

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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DATE: August 26, 2008
TO: Low Income Housing Tax Credit Stakeholders
FROM: William J. Pavão, Executive Director
SUBJECT: Additional Federal Tax Credits

Pursuant to The Housing and Economic Recovery Act of 2008 becoming law on July 30, 2008 the State of California received an additional \$0.20 per capita in 2008 federal Low Income Housing Tax Credits. This means that California has an additional \$7.3 million in annual federal credits to make available to qualified projects this year. As proposed in a July 31, 2008 stakeholder memorandum, the California Tax Credit Allocation Committee (TCAC) is making those additional credits available to pending second round applicants for nine percent credits by cascading the additional credits through the various set-asides and geographic apportionments.

In an August 14, 2008 memorandum to the Committee, TCAC staff had proposed that a portion of the additional credits be used to restore the Supplemental Set-Aside, which had been depleted by a forward reservation from 2007. However, after receiving public comment on this point, staff reconsidered this idea and has elected not to fully restore that set-aside with the additional credits. In this way, each geographic apportionment will realize its full proportionate benefit from the additional federal credits.

Staff will make award recommendations based upon the Supplemental Set-Aside balance available at the time of the October 1, 2008 Committee meeting. As required by regulation, staff will sweep into the Supplemental Set-Aside any federal credits remaining in the geographic allocations following each regional set of reservations. This should allow the Committee to make all required reservations with minimal disruption to the 2009 competitive process. In other words, staff will minimize recommendations to forward commit 2009 credits to 2008 projects.

Please consult the accompanying allocation process table dated August 26, 2008 for the current estimate of available set-aside and geographic apportionment credits. If you have any questions, please contact your regional analyst.

Attachment

CTCAC ALLOCATION PROCESS FOR SET ASIDES AND GEOGRAPHIC REGIONS
Estimated as of August 26, 2008

Step 1 - Calculate Total Federal Credit Ceiling (1)

	<i>Per Capita</i>	<i>Population</i>	
New Population Based Credits*	\$2.20	36,553,215	\$80,417,073
Forward Committed 2008 Credit			\$0
Available Returned Credit			\$25,386
Total Federal Credit Ceiling			\$80,442,459
Round as Percent of Annual Total		50%	

Step 2 - Determine Set Asides (2)

Set Asides		Annual Set-Aside Amount	Credit Awards From Round 1	Estimated Round 2 Set-Aside Amount
Nonprofit	10%	\$8,044,246	\$5,325,143	\$2,719,103
Rural	20%	\$16,088,492	\$7,945,261	\$8,143,231
<i>RHS Apportionment (b)</i>	14%		\$2,175,605	\$1,140,052
<i>Other</i>	86%		\$5,769,656	\$7,003,178
Small Development (a)	2%	\$1,608,849	\$1,174,221	\$434,628
At Risk (a)	5%	\$4,022,123	\$1,947,654	\$2,074,469
Special Needs/SRO (b)	2%	\$1,608,849	\$1,360,420	\$248,429
Supplemental Set Aside (c)	3%	\$2,413,274	\$0	\$1,301,136
Total Set Asides	42%	\$33,785,833	\$17,752,699	\$14,920,996

Step 3 - Determine Geographic Apportionments (3)

	Federal Annual	State Total
Total Credit Ceiling	\$80,442,459	\$83,805,727
<i>Less Nonprofit</i>	<i>(\$8,044,246)</i>	
<i>Less Rural</i>	<i>(\$16,088,492)</i>	
<i>Less Special Needs/SRO</i>	<i>(\$1,608,849)</i>	
<i>Less Supplemental Set Aside</i>	<i>(\$2,413,274)</i>	
<i>Less Net Credit Balance From Prior Rounds</i>		
<i>Less State Credits for 4% Competitive Projects</i>		<i>(\$12,570,859)</i> for Rounds 1 & 2
Credit Ceiling Balance to Geographic Regions	\$52,287,598	\$71,234,868

Apportionments by Region	%	Annual Federal Credit	Total State Credit	New Estimated Annual Adjusted Credit (d)	Credit Awards and Adjustments From Round 1 (e)	Estimated Adjusted Credit for Round 2 (f)
LA County	33%	\$17,254,907	\$23,507,506	\$19,605,658	\$8,877,459	\$10,728,199
Central	10%	\$5,228,760	\$7,123,487	\$5,941,109	\$3,080,010	\$2,861,099
North and East Bay	10%	\$5,228,760	\$7,123,487	\$5,941,109	\$2,820,970	\$3,120,139
San Diego	10%	\$5,228,760	\$7,123,487	\$5,941,109	\$2,996,974	\$2,944,134
Inland Empire	8%	\$4,183,008	\$5,698,789	\$4,752,887	\$1,570,928	\$3,181,959
Orange County	8%	\$4,183,008	\$5,698,789	\$4,752,887	\$2,354,519	\$2,398,367
San Mateo etc.	6%	\$3,137,256	\$4,274,092	\$3,564,665	\$1,144,910	\$2,419,755
Capital/Northern	6%	\$3,137,256	\$4,274,092	\$3,564,665	\$1,942,617	\$1,622,048
Coastal	5%	\$2,614,380	\$3,561,743	\$2,970,554	\$658,952	\$2,311,602
San Francisco	4%	\$2,091,504	\$2,849,395	\$2,376,443	\$712,801	\$1,663,642
	100%	\$52,287,598	\$71,234,868	\$59,411,085	\$26,160,140	\$33,250,944

Note: All numbers in *(italics bracketed with parens)* are negative numbers.

* Per Capita increased by \$0.20 per H.R. 3221.

(a) All credit allocated to these Set-Asides is taken from the Geographic Apportionment, and any awards made in these Set-Asides will reduce the appropriate Geographic Set-Aside's total credit available.

(b) State credit allocated to projects in these Set-Asides is taken from the Geographic Apportionment, and any awards made in these Set-Asides will reduce the appropriate Geographic Apportionment's total credit available.

(c) Less \$1,824,431 for Round 1 Set Aside Amount, which was forward committed for 2008 from the Supplemental Set Aside to fund a priority project.

(d) The New Estimated Annual Adjusted Credit amounts are calculated as follows: (Annual Federal Credit x10 + Total State Credit)/10.

(e) The Credit Award and Adjustment amounts from Round 1: the awarded credits from Round 1 (including Set-Aside awards for At-Risk and Small Development Set-Asides - the deficit or surplus from 2007.

(f) Estimated Adjusted Credit totals for Round 2 were calculated as follows: New Estimated Annual Adjusted Credit (d) - Credit Awards and Adjustments from Round 1 (e).

(1) "Credit Ceiling is defined at 10302 (j) to include all elements shown below, following Ceiling definition in IRS Code Section 42".

(2) Health and Safety Code part 50199.2 establishes Rural Set Aside at "...20 percent of the federal ceiling." TCAC Regs Part 10315 also defines Set Asides with reference to a given percentage of the "Federal Credit Ceiling".

(3) Similar language applies to Geographic Apportionments in Regs part 10315(k).

CALCULATION OF STATE TAX CREDIT CEILING AND HOUSING TYPE GOALS

Step 4 - Calculate State Credit Ceiling

New Credits	\$70,000,000
Plus State Credit CPI Adjustment	<u>\$13,966,419</u>
State Tax Credit for 15% Set Aside Purposes	\$83,966,419
Plus Carry Forward of Prior Year's Credits	\$0
Less Advance Allocations in Prior Year	(\$2,124,291)
Plus Returned Credits	<u>\$1,963,599</u>
Total State Tax Credit Available for Year	\$83,805,727

Step 5 - Calculate Bond Financed Project Set Aside

	Set Aside Percentage	Set Aside Dollar Amount
Bond Financed Projects	15%	\$12,570,859
Other (9%) Projects	Balance of Total	\$71,234,868
Total		\$83,805,727

Step 6 - Calculate Housing Type Goals, Federal Tax Credits

Annual Federal Tax Credit Ceiling	\$80,442,459
Awarded Federal Tax Credits for Round 1	<u>\$39,914,103</u>
Available Federal Tax Credits for Round 2	\$40,528,356

	Type	Percentage	Annual	Round 1	Round 2
Housing Type Goals	Large Family	65%	\$52,287,598	\$26,143,799	\$26,343,431
	SRO	10%	\$8,044,246	\$4,022,123	\$4,052,836
	At Risk	5%	\$4,022,123	\$2,011,061	\$2,026,418
	Special Needs	5%	\$4,022,123	\$2,011,061	\$2,026,418
	Seniors	15%	\$12,066,369	\$6,033,184	\$6,079,253