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DATE: June 10, 2014
TO: Low Income Housing Tax Credit Stakeholders
FROM: Anthony Zeto, Development Section Chief
SUBJECT: 2014 Second Round Guidance - REVISED

With this memorandum, the California Tax Credit Allocation Committee (“TCAC”) is providing guidance for prospective second round applicants.

Advisory Guidance to Second Round Applicants

During first round reviews of nine percent (9%) and four percent (4%)-plus-State credit applications, TCAC staff identified areas to clarify for second round applicants. The following notes clarify TCAC’s expectations for application content and award decision-making.

Four percent (4%)-plus-State credit applications

Pursuant to TCAC Regulations Section 10317(g)(4), a four percent (4%)-plus-State credit applicant must demonstrate, by no later than the TCAC application-filing deadline, that a tax-exempt bond allocation has been received or applied for with the California Debt Limit Allocation Committee (CDLAC). In the “Tax-Exempt Bond Financing” section of the application (Page 16), the date of CDLAC application submission must be completed and shall be no later than the TCAC application filing-deadline (July 1, 2014).

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Prohibition of Acquisition Basis for Existing TCAC Projects

Pursuant to TCAC Regulations Section 10322(k)(2), applicants for nine percent (9%) Low Income Housing Tax Credits acquiring and/or rehabilitating existing tax credit properties still currently regulated by a TCAC extended use agreement shall be prohibited from receiving any tax credits derived from acquisition basis, unless the proposed project is a Single Room Occupancy (SRO) development, a Special Needs development, or within ten (10) years of an expiring TCAC regulatory agreement. In the cases where acquisition basis is ineligible or acquisition credits are prohibited as stated above, no Developer Fee shall be based on acquisition basis.

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Local Development Impact Fees

Pursuant to TCAC Regulations Section 10327(c)(5)(A), applications requesting an increase to the threshold basis limit to offset Local Development Impact Fees (“Impact Fees”) must substantiate the increase by providing TCAC Application Attachment 18A signed by the appropriate local agency charging the fees. In the cases where local documentation is provided in lieu of Attachment 18A, please include a narrative with calculations demonstrating how the fees were derived. When completing the Sources and Uses development budget, the line item for “Local Development Impact Fees” must match the amount being requested for as a threshold basis limit increase and what is documented on Attachment 18A/other local documentation. If competitive points are requested for waived Impact Fees, these fees must be included in the Sources and Uses development budget as a cost with the offsetting source being the local entity assessing the fees.

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Energy Efficiency Requirement for Minimum Construction Standards and Sustainable Building Methods (“SBM”) Point Category

The California Energy Commission is scheduled to implement the new Title 24 standards (2013 Code) on July 1, 2014. In anticipation of this change, TCAC adopted regulation changes on January 29, 2014 that would require the energy efficiency minimum construction standards and the SBM requirements measured against current Title 24 standards (2008 Code) be increased to account for the increase in the Title 24 standard itself on July 1, 2014. For the updated energy efficiency requirements for 2014 competitive second round applications, please refer to TCAC Regulation Sections 10325(f)(7)(A) for minimum construction standards and 10325(c)(6)(B) for SBM requirements. When completing the SBM workbook, ensure the percentages outlined in the workbook are consistent with the percentages the applicant is committing to in the application and in accordance with TCAC Regulation Sections 10325(f)(7)(A) and/or 10325(c)(6)(B). When submitting TCAC Application Attachment 25 (New Construction/Adaptive Reuse), please use the updated form with the increased percentages dated May 2014.

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Environmental Clearance for Readiness to Proceed scoring

For clarifying information regarding environmental clearance for Readiness to Proceed scoring, please refer to guidance previously provided on the TCAC website at the links below:

- Memorandum dated May 26, 2011:
(<http://www.treasurer.ca.gov/ctcac/2011/firstround/update.pdf>)
- Memorandum dated June 20, 2013:
(<http://www.treasurer.ca.gov/ctcac/2013/secondround/guidance.pdf>)

If applicants have circumstances regarding NEPA clearance not addressed in the above guidance, please contact your regional TCAC analyst immediately.

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Proposed Regulation Changes

On April 28, 2014, TCAC proposed some clarifying changes to the regulations. Subsequently, TCAC published to the TCAC website the final set of proposed changes in response to comments on May 29, 2014. These proposed changes are currently scheduled for adoption at the June 11, 2014 Committee Meeting and can be found on TCAC website at:

- Final Proposed Regulation Changes with Responses to Comments Received (<http://www.treasurer.ca.gov/ctcac/programreg/2014/20140529.pdf>)

As you prepare applications for the second round, please review the proposed regulation changes referenced above to assure that your application meets the requirements of the regulations.

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Miscellaneous

Following are some of the application errors of first round applicants. Please review your applications carefully to avoid or correct these errors:

- Failure to include explanatory information when submitting multiple, lengthy, and interrelated documents;
- Failure to include all necessary documentation to support site amenity point requests;
- Failure to provide detailed explanations for approvals on Attachment 26 identified as “N/A”;
- Failure to properly complete the Funding Source table on Page 21 of the E-application.
- Requested Eligible Basis exceeding Threshold Basis Limit

When preparing your application for the second round, please also refer to the guidance previously posted or updated on the TCAC website.

- Competitive Tax Credit Application Submittals: <http://www.treasurer.ca.gov/ctcac/2014/submittals.asp>
- Current Guidance for TCAC’s Sustainable Building Method and Minimum Construction Standards for Energy Efficiency: <http://www.treasurer.ca.gov/ctcac/2013/sustainable.asp>
- 2014 Application Workshop Questions and Answers: <http://www.treasurer.ca.gov/ctcac/2014/questions.pdf>
- 2013 Application Underwriting and Scoring Guidance: <http://www.treasurer.ca.gov/ctcac/2013/guidance.pdf>
- 2014 Guidance for First Round Applicants Re-Applying in the Second Round: <http://www.treasurer.ca.gov/ctcac/2014/firstround/guidance.pdf>

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If you have any questions regarding the above guidance items, please contact your regional analyst (<http://www.treasurer.ca.gov/ctcac/assignments.pdf>).