



**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

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DATE: November 19, 2008  
TO: Tax Credit Applicants  
FROM: William J. Pavão, Executive Director  
RE: Methodology for Determining Rural Status of Project Site

Under California law, the Tax Credit Allocation Committee (TCAC) must set aside twenty percent (20%) of all annual nine percent (9%) federal credits for projects in rural areas (Revenue and Taxation Code 23610.5(j)(5) and Health and Safety Code 50199.20). Additionally, TCAC regulations require that all projects in rural areas compete for credits in this rural set-aside, with certain limited exceptions (CCR Section 10315(c)). Therefore, all applicants for 9% tax credits must document to the Committee’s satisfaction the rural or non-rural status of the project. “Rural area” is defined in State statute, Health and Safety Code Section 50199.21. The definition includes a three-part test. If a proposed project site is in a rural area, it would be considered rural and must compete under the rural set aside. There are two methodologies for determining a project’s rural status:

- 1) The project must pass one of the three steps provided in this memo;

Or

- 2) The applicant must provide a current letter from the project’s local USDA agency evidencing that it is in an RHS Section 515 designated area. This letter must specify that the project is in a Section 515 designated area; eligibility for USDA Rural Programs is not sufficient.

**Step 1: Non-metropolitan Counties** Projects in non-metropolitan areas are considered rural. Under the current definition of “metropolitan statistical area” established by the US Office of Management and Budget effective in 2009, 21 of California’s 58 counties qualify as non-metropolitan. Projects located in the following counties are not required to provide documentation of rural status, and will be considered rural applicants:

Alpine	Humboldt	Modoc	Tehama
Amador	Inyo	Mono	Trinity
Calaveras	Lake	Nevada	Tuolumne
Colusa	Lassen	Plumas	
Del Norte	Mariposa	Sierra	
Glenn	Mendocino	Siskiyou	

**Step 2: Rural Housing Service (RHS) Eligible Area** Beyond the 21 counties listed above, areas eligible for the RHS Section 515 program are also considered rural. The USDA Rural Development website has a list of eligible areas. The website address is: [http://www.rurdev.usda.gov/ca/mfh/515\\_program.htm](http://www.rurdev.usda.gov/ca/mfh/515_program.htm). At the website address, proceed as follows:

- a) Select the “Designated Place List – Fiscal Year 2008” link.
- b) Check your project’s location against locations on the PDF file list.
- c) In Tab 3 of the application, submit a printout of the page in the designated places list with the location of your project highlighted, and evidence of your project’s location within the designated place.

**Step 3: Small City Status:** If neither Steps 1 or 2 have resulted in a rural determination, a project site may be rural if it is within or adjoining a small city, subject to limitations detailed below. If the project site is within or adjoins an incorporated city, download State Department of Finance’s Report E-1 at: <http://www.dof.ca.gov/HTML/DEMOGRAP/ReportsPapers/Estimates/E1/documents/E-1table.xls>. Check the city’s latest population estimate. If located in an incorporated city of 40,000 or less, or in the unincorporated area adjoining that small city, the project may be considered rural if the project’s census tract is not designated as an “urbanized area” or “part of an urbanized area.” Note that the state’s statutory definition specifies “urbanized areas.” The 2000 Census also designates some areas as “urban clusters” (i.e., areas not defined as an “urbanized area” but still demonstrably urban). A proposed project may reside in an “urban cluster” and still meet the rural definition under Step 3. Only the census designation “urbanized area” would disqualify a project for the rural set-aside under this step. Proceed as follows:

- a) Go to the Census Bureau’s 2000 Census website at this location: <http://www.census.gov/>  
Click on American FactFinder  
Highlight 'Data Sets' and select 'Decennial Census'  
Click on 'Detailed Tables' next to 'Census 2000 Summary File 1 (SF 1) 100-Percent Data'  
From 'Select a geographic type' select 'Census Tract'  
From 'Select a state' select California  
From 'Select a county' select the project county  
From 'Select a census tract' select the project census tract  
Click 'Add' and 'Next'  
From 'Select one or more tables' select P2  
Click 'Add' and 'Show Result'
- b) If the table indicates that the total population of the census tract is rural or inside urban clusters, the site will be considered rural. If the proposed project site meets these qualifications, print the census tract table provided and submit this in Tab 3.
- c) If the table indicates the population is spread among rural, urban area, and urban cluster categories, further research is required. Census tracts are comprised of blocks and block groups. If the steps outlined in a) above are inconclusive, “block” and “block group” can be substituted for “census tract,” and typically will result in clarification of rural or urban status. Alternately, you may contact TCAC analyst Ben Schwartz or Gina Ferguson for assistance in determining the rural status of a proposed project site.

**Technical Assistance:** If you have completed the previous steps and are still unsure as to rural status of your project, you may also contact both RHS and HCD and request a status determination. Contact:

Mario Angel  
Division of Housing Policy Development  
California Department of Housing and Community Development  
1800 3<sup>rd</sup> Street  
P.O. Box 952053  
Sacramento, CA 94252-2053  
Phone: 916-445-3485  
Fax: 916-327-2643  
[mangel@hcd.ca.gov](mailto:mangel@hcd.ca.gov)

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