

STATE OF CALIFORNIA



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 CAPITOL MALL, ROOM 485
SACRAMENTO, CA 95814
TELEPHONE: (916) 654-6340
FAX: (916) 654-6033

Lynn Wehri
Executive Director

MEMBERS
State Treasurer
Philip Angelides, Chair

Tom Campbell, Director
Department of Finance

Steve Westly
State Controller

To: Tax Credit Program Users

From: Lynn Wehri, Executive Director

Date: February 8th, 2005

Re: Final Adjustments to Fourth Draft of Regulations

The list below identifies each of the changes made from the Third Draft to this final Fourth Draft of the Regulations. I started with the clean copy of the Third Draft, since the black lined version was becoming difficult to read. The only black lining in this version represents changes made after the Third Draft, and all prior changes in the Third Draft are incorporated into the text. These revisions are based entirely on feedback I have received from you since our committee meeting on the 26th, and for the most part the changes are for clarification and not substantive concerns. I appreciate your interest in and commitment to the program, and look forward to working with you through the upcoming round.

10305(d) P5 and 10325(c)(2) P20.

The \$2 million and 15% HTC limit language is changed back to the earlier language, so that the limit will include Federal Tax Credits only, not State Tax Credits. During the year ahead we expect to discuss this matter more fully, and to develop language allowing for some calculation of a Federal Tax Credit equivalent for the State Tax Credit usage if both are to be included in the cap.

10315(c)(2) P7.

Language is added to clarify that rural projects may receive reservations from geographic apportionments only in the final round.

10315(d) P7.

The RHS Apportionment within the Rural Set Aside is revised to a three tiered system, that will favor more deeply subsidized projects and correlate to various RHS commitment levels.

10322(i)(4)(B) P17.

Project Architects will be allowed to prepare CNAs, as long as the architect has no identity of interest with developer/sponsor.

10325(f)(2)(A)(ii) P30.

New language prohibiting assignment of purchase rights has been removed, due to difficulty in reaching agreement as to the kind of sale transactions that should be prohibited. This too may be taken up again next year if evidence of churning appears in the 2005 rounds.

10325(h)(2) P38.

Language describing the calculation for ranking Geographic Regions for Waiting List project selection is clarified.

10327(c)(6) P46.

Language is added to confirm that debt service coverage ratios pertain to hard debt only.

10327 (g)(7) P49.

Language on cash flow pro forma analysis is revised to confirm that tax credits will not be adjusted on the basis of cash flow performance after 8609 review: An adjustment will occur at 8609 processing if the pro forma does not demonstrate that cash flow limits are maintained in the first three years.

10327 (g)(8) P49.

Language is revised to confirm that commercial income may be used to support the residential element of a mixed use project, but a verified substitute source must be provided in case of commercial income shortfalls.

10330(c) P51.

The period for appeal submissions is adjusted to five days, rather than two.

10330(c) P51 and 10335(c) P52.

Refunding of the Appeal Fee has been eliminated on advice of counsel.

Various Sections Pages 1,3,4,8,9,11,14,15,18,44,46,48.

Various minor working and references were changed on the advice of Counsel.
