



January 21, 2009

Mr. William J. Pavao, Executive Director  
California Tax Credit Allocation Committee  
915 Capitol Mall, Room 303  
Sacramento, CA 95814

Re: Additional Comments and Suggestions on Proposed TCAC Regulation Changes

Dear Bill:

Thank you for including many of our previous comments in the proposed TCAC regulation changes. We, however, still believe that the following items are important for your consideration:

1. **Credit Reduction:** We have previously suggested that this category be eliminated as a stand-alone category because every project needs every tax credit it can get to attract investors. However, if it remains as a category then we suggest it be allocated a maximum of two (2) points.
2. **Third Tiebreaker:** While we were unable to reach consensus on a specific recommendation on this item, we do all agree that the applicant should be required to produce a letter from the local jurisdiction that definitively states via city council or board of supervisor's action that the local jurisdiction has the needed funds and that these funds in hand are specifically dedicated to the proposed project.
3. **Readiness:** The ability of the TCAC Executive Director to extend the 150-day period should be clarified to apply only to pre-2009 awards. The 2009 awards must adhere to the 60 day investor letter requirement so it makes no sense to provide a 150-day extension for the reason you state.
4. **Cost Efficiency:** Should exclude deferred developer fees.

5. Public Funds: We believe that giving 1 point for every percentage of total development cost coming from public subsidies is too easy to achieve. We have previously recommended that a half point be used, but would suggest that you consider utilizing three-fourths of a point if you believe ½ is too little.
6. Site Amenities: We are not supportive of uncapping Site Amenity points.

In addition to the above, we remain interested in continuing to work with you to possibly implement some of our other suggestions as identified and articulated in our December 8, 2008 comment letter to you. Those suggestions include the following:

1. Eliminate all funding exceptions at the time of application - Section 10325(f)(8)(F) - Several of these programs don't exist any more and AHP Funding should be committed at application in order to "count".
2. Eliminate the 150-unit cap for non-rural projects - Section 10325(f)(9)(A)(ii) - This serves no useful purpose and the limitation on credit per development necessarily limits the number of units.
3. Eliminate "goal" percentages for all but Family - Section 10315(i) - since both At-Risk and Special Needs housing types currently have their own set-asides, while a goal of 10% for SRO is excessive.
4. Eliminate points for "Housing Type" - Section 10325(c)(4) - These 10 points are totally redundant since every application will fall into one of the listed categories.
5. Limit the number of applications from the same sponsor or related party to six (6) per round – add to Section 10322. It is highly unlikely that an applicant could successfully complete more than this number of projects if awarded and no point in permitting the system to be overload with applications given the demand.
6. Make the first three (3) items under Section 10325(c)(8) be threshold items and the remainder be worth six (6) in total.
7. Separate Site and Service Amenities into two categories, permitting a maximum of 15 points in each and make high-speed internet access a threshold item - Section 10325(c)(5)(B) - eliminating the requirement for the service to be provided free of charge to tenants.
8. Double the distances for Site Amenity points other than in the transit subsection - Section 10325(c)(5)(A) - make the first transit choice worth 15 points and double the remaining transit amenity points.
9. Reduce the supplement set-aside from 3% to 1% - Section 10315(h).

10. Change General Partner and Management Experience points – Section 10325(c)(2) - to eliminate all points for both general partner and management experience of “under three years”. Everyone has scored maximum points in these categories for a significant time and having only a few projects in service for a short time doesn’t really demonstrate significant experience.
11. Eliminate paragraph (b) of Section 10325(c)(9) that grants two (2) points for serving tenants at or below 30% AMI.
12. Debt service coverage ratio – Section 10327(c)(6) – Change minimum debt service coverage ratio to “at least 1:15 to 1”.
13. Some members believe that the Neighborhood Revitalization and Balanced Communities categories should not necessarily be done away with altogether but we offer no suggestions for measurement at this time, rather believing that more time needs to be spent thinking through ways to measure these items.
14. Amounts available in the geographic areas should begin anew each year, as do the set-asides, rather than “carryover” from one year to the next (“use it or lose it”) – Add language to Section 10325(d)(2)(A).
15. We also encourage a revisit of Sections 10325(d) in regards to limitation of credit to any related party (as currently written, its intent is unclear) and 10325(h) with respect to the waiting list.

As always, thank you for your thoughtful consideration of our recommendations. We look forward to continuing our dialogue and assisting in the determination of how best to allocate and utilize valued tax credits to address the critical need for affordable housing in California. Thank you for the opportunity to submit our thoughts and suggestions.

Sincerely,

Daniel Lopez  
Interim Executive Director  
California Housing Consortium