



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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JUDITH BLACKWELL

DATE: November 18, 2020

TO: Low Income Housing Tax Credit Project Owners

FROM: California Tax Credit Allocation Committee – Compliance Section

RE: Tax Credits and Ownership Transfers (Updated)

The California Tax Credit Allocation Committee (TCAC) receives requests from project owners to sell or transfer ownership interests of an existing tax credit project. As part of our due diligence in processing such requests, TCAC staff must perform a qualifications review to determine if sufficient project development and property management experience exists for the newly proposed owner and property management company. TCAC Regulation Sections 10320(b), 10325(c)(2), and 10326(g)(5) specifically outline the general partner and property management experience requirements. In order to facilitate the qualifications review and prior to recommending approval, staff has developed the following attached questionnaire and checklist of required documents that must be submitted to TCAC.

In addition, TCAC Regulation Section 10320(b)(2) requires that all transfer events, as defined in TCAC Regulation Section 10302(qq), shall obtain the prior written approval of the Executive Director and are conditioned upon the post-transfer event owner entering into a specified covenant with TCAC relating to the rehabilitation needs of the project. All transfer events that include properties that received 4% tax credits in conjunction with a bond allocation from the California Debt Limit Allocation Committee (CDLAC), must also inform CDLAC of the intention to complete a transfer event on the project.

In order to facilitate the review and determine if the requests are subject one or both of the reviews, TCAC requires the following checklist of required documents be submitted to TCAC at the time of the request.

Please note: average processing times for review of a Transfer Event are 3-4 weeks to complete once all documentation has been received. Transfer Event submissions received from November – January may take 4-6 weeks to process. Transfer Events are processed in the order they are received. TCAC cannot prioritize Transfer Events that are submitted with less than the average processing time from their closing date.

- Sources and Uses worksheet including net equity distribution to the seller;
- Organization Chart showing the newly proposed owner structure;
- Assignment and Assumption of TCAC Regulatory Agreement (*buyer assumes TCAC regulatory agreement*). The agreement should include the TCAC # of the project. Please submit this form in an editable Microsoft Word format;
- TCAC Stand Still Agreement if the acquisition is being financed (*editable Microsoft Word format*);
- Seller's Current Qualified Capital Needs Assessment or Property Condition Assessment, as defined in TCAC Regulation Section 10302(ff), for the property;
- Seller's TCAC Capital Needs Agreement - Ownership Transfers (*editable Microsoft Word format*)*;
- Filing of the newly formed ownership entity with the California Secretary of State's Office (*if applicable*);
- IRS letter which shows the federal taxpayer identification number for the new owner entity (*if applicable*);
- Completed TCAC Project Ownership Profile Form (POP), identifying the new owner entity and property management (PM) agent;
- Property Management Agreement for project (*if applicable*);
- Financial statements for new owner entity including General Partner (GP) or Administrative General Partner (AGP). If entity is newly formed, include financial statements for the principals;
- Completed Attachment 21 - General Partner (G.P.) Experience and Attachment 22 - Management Company Experience evidencing GP, AGP and PM experience;
- Completed TCAC Project Status Report (PSR);
- A statement of the current Building Identification Numbers (BINs) and unit mix of the property. Please provide an additional explanation if this mix differs from the Recorded Regulatory Agreement;
- Statement of how much will rents increase after the transfer of ownership interests occurs.
- Statement from current owner confirming that seller will transfer tenant records, rent records, and all tenant demographic data collected up to the date the sale closes escrow to the buyer and their property management agent;
- Completed TCAC Annual Owner Certification (AOC) Form and TCAC Annual Operating Expense (AOE) reports;
- IRS Tax Form 990 for non-profit organization (*if applicable*); and
- Seller's Reserve Certification indicating that all unexpended funds in the project reserve funds associated with the project will remain with the project (TCAC Regulation Section 10327(c)(7)).

** For Transfer Events requiring a Capital Needs Assessment and Capital Needs Agreement (Covenant) a 15 year projected Table must be used. Regulations require that any Immediate and Critical Repair Needs plus the needs indicated for Years 1-3 be set aside in a Short Term Reserve account with the work noted completed within 3 years. The Long Term Reserve annual contribution amount should be the average inflated amount per unit per year noted for the remainder of the 15 year term. Properties with less than 15 years in their Regulatory Period, may prorate through the end of the compliance/regulatory period.*

Sale of a Property (in conjunction with a Resyndication of Credits):

If the new owner intends to resyndicate and apply for a new allocation of credits in conjunction with the sale of the property, the Transfer Event will be processed simultaneously with the application for

the new allocation of credits. **This Questionnaire for Transfer Events will not need to be submitted.** Instead, please see Resyndication Requirements Checklist and Q&A for questions regarding this scenario.

Please submit the above information to Compliance Program Manager, David McDaniels, via email or Secure File transfer to david.mcdaniels@treasurer.ca.gov in order to initiate the transfer event process. If the responses noted on the completed Questionnaire do not match any of the above scenarios or if you have any additional questions, please contact Compliance Program Manager, David McDaniels, at (916) 654-6340 or at the email noted above for guidance.