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DATE: April 8, 2009
TO: Low Income Housing Tax Credit Stakeholders
FROM: William J. Pavão, Executive Director
SUBJECT: Single 2009 Funding Round

As you know, the California Tax Credit Allocation Committee (TCAC) staff has been preparing to administer the federal cash resources made available to California under the American Recovery and Reinvestment Act of 2009. In doing so, TCAC staff have proposed a regulatory scheme that would allow competitive Credit Ceiling (9%) reservation recipients 45 days following preliminary reservation to obtain an equity partner Letter of Intent. If applicants were unsuccessful in obtaining an equity partner, they could return their 9% credits and compete for cash in lieu of credits.

Under this scheme, TCAC would likely have surplus returned credits to re-reserve for waiting list projects. Those projects must have a reservation and a carryover allocation by December 31, 2009 for California to access national pool credits in 2010. By state regulation, carryover allocations must occur by October 31 of each year. While TCAC can propose extending the 2009 state carryover allocation deadline in regulation, the December 31 deadline is federal and immovable.

The timing of a 2009 second round would jeopardize California's ability to meet the federal December 31 carryover allocation deadline, and therefore California's ability to access national pool credits.

In addition, projects receiving credit reservations after September 30, 2009 would be ineligible for Tax Credit Assistance Program cash awards, under the terms of the American Recovery and Reinvestment Act of 2009. While staff would attempt to make cash from prior-year returned credits available for gap financing second round projects, the predictability of such funds being available is very uncertain.

In light of these 2009 timing constraints, TCAC will be conducting a single competitive funding round for 9% credits and for 4%-plus-state credit awards. The application due date will be **June 9, 2009**, with the Committee making preliminary reservations on September 9, 2009. In order to accommodate projects preparing to compete in a second round, TCAC staff is proposing regulation changes that would provide more time for certain readiness requirements. Specifically, proposed regulations would allow applicants to assume public funding sources for which they have applied but have not yet received awards. In addition, applicants would not need to show local entitlements by the application deadline. Instead, applicants would have to provide local funding and entitlement and environmental approvals by **August 17, 2009**. Entitlement and environmental approvals would include the completion of an appeal period.

While TCAC recognizes the hardship this schedule adjustment places upon sponsors who were planning on a second round application, staff hopes all stakeholders will recognize the greater public benefit to be derived under this new schedule. In the end, this schedule will provide the time to fully allocate all cash and credit resources available to California in 2009. If you have any questions, please contact your regional analyst.