

NAME: \_\_\_\_\_

**Assessment of Properties Financed Using Low-Income Housing Tax Credits  
SELF-STUDY SESSION**

**REVIEW QUESTIONS**

1. When using the income approach, Revenue and Taxation Code section \_\_\_\_\_ requires assessors to exclude from income any benefit a property may receive from federal or state low-income housing tax credits.
  
2. Which of the following describes the federal low-income housing tax credit program [mark all that apply]?
  - Instituted by the 1986 Tax Reform Act
  - Codified as section 42 of the Internal Revenue Code (IRC)
  - Primary federal program for subsidizing the production of affordable housing
  - All of the above
  
3. In order for a project to qualify for tax credits, it must meet a threshold minimum "set aside" test, which can be satisfied in either of two ways:
  1. \_\_\_\_\_  
\_\_\_\_\_
  
  2. \_\_\_\_\_  
\_\_\_\_\_
  
4. Under IRC section 42, each state must annually adopt a qualified allocation plan describing how its annual share of federal tax credits will be allocated among eligible, competing projects.
  - True
  - False
  
5. The California agency responsible for tax credit allocation, and for developing the state's annual qualified allocation plan, is the \_\_\_\_\_, a unit of the State Treasurer's Office.

The answer to questions 6-7 are found by visiting the California Tax Credit Allocation Committee webpage at: [www.treasurer.ca.gov/ctcac/](http://www.treasurer.ca.gov/ctcac/)

6. Read the Overview document located under quick links.  
Public policies encouraging smart growth principles, \_\_\_\_\_, and the like are part of California's housing tax credit program.
7. Locate the *List of Projects and Map* spreadsheet under quick links. On the spreadsheet, select the tab for the county where you are employed. If there are no projects listed, select an alternate county for review.
- What county did you review? \_\_\_\_\_
  - Name one of the projects listed. \_\_\_\_\_
  - What is the housing type? \_\_\_\_\_
  - How many total units are indicated? \_\_\_\_\_
  - What is the annual federal award? \_\_\_\_\_
  - What is the total state award? \_\_\_\_\_
8. The California Legislature authorized a state low-income housing tax credit program to augment the federal program that is also administered by California Tax Credit Allocation Committee (CTCAC).
- True  
 False
9. In general, the state program mirrors the federal program, although there are two significant differences. List the two significant differences below.
- \_\_\_\_\_
  - \_\_\_\_\_
10. In general, the financial structure of a tax credit project is similar to that of all other projects—total project capital is composed of \_\_\_\_\_.
11. What criteria are used to determine the maximum amount of tax credits that may be allocated to a given project [mark all that apply]?
- Total development cost  
 Eligible basis  
 Eligible fraction  
 Qualified basis  
 Tax credit rate  
 All of the above

12. List the two tax credit rates established by Internal Revenue Code section 42.

- 1. \_\_\_\_\_  
\_\_\_\_\_
- 2. \_\_\_\_\_  
\_\_\_\_\_

13. The tax credits allocated to a project form the basis for the project's equity financing ("tax credit equity").

- True
- False

14. If a project's qualified basis were \$2,500,000, at the 9 percent tax rate, the project would receive \_\_\_\_\_ in tax credits for each year of the 10-year tax credit period and at the 4 percent rate, it would receive \_\_\_\_\_ in tax credits for each year.

15. Debt financing for a project usually involves one or more of the following types of debt [mark all that apply].

- Private, below-market debt
- State tax-exempt bond financing
- HOME funds and Community Development Block Grants
- Conventional, market-rate debt from a private lender
- All of the above

16. Most developers of tax credit projects seek 75 percent project financing, with tax credits providing all of the project equity and the balance of total development cost financed by debt.

- True
- False

17. CTCAC is required to analyze the \_\_\_\_\_ of all proposed tax credit developments.

18. The \_\_\_\_\_ is very difficult to apply with respect to tax credit projects.

19. What is the preferred valuation method when valuing tax credit projects?

\_\_\_\_\_

20. What are the two generally recognized variants of the income approach?

1. \_\_\_\_\_

2. \_\_\_\_\_

21. Any economic return derived from the tax credits must be included in the project's gross return.

True

False

22. On each valuation date, the appraiser must determine how long the project will remain subject to the regulatory agreement.

True

False

23. Presumably, at the end of the restricted period, a tax credit project will no longer be subject to regulation and should be valued as a \_\_\_\_\_.

24. Under Revenue and Taxation Code section 12206, equity owners of a tax credit project may receive a return from project income that does not exceed 8 percent of the lesser of either:

1. \_\_\_\_\_

2. \_\_\_\_\_

25. Under the band of investment technique, the discount rate is the weighted average of the rates of return on equity and debt components.

True

False

26. The procedure for capitalizing income for a tax credit project can be summarized in the following steps. List the six steps below.

1. \_\_\_\_\_

\_\_\_\_\_

2. \_\_\_\_\_

\_\_\_\_\_

3. \_\_\_\_\_

\_\_\_\_\_

4. \_\_\_\_\_

\_\_\_\_\_

5. \_\_\_\_\_  
\_\_\_\_\_

6. \_\_\_\_\_  
\_\_\_\_\_

27. The general framework of an acquisition and rehabilitation project closely resembles that of a newly developed project.

- True
- False

28. Low-income housing tax credit projects do not qualify for an exemption from property taxes.

- True
- False

29. The best source for obtaining information about a specific low-income housing tax credit project is the \_\_\_\_\_.

30. The IRS website is a good source of general information about the federal tax credit program.

- True
- False