



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 Capitol Mall, Suite 485
Sacramento, CA 95814
p (916) 654-6340
f (916) 654-6033
www.treasurer.ca.gov/ctcac

MEMBERS

JOHN CHIANG, CHAIRMAN
State Treasurer

BETTY YEE
State Controller

MICHAEL COHEN
Director of Finance

EXECUTIVE DIRECTOR
Mark Stivers

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE (TCAC) 2018 LOW-INCOME HOUSING TAX CREDIT (LIHTC) APPLICATION WORKSHOPS QUESTIONS AND ANSWERS (Q&As)

TIE BREAKER QUESTIONS

1. **For the Final Tie Breaker, TCAC Regulation Section 10325(c)(9)(A)(i) states, “The capitalized value of rent differentials attributable to public rent or public operating subsidies shall be considered public funds...The rent differential for projects with public operation subsidies shall equal the annual subsidy amount in year 1, provided the subsidy will be of a similar amount in succeeding years, or the aggregate subsidy amount of the contract divided by the number of years in the contract if the contract does not specify an annual subsidy amount.” How would the rent differential for USDA rental subsidies be calculated?**

USDA rental subsidies are committed at application but the amount of the contract rent is not finalized by USDA at the application stage. Consistent with past practice, TCAC will calculate the USDA rental subsidy as the difference between 40% AMI and 60% AMI rent for the applicable bedroom sizes.

2. **For a new construction competitive project with a land donation documented in a signed Disposition and Development Agreement (DDA) more than one year ago, does the appraisal need to be dated within 120 days of the signed DDA, or is a current appraisal dated within one year of the application acceptable?**

The appraisal submitted with the application must have a date of value within 120 days before or after the execution of a purchase contract (or DDA) or the transfer of ownership. An appraisal with a date of value within one year of the application, when the contract or ownership took place previous to this, is not in compliance with the TCAC regulations. If an appraisal was not completed within 120 days of the purchase contract, DDA, or ownership

transfer, an appraisal may be completed now if the appraiser uses a date of value within 120 days of the purchase contract, DDA, or ownership transfer.

POINT SCORING QUESTIONS

- 3. What if the projects used for general partner experience no longer have audited financial statements prepared?**

For general partner experience points, a CPA must certify that identified projects have maintained a positive operating cash flow for the year in which each development's last financial statement has been prepared and have funded reserves. For a project that no longer has audited financial statements because the compliance period is completed, either: (1) the applicant replaces the project with a different project that has audited financial statements; or (2) if a CPA is willing to make the certification without audited statements by verifying the cash flow and reserve requirements have been met, this is acceptable.

- 4. For a new construction large family project applying for the 8 point site amenity category for a high or highest resource area of the TCAC/HCD Opportunity Map, can the project access a high/highest resource area over the full period (up to seven years) between the site control and the application year?**

No, a project must use either the year of the site control or the year of application. Please note that 2018 is the first year of the TCAC/HCD Opportunity Map, so this option is only available to projects that obtain site control in 2018 or later. The year of site control is the year in which the applicant first obtained site control. Extensions and updated site control documents do not qualify as the year of site control.

- 5. Can an applicant general partner with some experience providing services be the service provider for services in a competitive application for the service amenity point category?**

Provided a general partner entity has at least 24 months' experience providing high quality services to the target population served by the proposed project in compliance with TCAC regulations, yes, a general partner entity can provide the services. As required for all applications, a contract, MOU, or commitment letter on agency overhead is required.

SET-ASIDE QUESTIONS

- 6. For the nonprofit set-aside there is a requirement under TCAC regulation section 10315(b) for first priority projects to commit to reserving vacant homeless units for 60 days for occupancy by persons referred by one of the following, if they exist: (1) coordinated entry or access system, or (2) the county health department's list of frequent health care users, or (3) the behavioral health department's list of persons with chronic behavioral health**

conditions who require supportive housing. How does an applicant document when none of these exist?

It is TCAC staff's understanding that all counties are covered by a continuum of care that should have a coordinated entry system. To provide verification in the TCAC application of unfruitful efforts to find the lists and coordinated system a narrative explanation and self-certification is acceptable. In these cases TCAC staff will verify the applicant's statements.

APPLICATION QUESTIONS

7. Is there a list of resource areas for the TCAC/HCD Opportunity Map?

There is a map and an Excel spreadsheet with census tracts and their corresponding resource areas available here: <http://www.treasurer.ca.gov/ctcac/opportunity.asp>. The map is not currently interactive, applicants cannot type address information and receive a corresponding resource area data summary within the map; refer to the Excel spreadsheet for resource area information. TCAC is working to have this feature available for future maps.

8. What is the parking-related basis exclusion?

TCAC's parking basis limit is a limitation on the amount of eligible basis allowed for the cost to construct onsite parking. The limits are listed in TCAC regulation section 10327(c)(10). A project may be required by local building code or a funding source to provide more parking than the TCAC limits. The cost of the parking that exceeds the TCAC limit must be estimated and the basis associated with the overage must be excluded in the Basis and Credits sheet of the Excel application, but not from the basis in the Source and Use Budget sheet. The CPA certification in Tab 19 must also verify this amount.

9. If a project must draw on reserves in the 15 year pro forma, when TCAC evaluates the cash flow requirements and debt service coverage requirements, are the reserves taken into account?

Yes, capitalized reserves drawn on to cover operating deficits are included as part of the calculation for "cash flow after debt service."

10. Do projects eligible for acquisition basis, but not requesting acquisition credits, need to include the acquisition basis in the Sources and Uses development budget?

Yes, the acquisition basis must be in the Sources and Uses Budget. In a case where the project is not eligible for acquisition basis (i.e. 10 year rule), a CPA would need to certify with an explanation that the acquisition cost is not includable in basis in the Attachment 19

eligible basis certification. In this case, acquisition basis can be excluded from the Sources and Uses Budget.

11. How does a project with a site location that is both a DDA and not DDA separate the DDA and non-DDA portions?

The bifurcated DDA and non-DDA portions of this type of project must be separate buildings. Do not bifurcate a building into DDA and non-DDA portions.

12. Does a funding source or seller need to acknowledge the purchase price or agreement is higher than the appraised value?

No. If a purchase price is higher than an appraised value, the financing summary in Tab 2 should provide an explanation for why this is the case.

13. Can a resyndication application be submitted prior to the end of the 15 year compliance period?

Yes, but not prior to the end of the 10 year credit period. However, the acquisition date and placed in service date for the resyndication project must occur after the end of the 15 year compliance period.

14. Should the appraisal reflect the seller credit required by a resyndication?

No, the appraisal should be an as-is value which would not include any seller credit as described in TCAC regulations.

15. Is a non-competitive 4% project subject to the high cost test/limit?

No.

HYBRID PROJECTS

16. What qualifies as a hybrid project for purposes of receiving the hybrid tiebreaker benefit?

A hybrid project seeking the hybrid tiebreaker benefit has two components with separate applications, a 9% and a 4% application. These can be two components of a single building, two components located on a single parcel, or parcels within ¼ mile of each other. The construction start dates must be within 6 months of each other or completion dates must be within 6 months of each other.

The 4% project must be eligible for maximum points in the 9% housing type, service amenity, sustainability, and lowest income points categories, although the income targeting

can be met across both the 4% and 9% projects. TCAC will review both applications to see that the combined targeting qualifies for maximum 9% points. The 4% project's regulatory agreement will include the requirements for housing type, service amenity, and that component's specific income targeting. In addition, the aggregate cash-out developer fee from both components may not exceed the individual 9% developer fee limit plus \$10,000 per low-income unit in excess of 100 combined low-income units. Any additional developer fee allowed in cost for each project individually must be deferred or contributed as equity to one or both components.

Tax credit units from the 4% project are includable in the 9% project's size factor for the tiebreaker calculation. The 9% project's final tiebreaker utilizes the combined amount of leveraged soft financing and the combined total residential project development costs.

17. Does the 150 low income unit project size limit apply to the combined units of a hybrid application?

No, the 150 low income unit limit applies only to the 9% component. The 4% component does not have a size limitation. The size factor for the 9% component tiebreaker is limited to 150 tax credit units.

18. When is the 4% application deadline for a hybrid application?

The 4% tax credit application and CDLAC application for the 4% component of a hybrid project are due when the 9% application is submitted.

19. Can hybrid TCAC application attachments and required documents reference the combined 9% and 4% components?

Yes, as long as the application includes narrative explanations for the breakdown between the components, where applicable documents such as site control, the title report, zoning verification, and commitment letters can be for the combined 9 and 4% components. In addition, one market study may cover both components. Each TCAC application sources and uses budget and financing tables must include the funds assigned to that component. However, the 9% component tiebreaker calculation will include the 4% soft leveraged funds.

20. Can the 4% component of a hybrid project be a competitive 4% + state credit application?

Yes, however since a 4% + state credit application is competitive, both components will be competing separately in their own competitions. Both components must win in their respective competitions in order to receive either award.

CUAC

21. Why should a rehabilitation project seeking to use the CUAC utility allowance submit documentation to TCAC for quality control review prior to the start of construction?

With respect to an existing project eligible to convert to the CUAC, the energy analyst must make various assumptions regarding the building materials used at initial construction. The quality control review may require changes in these assumptions, which may in turn alter the results of the CUAC and the cost effectiveness of the energy efficiency measures. If these changes are not known until placed in service, it will be too late to alter the construction scope of work and the developer runs the risk that the energy efficiency improvements may not pay off as anticipated. TCAC highly recommends that eligible owners intending to convert to the CUAC as part of a rehabilitation project submit the CUAC for quality control review prior to construction start. This will also help ensure a more timely placed in service review as the final CUAC quality control review will be simpler.