

2013 9% LIHTC Application

Checklist Items 1 - 19

Basic Thresholds, Market Studies, & Feasibility

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Application **Deadlines**

First Round

Wednesday, March 6

Second Round

Wednesday, July 3

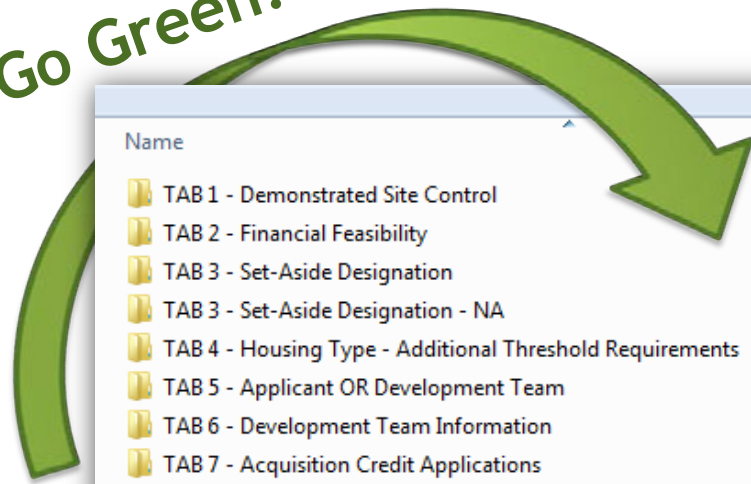


Electronic Submissions
































Submit **2**
copies!



Go Green!



Name

-  TAB 1 - Demonstrated Site Control
-  TAB 2 - Financial Feasibility
-  TAB 3 - Set-Aside Designation
-  TAB 3 - Set-Aside Designation - NA
-  TAB 4 - Housing Type - Additional Threshold Requirements
-  TAB 5 - Applicant OR Development Team
-  TAB 6 - Development Team Information
-  TAB 7 - Acquisition Credit Applications
-  TAB 8 - Rehabilitation Credit Applications
-  TAB 9 - Tenant Information
-  TAB 10 - Project, Land, Building, & Unit Information
-  TAB 11 - Project Size Limitations
-  TAB 12 - Site and Project Information
-  TAB 13 - Market Analysis
-  TAB 14 - Local Approvals
-  TAB 15 - Enforceable Financing Commitments
-  TAB 16 - Syndication
-  TAB 17 - Evidence of Subsidies
-  TAB 18 - Threshold Basis Limit Increases and Certifications
-  TAB 19 - Eligible Basis Certification
-  TAB 20 - Public Funds
-  TAB 21 - General Partner & Management Company Characteristics
-  TAB 22 - Management Company Expertise
-  TAB 23 - Site Amenities
-  TAB 24 - Service Amenities
-  TAB 25 - Sustainable Building Methods
-  TAB 26 - Readiness to Proceed
-  TAB 27 - Misc Fed & State Policies
-  TAB 28 - Farmworker Application
-  Project Name - LRA Transmittal Letter.pdf
-  Project Name E-Application.xls

Organizing Folders



TAB 1 - Demonstrated Site Control

Name



TAB1 - Appraisal.pdf



TAB1 - Purchase & Sale Agreement.pdf



TAB1 - Title Report.pdf

Excel Application Changes

Applicant Statement

- Expansion of signed applicant statement on pages 1-2
- Removal of signature blocks on most Attachments
- By completing the applicant statement, the applicant now certifies that each area of the application meets TCAC's requirements



Excel Application Changes

Main Application

- Checklist: A checkbox for the applicant stating that they reviewed the **market study**
- Page 6: Space for a **3rd General Partner** information
- Page 7: Space for **energy consultant** information
- Page 10: An area to provide narrative information about **tenant population** and/or **public subsidies**
- Page 17: **Average affordability** calculation
- Page 21: Drop-down menu to provide additional information about units with **Section 8**



Excel Application Changes

Sources and Uses Tab

- New cross-reference function comparing source totals to permanent financing loan totals
- Additional line items

As always, please be sure that the Sources and Uses budget is consistent with the permanent financing section AND that amounts in basis are correct and consistent with CPA certification in Tab 19



Excel Application Changes

Basis and Credits Tab

Determination of Federal Credit

- Applicable percentage for all projects is back to 9.00%
- Applicable percentage for acquisition basis is still 3.20%
- Applicants are required to use the above percentages
- New line item for forgoing DDA/QCT 130% basis boost
- Cross reference to the project's threshold basis limit



Demonstrate **Site Control**

TAB 1



**Current Title Report
Within 90 Days**

AND

If do not yet hold fee title:

Executed Lease Agreement or Option

Executed DDA with Public Agency

Executed Purchase & Sale or Option
Agreement

Demonstrate **Property Value**

TAB 1



All applicants must demonstrate the land value for the tie breaker analysis of total development cost

Include under **Tab 1**

When in doubt, refer to the 2011 Q&A on the TCAC website and to the 2013 “Application Underwriting and Scoring Guidance” memo

Demonstrate **Property Value**

TAB 1



Appraisals

See new Section 10322(h)(9)

Appraisals are **required** for all competitive applications except new construction projects that have third party purchase contracts or evidence of a third party purchase

Must be from a California certified general appraiser having no identity of interest with development's partner(s) or general contractor

Demonstrate **Property Value**

TAB 1



Appraisals

Acquisition-Rehabilitation: An “as-is” appraisal prepared within **120 days** before or after the execution of purchase contract

New Construction: When required, an “as-is” appraisal prepared within **one year** of tax credit application due date

Financial Feasibility

TAB 2

Financing Plan

Cash Flow Projections

- Residential 15 year proforma in TCAC Excel Application.
- Commercial may not support residential.

Utility Allowance Estimates

- 26 CFR Section 1.42-10
- CUAC questions contact:
Ammer Singh - ASingh@sto.ca.gov



Financial Feasibility

TAB 2

See Section 10327 for TCAC's regulatory requirements on Financial Feasibility and Determination of Credit Amounts

TCAC analysts review all projects for financial feasibility during our review of Tabs 1 - 19



Section 10322(h)(15), (16), & (21) and Section 10325(f)(5)

Financial Feasibility

TAB 2

TCAC Underwriting Requirements

- DCR at/above 1.15
- DCR at/below 1.25 OR 8% Gross Income in first 3 years
- Positive 15 year cash-flow



Set-Aside Designation

TAB 3

At-

- Qualify for all housing type requirements

REGULATION CHANGE: Increased housing type goal to **15%**

Non-

- Qualified under IRC Section 42(h)(5)
- Homeless assistance priority

Special needs/SRO

- Qualify for all housing type requirements

REGULATION CHANGE: 9% re-syndicating special needs projects may now claim acquisition basis

Section 10315(a)-(h), 10322(i)(8)-(10)

Set-Aside Designation

TAB 3

Rural

- Must have rural status per 2013 TCAC Methodology
- RHS priority (514, 515) - New Construction

REGULATION CHANGES:

- Codified TCAC's Practice for Determining Rural Status
- Projects with RHS 515 or 515 funding **MUST** apply under the RHS 514/515 Priority Set-Aside

Rural-related questions? Contact me! (nhil@sto.ca.gov)

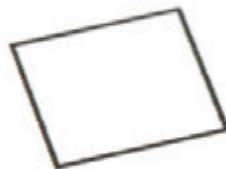
Housing Type Thresholds

TAB 4

Large Family

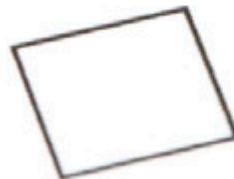


Senior



SRO

Special Needs



At-



Section 10325(g)(1)-(5)

Development Team

TAB 5

TEAMWORK

Current Financial Statements

Organizational Documents

Legal Status Questionnaire

Identity of Interest



Section 10322(h)(3),(6), 10325(f)(6), 10326(g)(5)(A)

Development Team

TAB 6



TEAMWORK

Identify Project Participants Copies of Contracts

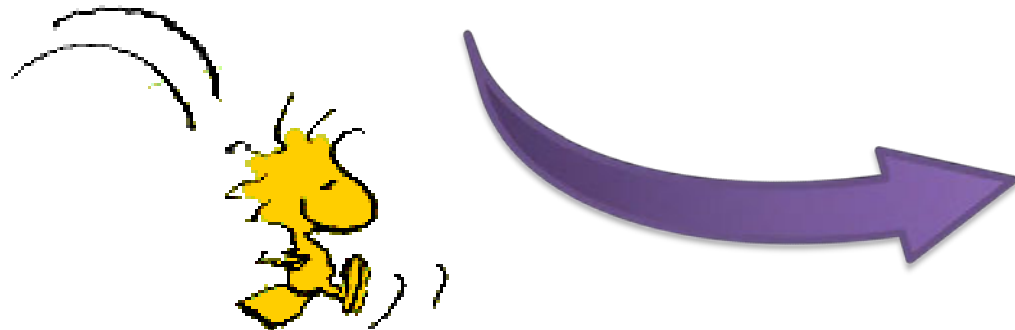


- Executed contracts
- Accurately dated
- With the correct project referenced



1. Attorneys / Tax Professional
2. Architect
3. Property Manager
4. Consultant
5. Market Analyst

Section 10322(h)(5), 10325(f)(6)(B)



Acquisition Credit

TAB 7

Chain of title report

10 year rule -

(refer to IRC Section 42(d)(2)(B)(ii))



Section 10322(i)(3)(A),(B),(C)

Rehabilitation Credit

TAB 8

“As Is” appraisal

- Includes land value “as if vacant”
- Done 120 days before or after purchase agreement execution or transfer of ownership

Underwriting

- “As is” appraised value
- Purchase price



Acquisition & Rehabilitation Credit - TAB 8

Capital Needs Assessment (CNA)

- Within 180 days of the application deadline

Rehabilitation Summary -

- Address immediate rehabilitation needs to be done and any planned long term replacements
- **Greater of \$20,000 in hard costs/unit or 20% of adjusted basis**



Rehabilitation Credit

TAB 9

Tenant-

- Income, rent and family size information for existing tenants
- Tenant Relocation Plan
- Explanation of Relocation Requirements
- Detailed Budget with Identified Funding Sources
- When required, compliance with Uniform Relocation Assistance and Real Property Acquisition Policy Act



TABS 10 & 11

Minimum Construction Standards & Project Size Limitations

TCAC Executive Director must approve waiver requests BEFORE the deadline date.

Please submit all waiver requests in a timely manner.



Site & Project Information

TAB 12

Physical Description

- Current use, adjacent property
- Unique features
- Site, parcel map, color photos



Project description

- Architectural drawings - project and unit square footage, bedroom count, laundry facilities, play area, commercial space, etc.

Architect Certification

MARKET STUDIES

TAB 13

Market Studies for TCAC & CDLAC

“A comprehensive forward-looking analysis of the housing market in a defined market area” (-NCHMA)

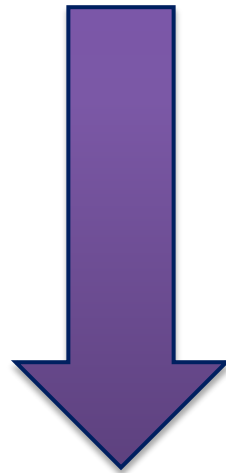
Analysis should be unbiased, objective, and supported with clear data and explanation when needed.

Goal: Is there **NEED** and **DEMAND** for the project in the area?

Must meet the requirements of Sections 10322(h)(10), 10325(f)(1)(B), 10326(g)(1)(B) of TCAC Regulations



Tenant Rents
10%+ Below
Market



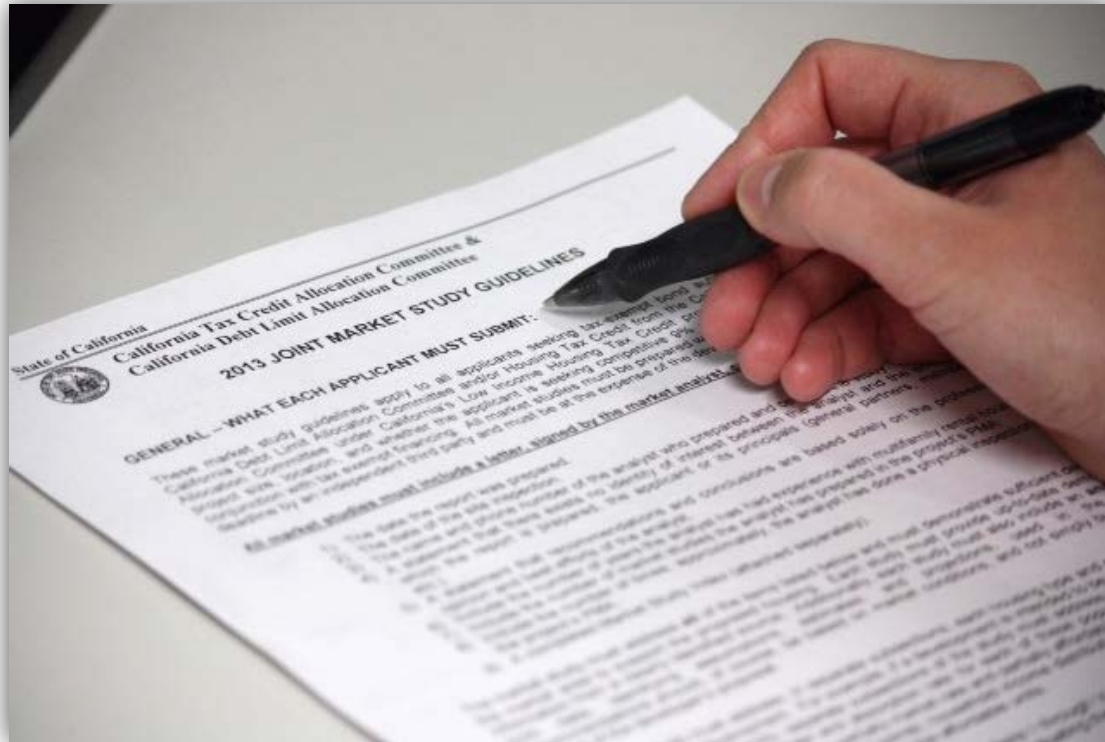
Value Ratio
(\$/SqFt)
 \leq Market



Absorption Rate
& Stabilized
Occupancy

2013 Regulation Change

Value ratio waiver now available for 9% acquisition-rehabilitation projects with existing federal or state rental assistance or operating subsidies.



Section 10325(f)(1)(B)

Market Study Components

1) Cover Letter

- Date of report
- Date of Site Inspection
- Name and Phone Number of Analyst
- Identity of Interest
- Statement of Professional Opinion
- Multifamily Rental Housing Experience
- Number of Projects in the PMA
- Number of Physical Inspections in the PMA
- Complete Market Study Index



Market Study Components

Background Information

- 2) Executive Summary & Conclusions
- 3) Project Description
- 4) Delineation of Market
- 5) Market Area Economic
Population



Market Study Components

Need and Demand

6) Demand Estimate

7) Absorption Rate

8) Competitive Rental Market

- Existing and Planned Affordable Housing Comparables
- Matrices in Excel Format
- Comparables beyond 1 Mile

9) Appendices



Market Study Questions?

General market study questions, contact me (nhil@sto.ca.gov)

Questions specific to your region, contact your regional analyst.



Local Approvals

TAB 14

Verification of Zoning

- Current
- Zoned for intended use
- Within maximum density



Section 10325(f)(4)

Financing Commitments

TAB 15

Permanent = 15 Year Term

Grants/Subsidies
Committed



50% Construction or
Permanent Committed

Provide Executed
Documentation

Section 10325(f)(3),(8), 10327(c)(9)

Syndication

TAB 16



Pricing same
as 2012

Federal Pricing:

\$1.05 Max

\$0.85 Min



State Pricing:

\$0.75 Max

\$0.60 Min

Syndication

TAB 16

Net proceeds
must match
equity listed in
your TCAC
application

Sources,
including equity,
must match uses!



Pricing same
as 2012

Evidence of Subsidies

TAB 17

- Commitments showing the funds are secured or have been renewed
- Source of the subsidy
- Annual amount
- Term
- Number of units
- Expiration date



REMEMBER

Accurately complete the table on Page 19 of TCAC Application

Threshold Basis Limit Boosts - TAB 18



- Prevailing Wages Required by Public Awarding Body (20%)
- Parking Beneath Residential Units (7%)
- Day Care Center (2%)
- 100% Special Needs (2%)
- 95% Upper Floors - Elevators (10%)
- 1+ Energy efficiencies - 10% max
- Seismic upgrading - 15% max
- Toxic or other environmental - 15% max
- Local Development Impact Fees

Section 10327(c)(5)(A),(B)

Eligible Basis Certification

TAB 19

- IRS Technical Advice Memorandum (TAMs)
- Meets requirements of IRC Section 42(h)(1)(E)
- If rehabilitation of existing structures is involved, meets minimum requirements.
- This letter is particularly important for projects approaching the 130% high cost limit!



Section 10322(h)(17) & 10325(f)(10)

Questions?



Contact

Your Regional Analyst



www.treasurer.ca.gov/ctcac