CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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DATE: April 24, 2020

TO: Low Income Housing Tax Credit Stakeholders

FROM: Judith Blackwell, Executive Director

RE: Proposed Emergency Regulation Changes with Initial Statement of Reasons

Attached for public review and comment are the regulation changes proposed by the California Tax Credit Allocation Committee (TCAC) staff. Attached to this memorandum is the complete set of proposed changes with reasoning. The target date for regulation change adoption is June 17, 2020, prior to the second round application deadline. TCAC staff will conduct a public hearing at the following location and via teleconference to explain, answer questions, and solicit comments regarding the proposals:

Thursday, May 7, 2020, 10:00 am
State Treasurer's Office
915 Capitol Mall, Room 587
Sacramento, CA 95814

Public Participation Call-In Number[1]
(888) 557-8511
Participant Code: 5651115

As we work to further protect the health of our community in response to COVID-19, TCAC has modified its standard meeting procedures to implement the Governor's Executive Order and guidance of the California Department of Public Health. Participants, interest parties, and non-essential staff are requested to join the hearing via teleconference. Further, social distancing

[1] Interested members of the public may use this number to call in to listen to and/or comment. Additional instructions will be provided to callers once they call the indicated number. This call-in number is provided as an option for public participation but the Committee is not responsible for unforeseen technical difficulties that may occur. The Committee is under no obligation to postpone or delay the hearing in the event such technical difficulties occur during or before the hearing.

measures will be put in place at the hearing location, which will substantially limit the space available for in-person attendees. Public participation and comment periods will not be impacted. We appreciate your flexibility and understanding as we work to implement these public health measures while continuing to carry out the Committee's business. Please see the public notice for additional information regarding public comments on these proposed regulation changes.

Interested persons wishing to express their views on the proposed regulation changes may submit written comments by email to jblackwell@treasurer.ca.gov and azeto@treasurer.ca.gov, or deliver to the TCAC office **no later than 5:00 pm on Monday, May 18, 2020**. For email comments, it is preferable that they be in a Microsoft Word document or an electronic format that allows for copying. While TCAC welcomes public comments, staff encourages commenters to be sparing and brief given the short timeframe for staff to turn around responses. If you agree with some changes and disagree with others, please remember to make both sets of comments so that TCAC has a record of both favorable and unfavorable reactions. In the interest of consistency, TCAC prefers that commenters either provide comment at the public hearing or submit written comments, as opposed to both. If you feel it is necessary to provide both, please provide consistent comments in both forums. Thank you.

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Proposed Regulation Changes with Reasons
April 24, 2020

Section 10310(b)(1)

(b) Credit Ceiling available. The approximate amount of Tax Credits available in each reservation cycle shall be established by the Committee at a public meeting designated for that purpose, in accordance with the following provisions:

(1) Amount of Federal Tax Credits. The amount of Federal Tax Credits available for reservation in a reservation cycle shall be equal to the sum of:

(A) the per capita amount authorized by law for the year, plus or minus the unused, Federal Credit Ceiling balance from the preceding calendar year, multiplied by a percentage amount established by the Committee for said cycle;

(B) the amount allocated, and available, under IRC Section 42(h)(3)(D) as of the date that is thirty days following the application deadline for said cycle;

(C) the amount of Federal Credit Ceiling returned, and available, as of the date that is thirty days following the application deadline for said cycle; and,

(D) additional amounts of Federal Credit Ceiling, from the current or subsequent year, necessary to fully fund projects pursuant to the allocation procedures set forth in these regulations.

For calendar year 2020, the amount of the Federal Credit Ceiling established by the Further Consolidated Appropriations Act, 2020 shall be allocated pursuant to Section 10325(d)(1).

Reason: The Further Consolidated Appropriations Act, 2020 (FCAA) provided TCAC with additional 9% credits totaling the 2017 and 2018 9% federal credit allocated to projects in certain disaster areas, in recognition of the recent disasters occurring in California. The disaster areas defined in the FCAA are located in 13 of California's 58 counties: Butte, Lake, Los Angeles, Mendocino, Napa, Nevada, Orange, San Diego, Santa Barbara, Shasta, Sonoma, Ventura, and Yuba. These disasters have intensified the widespread housing crisis in California and created housing insecurity for thousands of Californians. To address this need, TCAC staff proposes to allocate these additional federal tax credits as stated in Section 10325(d)(1).

Section 10315(h)

(h) Housing types. To be eligible for Tax Credits, all applicants must select and compete in only one of the categories listed below, exclusive of the Acquisition and/or Rehabilitation and Large Family New Construction located in a Highest or High Resource Area housing types which are listed here solely for purposes of the tiebreaker, and must meet the applicable “additional threshold requirements” of Section 10325(g), in addition to the Basic Threshold Requirements in 10325(f). The Committee will employ the tiebreaker at Section 10325(c)(9) in an effort to assure that no single housing type will exceed the following percentage goals where other housing type maximums are not yet reached:

Housing Type	**Goal**
Large Family	65%
Large Family New Construction receiving the tiebreaker increase for being located in census tracts, or census block groups as applicable, designated on the TCAC/HCD Opportunity Area Map as Highest or High Resource Areas (effective for 2019 and later reservations)	30%
Special Needs	30%
Single Room Occupancy (SRO)	15%
At-Risk	15%
Seniors	15%
Acquisition and/or Rehabilitation within the rural set-aside only	30% of the credits available in the rural set-aside

For purposes of the Acquisition and/or Rehabilitation Housing Type Goal, a project will be considered an acquisition and/or rehabilitation project if at least 50% of the units were previously residential dwelling units.

A large family new construction project that receives a tiebreaker increase for being located in a Highest or High Resource census tract shall count against both that housing type and the general Large Family housing type.

Reason: The first proposed change acknowledges the change in the proposed 2020 TCAC/HCD Opportunity Area Map (2020 Map) location designations. The proposed 2020 Map identifies opportunity areas in rural areas at the block group rather than at the census tract level to more accurately measure rural populations and conditions. Additional changes to the proposed 2020 Map can be reviewed on the TCAC website: https://www.treasurer.ca.gov/ctcac/opportunity.asp. This includes the proposed 2020 Map, the spreadsheet of census tracts and block groups and their corresponding resource categories, and a narrative explanation of the changes to the methodology.

Section 10317(c) and (d)

(c) Limit on Credit amount. Except for applications described in paragraph (d) below, all credit ceiling applications may request State credits provided the project application is not requesting the federal 130% basis adjustment for purposes of calculating the federal credit award amount. Projects are eligible for State credits regardless of their location within a federal Qualified Census Tract (QCT) or a Difficult Development Area (DDA). Notwithstanding paragraph (d) below, applications for the Federal Credit established by the Further Consolidated Appropriations Act, 2020 are not eligible for State Tax Credits.

An applicant requesting state credits shall not reduce basis related to federal tax credits except to reduce requested basis to the project's threshold basis limit or the credit request to the amount available in the project's geographic region or the limits described in Section 10325(f)(9)(C). CTCAC shall revise the basis and credit request if the applicant fails to meet this requirement.

In the event that reservations of state credits to credit ceiling applications exceed the amount of state credits available, CTCAC post-reservation shall designate applications for which there are insufficient state credits as difficult development area (DDA) projects pursuant to Section 10327(d)(3) and exchange state credits for federal credits in an amount that will yield equal equity based solely on the tax credit factors stated in the application.

(1) Under authority granted by Revenue and Taxation Code Sections 12206(b)(2)(E)(ii), 17058(b)(2)(E)(ii), and 23610.5(b)(2)(E)(ii), applications for Special Needs projects with at least 50% special needs units and within a QCT or DDA may request the federal 130% basis boost and may also request State credits, provided that the applicant does not reduce basis related to federal tax credits except to reduce requested basis to the project's threshold basis limit or the credit request to the amount available in the project's geographic region or the limits described in Section 10325(f)(9)(C). CTCAC shall revise the basis and credit request if the application fails to meet this requirement. Under authority granted by Internal Revenue Code Section 42(d)(5)(B)(v), CTCAC designates Special Needs housing type applicants for credit ceiling credits as Difficult Development Area projects, regardless of their location within a federally-designated QCT or DDA.

(2) Under authority granted by Revenue and Taxation Code Sections 12206(b)(2)(E)(iii),17058(b)(2)(E)(iii), and 23610.5(b)(2)(E)(iii), applications for 4% federal tax credits plus State Farmworker Credits within a QCT or DDA may request the federal 130% basis boost and may also request State credits.

(3) Under authority granted by Revenue and Taxation Code Sections 12206(b)(2)(E)(iii), 17058(b)(2)(E)(iii), and 23610.5(b)(2)(E)(iii), new construction applications for 4% federal tax credits plus State Credits pursuant to subsection (g)(1)(B) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code within a QCT or DDA may request the federal 130% basis boost and may also request State credits.

Applications for the Federal Credit established by the Further Consolidated Appropriations Act, 2020, including Special Needs projects described in this section (d), are not eligible for State Tax Credits.

Reason: Staff proposes to reserve the 9% credit allocation of state tax credits for projects applying through the established allocation system. For applications for the federal tax credits from the Further Consolidated Appropriations Act, 2020 (FCAA), in the alternative staff proposes to grant Difficult Development Area (DDA) status to such projects, which allows federal tax credits to be calculated on 130% of eligible basis, thus providing additional federal tax credits (see Section 10327(d)(4)). Without this change, projects applying for the federal tax credits from the FCAA could access state tax credits in addition to these federal tax credits, thereby reducing access to state tax credits for all other applicants. The proposed changes also prohibit state tax credit allocations to special needs housing type projects applying for the federal tax credits from the FCAA for the same reason (these projects would otherwise be able to receive both 130% federal tax credit and state tax credit). For clarity purposes, staff proposes to insert this language in both subsections, (c) and (d).

Section 10317(g)

(g) Tax-Exempt Bond Financing. Projects financed under the tax-exempt bond financing provisions of Section 42(h)(4)(b) of the IRC, subsection (g)(1)(A) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code and Section 10326 of these regulations may apply for State Tax Credits if the following conditions are met:

(1) the project is comprised of 100% Tax Credit Units. Excepted from this rule are projects proposed for acquisition and rehabilitation that were developed under the HUD Section 236 or 202 programs, and are subject to those programs' use restrictions. Projects under those circumstances may propose a lesser percentage of Tax Credit Units to accommodate existing over-income residents who originally qualified under Section 236 or 202 income eligibility;

(2) one or more buildings is not eligible for the 130% basis adjustment, in which case the State Tax Credits shall be available only for the buildings not eligible for the 130% basis adjustment. This paragraph shall not apply to projects referenced in Section 10317(d);

(3) ~~the project has or will have a current year's tax-exempt bond allocation: That is, that~~ State Tax Credits will not be available to projects that have already received a reservation of 4% credit in the previous year; and

(4) the applicant must demonstrate, by no later than 10 business days after the tax credit preliminary reservation, that a tax-exempt bond allocation has been received or applied for.

For ~~Projects~~ projects financed under the tax-exempt bond financing provisions of Section 42(h)(4)(b) of the IRC, subsection (g)(1)(B) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code and Section 10326 of these regulations applying for State Tax Credits, ~~must have or will have a current year's tax-exempt bond allocation: That is, that~~ State Tax Credits will not be available to projects that have already received a reservation of 4% credit in the previous year.

Reason: Staff proposes clarify the language with regard to 4% applications requesting state tax credits. The existing language states that a project has or will have a current year's tax-exempt bond allocation and then provides an example that is in reference to a projects who already received a tax credit reservation in a previous year. The intent of the regulations was to prevent projects awarded tax credits in previous year from re-applying for state tax credits. For that reason, staff proposes to remove the language regarding the current year's tax-exempt bond allocation and simply require that project not have received a reservation of 4% credit in a previous year.

Section 10325(c)(4)(A)11.

11. The project is a new construction large family project, except for an inclusionary project as defined in Section 10325(c)(9)(C), and the site is located in a census tract, or census block group as applicable, designated on the TCAC/HCD Opportunity Area Map as Highest or High Resource: 8 points

    An application for a large family new construction project located in a High or Highest Resource area shall disclose whether or not the project includes any Low-Income Units which satisfy the obligations of an inclusionary housing ordinance or development agreement and, if so, the number of such units and whether the inclusionary obligations derive solely from the Low-Income Units themselves.

    An applicant may choose to utilize the census tract, or census block group as applicable, resource designation from the TCAC/HCD Opportunity Maps in effect when the initial site control was obtained up to seven calendar years prior to the application.

Reason: The proposed change acknowledges the change in the proposed 2020 TCAC/HCD Opportunity Area Map (2020 Map) location designations. The proposed 2020 Map identifies opportunity areas in rural areas at the block group rather than at the census tract level to more accurately measure rural populations and conditions. Additional changes to the proposed 2020 Map can be reviewed on the TCAC website: https://www.treasurer.ca.gov/ctcac/opportunity.asp. This includes the proposed 2020 Map, the spreadsheet of census tracts and block groups and their corresponding resource categories, and a narrative explanation of the changes to the methodology.

Section 10325(c)(9)(C)

(C) Except as provided below, a new construction large-family project applying in 2019 or later shall receive a higher resource area bonus as follows based on the designation of the project's location on the TCAC/HCD Opportunity Area Map:

The project is non-rural and the project's census tract is a Highest Resource area — 20 percentage points

The project is non-rural and the project's census tract is a High Resource area — 10 percentage points

The project is rural and project's census tract or census block group as applicable is a Highest Resource area — 10 percentage points

The project is rural and the project's census tract or census block group as applicable is a High Resource area — 5 percentage points

This bonus shall not apply to projects competing in the Native American apportionment, unless such projects fall into the rural set-aside competition. In addition, this bonus shall not apply to an inclusionary project, which for purposes of this subparagraph shall mean a project in which any of the Low-Income Units satisfy the obligations of an inclusionary housing ordinance or other development agreement negotiated between a public entity and private developer, unless the obligations derive solely from the Low-Income Units themselves or unless the project includes at least 40 Low-Income Units that are not counted towards the obligations of the inclusionary housing ordinance or development agreement. An application for a large family new construction project located in a High or Highest Resource area shall disclose whether or not the project includes any Low-Income Units which satisfy the obligations of an inclusionary housing ordinance or development agreement and, if so, the number of such units and whether the inclusionary obligations derive solely from the Low-Income Units themselves.

An applicant may choose to utilize the census tract, or census block group as applicable, resource designation from the TCAC/HCD Opportunity Maps in effect when the initial site control was obtained up to seven calendar years prior to the application.

Reason: The proposed change acknowledges the change in the proposed 2020 TCAC/HCD Opportunity Area Map (2020 Map) location designations. The proposed 2020 Map identifies opportunity areas in rural areas at the block group rather than at the census tract level to more accurately measure rural populations and conditions. Additional changes to the proposed 2020 Map can be reviewed on the TCAC website: https://www.treasurer.ca.gov/ctcac/opportunity.asp. This includes the proposed 2020 Map, the spreadsheet of census tracts and block groups and their corresponding resource categories, and a narrative explanation of the changes to the methodology.

Section 10325(d)(1)

(1) Set-aside application selection. Beginning with the top-ranked application from the Nonprofit set-aside, followed by the Rural set-aside (funding the RHS and HOME program apportionment first, and the Tribal pilot apportionment second), the At Risk set-aside, and the Special Needs set-aside, the highest scoring applications will have Tax Credits reserved. Credit amounts to be reserved in the set-asides will be established at the exact percentages set forth in section 10315, with the exception of the Federal Credit amount established by the Further Consolidated Appropriations Act, 2020 (“FCAA”). If the last project funded in a set-aside requires more than the credits remaining in that set-aside, such overages in the first funding round will be subtracted from that set-aside in determining the amount available in the set-aside for the second funding round. If Credits are not reserved in the first round they will be added to second round amounts in the same Set Aside. If more Tax Credits are reserved to the last project in a set-aside than are available in that set-aside

during the second funding round, the overage will be taken from the Supplemental Set-Aside if there are sufficient funds. If not, the award will be counted against the amounts available from the geographic area in which the project is located. Any unused credits from any Set-Asides will be transferred to the Supplemental Set-Aside and used for Waiting List projects after the second round. Tax Credits reserved in all set-asides shall be counted within the housing type goals.

(A) For an application to receive a reservation within a set-aside, or within a rural set-aside apportionment, there shall be at least one dollar of Credit not yet reserved in the set-aside or apportionment.

(B) Set-aside applications requesting State tax credits shall be funded, even when State credits for that year have been exhausted. The necessary State credits shall be reserved from the subsequent year's aggregate annual State credit allotment.

(C) Except for projects competing in the rural set-aside, which shall not be eligible to compete in geographic area, unless the projects are located within a Geographic Region and no other projects have been funded within the Project's region during the year in question, after a set-aside is reserved all remaining applications competing within the set-aside shall compete in the Geographic Region.

Federal Credit established by the FCAA application selection. Applications for projects located in the counties designated as qualified 2017 and 2018 California disaster areas by the FCAA, FCAA Federal Credit shall only be reserved for (1) new construction projects; or (2) reconstruction or rehabilitation of an existing project located in within a FCAA disaster area fire perimeter and directly damaged by the fire, and -that apply for the FCAA Federal Credit. Applications shall meet all program eligibility requirements unless stated otherwise below, and located in the following counties: Butte, Lake, Los Angeles, Mendocino, Napa, Nevada, Orange, San Diego, Santa Barbara, Shasta, Sonoma, Ventura, and Yuba.

CTCAC shall not recommend a project applying for FCAA Federal Credit for credits if the Local Reviewing Agency Project Evaluation Form submitted for that project opposes or strongly opposes the project.

Applications for projects applying for FCAA Federal Credit shall be competitively scored within the county apportionment under the system delineated in Sections 10325(c)(1) through (3), (4)(B), and (6). In the cases where applications receive the same score, the application with the greatest number of proposed Tax Credit Units shall be selected.

FCAA Federal Credit shall be made available starting in the 2020 second funding round in the amounts shown below:

ANNUAL FEDERAL TAX CREDIT BASE +	**COUNTY**

LOST UNIT ALLOCATION	
$33,466,820	Butte
$14,554,703	Sonoma
$5,995,809	Los Angeles
$5,828,994	Shasta
$5,473,978	Ventura
$4,783,192	Napa
$4,171,538	Mendocino
$4,105,239	Lake
$3,807,966	Yuba
$3,752,361	San Diego
$3,566,298	Santa Barbara
$3,564,160	Nevada
$3,549,189	Orange
$2,000,000	Supplemental
$98,620,247	**TOTAL**

The funding order shall be followed by funding the highest scoring application, if any, in each of the 13 counties. After each county has had the opportunity to fund one project, TCAC shall award the second highest scoring project in each county, if any, and continue cycling through the counties, filling each county's apportionment.

For an application to receive a FCAA Federal Credit reservation, there shall be at least one dollar of Credit not yet reserved in the county apportionment so long as the county's last award does not cause the county's aggregate award amount to exceed 125 percent (125%) of the amount originally available for that county. FCAA Federal Credit allocated in excess of the county's apportionment by the application of the 125% rule described above will be deducted from the Supplemental apportionment. If the last application requires more than 125% of the county apportionment, that application will not be funded. Any FCAA Federal Credit remaining in a county apportionment at the end a funding round will be available in the subsequent round. For the final funding round of 2021 for FCAA Federal Credits, if the aggregate amount of Federal Credit requested does not exceed the amount available, the 125% county limit above shall not apply. If all FCAA Federal Credit in a funding round has been awarded, all remaining FCAA applications shall compete in the applicable set-aside or geographic region, provided the application meets the requirements of the set-aside or geographic region.

At the conclusion of the 2021 second round, all unallocated FCAA Federal Credit within the county apportionments will be combined and available to remaining projects requesting FCAA Federal Credits not previously awarded, starting with highest ranking project within those counties not fully subscribed in the order listed above. Subsequent to the above selection ranking, any unused FCAA Federal Credit shall be designated for projects where at least fifty percent (50%) of the Low-Income Units within the project are designated for homeless households as described in Sections 10315(b)(1) through (4) starting with the highest ranking project pursuant to Section 10325(c).

The FCAA Federal Credit amount shall not be counted towards the set-asides of Section 10315, the housing type goals of Section 10315(h), or the geographic apportionments of Section 10315(i). Applications for FCAA Federal Credit shall not counted towards the four (4) awards limit of Section 10325(c). The maximum annual Federal Tax Credits available for award to any one project in any funding round applying for FCAA Federal Credit shall not exceed Five Million Dollars ($5,000,000). Applications for FCAA Federal Credit are not eligible for State Tax Credits.

Reason: In recognition of the recent disasters occurring in California, the Further Consolidated Appropriations Act, 2020 (FCAA) provided TCAC with additional 9% credits totaling the amounts of the 2017 and 2018 9% tax credits allocated to projects in those areas. The disaster areas defined in the FCAA are located in 13 of California's 58 counties: Butte, Lake, Los Angeles, Mendocino, Napa, Nevada, Orange, San Diego, Santa Barbara, Shasta, Sonoma, Ventura, and Yuba. These disasters have intensified the widespread housing crisis in California and created housing insecurity for thousands of Californians. To address this need, TCAC staff proposes to allocate these additional federal tax credits (FCAA Federal Credits) as follows. The FCAA Federal Credits would available starting the 2020 second round to projects located in the 13 counties listed above. Furthermore, the FCAA Federal Credit would be available only to (1) new construction projects, or (2) reconstruction or rehabilitation of an existing project located within a FCAA disaster area fire perimeter.

For FCAA Federal Credit, staff proposes not to recommend projects for credits where the Local Reviewing Agency (LRA) opposes or strongly opposes the project in LRA Evaluation Form submitted to TCAC. Local government agency have responded to TCAC regarding the allocation of these FCAA Federal Credits and emphasized the importance of their involvement in the process as they rebuild their communities. Staff agrees and proposes not to recommend projects for credits where the project is either opposed or strongly opposed by the LRA.

In light of the need for housing in these devastated communities and the lack of infrastructure and resources, as well as anticipated delays, staff proposes to only score applications applying for FCAA Federal Credits based on a subset of the point scoring categories with a tie breaker based on the number of proposed Tax Credit Units.

TCAC staff proposes to establish the county apportionments, excluding a $2,000,000 supplemental apportionment, based on a base federal credit per county amount of $3,500,000 plus the remaining FCAA Federal Credit dispersed to the 13 counties based on the percentage of lost units. Staff proposed a base federal credit per county amount in an effort to provide each county with a reasonable amount of federal credit that could be utilized. For example, if the calculation is based solely on the percentage of lost units, Orange County would only receive $98,682 in annual federal credits. The following table provides how the county apportionments were calculated:

BASE FEDERAL CREDIT PER COUNTY	ANNUAL FEDERAL TAX CREDIT BASE + LOST UNIT ALLOCATION	COUNTY	PERCENTAGE OF LOST UNITS
$3,500,000	$33,466,820	Butte	58.62%
$3,500,000	$14,554,703	Sonoma	21.62%
$3,500,000	$5,995,809	Los Angeles	4.88%
$3,500,000	$5,828,994	Shasta	4.56%
$3,500,000	$5,473,978	Ventura	3.86%
$3,500,000	$4,783,192	Napa	2.51%
$3,500,000	$4,171,538	Mendocino	1.31%
$3,500,000	$4,105,239	Lake	1.18%
$3,500,000	$3,807,966	Yuba	0.60%
$3,500,000	$3,752,361	San Diego	0.49%
$3,500,000	$3,566,298	Santa Barbara	0.13%
$3,500,000	$3,564,160	Nevada	0.13%
$3,500,000	$3,549,189	Orange	0.10%
	$2,000,000	Supplemental	
$45,500,000	**$98,620,247**	**TOTAL**	**100.00%**

Staff proposes that the FCAA Federal Credit for each county be available starting in the 2020 second round and available thereafter in the 2021 first and second rounds provided any FCAA Federal Credit remain. Staff also proposes to employ the $1 rule and 125% test in specific cases to ensure credits are fully utilized, but not in an excessive amount. The established supplement apportionment will absorb the excess Federal Credit allocated in the counties. If the demand in FCAA Federal Credits exceeds the amount available, these applications will compete in the applicable set-aside or geographic region, provided the application meets the requirements of the set-aside or geographic region and where all other existing 9% credit ceiling program requirements would ordinarily apply.

If there is insufficient demand in the second round of 2021 for FCAA applicants, staff proposes that the remainder of the FCAA Federal Credits be allocated to applications for projects that are housing for homeless as defined in TCAC Regulation Section 10315(b) (available to both for profit and nonprofit developers).

The FCAA Federal Credits will have a separate apportionment that is not subject to and does not apply the housing type goals and geographic apportionment limitations of the existing 9% credit ceiling program. Staff also proposes that FCAA applications not be subject to the four (4) award limit to credits received by individuals, entities, affiliates, and related entities per competitive round or the maximum $2,500,000 annual Federal Tax Credit award to any one 9% project. Given the limited resources available in the disaster impacted areas, staff proposes the maximum annual Federal Tax Credits for award to any one project applying for FCAA Federal Credit in any funding round shall not exceed $5,000,000.

Finally, staff proposes to reserve the 9% credit allocation of state tax credits for projects applying through the established allocation system. For applications for the FCAA Federal Credits, staff proposes to instead grant Difficult Development Area (DDA) status, which allows federal tax credits to be calculated based on 130% of eligible basis, providing additional federal tax credits (see Section 10327(d)(4)). Without this change, projects applying for the FCAA Federal Credits would likely access state tax credits in addition to these federal tax credits, reducing established access to state tax credits for all other applicants. The proposed changes also prohibits state tax credit allocations to special needs housing type projects applying for the federal tax credits established by the FCAA; these projects would normally be able to receive both 130% federal tax credit and state tax credit.

Section 10327(c)(5)(F)

(F) In a county that has an unadjusted 9% threshold basis limit for a 2-bedroom unit equal to or less than $400,000, a ten percent (10%) increase to the project's threshold basis limit for a development located in a census tract, or census block group as applicable, designated on the TCAC/HCD Opportunity Area Map as Highest or High Resource.

An applicant may choose to utilize the census tract, or census block group as applicable, resource designation from the TCAC/HCD Opportunity Maps in effect when the initial site control was obtained up to seven calendar years prior to the application.

Reason: The proposed change acknowledges the change in the proposed 2020 TCAC/HCD Opportunity Area Map (2020 Map) location designations. The proposed 2020 Map identifies opportunity areas in rural areas at the block group rather than at the census tract level to more accurately measure rural populations and conditions. Additional changes to the proposed 2020 Map can be reviewed on the TCAC website: https://www.treasurer.ca.gov/ctcac/opportunity.asp. This includes the proposed 2020 Map, the spreadsheet of census tracts and block groups and their corresponding resource categories, and a narrative explanation of the changes to the methodology.

Section 10327(d)(4)

(4) Pursuant to authority granted by IRC §42(d)(5)(B)(v), CTCAC designates credit ceiling applications for the Federal Credit established by the Further Consolidated Appropriations Act, 2020 as a difficult development area (DDA).

Reason: In accordance with recommendations received from the Governor's Office of Emergency Services, staff proposes to grant Difficult Development Area (DDA) status to projects proposing to utilize the federal tax credits from the Further Consolidated Appropriations Act, 2020. DDA status allows federal tax credits to be calculated based on 130% of eligible basis, providing additional federal tax credits. This proposed change will provide these projects access to additional federal tax credits. If a project applying for the FCAA Federal Credit is ultimately funded in their geographic region due to oversubscription of the FCAA Federal Credit, the project will retain the DDA status.

Section 10328(g)(3)

(g) Reservation Exchange. A project with a reservation of Federal Credit pursuant to Section 10325 and a carryover allocation pursuant to Section 10328(d) and IRC Code § 42(h)(1)(E) that meets either of the following criteria may elect to return all of the Federal Credit in exchange for a new reservation and allocation of Federal Credits from the year immediately following the year in which the initial reservation and carryover allocation were made. The reservation and carryover allocation of the Federal Credits returned pursuant to this subdivision shall be deemed cancelled by mutual consent pursuant to a written agreement executed by the Committee and the applicant specifying the returned credit amount and the effective date on which the credits are deemed returned. The Committee shall concurrently issue a new reservation of Federal Credits to the project in the amount of the Federal Credits returned by the project to the Committee.

(1) A High-Rise Project that returns all of the Federal Credit only during January of the year immediately following the year in which the initial reservation and carryover allocation were made.

(2) A project which prior to the placed in service deadline the Executive Director finds, in his or her sole discretion, merits additional time to place in service because development was significantly delayed due to damage directly cause by fire, war, or act of God. In considering a request the Executive Director may consider, among other things, the extent of the damage, the length of the delay, the time remaining until the project's placed in service deadline, and the circumstances causing the damage.

~~(2)~~(3) A project reserved Federal Credit established by the Further Consolidated Appropriations Act, 2020.

Reason: In light of the recent disasters occurring in California and the delays to remediation, approvals, and the rebuilding communities, staff proposes to permit projects receiving FCAA federal credits to exchange their credit reservation to provide these projects additional time to place in service.
