



Date: August 15, 2001
To: Inter-Regional Partnership Members
From: Staff
RE: Incentives Background Information

The Pilot Project refers to incentives, which could be made available to Jobs/Housing Opportunity Zones. Several State level programs described in the attachment to this report show potential sources for the IRP to focus on in the search for incentives. The preliminary information on these programs addresses several subject areas including:

- Program purpose
- Assistance type
- Eligible activities and applicants
- Application process

While this list of programs is not exhaustive, it is meant as a beginning point for incentives related activities. Staff believes that the Zones may prove to be excellent candidates for these programs. Most of these programs distribute monies through an application and selection process that ranks eligibility of projects. It may be possible to work at an administrative level with State agencies to give the zones a priority, or scoring advantage in the programs. Staff will present a plan and recommended actions to address these incentives at the next IRP meeting.

HCD Multi-Family Housing Program

Program Purpose:

Established in 1999 to assist in the new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households.

Assistance Type:

A maximum of \$4.5 million per project in the form of low interest deferred payment loans (55 year term) at 3 percent simple interest on unpaid principal balance. Forty-two percent payments are due annually, with the balance of principal and interest due and payable upon completion of loan term.

Eligible Activities:

New construction, rehabilitation, or acquisition and rehabilitation of permanent or transitional rental housing, and the conversion of nonresidential structures to rental housing. Eligible costs include the cost of child care, after-school care and social service facilities integrally linked to the assisted housing units; real property acquisition; refinancing to retain affordable rents; necessary onsite and offsite improvements; reasonable fees and consulting costs; and capitalized reserves.

Eligible Applicants:

Local public entities, for-profit and nonprofit corporations, limited equity housing cooperatives, individuals, Indian reservations and rancherias, and limited partnerships in which an eligible applicant or an affiliate of an applicant is a general partner.

Application Process:

Applications are invited through the issuance of periodic Notices of Funding Availability (NOFAs). The NOFA will specify the amount of funds available, application requirements, the allocation of rating points, and the deadline for submittal. The last NOFA was released in February 2001, with awards made in May, 2001. Approximately \$52 million was committed during this most recent round of funding.

Contact:

Anne Gilroy, (916) 327-2886

CALPERS Community Housing & Development Investment Program

Program Purpose:

Community housing and development investments include low-to-moderate-income housing, multi-family low-income housing, urban infill, community redevelopment, and rehabilitation of core properties.

Assistance Type:

Investment capital for projects where investment risk is no greater than in other real estate investments made by CALPERS. If the risk inherent in a particular project is unacceptably high, then CALPERS shall require guarantees, subsidies, or other financial assistance by government agencies to reduce risk to an acceptable level.

Eligible Activities:

Projects covered under this Program include: residential, office, retail, entertainment, hotel, and mixed use projects. Projects will be considered that meets the following criteria:

- Sufficient size to create a mix of uses and critical mass
- Single ownership and control
- Compatible surrounding land uses and densities
- Environmentally clean and manageable remediation
- Access to public and private transportation routes, housing , retail services, and amenities.

Eligible Applicants:

Investors, managers, consultants, or other participants as selected by CALPERS.

Application Process:

Contact:

San Francisco Regional Office
301 Howard Street, Suite 2020
San Francisco, CA 94105
(877) 720-7377
Fax (415) 369-8501
www.calpers.org

California Debt Limit Allocation Committee (CDLAC)

Program Purpose:

Established in 1985, CDLAC is responsible for administering the tax-exempt private activity bond program for the state. CDLAC implements the federal regulations which impose limits on the amount of tax-exempt private activity bonds a state may issue in a calendar year.

Assistance Type:

Qualified Private Activity Bonds issued for up to \$10 million per project. Projects must fall within of the six programs in the CDLAC process. These six programs are: multi-family rental housing, single-family housing, teacher home purchasing, small-issue industrial development (bonds limited to \$10 million per project), exempt facilities (bonds to help California businesses clean-up the environment or provide alternative energy), and student loan financing.

The 2001 allocation for housing was \$1,696,978,000 (\$1,596,978,000 excluding the teacher home purchasing program). \$115,000,000 was available for small-issue industrial development.

For multi-family rental housing, at least 10% of the units in a project must be income and rent restricted to serve households with incomes at, or below, 50% of the Area Median Income. Unless an applicant qualifies for an exemption, the maximum allocation that can be requested is \$30 million.

Single-family housing programs will have to have either a minimum 40% (45% in 2002) of the participating households earning 80% or less of the median family income of the area or located in a qualified census tract. Proposed single-family housing programs must also be consistent with the adopted housing element(s) for the jurisdiction(s) in which the program is to be operated.

A small-issue industrial development request must provide evidence that tax-exempt bond financing will create more jobs than any other means of financing available, must create at least one job per \$50,000 requested, and must provide documentation of the applicable discretionary use permits and approvals from federal, state or local planning agencies at the time of application.

Eligible Activities:

Land acquisition, new construction, purchase, and rehabilitation of multi-family rental housing. Issuance of mortgage revenue bonds to fund mortgages for the purchase of single-family homes (these may be either freestanding detached homes or condominiums/townhomes). Issuance of industrial development bonds to assist manufacturing companies to create new jobs.

Eligible Applicants:

Any state or local governmental agency is eligible to apply for a Qualified Private Activity Bond Allocation for a specific project or program. While public agencies are the lead applicants, private companies and non-profit entities can be major partners in the project or program.

Application Process:

An application needs to be filled out completely and submitted by deadlines set in the CDLAC allocation schedule. There is a \$300 filing fee for submitting an application. There is also a fee based on the amount of the actual allocation used (amount used times 0.00035 minus \$300 application fee).

A performance deposit of 0.5% of the allocation requested, not to exceed \$100,000 must be posted in order to apply. The applicant must maintain the performance deposit until CDLAC issues a written release.

Bonds must be issued within 90 days of receiving allocated funds from CDLAC.

All deadlines and meeting dates have passed for the 2001 calendar year. CDLAC will develop a 2002 schedule of meetings and allocation rounds at the beginning of next year.

Contact:

California Debt Limit Allocation Committee (CDLAC)
915 Capitol Mall, Room 311
Sacramento, CA 95814
Telephone: (916) 653-3255
Fax: (916) 653-6827
Web: <http://www.treasurer.ca.gov/cdlac/cdlac.htm>

Examples:

Sample of applicants, with project/program developers, that received funding in 2001:

- City of San Jose with AIMCO Equity Services
- California Statewide Communities Development Authority with Bay Development Group, LLC (project in Solano County)
- California Housing Finance Agency with BRIDGE Housing Corporation (project in Santa Clara County)
- Housing Authority of the County of San Joaquin with Eden Housing, Inc.

Tax Credit Allocation Committee (TCAC)

Program Purpose:

TCAC is responsible for the administration of two low-income housing tax credit programs (one federal and one state program). The programs are in place to encourage private investment in producing rental housing for low- and very low-income families and individuals. The state program is not an independent program, but instead, supplements the federal credit program (though federal assistance is not required to receive credits under the state program).

Assistance Type:

Credits are allocated on a competitive basis using a formula based on total project cost, subtraction of non-depreciable costs (land, permanent financing costs, rent reserves and marketing costs), and the number of low income units to total units (or the square footage of low income units to the square footage of the total units). The maximum allowed per project is \$2 million.

For 2001, federal credits were allocated with a ceiling of \$1.50 per state resident. For 2002 the allowed ceiling will be increased to \$1.75 per state resident. State credits are issued with a \$50 million annual ceiling.

The program has both rent and income restrictions. Tax credits cannot exceed 30% of an imputed income based on 1.5 persons per bedroom (i.e., in a two-bedroom unit, the income of a three-person household is used to calculate rent, regardless of the actual family size of the household). The initial incomes of households using the tax credits cannot exceed either 60% (if a minimum of 40% of the units are rent-restricted) or 50% (if a minimum of 20% of the units are rent-restricted) of the area median income.

Federal law requires that credit projects remain affordable for at least 15 years while California generally requires that affordability be maintained for 55 years.

Tax credit allocations are only applicable to units set aside as affordable to low- and very low-income households.

The allocation plan may be modified by TCAC through formal modifications to their regulations following comments received at a public hearing. Following the hearing, the plan may be amended by TCAC following a public meeting. Any amendments to the plan will take effect immediately upon adoption by TCAC and approval by the Governor, or such later time as specified by TCAC. All hearings in the modification/amendment process must be properly noticed.

Eligible Activities:

Only rental housing projects are eligible for tax credits under the federal and state programs. Credits under the federal program may be applied to new construction or the acquisition and rehabilitation of certain projects. State credits are not available for acquisition costs, except for already assisted projects that are at-risk of conversion to market rate housing.

Eligible Applicants:

A variety of entities are eligible to apply for tax credits through TCAC including corporations, non-profit organizations, individual investors, general or limited partnerships, and local

governments. Those utilizing the tax credits must have an ownership interest in the project for which the credits are awarded. Proposed projects must be financially feasible.

Application Process:

Submission of a complete application package followed by an application review process that takes about 75 days. 2001 allocations will be made at the September 17, 2001 TCAC meeting.

Contact:

California Tax Credit Allocation Committee
P.O. Box 94209-0001
Sacramento, CA 94209
Telephone: (916) 654-6340
Fax: (916) 654-6033
Web: <http://www.treasurer.ca.gov/ctcac/ctcac.htm>

Examples:

Sample of applicants who received tax credits in 2000:

- MORH Housing Associates (Alameda County project)
- TELACU Homes, Inc. (Contra Costa project)
- Cherry Tree Village Partners, LP (Stanislaus County project)
- Caritas Housing (Santa Clara County project)