

**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*  
  
Michael C. Genest, Director  
*Department of Finance*  
  
John Chiang  
*State Controller*

DATE: March 31, 2008  
TO: Low Income Housing Tax Credit Stakeholders  
FROM: William J. Pavão, Executive Director  
RE: Syndication Agreements within Nine Percent (9%) Applications

As we approach the April 9<sup>th</sup> first round application due date for the 9% and 4%-plus-State credit competitions, a great deal of credit pricing uncertainty reigns. California Tax Credit Allocation Committee (TCAC) staff has been asked how it will view syndication letters in light of this uncertainty. This memorandum describes how TCAC staff will view syndication letters when underwriting first round applications.

The 9% and 4%-plus-State credit application forms, page 26, elicit a tax credit factor within Section V.C. The application form instructs the applicant to:

Use the higher of the tax credit factor listed in your investor's letter (i.e., ATT: Syndication Agreement), or the minimum tax credit factor established by an independent CPA (if no syndication). The tax credit factor used **may not be less** than the minimum tax credit factor for projects using **federal and state tax credits (\$0.80)**; or, for projects using **only federal tax credits (\$0.83)**.

This means that if the syndication letter pricing is below the listed minimums, applicants are to use the relevant minimum in completing Section V.C. of the application form. Under such circumstances, TCAC will use the relevant minimum factor in deriving the estimated net proceeds from the requested credits.

While TCAC has not established a maximum credit factor for underwriting purposes, unusually high credit factors in syndication agreements will draw additional scrutiny from TCAC staff in the first round this year. For example, any estimated pricing above \$0.96 would result in TCAC staff phone calls to the appropriate syndicator/investor confirming the reliability of that estimate. Pricing below \$0.96 may also draw additional scrutiny, depending on the totality of circumstances surrounding the syndication agreement.

In conclusion, TCAC staff is sensitive to the uncertainty surrounding this first competitive round, and will take steps to assure competitors and syndicators are providing estimates in good faith. Thank you all for your help in this matter.