTAL 70% PVC for New Const/ Rehabilitation	70% PVC for New Const/ Rehabilitation DDA/QCT SITES	70% PVC for New Const/ Rehabilitation NON-DDA/ NON-QCT SITES	TOTAL 30% PVC for Acquisition	30% PVC for Acquisition DDA/QCT SITES	30% PVC for Acquisition NON-DDA/ NON-QCT SITES
<b>LAND COST/ACQUISITION</b>									
<sup>1</sup> Land Cost or Value	\$500,000	\$300,000	\$200,000						
<sup>2</sup> Demolition									
Legal									
Land Lease Rent Prepayment									
<sup>1</sup> Total Land Cost or Value	\$500,000	\$300,000	\$200,000						
Existing Improvements Value	\$3,500,000	\$2,100,000	\$1,400,000				\$3,500,000	\$2,100,000	\$1,400,000
<sup>2</sup> Off-Site Improvements									
<b>Total Acquisition Cost</b>	\$3,500,000	\$2,100,000	\$1,400,000				\$3,500,000	\$2,100,000	\$1,400,000
<b>Total Land Cost / Acquisition Cost</b>	\$4,000,000	\$2,400,000	\$1,600,000						
Predevelopment Interest/Holding Cost									
Assumed, Accrued Interest on Existing Debt (Rehab/Acq)									
Excess Purchase Price Over Appraisal	\$500,000	\$300,000	\$200,000						
<b>REHABILITATION</b>									
Site Work									
Structures	\$6,500,000	\$3,900,000	\$2,600,000	\$6,500,000	\$3,900,000	\$2,600,000			
General Requirements									
Contractor Overhead									
Contractor Profit									
Prevailing Wages									
General Liability Insurance									
Other: (Specify)									
<b>Total Rehabilitation Costs</b>	\$6,500,000	\$3,900,000	\$2,600,000	\$6,500,000	\$3,900,000	\$2,600,000			
<b>Total Relocation Expenses</b>									

# Basis and Credits **Worksheet**

- Modified to allow for sites with both DDA/QCT and non-DDA/QCT buildings
  - Headers will change according to DDA status
- If both DDA/QCT and non-DDA/QCT, you must complete the Cost and Basis Breakdown worksheet

**New**

# Basis & Credits

	70% PVC for New Const/ Rehabilitation NON-DDA/ NON-QCT Building(s)		30% PVC for Acquisition NON-DDA/ NON-QCT Building(s)	
<b>Total Eligible Basis:</b>	\$35,977,300		\$11,000,000	
<b>Ineligible Amounts</b>				
Subtract All Grant Proceeds Used to Finance Costs in Eligible				
Subtract Non-Qualified Non-Recourse Financing:				
Subtract Non-Qualifying Portion of Higher Quality Units:				
Subtract Photovoltaic Credit (as applicable):				
Subtract Historic Credit (residential portion only):				
Subtract (specify other ineligible amounts):				
Subtract (specify other ineligible amounts):				
<b>Total Ineligible Amounts:</b>				
<b>Total Eligible Basis Amount Voluntarily Excluded:</b>				
<b>Total Basis Reduction:</b>				
<b>Total Requested Unadjusted Eligible Basis:</b>	\$35,977,300		\$11,000,000	
<b>Total Adjusted Threshold Basis Limit:</b>	\$49,799,718			
*QCT or DDA Adjustment:	100%	100%	100%	100%
<b>Total Adjusted Eligible Basis:</b>	\$35,977,300		\$11,000,000	
Applicable Fraction:	100%	100%	100%	100%
<b>Qualified Basis:</b>	\$35,977,300		\$11,000,000	
<b>Total Qualified Basis:</b>	\$46,977,300			

# Basis & Credits

	70% PVC for New Const/ Rehabilitation DDA/QCT Building(s)	70% PVC for New Const/ Rehabilitation NON-DDA/ NON-QCT Building(s)	30% PVC for Acquisition DDA/QCT Building(s)	30% PVC for Acquisition NON-DDA/ NON-QCT Building(s)
<b>Total Eligible Basis:</b>	\$35,977,300		\$11,000,000	
<b>Ineligible Amounts</b>				
Subtract All Grant Proceeds Used to Finance Costs in Eligible				
Subtract Non-Qualified Non-Recourse Financing:				
Subtract Non-Qualifying Portion of Higher Quality Units:				
Subtract Photovoltaic Credit (as applicable):				
Subtract Historic Credit (residential portion only):				
Subtract (specify other ineligible amounts):				
Subtract (specify other ineligible amounts):				
<b>Total Ineligible Amounts:</b>				
<b>Total Eligible Basis Amount Voluntarily Excluded:</b>				
<b>Total Basis Reduction:</b>				
<b>Total Requested Unadjusted Eligible Basis:</b>	\$35,977,300		\$11,000,000	
<b>Total Adjusted Threshold Basis Limit:</b>	\$49,799,718			
*QCT or DDA Adjustment:	130%	100%	100%	100%
<b>Total Adjusted Eligible Basis:</b>	\$46,770,490		\$11,000,000	
Applicable Fraction:	100%	100%	100%	100%
<b>Qualified Basis:</b>	\$46,770,490		\$11,000,000	
<b>Total Qualified Basis:</b>	\$57,770,490			

# Basis & Credits Bifurcated DDA

	70% PVC for New Const/ Rehab DDA/QCT SITES	for New Const/ Rehab NON-DDA/ NON-QCT SITES	30% PVC for Acquisition DDA/QCT SITES	30% PVC for Acquisition NON-DDA/ NON-QCT SITES
<b>Total Eligible Basis:</b>	\$16,933,333	\$8,466,667		
<b>Ineligible Amounts</b>				
Subtract All Grant Proceeds to Finance Costs in Eligible Basis:				
Subtract Non-Qualified Non-Recourse Financing:				
Subtract Non-Qualifying Portion of Higher Quality Units:				
Subtract Photovoltaic Credit (as applicable):				
Subtract Historic Credit (residential portion only):				
Subtract Ineligible Basis related to Excess Parking:	\$30,000	\$20,000		
Subtract (specify other ineligible amounts):				
<b>Total Ineligible Amounts:</b>	\$30,000	\$20,000		
<b>Total Eligible Basis Voluntarily Excluded:</b>	\$133,740	\$89,160		
<b>Total Basis Reduction:</b>	(\$163,740)	(\$109,160)		
<b>Total Requested Unadjusted Eligible Basis:</b>	\$16,769,593	\$8,357,507		
<b>Total Adjusted Threshold Basis Limit:</b>	\$25,127,100			
*QCT or DDA Adjustment:	130%	100%	100%	100%
<b>Total Adjusted Eligible Basis:</b>	\$21,800,471	\$8,357,507		
Applicable Fraction:	100%	100%	100%	100%
<b>Qualified Basis:</b>	\$21,800,471	\$8,357,507		
<b>Total Qualified Basis:</b>	\$30,157,978			





# **OVERVIEW OF TCAC POINT CATEGORIES**

## **TABS 21-27**



# Point Scoring Requirements

## Tabs 21-27

- GP and Management Experience
- Site and Service Amenities
- Sustainable Building Methods
- Lowest Income
- Readiness to Proceed
- Miscellaneous Federal and State Policies

# General Partner Experience

## Tab 21

- Maximum 6 points (5 projects, >3 yrs.)
  - Including 1 in service >5 years; and
  - Including 2 TCAC projects
- Nonprofit/Special Needs Set Aside and Special Needs Housing Type (4 Special Needs projects, >3 yrs.)
  - Including 1 TCAC project

# General Partner Experience

## Tab 21

- Tribal Applicants ONLY, who do not have minimum TCAC documented experience may contract with a developer who will not be a GP
- Developers with documented experience must complete Attachment 21 and provide required documentation
- If developer does not own the projects for which they are requesting experience points the developer must be pre-approved by TCAC

# Attachment 21

	Project Name & Address	TCAC (or other) Project Identification Number, If applicable	TCAC Identify Special Needs Projects, If Applicable	Month, Day, & Year the Project was Placed-In-Service	Month, Day & Year G.P. Participation Began	Month, Day & Year G.P. Participation Ended, If Applicable	Full Number of Years of G.P. Participation, After Project Placed-In-Service*	Number of Low Income Units**	Number of Special Needs Units
1.			<input type="checkbox"/>						
2.			<input type="checkbox"/>						
3.			<input type="checkbox"/>						
4.			<input type="checkbox"/>						
5.			<input type="checkbox"/>						

\* General Partner experience cannot start accumulating until after the project is placed-in-service. In addition, do NOT round up the amount of time/experience. For example, 2 years 11 months of G.P. experience is only 2 full years of experience, not 3 years.

\*\* Project must have more than 10 units and be subject to a recorded regulatory agreement.

- ☐ Check this box if you are applying through the Nonprofit or Special Needs set-asides AND requesting points specifically for special needs housing type projects. For each above-listed project, at least 50% of the units must serve special needs tenants. Points will only be awarded to special needs housing type projects.
- ☐ General partners with fewer than 2 active California Low Income Housing Tax Credit projects in service more than 3 years, and general partner's for projects applying through the Nonprofit or Special Needs set-aside with no active California Low Income Tax Credit projects in service more than 3 years, shall contract with a bona-fide management company currently managing 2 California Low Income Housing Tax Credit projects in service more than 3 years and which itself earns a minimum combined total of 2 points at the time of application. Please refer to Tab 21 of the 2017 Application Checklist in the Excel application for additional requirements.

# General Partner Experience

## Tab 21

- CPA Certification
- In existence for at least 3 years
- Positive cash flow
- Funded reserves





# Management Experience

## Tab 22

- Maximum 3 points (11 projects, >3 yrs.)
  - Including 2 TCAC projects
- Nonprofit/Special Needs Set Aside and Special Needs Housing Type (4 Special Needs projects, >3 yrs.)
  - Including 1 TCAC project



# Management Experience

## Tab 22

- Attachment 22
- Executed Property Management Agreement



# Housing Needs

## Tab 4

- 10 Points and a threshold requirement for 9% projects
- Document how requirements are met:
  - Attachment 4(A)-(D)
  - Architectural Drawings

# Housing Needs Tips

## Tab 4

### Large Family

- For play/recreational facilities, specify areas for
  - (1) ages 2-12 **AND**
  - (2) ages 13-17
- For ages 13-17, open space is not sufficient
- If open space is proposed, must be adequately sized
  - provide at least a seating area
  - play equipment is encouraged

# Housing Needs

## Tab 4

- Senior, new construction 10327(c)(10) – Basis related to Parking
- Senior housing has greater level of accessible unit requirements. (0.5 spaces/unit within 0.5 mile of a major transit stop.
- The accessible parking requirement for senior housing is a function of building code requirements.
- TCAC does not have an accessible parking space requirement, the project is held to building code and any local code requirements for accessible parking.

# Housing Needs Tips

## Tab 4

### Senior housing with non-senior housing

- Mixed housing types. An applicant proposing a project to include senior housing in combination with non-senior housing **MUST** provide a third party legal opinion stating that the project complies with fair housing law -10322(h)(34)

# Housing Needs

## Tab 4

- Special Needs 10325(g)(3)
- 45% of the Low-Income Units (LI) to meet the housing type requirement
  - 50% if requesting state credit
- Less than 75% Special Needs, non special needs units must meet one of the following
  - Large Family or Senior housing type
  - 20% 1 bedroom units and at least 10% larger than 1 bedroom units as a % of LI units
  - 90% of all LI units are SRO



# Housing Needs

## Tab 4

### Special Needs 10325(g)(3)

- For less than 100% special needs, identify the non-special needs units by bedroom size
- Must have rental subsidy or demonstrate that special needs units and non-special needs SRO units can pay the proposed rents
- **Targeted** income no more than 40% average for special needs units and non-special needs SRO units
- Include kitchen needs for SRO units without full kitchens

# Housing Needs

**New**

## Tab 4

### Special Needs 10325(g)(3)

- If operated as senior housing (age 62+):
  - Senior housing elevator requirement
  - Senior housing accessibility requirement
- If homeless units, must comply with core components of Housing First

# Housing Needs

## Tab 4

### At-Risk 10325(g)(4)

- The eligibility criteria must be verified by a third party legal opinion
- To verify, the third party must review the source documents and confirm eligibility based on those documents, including:
  - Subject to the listed affordability restrictions whose compliance period is expiring w/in 5 years
  - Restriction expiration occurs no later than 5 years after the TCAC application year

# Housing Needs

## Tab 4

### At-Risk and USDA

- TCAC verification of at-risk status for USDA funding: the restricted use provision termination date stated in the USDA letter.
- What does not qualify: eligibility to prepay a USDA loan with a restriction termination date more than 5 years from the application year

# Housing Needs

## Tab 4



### Scattered Site Projects

- More than 1 mile to nearest other site shall independently meet the requirements related to
  - Common areas
  - Play/recreational facilities
  - Laundry facilities



# Site Amenities

## Tab 23

- Maximum 15 points
  - Map with distance measurements
  - Clear color photos
  - Contact person & contact information
  - Scattered sites scored proportionately in the site amenity category based upon (i) each site's score, and (ii) the percentage of units represented by each site





# Site Amenities

## Tab 23

- Not scored for Native American apportionment projects only
  - Must be scored if dropped down to general Rural set aside

# Site Amenities

## Tab 23

- Transit
- Public Park/Community Center
  - Joint use agreement
- Book-Lending Public Library
  - Inter-branch lending
- Grocery Store Amenities
  - Square footage certification
  - Multi-purpose stores measure “grocery section”

# Site Amenities

## Tab 23

- Public School
  - Attendance boundary,  $\geq 25\%$  three-bedroom units
- Senior Center, Special Needs Facility
  - Demonstrate this meets needs of proposed tenant population
- Medical Clinic that accepts Medi-Cal (Medicare if Senior tenants), or Hospital
- Pharmacy
- High Speed Internet (1.5megabits/second)

# Site Amenities

## Tab 23

- Highest or High Resource designation (8 Points)
- Large family new construction, not including inclusionary projects
- May use map in effect when initial site control was obtain up to 7 calendar years prior to application

# Service Amenities

## Tab 24



- Maximum 10 points
- Services provided for 15 years
- Scattered Site scoring
  - Scattered sites scored proportionately in the service amenity category based upon (i) each site's score, and (ii) the percentage of units represented by each site

# Service Amenities

## Tab 24

Large Family, Senior, At-Risk:

- Service coordinator
- Services specialist
- Adult classes: educational, health/wellness, skill building
- Health & wellness services programs
- Licensed childcare
- After school program



# Service Amenities

## Tab 24

### Special Needs:

- Case manager
- Service coordinator, Services specialist
- Adult classes: educational, health/wellness, skill building
- Health or behavioral health services provided by licensed organization or individual
- Licensed childcare
- After school program

# Service Amenities

## Tab 24



Application Components:

- Updated Attachment 24
- Description of services, hours to be provided (MOU)
- Evidence of physical space
- Services budget (Excel application)
- Position descriptions
- Service Provider Experience Chart (Attachment 24 page 3)

# Service Amenities

## Tab 24

- Special needs projects with 75% or more but less than 100% special needs units must demonstrate that all tenants will receive an appropriate level of services
- Special needs projects with less than 75% special needs units will be scored proportionately based on:
  - (i) the services provided to special needs and non-special needs units; and
  - (ii) the percentage of units represented by special needs and non-special needs units

# Application Worksheet

## Total Expenses

Total Annual Residential Operating Expenses:	
Total Number of Units in the Project:	
Total Annual Operating Expenses Per Unit:	
Total 3-Month Operating Reserve:	
<del>Total Annual Internet Expense (site amenity election):</del>	
Total Annual Services Amenities Budget (from project expenses):	
Total Annual Reserve for Replacement:	
Total Annual Real Estate Taxes:	
Other (Specify):	
Other (Specify):	

# Service Amenities Budget Worksheet

**Cash  
Amount  
Must  
Match**

Services to be Provided	Quantity of Services Committed (Hours/Yr or FTE) <sup>1</sup>	Total Dollars Committed	Cash Flow from Operation, Grant, In Kind, or Others
<b>Family, Senior or At-Risk Projects</b>			
1. Service Coordinator			
2. Other Services Specialist			
3. Adult education, health, skill building classes			
4. Health and wellness services and programs			
5. Licensed child care			
6. After school program			
<b>Special Needs or SRO projects</b>			
7. Case manager			
8. Service Coordinator or Other Services Specialist			
9. Adult education, health, skill building classes			
10. Health or behavioral health services			
11. Licensed child care*			
12. After school program*			
Other Services:			
<b>TOTAL</b>		\$0	

# Sustainable Building Methods

## Tab 25

- New Construction/Adaptive Reuse:  
(5 Points)

Program	Att. 25 Required?	SBMW Required?	Program Example
Green Building	Yes	No	LEED, PHIUS, GreenPoint Rated Program
Energy Efficiency	Yes	Yes	Zero Net Energy, Efficiency beyond 2016 standards (2013 standards in some cases)



# Sustainable Building Methods

## Tab 25

- Rehabilitation: (5 Points)

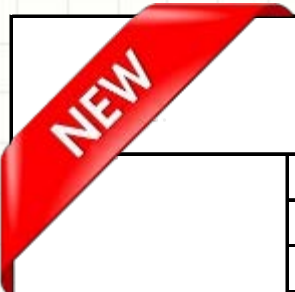
Program	Att. 25 Required?	SBMW Required?	Program Example
Green Building	<b>Yes</b>	<b>No</b>	LEED, PHIUS, GreenPoint Rated Program
Energy Efficiency	<b>Yes</b>	<b>Yes</b>	Zero Net Energy, Improvement over current, additional rehabilitation measures, water efficiency



# Lowest Income

- Maximum 52 points
  - Use the points table for 50 points
  - Additional 2 points for 10% @ or below 30% AMI
    - Spread 20% and 30% units across bedroom sizes favoring larger bedrooms
- Average Income set-aside must use 10% increments (NO 5% increments)

# Lowest Income



		Percent of Area Median Income (AMI)							
		**60-80%	*55%	50%	45%	40%	35%	30%	20%
Percent of Low-Income Units (exclusive of manager's units)									
	50%			25.0*	37.5				
	45%			22.5*	33.8				
	40%		10.0*	20.0	30.0				
	35%		8.8*	17.5	26.3	35.0		50.0	
	30%		7.5*	15.0	22.5	30.0	37.5	45.0	
	25%		6.3*	12.5	18.8	25.0	31.3	37.5	50.0
	20%		5.0*	10.0	15.0	20.0	25.0	30.0	40.0
	15%		3.8*	7.5	11.3	15.0	18.8	22.5	30.0
	10%		2.5*	5.0	7.5	10.0	12.5	15.0	20.0

# Lowest Income

- Example:

67 units

41 three-bedroom units = 5 units

19 two-bedroom units = 2 units

7 one-bedroom units = 0 units

Units at 30% AMI = 7 units

# Readiness to Proceed

## Tab 26



- Maximum 10 points
  - Enforceable commitments for construction financing (5 points)
  - Environmental review clearance (5 points)

# Readiness to Proceed

## Tab 26



- NEPA Documentation
  - HUD form 7015.15 & 7015.16
  - Clearance for each federal funding source (HOME, CDBG, USDA, Section 8, etc.)
  - If exempt, Finding of Exemption form with all required information
  - If categorically excluded (not converted to exempt) or requires FONSI, HUD forms 7015.15 & 7015.16 must be in application

# Readiness to Proceed

## Tab 26

- Common NEPA Errors
  - Multiple federal sources and documentation does not address each
    - Example: Documentation for HOME funds, but not for HUD Section 8
  - Level of clearance is Exempt per 24 CFR Part 58.35 under supplemental funds where prior NEPA clearance was obtained, but no Finding of Exemption form



# Readiness to Proceed

## Tab 26

- Attachment 26
  - NEW: Streamlined approval (SB 35)
- Final Appeal Period may run up to 30 days beyond application due date
- 180 or 194-day Readiness deadline required if maximum points are received
  - If less than maximum points, an updated Excel application is required (10328(c))

# Attachment 26

## ATTACHMENT 26 Approvals Necessary to Begin Construction

Project Name: \_\_\_\_\_ Housing Type: \_\_\_\_\_  
 Site Address: \_\_\_\_\_ City: \_\_\_\_\_  
 County: \_\_\_\_\_ Number Of Units: \_\_\_\_\_  
 Census Tract Number: \_\_\_\_\_ APN(s): \_\_\_\_\_

**Note:** Multiple forms may be needed. Each agency with individual responsibility for the items below must complete the particular item(s) under its jurisdiction.

This letter is to confirm that the following public or tribal approvals (except building permits) and all land use environmental clearances for this project are issued or are unnecessary and the expiration dates of all required appeal periods for each item are listed and have expired, or will expire no later than 30 days beyond the application deadline date.

Check All Required Items	Approval Date	Appeal Expiration Date*	X if N/A	If N/A, <u>MUST</u> provide a detailed explanation**
<input type="checkbox"/> CEQA	_____	_____	<input type="checkbox"/>	_____
<input type="checkbox"/> NEPA***( <u>see note below</u> )	_____	_____	<input type="checkbox"/>	_____
<input type="checkbox"/> Site Plan Review Completed	_____	_____	<input type="checkbox"/>	_____
<input type="checkbox"/> Conditional Use Permit	_____	_____	<input type="checkbox"/>	_____
<input type="checkbox"/> Variance Approval	_____	_____	<input type="checkbox"/>	_____
<input type="checkbox"/> Toxic Report	_____	_____	<input type="checkbox"/>	_____
<input type="checkbox"/> Soils Report	_____	_____	<input type="checkbox"/>	_____
<input type="checkbox"/> Other Discretionary Review*	_____	_____	<input type="checkbox"/>	_____
<input type="checkbox"/> Streamlined Ministerial Approval (SB35)	_____	_____	<input type="checkbox"/>	_____
<input type="checkbox"/> Article 34 of State Constitution	_____	_____	<input type="checkbox"/>	_____
<input type="checkbox"/> Coastal Commission Approval	_____	_____	<input type="checkbox"/>	_____
<input type="checkbox"/> Tribal Land Environmental Review	_____	_____	<input type="checkbox"/>	_____
<input type="checkbox"/> Other Requirements: _____	_____	_____	<input type="checkbox"/>	_____

\*\*A detailed explanation must be provided for each of the above items that have been checked, "N/A." Please attach an extra sheet of paper if unable to fit entire explanation, as this is important for the review process.

# Misc. Federal and State Policies

## Tab 27

Maximum 2 points

- Credit substitution (2 points)
  - Any exchange will use application tax credit factors in equity calculation
- Enhanced Accessibility & Visitability (2 points)\*
- Smoke Free Residence (2 points)
- Historic Tax Credits (1 point)
- Revitalization Area Project (2 points)\*
- Eventual Tenant Ownership (1 point)\*

# Final Tie Breaker Checklist Section 20

- First Ratio: Leveraged Soft Financing
  - Public Funds
    - Exclude seller carryback financing
      - EXCEPT public land loan to a new construction project
    - Exclude excess purchase price over appraised value
    - Exclude ineligible off-sites (if NC and no off-sites, explain)
  - Unrelated-party Soft Loans
    - CPA/Tax Attorney Certification
  - Value of donated land, fee waivers
    - Appraisal required for donated value
  - Capitalized Value of Rent Differentials from Public Subsidies

# Final Tie Breaker

- First Ratio: Leveraged Soft Financing

## LEVERAGED SOFT FINANCING

Capitalized Value of Rent Differentials of Public Rent/operating Subsidies

#DIV/0!

Total donated land value

Total fee waivers

List Leveraged Soft Financing **excluding** donated land and fee waivers:

Less: Excess Purchase Price Over Appraised Value

\$0

Less: Ineligible Offsites

Total Leveraged Soft Financing excluding donated land and fee waivers

\$0

**TOTAL**

#DIV/0!

# CPA / Tax Attorney Certification

## Unrelated-party Soft Loans and Donations

- The CPA/Tax Attorney must certify that the loan/donation is from an unrelated entity and the unrelated entity is not receiving benefit from a related party to the project
- The CPA/Tax Attorney must certify that loan funds are available and uncommitted to another use



# Final Tie Breaker

- Capitalized Value of Rent Differentials for Public Subsidies
  - Public rent subsidy
  - Public operating subsidy
- Enter public subsidies information
- FTB automatically calculate the capitalized value based on TCAC underwriting standard

# Final Tie Breaker

Public rent subsidy – USE WHOLE NUMBERS

- Use appropriate AMI (see slide 10)
- Specify gross or net of utility allowance

## Annual Rental Income Differential for Public Rent Subsidies:

		<u>Rent Limit:</u> Use 30% AMI for Special Needs Projects <u>OR</u> Use 40% AMI for ALL OTHERS		Public Subsidy Contract Rent	Calculated Annual Rent
Unit Type	# of Units				
SRO	20				\$0
1 bedroom	20				\$0
SRO					\$0
SRO					\$0
SRO					\$0
SRO					\$0
Annual Rent Differential for Pulic Rent Subsidies:					\$0

# Final Tie Breaker

Public operating subsidy, NOT RENTAL SUBSIDY

- Input an annual or aggregate subsidy amount

## Annual Rental Income Differential for Public Operating Subsidies:

If annual operating subsidy amount are similar in each year, enter:

Annual Operating Subsidy Amount in Year 1:

OR

If the contract does not specify an annual subsidy amount, enter:

Aggregate Subsidy Amount:

Number of Years in the Subsidy Contract:

Average Annual Operating Subsidy Amount:

Annual Public Operating Subsidies:

# Final Tie Breaker

## Size Factor for Leveraged Soft Financing

- New Construction with 50 or more Tax Credit units
  - Excludes market rate units
  - Includes manager units
- Size factor =  $75\% + (\text{Total NC Tax Credit Units}/200)$
- Size factor defaults to 1.00 for rehab and other smaller new construction units

### SIZE FACTOR CALCULATION

New Construction:	Yes
Tax Credit Units:	85
Size Factor:	1.18

# Final Tie Breaker

## High/Highest Resource Area Bonus

- New Construction, Large Family Housing Type
  - Excludes DDA agreement or inclusionary housing (see TCAC Reg. section 10325(c)(9)(C) for complete exclusion)

**Bonus for new construction large-family projects in high/higher resource area based on TCAC/HCD Opportunity Area Map** (Please see TCAC Regulations 10325(c)(9)(C) for projects excluded):

Non-rural project, Census Tract is High Resource (10 percentage points)

# Hybrid Final Tie Breaker

- Enter Leveraged Soft Financing for both projects
- Enter 4% Project Cost
- Enter 4% Tax Credit Units (size factor)



# Hybrid Final Tie Breaker Sections

## Hybrid Cost

4% Residential Project Development Cost	\$35,000,000
4% Commercial Project Development Cost	\$0
4% Total Project Cost	\$35,000,000

## SIZE FACTOR CALCULATION

New Construction:	Yes
9% Tax Credit Units:	85
Size Factor:	1.48

4% Tax Credit Units:	60
Total Tax Credit Units:	145



# **THRESHOLD REQUIREMENTS**

**TABS 1-19**

# Threshold Requirements

## Tabs 1-19

- Site Control and Cost/Value
- Financing
- Set Aside Designation
- Housing Type
- Applicant / Development Team

# Threshold Requirements

## Tabs 1-19

- Rehabilitation Applications
- Minimum Construction Standards
- Site and Project Information
- Market Analysis
- Land Use Approvals

# Threshold Requirements

## Tabs 1-19

- Financing Commitments
- Tax Credit Syndication
- Evidence of Subsidies
- Threshold Basis Limits Increases
- Eligible Basis Certification

# Site Control

## TAB 1

- Current title report within 90 days
- Evidence of site control
- Ensure the application includes the proper documentation for applicants without fee title – refer to Checklist Tab 1
- Include explanations for unique sites
  - Scattered, non-contiguous, hybrid, multi-phase, future parcel splits, complex land transactions



# **Site Control and Property Cost/Value**

## **TAB 1**

### **IMPORTANT:**

- **Review Sections 10327(c)(6) and 10322(h)(9) and the Checklist**
- **Ask questions**
- **Section 10327(c)(6): acquisition cost requirements for new construction and rehabilitation**
- **Section 10322(h)(9): appraisal requirements for new construction and rehabilitation**

# Property Cost/Value

## TAB 1

### Evidence of site cost

- Review TCAC regulations and Checklist Tab 1: purchase agreement, escrow statement, etc.
- **Related Party** relationship to the seller must be disclosed and an appraisal must be submitted
  - IF RELATED PARTY IS A PASS THROUGH ENTITY, AN APPRAISAL IS NOT REQUIRED – MUST BE DOCUMENTED

### Rehabilitation applications must include an appraisal

- 4% APPLICATION EXCEPTION: ACQUISITION BASIS EQUAL TO EXISTING THIRD PARTY DEBT (MAY BE HIGHER THAN AN APPRAISED VALUE)

# Appraisals

## TAB 1

An appraisal is required for:

- rehabilitation applications
- competitive applications except new construction unrelated 3rd party purchases
- Competitive applications seeking tiebreaker credit for donated or leased land
- New construction applications involving a related party land sale

As-is appraised value

Appraisal must include a land value

# Appraisals

## TAB 1

**New Construction:** Appraisal prepared within 120 days before or after the execution of purchase contract/transfer of ownership or within 1 year of application deadline if latest purchase contract was executed within that year

**Rehabilitation:** Appraisal prepared within 120 days before or after the execution of purchase contract/transfer of ownership

# Appraisals and Property Cost/Value

## TAB 1 and Tab 2

When the purchase price exceeds the appraised value:

### New Construction

- Project cost includes the overage amount
- Basis and credits shortfall calculation:  
overage amount is excluded from cost and  
soft permanent financing

### Rehabilitation

- Same as above, plus-
- Acquisition basis can be no more than the  
appraised value

# Appraisals and Property Cost/Value

When an appraisal is not required but there are existing buildings to be demolished:

- TCAC staff must determine if the buildings to be demolished added to the purchase price (for purposes of tiebreaker scoring or funding gap analysis)
- If existing buildings are going-concern business, may be an issue in the application review



# Financing

## TAB 2



- Narrative description of project financing
- Description of other funding source  
developer fee limitations
- Utility allowance documentation

# CUAC Utility Allowance

## TAB 2

Can choose CUAC at PIS

CUAC requires formal TCAC approval

- SUBMIT FOR APPROVAL PRIOR TO LEASE UP
- MUST BE APPROVED BY TCAC PRIOR TO 8609 ISSUANCE

Questions?

Contact Mayra Lozano [mlozano@sto.ca.gov](mailto:mlozano@sto.ca.gov)

<http://www.treasurer.ca.gov/ctcac/cuac/index.asp>

# TCAC Underwriting Criteria for Cash Flow Pro Forma

15 year pro forma in TCAC Excel Application

Requirements include:

- Vacancy factors
- Minimum operating expenses
- Minimum reserve requirements
- Cash flow limits and minimum debt coverage ratio
- Rates of annual increase (2.5% revenue, 3.5% expenses)

# TCAC Underwriting Criteria for Cash Flow Pro Forma

15 year pro forma in TCAC Excel Application

Rental revenue vacancy factors

- A 5% vacancy factor for most applications
- Only special needs or non-special needs SRO units without rental subsidy use 10%

Minimum operating expenses

- Do not include: monitoring or asset management fees, lender fees, the cost of any amenities

# Set-Aside Designation

## TAB 3

### Nonprofit – 10%

- Qualified under IRC Section 42(h)(5)
- Homeless assistance priority
- Federal and state capital funding sources

### Rural – 20%

- Rural Methodology Memo
- RHS (514, 515) and HOME apportionment
- Native American Apportionment (\$1M)
- Pavlos Mayakis [pmayakis@sto.ca.gov](mailto:pmayakis@sto.ca.gov)

# Set-Aside Designation


## TAB 3

### Native American Apportionment Applicants

If applying under the Apportionment, land must be owned by a Tribe in fee or in trust and occupancy is legally limited to tribal households.

20% of low-income units may serve non-tribal households if required by HOME funding.





## **Native American Apportionment Applicants**

If applying under the Apportionment, a minimum level of affordable housing experience is required (all applicants provide experience documentation).

Apportionment applicants must receive the minimum points for general partner and property management experience.

# Native American Apportionment Applicants

Apportionment applicants may contract with a developer that is not a project owner and receive general partner experience points commensurate with the developer's experience.

See TCAC regulation section 10325(c)(1) for complete information and requirements.

# Set-Aside Designation

## TAB 3

**At-Risk – 5%**

**Special Needs – 4%**

- Qualify for all housing type requirements **IF REQUESTING STATE CREDIT and 130% boost**  
Project must have at least 50% designated special needs – This is greater than the housing type requirement of 45% special needs low income units
- Developer experience requirement

# Housing Type Thresholds

## TAB 4

Current year attachments

Provide detailed explanations in Attachments 4(A)-(D)

- Don't refer to other sections of the application as an explanation

Any waiver approvals from TCAC by the application deadline

# Applicant/Development Team

## TAB 5

Current Annual Financial  
Statements

Organizational  
Documents

Organizational  
Chart

Identity of Interest

Legal Status Questionnaire





# Acquisition Credit

## TAB 7



- Chain of title report
- Applicant statement – Exempt 10 year rule
- 10 year rule – 3rd Party Tax Professional's Opinion (refer to IRC Section 42(d)(2)(B)(ii))
- Re-syndication (9% applications) - No acquisition credits (unless Special Needs or within 10 years of expiring TCAC regulatory agreement)



# Rehabilitation Credit

## TAB 8



### “As Is” Appraisal

- Includes land value “as if vacant”
- Prepared 120 days before or after purchase agreement execution/transfer of ownership
- Highest and best use value as residential rental property
- Sales Comparison and Income Approach valuation methodologies

# Rehabilitation Credit

## TAB 8

### Capital Needs Assessment (CNA)

- Performed within 180 days of the application deadline
- Pre-rehabilitation 15-Year Reserve Study
  - If resyndication, CNA must demonstrate rehab need of at least \$5,000 per unit over the first 3 years (Short Term Work)

# Rehabilitation Credit

## TAB 8

### Rehabilitation Summary

- Address immediate rehabilitation needs and any planned long-term replacements
- Explain any variance from the CNA estimates
- The greater of \$40,000 hard costs/unit or 20% of adjusted basis

# Rehabilitation Credit

## TAB 8

### Resyndication Projects

- Copy of recorded TCAC regulatory agreement
- Hold harmless rent provisions
- Similar or greater level of services
- Existing replacement reserve & planned uses
- Capital Needs Agreement

# Rehabilitation Credit

## TAB 8

### Resyndication Projects

- Refer to Checklist Items worksheet  
AND
- Development Section Resyndication  
Questionnaire  
[https://www.treasurer.ca.gov/ctcac/2019/  
application.asp](https://www.treasurer.ca.gov/ctcac/2019/application.asp)

**New**

# Rehabilitation Credit

## TAB 9



### Tenant-Occupied Housing

- Income, rent and family size information for existing tenants
- Tenant Relocation Plan
- Detailed Budget with Identified Funding Sources
- When required, compliance with Uniform Relocation Assistance and Real Property Acquisition Policy Act



# Minimum Construction Standards & Project Size Limitations

## TABS 10 & 11

All applicants submit Attachment 10  
TCAC Executive Director must  
approve any waiver requests prior  
to the application deadline.

Submit all waiver requests in a  
timely manner.





# **Minimum Construction Standards – ENERGY EFFICIENCY & GREEN BUILDING TAB 10**

## **Competitive applicants:**

- Follow requirements of SBM point category (Tab 25)

# **Minimum Construction Standards – ENERGY EFFICIENCY & GREEN BUILDING TAB 10**

## **All REHABILITATION projects:**

- Minimum 10% improved energy efficiency per building
- Sustainable Building Method and Energy Efficiency Requirements Workbook and Existing Multifamily Assessment Report
  - EXCEPTION: DEVELOPING IN ACCORDANCE WITH A GREEN BUILDING PROGRAM

# **Minimum Construction Standards – ENERGY EFFICIENCY & GREEN BUILDING TAB 10**

## **Non-competitive applicants:**

- Documentation of applicant's consultation with design team and a 2016 CEA and LEED AP Rater, NGBS Green Verifier or GreenPoint Rater
- Model results, meeting agenda, list of attendees, major outcomes from meeting

# Site & Project Information

## TAB 12

### Physical Description

- Current use, adjacent property
- Site, parcel map, color photos
- Planned parcel changes, multi-phase projects
- Description of off-site costs
- Description and calculation of how basis related to parking requirement is met
- If Scattered Site project, provide a description of how it meets definition

**Use Checklist and Attachment 12**



# Site & Project Information

## TAB 12

### Project Description

- Architectural drawings – project and unit square footage, bedroom count, laundry facilities, play area, commercial space, etc.



### Architect Certification



# Market Study

## TAB 13

Market Study Guidelines:

<http://www.treasurer.ca.gov/ctcac/mktstudy/2019.pdf>

Analysis should be unbiased, objective, and supported with clear data and explanation when needed.

### ALTERNATIVE FOR REHABILITATION PROJECTS

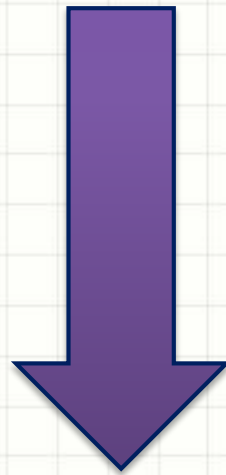
Written statement by 3<sup>rd</sup> party market analyst for acquisition/rehabilitation projects meeting criteria described in Section 10322(h)(10)

**Goal:** Is there **NEED** and **DEMAND** for the project in the area?

Must meet the requirements of Sections 10322(h)(10), 10325(f)(1)(B) of TCAC Regulations



Tenant Rents  
10%+ Below  
Market



Value Ratio  
(\$/Sq. Ft.)  
 $\leq$  Market



Absorption Rate  
& Stabilized  
Occupancy

# Market Study Components

## Need and Demand

### Competitive Rental Market

- Existing and Planned Affordable Housing Comparables
- Matrixes in **Excel Format**
- An updated market study where >12 months have passed between the earliest site inspection date and the application deadline will **not** be accepted by TCAC

# Local Approvals

## TAB 14

### Attachment 14

#### Verification of Zoning

- Use TCAC's current attachment (2018)
- Zoned for intended use, within max density
- Local land use approvals
  - Approvals may have pending appeal 30 days beyond the TCAC application due date

# Financing Commitments

## TAB 15

**Grants/Subsidies  
Committed**

**Permanent = 15 Year Term**

**Provide Executed  
Documentation**



**50% Construction or  
Permanent Committed**

# Syndication

## TAB 16

Federal  
Pricing:  
**\$0.85 Min**



State  
Pricing:  
**\$0.70 Min**

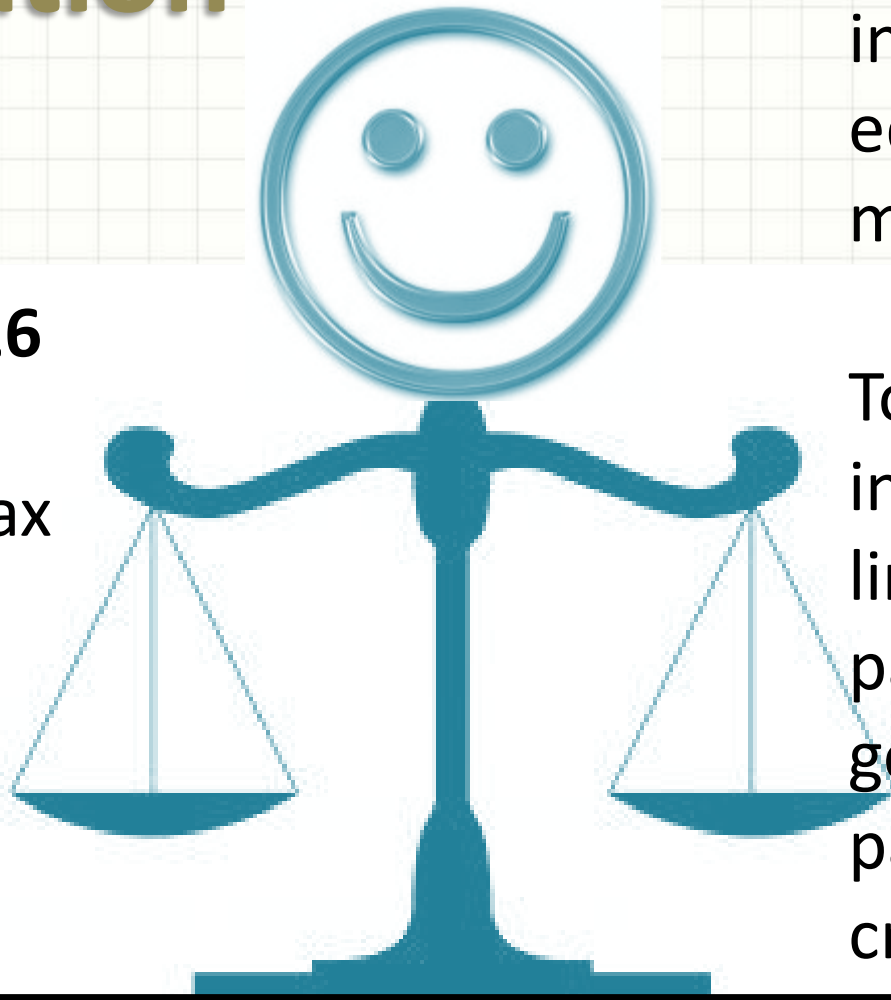


# Syndication

## TAB 16

### Attachment 16

Net proceeds must match tax credit equity listed in the TCAC application.



Sources, including equity, must match uses.

Total equity includes limited partner and general partner tax credit equity.

# Evidence of Subsidies

## TAB 17

- Commitments showing the funds are secured or have been renewed
- Source of the subsidy
- Annual amount, Term
- Gross or net of utility allowance
- Number of units
- Expiration date

### **REMEMBER**

**Accurately complete the table on App. Page 19 & the Subsidy Contract Calculation worksheet**

# Subsidy Contract Calculation Worksheet

[illegible]

**Now linked to  
Application  
sheet**

Number of Units Receiving Assistance:	
Length of Contract (years):	
Expiration Date of Contract:	
<b>Total Projected Annual Rental Subsidy:</b>	

# Threshold Basis Limit Boosts

## TAB 18



- Prevailing Wages (up to 25%)
- Parking Beneath Residential Units (7%)
- Day Care Center (2%)
- 100% Special Needs (2%)
- 95% Upper Floors – Elevators (10%)

# Prevailing Wage Boost

## TAB 18

- 20% and 5% increases – Applicant certification and supporting documentation
- See Application Checklist for details
  - If subject to state prevailing wages and claiming any PW boost – Applicant certification must confirm whether compliance with Section 1725.5 of Labor Code is required



# Threshold Basis Limit Boosts

## TAB 18



- 1+ Energy efficiencies (up to 10%)
- Seismic upgrading (up to 15%)
- Toxic or other environmental (up to 15%)
- Local Development Impact Fees
- High Opportunity Area (10%)



# Local Development Impact Fees

## Attachment 18(A)

NOTE: Permit processing fees, building permit fees, and plan check fees are NOT considered local development impact fees.

TYPE OF FEES TO BE PAID	AMOUNT OF FEE
Community Development Fees	\$
Drainage Facilities	\$
Facilities Assessment	\$
Fire Facilities	\$
General Facilities	\$
Governmental/Environmental	\$
Law Enforcement Facilities	\$
Library Facilities	\$
Parks & Recreation	\$
Public Facilities	\$
Schools	\$
Streets & Signals	\$
Traffic Fees	\$
Waste Water Collection	\$
Waste Water Treatment	\$
Water Facilities	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
<b>Total Local Development Impact Fees</b>	<b>\$</b>

# High Opportunity Areas

## TAB 18

### Criteria:

- In a county that has a 9% threshold basis limit for a 2-bedroom unit  $\leq$  \$400,000; and
- In the census tract of a high or highest resource area of TCAC/HCD Opportunity Area Map (see TCAC website)

# Application Worksheet

## A. Threshold Basis Limit

Unit Size	Unit Basis Limit	No. of Units	(Basis) X (No. of Units)
SRO/STUDIO			
1 Bedroom			
2 Bedrooms			
3 Bedrooms			
4+ Bedrooms			
<b>TOTAL UNITS:</b>			
<b>TOTAL UNADJUSTED THRESHOLD BASIS LIMIT:</b>			
		Yes/No	
(a) Plus (+) 20% basis adjustment for projects paid in whole or part out of public funds subject to a legal requirement for the payment of state or federal prevailing wages or financed in part by a labor-affiliated organization requiring the employment of construction workers who are paid at least state or federal prevailing wages. List source(s) or labor-affiliated organization(s):		No	
Plus (+) 5% basis adjustment for projects that certify that (1) they are subject to a project labor agreement within the meaning of Section 2500(b)(1) of the Public Contract Code, or (2) they will use a skilled and trained workforce as defined by Section 25536.7 of the Health and Safety Code to perform all onsite work within an apprenticeship occupation in the building and construction trades.		No	
(b) Plus (+) 7% basis adjustment for new construction projects required to provide parking beneath residential units (not "tuck under" parking) or through construction of an on-site parking structure of two or more levels.		No	
(c) Plus (+) 2% basis adjustment for projects where a day care center is part of the development.		No	
(d) Plus (+) 2% basis adjustment for projects where 100 percent of the Low Income Units are for Special Needs populations.		No	
(e) Plus (+) up to 10% basis adjustment for projects applying under Section 10325 or Section 10326 of these regulations that include one or more of the features in the section: Item (e) Features.		No	
(f) Plus (+) the lesser of the associated costs or up to a 15% basis adjustment for projects requiring seismic upgrading of existing structures, and/or on-site toxic or other environmental mitigation as certified by the project architect or seismic engineer. If Yes, select type: N/A		No	
(g) Plus (+) local development impact fees required to be paid to local government entities. Certification from local entities assessing fees also required. <b>WAIVED IMPACT FEES ARE INELIGIBLE.</b>		No	
(h) Plus (+) 10% basis adjustment for projects wherein at least 95% of the project's upper floor units are serviced by an elevator.		No	
(i) Plus (+) 10% basis adjustment for a project that is: (i) in a county that has an unadjusted 9% threshold basis limit for a 2-bedroom unit equal to or less than \$400,000; <b>AND</b> (ii) located in a census tract designated on the TCAC/HCD Opportunity Area Map as Highest or High Resource.		No	
<b>TOTAL ADJUSTED THRESHOLD BASIS LIMIT:</b>			

# High Cost Test

If there are any corrections to eligible basis or the adjusted threshold basis limit, the high cost test will be recalculated. If this occurs, the developer fee may be reduced and the maximum credit may be reduced.

**Formula: Total Eligible Basis / Adjusted Threshold Basis Limit**

Common corrections:

- Ineligible basis not included in the CPA certification resulting in eligible basis reduction
- Corrections to basis boosts (impact fees, etc.) resulting in adj TBL reduction

# High Cost Test & Developer Fee

## EXAMPLE

PRE Total Project Cost	\$30,000,000
PRE Eligible Basis	\$26,800,000
Developer Fee	\$1,720,000
PRE Adj TBL	\$22,000,000
High Cost %	121.818%

Reduction in Adj TBL results in:

CORRECTED Adj TBL	\$21,950,000
High Cost %	122.096%
CORRECTED Developer Fee	\$1,713,895
CORRECTED Total Project Cost	\$29,993,895



# High Cost Test

Additional 4% + state credit high cost test components:

- Developer fees above the deferral threshold are excluded from the numerator
- Basis limit increases for deeper targeting are excluded from the denominators



# Application Worksheet

## • 4% Plus State Credit High Cost Test

Excluded from  
Denominator

(j)	Plus (+) 1% basis adjustment for each 1% of project's Low-Income and Market Rate Units restricted between 35% and Rental Units: <input type="text" value="120"/> Total Rental Units @ 50% to 36% of AMI: <input type="text" value="20"/>	<input type="text" value="Yes"/>	\$4,271,613
(k)	Plus (+) 2% basis adjustment for each 1% of project's Low-Income and Market Rate Units restricted at or below 35% of Rental Units: <input type="text" value="120"/> Total Rental Units @ 35% of AMI or Below: <input type="text" value="18"/>	<input type="text" value="Yes"/>	\$8,009,274
TOTAL ADJUSTED THRESHOLD BASIS LIMIT:			\$38,978,467

### HIGH COST TEST

Total Eligible Basis

\$36,627,500

Percentage of the Adjusted Threshold Basis Limit

### **HIGH COST TEST**

#### **EXCESS DEVELOPER FEE BASIS TO BE EXCLUDED FROM TOTAL ELIGIBLE BASIS**

Total Tax Credit Units:

Threshold Units

Tax Credit Units Exceeding 100

Developer Fee Basis per excess unit \$

Total Excess Developer Fee Limit \$

Base Developer Fee Limit \$

Max Developer Fee Limit \$

Total Developer Fee Basis \$

Excess Developer Fee Basis

Excluded from Numerator

# Eligible Basis Certification

## TAB 19



- Meets the requirements of IRC Section 42(h)(1)(E)
- Verification of costs not included in basis
- Description of basis excluded for **fees to be paid by tenants** (garage, storage)
- New construction: confirm basis related to **parking** is consistent with TCAC requirements
- Rehabilitation of existing structures: meets minimum requirements of TCAC Reg. 10325(f)(10)
- **Certification items MUST MATCH THE BUDGET ITEMS**

# Eligible Basis Certification

## TAB 19



New construction basis related to parking

- There is a limit on the basis when parking spaces exceed the amount per section 10327(c)(10)
- If exceeded, use the Basis and Credits sheet to deduct, **do not deduct in the budget (affects the high cost test)**
- Include excess parking basis in CPA certification

# Basis and Credits Worksheet

## A. Basis and Credits

	70% PVC for New Const/ Rehab	30% PVC for Acquisition
<b>Total Eligible Basis:</b>	\$7,475,000	\$3,675,000
<b>Ineligible Amounts</b>		
Subtract All Grant Proceeds Used to Finance Costs in Eligible Basis:		
Subtract Non-Qualified Non-Recourse Financing:		
Subtract Non-Qualifying Portion of Higher Quality Units:		
Subtract Photovoltaic Credit (as applicable):		
Subtract Historic Credit (residential portion only):		
Subtract Ineligible Basis related to Excess Parking:	\$50,000	
Subtract (specify other ineligible amounts):		
<b>Total Ineligible Amounts:</b>	\$50,000	

# Resources

## TCAC

- Application Information:  
<http://www.treasurer.ca.gov/ctcac/2019/application.asp>
- Regulations (QAP):  
<http://www.treasurer.ca.gov/ctcac/programreg/regulations.asp>