California Assembly Bill 101 (AB 101) provides $500 million additional state low income housing tax credits for 4% credit **new construction** multifamily housing projects that can begin construction within 180 days from award (4% + state credit NC). California Tax Credit Allocation Committee (TCAC) staff has published regulation change proposals incorporating the provisions of AB 101 into TCAC regulations.

Highlights of AB 101 include:

- For 2020, an annual allocation of $500 million additional state tax credits for 4% + state credit NC. For 2020, TCAC shall consider projects located throughout the state and shall allocate housing credits applying the non-competitive requirements for 4% credit applications.
- For 2021 and later, up to $500 million additional state tax credits for 4% + state credit NC if the annual Budget Act, or if any bill providing for appropriations related to the Budget Act, specifies an amount to be available for allocation in that calendar year by the California Tax Credit Allocation Committee, **and** the California Tax Credit Allocation Committee has adopted regulatory reforms aimed at increasing production and containing costs.
- Beginning in 2021, TCAC is no longer required to utilize the non-competitive application process.
- Of the $500 million, TCAC may set aside $200 million for projects receiving financing from the CalHFA Mixed-Income Program (MIP). (TCAC staff plans to implement this provision.)
- The $500 million state credit multiplier is 30%. (Below is a chart providing more information about the different state credit multipliers.)
- Projects located in a DDA or QCT are eligible for both the federal 130% basis increase and for state credit. State credit is calculated from 100% of basis (not 130%). (DDA and QCT status is determined by HUD.)
- The original pool of state credit, roughly $100 million, remains essentially unchanged, using a 13% multiplier, but with an added option of a 95% multiplier for qualifying rehabilitation projects:
    - The project's buildings must be 15 years old and complete substantial rehabilitation with the new tax credit allocation;
    - The project must currently restrict rent to 45% AMI targeting and below and continue to do so with the new tax credit allocation **OR** be financed with USDA RD Section 514 or 521; and
    - The project has a low appraised value.

For 2020, the $500 million in state tax credits will be available through the non-competitive application process. TCAC staff anticipates a typical calendar year of meeting dates (January, March, May, July, October, December).

TCAC anticipates accepting the first applications for 4% + state credit NC in January 2020 with a March award date. TCAC will publish a 2020 calendar of application and Committee meeting dates in the fall of 2019. For 2020, TCAC plans to continue to allocate the $100 million state credit through the competitive application process, with 85% allocated to 9% projects and 15% allocated to 4% projects.

Below is a chart providing more information about the different state credit multipliers.

STATE TAX CREDITS

	$70M - (Original) Section (g)(1)(A)				$500M - (New) Section (g)(1)(B)		$500K - (Farmworker) Section (g)(4)	
			Meets (A)-(D)*					
	9%	4%	9%	4%	9%	4%	9%	4%
	Basis Multiplier**							
Construction-related basis (New Construction)	30%	13%				30%	30%	75%
Construction-related basis (Rehabilitation)	30%	13%	95%	95%			30%	75%
Acquisition-related basis	13%	13%	95%	95%			13%	75%
	130% Federal Basis Boost and State Tax Credits (Construction-related basis only)							
DDA/QCT only			X			X	X	X
50% Special Needs and DDA/QCT	X	X	X	X		X	X	X
50% Special Needs only	X		X				X	

***(A) through (D):**
- A The qualified low-income building is at least 15 years old.
- B The qualified low-income building is either:
  - (i) Serving households of very low income or extremely low income such that the average maximum household income as restricted, pursuant to an existing regulatory agreement with a federal, state, county, local, or other governmental agency, is not more than 45 percent of the area median gross income, as determined under Section 42 of the Internal Revenue Code, relating to low-income housing credit, adjusted by household size, and a tax credit regulatory agreement is entered into for a period of not less than 55 years restricting the average targeted household income to no more than 45 percent of the area median income.
  - (ii) Financed under Section 514 or 521 of the National Housing Act of 1949 (42 U.S.C. Sec. 1485).
- C The qualified low-income building would have insufficient credits under paragraphs (2) and (3) to complete substantial rehabilitation due to a low appraised value.
- D The qualified low-income building will complete the substantial rehabilitation in connection with the credit allocation herein.

****Basis Multipliers:**
- 30%: Years 1-3 = 9%, Year 4 = 3%
- 13%: Years 1-3 = ~3.30% (depends on fixed rate or PIS rate), Year 4 = 13% - Years 1-3 Total
- 95%: Years 1-3 = 30%, Year 4 = 5%
- 75%: Years 1-3 = 20%, Year 4 = 15%