2019 Low-Income Housing Tax Credit (LIHTC) Application Workshops

TCAC
Anthony Zeto
Gina Ferguson
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
  
  o 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

  o 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)
  o 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:
  o USDA subsidy: use the higher of 60% AMI rents or the existing, committed contract rents
  o 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:
  o reduce the federal credit request to $2,500,000,
  o reduce requested basis to the project’s threshold basis limit, or
  o 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
  o Clarify that community room, service space, computer labs, and gym areas are included

• Special needs housing type-
  o Clarify unit mix options for <75% special needs
  o 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?
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

<table>
<thead>
<tr>
<th>IV. SOURCES AND USES BUDGET</th>
<th>SECTION 2: SOURCES AND BASIS BREAKDOWN BY DDA/QCT AND NON-DDA/NON-QCT SITES</th>
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<td>General Liability Insurance</td>
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<td>Total Relocation Expenses</td>
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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
### Basis & Credits

**70% PVC for New Const/Rehabilitation**
- NON-DDA/NON-QCT Building(s)
- **Total Eligible Basis:** $35,977,300

**30% PVC for Acquisition**
- NON-DDA/NON-QCT Building(s)
- **Total Eligible Basis:** $11,000,000

#### Ineligible Amounts
- 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):

**Total Ineligible Amounts:**

- **Total Eligible Basis Amount Voluntarily Excluded:**

**Total Basis Reduction:**

- **Total Requested Unadjusted Eligible Basis:** $35,977,300
  - $11,000,000

**Total Adjusted Threshold Basis Limit:**

- $49,799,718

*QCT or DDA Adjustment: 100% 100% 100% 100%

**Total Adjusted Eligible Basis:**

- $35,977,300
  - $11,000,000

**Applicable Fraction:**

- 100% 100% 100% 100%

**Qualified Basis:**

- $35,977,300
  - $11,000,000

**Total Qualified Basis:**

- $46,977,300
## Basis & Credits

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<th>70% PVC for New Const/Rehabilitation DDA/QCT Building(s)</th>
<th>70% PVC for New Const/Rehabilitation NON-DDA/NON-QCT Building(s)</th>
<th>30% PVC for Acquisition DDA/QCT Building(s)</th>
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## Basis & Credits: Bifurcated DDA

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OVERRIDE 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
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

<table>
<thead>
<tr>
<th>Project Name &amp; Address</th>
<th>TCAC (or Other) Project Identification Number, If Applicable</th>
<th>TCAC Identity Special Needs Projects, If Applicable</th>
<th>Month, Day, &amp; Year the Project was Placed-In-Service</th>
<th>Month, Day &amp; Year G.P. Participation Began</th>
<th>Month, Day &amp; Year G.P. Participation Ended, If Applicable</th>
<th>Full Number of Years of G.P. Participation, After Project Placed-In-Service*</th>
<th>Number of Low Income Units**</th>
<th>Number of Special Needs Units</th>
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* 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
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
  o provide at least a seating area
  o 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.
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
Tab 4

Special Needs 10325(g)(3)

• If operated as senior housing (age 62+):
  o Senior housing elevator requirement
  o 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
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, ≥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 (1.5 megabits/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:
  
  o (i) the services provided to special needs and non-special needs units; and
  
  o (ii) the percentage of units represented by special needs and non-special needs units
Application Worksheet

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

Service Amenities Budget Worksheet

Cash Amount Must Match

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

### Tab 25

- **New Construction/Adaptive Reuse:** (5 Points)

<table>
<thead>
<tr>
<th>Program</th>
<th>Att. 25 Required?</th>
<th>SBMW Required?</th>
<th>Program Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Building</td>
<td>Yes</td>
<td>No</td>
<td>LEED, PHIUS, GreenPoint Rated Program</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>Yes</td>
<td>Yes</td>
<td>Zero Net Energy, Efficiency beyond 2016 standards (2013 standards in some cases)</td>
</tr>
</tbody>
</table>
## Sustainable Building Methods

### Tab 25

- **Rehabilitation: (5 Points)**

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

<table>
<thead>
<tr>
<th>Percent of Low-Income Units (exclusive of manager’s units)</th>
<th>Percent of Area Median Income (AMI)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>**60-80%</td>
</tr>
<tr>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>40%</td>
<td>10.0*</td>
</tr>
<tr>
<td>35%</td>
<td>8.8*</td>
</tr>
<tr>
<td>30%</td>
<td>7.5*</td>
</tr>
<tr>
<td>25%</td>
<td>6.3*</td>
</tr>
<tr>
<td>20%</td>
<td>5.0*</td>
</tr>
<tr>
<td>15%</td>
<td>3.8*</td>
</tr>
<tr>
<td>10%</td>
<td>2.5*</td>
</tr>
</tbody>
</table>
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)
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
Approvals Necessary to Begin Construction

<table>
<thead>
<tr>
<th>Project Name:</th>
<th>Housing Type:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site Address:</td>
<td>City:</td>
</tr>
<tr>
<td>County:</td>
<td>Number Of Units:</td>
</tr>
<tr>
<td>Census Tract Number:</td>
<td>APN(s):</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Check All Required Items</th>
<th>Approval Date</th>
<th>Appeal Expiration Date*</th>
<th>X if N/A</th>
<th>If N/A, MUST provide a detailed explanation**</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEQA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEPA*** (see note below)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site Plan Review Completed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conditional Use Permit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variance Approval</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toxic Report</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soils Report</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Discretionary Review</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Streamlined Ministerial Approval (SB35)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Article 54 of State Constitution</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coastal Commission Approval</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tribal Land Environmental Review</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Requirements:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**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)*
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

<table>
<thead>
<tr>
<th>LEVERAGED SOFT FINANCING</th>
<th>#DIV/0!</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalized Value of Rent Differentials of Public Rent/operating Subsidies</td>
<td>#DIV/0!</td>
</tr>
<tr>
<td>Total donated land value</td>
<td></td>
</tr>
<tr>
<td>Total fee waivers</td>
<td></td>
</tr>
<tr>
<td>List Leveraged Soft Financing excluding donated land and fee waivers:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Excess Purchase Price Over Appraised Value</td>
<td>$0</td>
</tr>
<tr>
<td>Less: Ineligible Offsites</td>
<td></td>
</tr>
<tr>
<td>Total Leveraged Soft Financing excluding donated land and fee waivers</td>
<td>#DIV/0!</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Unit Type</th>
<th># of Units</th>
<th>Public Subsidy</th>
<th>Calculated Annual Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRO</td>
<td>20</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>1 bedroom</td>
<td>20</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>SRO</td>
<td>20</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>SRO</td>
<td>20</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>SRO</td>
<td>20</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>SRO</td>
<td>20</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Annual Rent Differential for Public Rent Subsidies: $0
Final Tie Breaker

Public operating subsidy, **NOT RENTAL SUBSIDY**

- Input an annual or aggregate subsidy amount
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% + (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
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)
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
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

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
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
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
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:

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

ALTERNATIVE FOR REHABILITATION PROJECTS
Written statement by 3rd 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

Provide Executed Documentation

Permanent = 15 Year Term

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

### Rental Subsidy Contract by Unit

<table>
<thead>
<tr>
<th>Bedroom Type</th>
<th>Number of Units**</th>
<th>Proposed Monthly Rent per Unit Less Utility Allowance*</th>
<th>Subsidy Contract Monthly Rent per Unit Less Utility Allowance*</th>
<th>Total Subsidy Contract Monthly Rent (b x e)</th>
<th>Subsidy Contract Monthly Rent in Excess of Tax Credit Proposed Monthly Rent</th>
<th>Subsidy Contract Total Rent in Excess of Tax Credit Proposed Monthly Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Room Type 1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Room Type 1</td>
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<td>Room Type 1</td>
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<td>Room Type 1</td>
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<td>Room Type 1</td>
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<td>Room Type 1</td>
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<td>Room Type 1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### ANNUAL TOTAL RENT

- **$0**
- **$0**
- **$0**

### Number of Units Receiving Assistance:

- Total: **0**

### Length of Contract (years):

- **0 years**

### Expiration Date of Contract:

- **0**

### Total Projected Annual Rental Subsidy:

- **$0**
Threshold Basis Limit Boosts

• 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.

<table>
<thead>
<tr>
<th>TYPE OF FEES TO BE PAID</th>
<th>AMOUNT OF FEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development Fees</td>
<td>$</td>
</tr>
<tr>
<td>Drainage Facilities</td>
<td>$</td>
</tr>
<tr>
<td>Facilities Assessment</td>
<td>$</td>
</tr>
<tr>
<td>Fire Facilities</td>
<td>$</td>
</tr>
<tr>
<td>General Facilities</td>
<td>$</td>
</tr>
<tr>
<td>Governmental/Environmental</td>
<td>$</td>
</tr>
<tr>
<td>Law Enforcement Facilities</td>
<td>$</td>
</tr>
<tr>
<td>Library Facilities</td>
<td>$</td>
</tr>
<tr>
<td>Parks &amp; Recreation</td>
<td>$</td>
</tr>
<tr>
<td>Public Facilities</td>
<td>$</td>
</tr>
<tr>
<td>Schools</td>
<td>$</td>
</tr>
<tr>
<td>Streets &amp; Signals</td>
<td>$</td>
</tr>
<tr>
<td>Traffic Fees</td>
<td>$</td>
</tr>
<tr>
<td>Waste Water Collection</td>
<td>$</td>
</tr>
<tr>
<td>Waste Water Treatment</td>
<td>$</td>
</tr>
<tr>
<td>Water Facilities</td>
<td>$</td>
</tr>
<tr>
<td>Other (specify):</td>
<td>$</td>
</tr>
<tr>
<td>Other (specify):</td>
<td>$</td>
</tr>
<tr>
<td>Other (specify):</td>
<td>$</td>
</tr>
<tr>
<td>Other (specify):</td>
<td>$</td>
</tr>
<tr>
<td>Other (specify):</td>
<td>$</td>
</tr>
</tbody>
</table>

Total Local Development Impact Fees: $
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

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Unit Basis Limit</th>
<th>No. of Units</th>
<th>(Basis) X (No. of Units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRO/STUDIO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Bedroom</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Bedrooms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Bedrooms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4+ Bedrooms</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL UNITS:**

**TOTAL UNADJUSTED THRESHOLD BASIS LIMIT:**

- (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).  
  - **[Yes/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 apprenticeable occupation in the building and construction trades.  
  - **[Yes/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.  
  - **[Yes/No]**

- (c) Plus (+) 2% basis adjustment for projects where a day care center is part of the development.  
  - **[Yes/No]**

- (d) Plus (+) 2% basis adjustment for projects where 100 percent of the Low Income Units are for Special Needs populations.  
  - **[Yes/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.  
  - **[Yes/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.  
  - **[Yes, select type: PPA]**

- (g) Plus (+) local development impact fees required to be paid to local government entities. Certification from local entities assessing fees also required. **WAIVED IMPACT FEES ARE INELIGIBLE.**  
  - **[Yes/No]**

- (h) Plus (+) 10% basis adjustment for projects wherein at least 95% of the project's upper floor units are serviced by an elevator.  
  - **[Yes/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; AND (ii) located in a census tract designated on the TCAC/HCD Opportunity Area Map as Highest or High Resource.  
  - **[Yes/No]**

**TOTAL ADJUSTED THRESHOLD BASIS LIMIT:**
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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRE Total Project Cost</td>
<td>$30,000,000</td>
</tr>
<tr>
<td>PRE Eligible Basis</td>
<td>$26,800,000</td>
</tr>
<tr>
<td>Developer Fee</td>
<td>$1,720,000</td>
</tr>
<tr>
<td>PRE Adj TBL</td>
<td>$22,000,000</td>
</tr>
<tr>
<td>High Cost %</td>
<td>121.818%</td>
</tr>
</tbody>
</table>

Reduction in Adj TBL results in:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORRECTED Adj TBL</td>
<td>$21,950,000</td>
</tr>
<tr>
<td>High Cost %</td>
<td>122.096%</td>
</tr>
<tr>
<td>CORRECTED Developer Fee</td>
<td>$1,713,895</td>
</tr>
<tr>
<td>CORRECTED Total Project Cost</td>
<td>$29,993,895</td>
</tr>
</tbody>
</table>
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**

<table>
<thead>
<tr>
<th></th>
<th>Plus (+) 1% basis adjustment for each 1% of project's Low-Income and Market Rate Units restricted between 35% and</th>
<th>Yes</th>
<th>$4,271,613</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Units:</td>
<td>120</td>
<td>Total Rental Units @ 50% to 36% of AMI:</td>
<td>20</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Plus (+) 2% basis adjustment for each 1% of project's Low-Income and Market Rate Units restricted at or below 35% of</th>
<th>Yes</th>
<th>$8,009,274</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Units:</td>
<td>120</td>
<td>Total Rental Units @ 35% of AMI or Below:</td>
<td>18</td>
</tr>
</tbody>
</table>

**TOTAL Adjusted Threshold Basis Limit:** $38,978,467

#### HIGH COST TEST

- **Total Eligible Basis:** $36,627,500
- **Percentage of the Adjusted Threshold Basis Limit:** 129.412%

---

**HIGH COST TEST**

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Tax Credit Units:</td>
<td>120</td>
</tr>
<tr>
<td>Threshold Units</td>
<td>100</td>
</tr>
<tr>
<td>Tax Credit Units Exceeding 100</td>
<td>20</td>
</tr>
<tr>
<td>Developer Fee Basis per excess ur</td>
<td>$10,000</td>
</tr>
<tr>
<td>Total Excess Developer Fee Limit</td>
<td>$200,000</td>
</tr>
<tr>
<td>Base Developer Fee Limit</td>
<td>$2,500,000</td>
</tr>
<tr>
<td>Max Developer Fee Limit</td>
<td>$2,700,000</td>
</tr>
<tr>
<td>Total Developer Fee Basis</td>
<td>$4,777,500</td>
</tr>
<tr>
<td>Excess Developer Fee Basis</td>
<td>$2,077,500</td>
</tr>
</tbody>
</table>

*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

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

TCAC

• Application Information:  
  http://www.treasurer.ca.gov/ctcac/2019/application.asp

• Regulations (QAP):  
  http://www.treasurer.ca.gov/ctcac/programreg/regulations.asp