

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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



William J. Pavão
 Executive Director

MEMBERS:

Bill Lockyer, Chair
 State Treasurer

Ana J. Matosantos, Director
 Department of Finance

John Chiang
 State Controller

DATE: January 25, 2010
 TO: Low Income Housing Tax Credit Stakeholders
 FROM: William J. Pavão, Executive Director
 SUBJECT: Proposed 2010 Regulation Changes: Responses to Comments Received

On November 23, 2009 the California Tax Credit Allocation Committee (TCAC) released proposed regulation changes for program year 2010. TCAC staff subsequently held three public hearings on the following dates:

- Los Angeles, Friday, December 4, 2009
- Sacramento, Monday, December 7, 2009
- San Francisco, Wednesday, December 9, 2009

In addition, TCAC took written public comment through December 31, 2009. Seventy-nine (79) 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, February 17, 2009.

Staff had originally proposed eighteen (18) regulation changes. Staff intends to proceed with the following three (3) changes as originally proposed:

1. Clarify geographic apportionment naming styles. **Section 10315(j), page 2 of the attached version.**
2. Add service plans provisions to the Special Needs additional threshold requirements. **Section 10325(g)(4), page 28.**
3. Require an annual service amenity certification confirming the services remain in place as described within the awarded application. **Section 10337(c)(3), page 35.**

Pursuant to comments received, staff intends to amend the following fifteen (15) original proposals:

1. Increase housing goal percentages for Special Needs and SRO housing types.
Revisions: Clarify that the percentages serve as maximums where alternative housing types have not been met, rather than goals, within the competitive scheme.
Section 10315(i), page 1.
2. Extend 9% difficult to develop area (DDA) status for six California counties.
Revisions: Clarify DDA/QCT located projects may forgo the federal credit basis increase and apply for State credits instead. **Section 10317(d), page 3.**

3. Require placed-in-service (PIS) packages, with service amenity information added, within six months of project completion. **Revisions:** Delete the proposed six-month PIS submittal deadline. **Section 10322(i)(2), page 4.**
4. Starting in the second round of 2010, limit a sponsor's credit ceiling (9%) applications to no more than four (4) per round, and no more than two (2) per set-aside or geographic apportionment. **Revisions:** Propose no application limit, but rather an overall four-award limit per round regardless of set-aside or geographic region. **Section 10325(c), page 6.**
5. Clarify that competitive transit buses are to be publicly operated, not private systems. Also, permit aggregation of transit lines. **Revisions:** Permit scoring private lines provided free of charge with relevant headways and distances. New language also clarifies process for aggregating multiple lines for scoring purposes. **Section 10325(c)(5)(A)1., page 8.**
6. Clarify, by establishing minimum square footages, the term "full scale grocery store/supermarket." Also add, and establish a minimum square footage for, the term "neighborhood market," and delete the term "convenience market." In addition, provide points for nearby a farmers' market. Finally, increase distances for lesser points. **Revisions:** Continue proposed new terms, but add one point each to full scale grocery and neighborhood market scoring. New language also clarifies neighborhood market and farmers' market standards. **Section 10325(c)(5)(A)4., page 10.**
7. Recognize public schools under construction at application as "in place" with evidence that they will be complete before the residential project. **Revisions:** Explicitly clarifies that the public school must be under construction at the time of application. **Section 10325(c)(5)(A)5., page 12.**
8. Establish free high speed internet as a two (2) point option under site amenity scoring. **Revisions:** Specify 768 kilobyte per second systems and accept will-serve letters rather than contracts with service providers. **Section 10325(c)(5)(A)10., page 13.**
9. Establish new scoring standards for service amenity scoring. **Revisions:** Use full time equivalent staffing measures; make each of the options mutually exclusive for scoring; increase the resident to staff ratios; lower the minimum hours standards; and permit double-scoring for doubly intensive adult education or health and wellness services. **Section 10325(c)(5)(B)., page 14.**
10. Require documentation of rent subsidies if more than half of a proposed project's units are targeted at 45% of AMI or less. Also, amend the lowest scoring income table to account for larger percentages of lower income units, and reduce the amount of points available for 50% AMI units. **Revisions:** Delete the subsidy documentation requirement for 45% AMI projects, and clarify the rural-only scoring opportunities on the income targeting chart. **Section 10325(c)(7)(A), page 22.**
11. Amend the final tiebreaker to combine the ratios of (a) requested unadjusted eligible basis to total development costs, and (b) committed permanent public funding to total development costs. Eliminate the exceptions of land costs and developer fee in the total development cost figure. **Revisions:** Cross-reference public funds leverage

scoring and incorporate scoring public rent subsidies or operating subsidies. **Section 10325(c)(10), page 25.**

12. Clarify the components included in the builder overhead and profit calculation. **Revisions:** Reinstate builder's liability insurance exclusion, and include offsite and demolition costs to the calculation. **Section 10327(c)(1), page 29.**
13. Require an architect's certification that basis limit boost-increasing project features will, in fact, be incorporated into the project design. **Revisions:** Clarify that the architect need not certify a project's prevailing wage or special needs status. **Section 10327(c)(5)(A) and (B), page 30.**
14. Increase the required debt service coverage ratio to 1.15 to 1. **Revisions:** Except FHA/HUD financed projects from the new DSCR standard. **Section 10327(c)(6), page 33.**
15. Require an additional manager's unit for every additional 80 units in a property. **Revisions:** Clarify new standard, including relative to State minimums, and permit as an alternative 24-hour desk service in special needs projects. **Section 10327(g)(1), page 33.**

Attachment