

M E M O R A N D U M

February 11, 2004

To: Interested Parties

From: Jeanne Peterson
Executive Director

Re: Changes from 1st Draft to 2nd Draft of 2004 Housing Tax
Credit Program

After the publication of the first draft of the 2004 proposed program regulations, the Committee held two public hearings, at which 25 people testified, and had a public comment period that resulted in 55 written responses. Committee staff carefully reviewed the public input and is preparing to recommend to the Committee proposed regulations that incorporate many of the comments we received.

Knowing that there is great interest in this topic, I have prepared a brief summary of the proposed changes from the 1st draft, although there are a couple of areas that have not yet been finalized. When they are, the entire second draft regulations will be posted to the website.

Geographic Areas – The second draft proposes to add the non-rural parts of the following counties to the Sacramento region and delete them from the Central Valley region: Butte, Shasta, Sutter, Yuba. This results in the Central Valley apportionment going from 12% to 10%, and the Sacramento region going from 4% to 6%. Additionally, it is proposed that San Francisco be its own region, which results in a 4% apportionment for that county, and a 6% apportionment for the counties of Santa Clara and San Mateo.

Site Amenity measurements – The second draft proposes reverting back to the current methodology of measuring site amenity distances, namely by radius and not by driving distance as was proposed in the first draft.

Minimum square foot requirements – The second draft proposes to eliminate the earlier proposed minimum square foot requirements.

Rural/At-risk projects – The second draft proposes permitting Rural, At-risk projects to choose whether to apply in the Rural or the At-Risk set-aside. If such a project applies in the At-Risk set-aside, none of the “special” Rural items will apply however.

Debt service coverage ratio – The second draft proposes to revert back to the current minimum debt service coverage ratios for this year, although it is anticipated that this may increase for 2005.

Waiver of 30% three bedroom requirement for acquisition/rehabilitation proposals

The second draft proposes to make this waiver available only to projects qualifying for and applying under the At-Risk set-aside.

Areas not yet finalized but where there might be change include:

Developer fee for tax-exempt acquisition/rehabilitation

Tie-breakers

Balanced Communities.