

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

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DATE: January 11, 2006  
TO: Tax Credit Stakeholders  
FROM: William J. Pavão, Executive Director  
RE: Responses to Comments on Proposed Regulatory Changes

Attached is a summary document describing proposed revisions to our November 17, 2005 regulation changes for program year 2006. Staff received many very thoughtful comments, and we have modified our proposed changes as a result. Staff will take our final proposed regulation changes to the Tax Credit Allocation Committee on January 18, 2006 for adoption.

**Significant Changes in Response to Comments:**

- **Revoke proposed change to annual limitation on any one applicant (Section 10305(d)).** Commenters expressed concern over our proposal to exclude State credits from the annual limit calculation. They argued that non-urban applicants could unduly benefit since they can access State credits beyond the federal per-project cap. Urban applicants typically obtain 130% of the per project basis limit and may only use State credits to swap out federal credits. Therefore, limiting only access to federal credits would constrain urban projects more than non-urban projects. Staff requires more study of this issue before recommending a change to the current regulation.
- **Broaden the homeless assistance apportionment eligibility (Section 10315(b)).** Staff now proposes permitting projects to compete for the homeless assistance apportionment if the project would benefit homeless populations as defined by the federal McKinney Act programs. Such projects would no longer be required to be assisted by McKinney Act funding, but could combine 9% credits with other State and local homeless resources.
- **Revoke proposed change to revitalization scoring for letters (Section 10325(c)(6)).** Commenters consistently reported that funding report letters from locally active nonprofit organizations are less meaningful than such letters from local governmental agencies. Truly successful local revitalization efforts reportedly are most reliant upon an actively investing local public entity. Therefore, staff is no longer proposing a change requiring a separate letter from a nonprofit organization, and is leaving the current regulatory language intact.

- **Amend sustainable building methods scoring, minimum construction standards, and energy efficiency basis boosts (Section 10325(c)(8) and (f)(7), and 10327(c)(5(B)).** Pursuant to comments, staff proposes (a) eliminating points for exceeding the new Title 24 energy standard by 5%; (b) reducing the less meaningful green menu options down to one (1) point each; (c) adjusting the Universal Design option; and (d) adding a one-point smoke-free option to the menu.

Smoke-free advocates made a persuasive case for the health benefits of nonsmoking portions of projects. In addition, commenters including Global Green recommended related updates to our construction standards and energy efficiency boosts based upon current practices, materials, and technologies.

- **Increase maximum eligible basis boosts for 4% tax credit projects (Section 10327(c)(5)(C)).** While staff will be examining alternatives to the HUD 221(d)(3) maximums TCAC currently uses to limit eligible basis for tax credits, commenters strongly urged this interim improvement to help in those regions where the limits unrealistically constrain access to appropriate amounts of 4% credits. Staff proposes increasing the percentage boosts for 4% credits only, noting the State's access to these credits is not capped annually under federal law. Therefore, projects in higher cost areas could access more credits without reducing credits available to other projects.

Other proposed clarifications are minor in nature, including delaying the removal of RHS Section 538 from the RHS program apportionment (Section 10315(d)) until the second round of 2006. Staff intends to forward all other originally recommended regulatory revisions to committee as contained in the November 17, 2005 proposal.

In addition to the summary of revisions to our initially proposed changes, you may also find on our homepage the full regulatory text reflecting the changes we will be recommending to committee on January 18<sup>th</sup>, including the revised changes responding to comments.

Attachments