DATE: June 30, 2009
TO: Low Income Housing Tax Credit Stakeholders
FROM: William J. Pavão, Executive Director
SUBJECT: Proposed Regulation Changes

Attached please find final proposed regulation changes associated with the federal American Recovery and Reinvestment Act of 2009 (ARRA). All proposed changes are within regulation Section 10323, and incorporate federal requirements as well as additional program provisions.

On June 2, 2009 the California Tax Credit Allocation Committee (TCAC) released proposed regulation changes to the ARRA regulation and on June 10 TCAC staff held a public hearing in Sacramento. In addition, TCAC took written public comment through June 23, 2009. Fifteen (15) individuals and organizations formally commented on the initial proposed changes. TCAC staff has carefully considered all comments received, and has finalized the recommendations to Committee for consideration and adoption on Wednesday, July 8, 2009.

The following is a list of those initially proposed changes that have been revised:

**Regulation Changes Recommended with Revisions:**

1. Establish as a threshold that all eligible projects be expected to be completed by February 16, 2012 consistent with federal requirements. **Section 10323(b), page 1; and a deletion at Section 10323(d)(2)(C), page 4.**

2. Clarify that Tax Exempt Bond projects are eligible for either TCAP or Section 1602 funds by using the term “ARRA” when describing their eligibility. **Section 10323(b)(2), page 1.**

3. Clarify that ARRA-funded loans backfilling HCD financing are repayable as soon as general obligation bond proceeds or AB 55 funds are available to HCD. Also, specify that the HCD programs for which ARRA funds will be available are the MHP, SHP, and Homeless Youth programs. **Section 10323(b)(3) page 1; and Section 10323(e)(3).**

4. Delete the term “nominal” from the regulatory text, and incorporate federally-provided language regarding good faith efforts where TCAP funds are awarded as cash in lieu of credits. **Section 10323(c)(1), page 2.**

5. Permit sponsors to have subject matter experts on staff as an alternative to retaining such expertise. **Section 10323(c)(2), page 3.**
6. Accept as relevant experience five (5) years’ providing housing and services to a larger class of project types than those housing the specific proposed population. **Section 10323(d)(2)(B), page 4.**

7. Except tax exempt bond competitors from the special needs requirement that another housing type be met where less than 75 percent of a project houses special needs populations. **Section 10323(d)(3)(B), page 6.**

8. Permit ARRA loan term extensions of various durations, and permit TCAC to approve loan assumptions. **Section 10323(e)(3), page 6.**

9. Expressly defer to U.S. Treasury loan term and recapture requirements for Section 1602 funds once they are established. **Section 10323(e)(7) and (e)(8), page 7.**

10. Clarify that initial fees are for advanced asset management services and add specificity to CalHFA fees. **Section 10323(f)(1), page 7.**

11. Increase TCAC’s maximum fee for providing NEPA and Davis Bacon compliance reviews and certification services to $3,000 each. **Section 10323(f)(3).**

Attachments