

California Tax Credit Allocation Committee Update

Mark Stivers
Executive Director



2015 4% Tax Credit Results

- Set a record for the amount of credits awarded (\$137.6 million)
- Produced the highest number of total units since 2007 (13,601), an increase of 48% over 2014.
- 27% of units were in new construction projects.

2016 4% Applications to Date

- Through the August meeting, we have funded 13,285 total units, equal to 98% of the 2015 total.
- 33% of the units are in new construction projects.
- We have received 41 additional applications in house with two more submittal deadlines to go.



Highlights of Proposed Regulation Changes

Over-Allocation of State Credits

- In 2015, TCAC over-allocated \$35 million in state credits. We have proposed two solutions:
 1. Require special needs projects to maximize basis before seeking state credits.
 2. Create a second supplemental set-aside of federal credits, stop awarding state credits to 9% projects after we hit our limit, and designate all remaining 9% projects eligible for state credits as DDA projects.

High-Cost Task Force Results

- Eliminate the ability for applicants with projects exceeding the high cost test to petition the committee for special consideration.
- Provide a 10% threshold basis limit increase for projects in high-opportunity areas, as defined.
- Require new construction projects that exceed the AB 744 parking ratios to exclude the cost of the excess parking spaces from basis.

High-Cost Task Force Results

- For 9% new construction projects only, increase the maximum base developer fee in cost to \$2.2 million and then adjust the maximum developer fee limit to reflect a project's cost efficiency using the same test employed for the high-cost threshold.

Base limit * [2 - (project's total eligible basis / total adjusted threshold basis limits)]

High-Cost Task Force Results

Example 1:

A project with a high-cost percentage of 90% would have a cost developer fee limit of 16.5% of basis or \$2.42 million.

Example 2:

A project with a high-cost test of 120% would have a cost developer fee limit of 12% or \$1.76 million.

Tie-Breaker Changes for 2018

- Discontinue up to 25% increase for rental assistance but give credit for the calculated value of Tranche B loan proceeds even if the project cannot support a Tranche B loan.

Tie-Breaker Changes for 2018

- Discount the value of assumed loans by 50%.
- Exclude seller carryback loans or seller loans up to the amount of the sale proceeds.

Resyndications

- Require a resyndication project to provide a similar level of services as to what was required under the previous regulatory agreement and allow waivers under specified circumstances.
- Require resyndication applicants to demonstrate in their capital needs assessment that the project has a rehabilitation need of \$20,000 per unit within the next seven years.

Resyndications

- For purposes of transfer events, redefine “short term work” as three years instead of two and codify recent guidance relating to claiming eligible basis for short term work.

Homeless Assistance Projects

- Require that homeless assistance projects reserve vacant homeless assistance units for homeless persons who are on either a list of most of vulnerable persons developed by the relevant Continuum of Care or a list of most frequent health care users developed by the relevant county health department, where either of such lists exists.

Improving Opportunity

- Prohibit new construction, large-family, competitive tax credit projects in areas of low-opportunity unless the project is part of a concerted community revitalization program involving the local government and significant investment outside of the project.

New State Laws

- SB 837 allows for the certification of state credits awarded between 2017 and 2019.
- AB 1920 allows TCAC to create a schedule of fines for compliance violations.

SB 837

- Applicant must elect at application.
- Price must be at least \$.80.
- Buyer must be or have been an investor in state or federal tax credits for any other project in California.
- The buyer will not have an ownership stake in the partnership.

SB 837 (cont.)

- TCAC may issue the 3521A directly to the non-profit.
- The initial state tax credit buyer may only resell the credit once. Thereafter, it may not be sold again.
- The applicant or seller must report specified information to TCAC within 10 days of the sale.
- The applicant remains solely liable for all obligations and liabilities imposed by the state tax credit program.

AB 1920

- The regulation changes will mirror the parameters of the legislation.
- TCAC plans to issue for comment in January a proposed schedule of fines.
- The Committee will ultimately adopt a schedule via resolution.



Mark Stivers

916-654-6340

mark.stivers@treasurer.ca.gov