

December 21, 2023

Anthony Zeto, Deputy Executive Director
California Tax Credit Allocation Committee
901 P Street
Sacramento, CA 95814

Via email: anthony.zeto@treasurer.ca.gov

RE: Comments on the December TCAC Regulation Change Proposals

Dear Anthony:

Thank you once again for the opportunity to comment on the proposed regulation changes and your responsiveness to suggested changes. We are supportive of the proposals and in particular appreciate the changes to use the actual basis for calculating state credit delivery and the improvements to the CUAC approval process.

We do have some suggested modifications to a few of the proposals:

Section 10327 (C)(2): Developer Fee limits.

We are very pleased to see the proposed increases to the developer fee limits. These increases are much needed given the trends that developers across the state are all experiencing: increased project cost and financial risk, increased complexity of populations, sites and regulatory compliance, and longer development timelines, all of which increase staff time and risk to projects.

These issues of financial risk, increased complexity and longer development periods are particularly true for Permanent Supportive Housing projects and those serving other hard to serve populations. The added complexity of combining multiple financing sources and coordinating services for these populations adds to development periods and staff time. Much of the work in planning services and engaging with a very complicated service delivery system on an ongoing basis is unfunded and must be paid through developer resources. At the same time, developers have increased long term financial risk associated with these projects related to their higher operating expenses and tight cash flows, and operating subsidies and service commitments with short expiration periods.

For these reasons, these projects require a higher degree of compensation through developer fees than other projects. We suggest that developer fees for both 4% and 9% projects be further increased for projects serving those populations as follows:

- For projects which designate no less than the fewer of 1) 15 units or 2) 25% of the total units for PSH, Special needs or Homeless households, an additional

\$20,000 per unit for every unit designated for PSH, Special Needs or Homeless households, up to a maximum of \$600,000.

We believe these increases to PSH and special needs projects are relatively modest and strike a balance between the very real issues we are experiencing in developing and operating these projects and the need to continue to develop projects in as cost efficient a manner as possible.

Section 10322(i). We strongly support these changes allowing closing-related placed-in-service documents when permanent closing occurs after the one-year submittal deadline. The proposed list of documents that may be submitted at the later date needs to be expanded to include those that will be affected by changes to final numbers used at closing: 1) the investor certification (item 6); 2) Attachment 40 (Item 7); and 3) the lender/investor letter approving operating expenses below the minimum, if applicable (Item 15).

Please let me know if I can answer any questions on these comments and thank you for your work on the program.

Sincerely,



Alice Talcott
Senior Vice President of Housing Finance
copy: Matthew O. Franklin, President/CEO