

CALIFORNIA DEPARTMENT OF INSURANCE  
CALIFORNIA ORGANIZED INVESTMENT NETWORK (COIN)

DRAFT REGULATION TEXT ON COIN CDFI TAX CREDIT PROGRAM

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California Code of Regulations  
Title 10, Chapter 5, Subchapter 7.6.1  
California Organized Investment Network

Article 1: Purpose and Scope; Definitions

2696.20 Purpose and Scope

Revenue and Taxation Code Sections 12209, 17053.57 and 23657 authorize the issuance of tax credits in recognition of qualified investments made by taxpayers into community development financial institutions (CDFIs) for specific programs, projects or services. The CDFIs must be certified by the California Organized Investment Network (COIN), a unit of the Department of Insurance. COIN reviews both the applications for tax credit allocations and the applications by organizations seeking to be CDFIs. These regulations establish the procedure and criteria by which CDFIs submit the applications and COIN evaluates them, in accordance with the provisions in the aforementioned Revenue and Taxation Code Sections and Insurance Code Section 12939.

Authority: Revenue and Taxation Code Sections 12209(f), 17053.57(d) and 23657(e).

Reference: Revenue and Taxation Code Sections 12209, 17053.57 and 23657; Insurance Code Sections 926.1 and 12939 - 12939.2.

2696.22 Definitions

For purposes of this subchapter, the following definitions apply:

- (a) Applicant means: (i) an organization seeking CDFI certification; (ii) a CDFI seeking a tax credit certificate from COIN.
- (b) Application means: (1) documents submitted by the deadline specified by COIN by which an organization requests certification by COIN; (2) documents submitted by the deadline specified by COIN by which a CDFI requests a tax credit certificate; (3) documents submitted after the deadline at the request of COIN or with COIN's consent in support of either type of application referred to in (1) or (2).

- (c) California Organized Investment Network (COIN) means the unit within the Department of Insurance that processes applications for CDFI certification and applications for CDFI tax credit certificates.
- (d) CDFI means community development financial institution.
- (e) Certification means the status conferred by COIN on a CDFI authorizing the CDFI to receive qualified investments and apply for tax credits on behalf of taxpayers.
- (f) COIN means the California Organized Investment Network.
- (g) Certified CDFI means a CDFI that COIN has authorized to apply for tax credits under the program.
- (h) Community development financial institution (CDFI) has the meanings provided in Sections 12209(h)(2), 17053.57(g)(2) and 23657(g)(2) of the Revenue and Taxation Code.
- (i) Department means the California Department of Insurance.
- (j) Green investment has the meaning provided in Section 926.1(e) of the Insurance Code.
- (k) High unemployment area means that if the California average unemployment rate is less than 10%, then counties with an unemployment rate 25 percent higher than the State average are defined as high unemployment areas. However, if the California average unemployment rate is greater than 10%, then counties with an unemployment rate 15 percent higher than the State average are defined as high unemployment areas.
- (l) Insurer means any organization holding a certificate of authority from the Insurance Commissioner of the State of California.
- (m) Low-to-Moderate Income means "low-income" and "moderate-income" as those terms are defined in Section 926.1 of the Insurance Code.
- (n) Low to moderate income area means a geographical area in which the median household income is less than 80% of the statewide average.
- (o) Program means all acts and duties related to the purposes or requirements of Sections 12209, 17053.57 and 23657 of the Revenue and Taxation Code.
- (p) Qualified investment has the meaning provided in Sections 12209(h)(1), 17053.57(g)(1) and 23657(g)(1) of the Revenue and Taxation Code.
- (q) Rural area means any open country or any place, town, village, or city which by itself and taken together with any other places, towns, villages, or cities that it is part of or associated with: (a) has a population not exceeding 10,000; or (b) has a population not exceeding 20,000 and is contained within a nonmetropolitan area. "Rural area" additionally includes any open country, place, town, village, or city located within a Standard Metropolitan Statistical Area if the population thereof does not exceed 20,000 and the area is not part of, or associated with, an urban area and is rural in character.

- (r) Tax credit means the credit against the amount of tax referred to in Sections 12209, 17053.57 and 23657 of the Revenue and Taxation Code.
- (s) Tax credit certificate (certificate) means the document provided by COIN to a taxpayer documenting the awarding of a tax credit in a certain amount on a certain date.
- (t) Tax credit issuance cycle (cycle) means the period that begins when COIN publishes a due date for submittal of applications for certificates and ends when COIN has issued all certificates COIN intends to issue in response to those applications.
- (u) Taxpayer means any person eligible to receive a tax credit pursuant to Sections 12209, 17053.57 and 23657 of the Revenue and Taxation Code.

Authority: Revenue and Taxation Code Sections 12209(f), 17053.57(d) and 23657(e).

Reference: Revenue and Taxation Code Sections 12209, 17053.57 and 23657; Insurance Code Sections 926.1 and 12939 - 12939.2.

Article 2: COIN Community Development Financial Institution Certification  
2696.24 Applications for COIN CDFI Certification

- (a) Application submittal; revision; rejection
  - (1) Each applicant shall file a separate, complete application, in the format designated by COIN, to apply for COIN CDFI certification.
  - (2) Applications must contain an original signed statement by the applicant's chief executive officer attesting that all contents of the application and supporting documents are true and complete to the best of the signer's knowledge, and acknowledging all of the following items in subdivisions (A) – (G):
    - (A) That the program may change due to statutory, regulatory, or judicial actions.
    - (B) That the applicant has obtained the necessary corporate authorizations and that its charter or foundational documents allow it to apply for certification and participation in the COIN program.
    - (C) That certified CDFIs must be private institutions, the board composition of which may not exceed 49% public officials.
    - (D) That certification is non-transferrable.
    - (E) That a certified CDFI that is bought, sold, merged, or otherwise has a change in control must submit a new application.
    - (F) That certification may be terminated as set forth in Section 2696.26.

- (G) That information submitted to COIN is subject to disclosure under the California Public Records Act, except as provided in Revenue and Taxation Code Sections 12209(d)(3)(B), 17053.57(c)(3)(B), 23657(C)(3)(B), and any successor, or other statutes.
- (3) An applicant may not change or supplement an application after an application deadline without COIN's prior consent, which may only be granted for good cause shown.
- (4) COIN may reject an application for any of the grounds listed in subdivisions (A) – (E):
  - (A) The application is received after a deadline for filing applications. Applicants must retain evidence of timely application submittal, and may be requested to provide proof of submission.
  - (B) The application does not contain all information and documents required by Section 2696.24(b).
  - (C) The applicant has failed to provide information requested by COIN.
  - (D) The application does not meet the requirements for certification in Section 2696.26(a).
  - (E) The applicant is subject to the grounds for denial in Sections 2696.26(g) and (h).

(b) Application contents

A complete application contains of all the following applicant information and documents listed in subdivisions (1) – (3), and all subdivisions thereof:

- (1) General applicant information summary.
  - (A) Name and address of the applicant.
  - (B) Name, title, telephone number, fax number, business address, mailing address, and e-mail address of the primary application contact person.
  - (C) Brief applicant mission statement establishing that community development is the applicant's primary mission, and describing types of services provided by the applicant (e.g.: lending or investment in urban, rural, or reservation-based communities within California).
  - (D) Applicant's geographic service area, describing particularly areas served in California.
  - (E) Organizational historical and background information, including services provided.
  - (F) Names of board members and officers, and description of operational structure.

- (G) Legal organization of applicant (e.g.: incorporated private financial institution, 501(c)(3) not-for-profit corporation).
  - (H) Taxpayer identification number.
  - (I) US Treasury CDFI certification status.
  - (J) Community Development Entity certification status under the New Markets Tax Credit Program.
- (2) Applicant CDFI information
- (A) Applicant must state or indicate the manner in which the applicant satisfies criteria for certification set forth in Revenue and Taxation Code Sections 12209(h)(2), 17053.57(g)(2), and 23657(g)(2); and
  - (B) Applicant must state whether, within five (5) years from the application date, it will change its operations or business plan such that it will no longer satisfy the certification criteria set forth in Revenue and Taxation Code Sections 12209(h)(2), 17053.57(g)(2), and 23657(g)(2).
- (3) Supporting Documents and Information
- (A) Cover letter stating how the applicant satisfies the statutory criteria referenced in Section 2696.24(b)(2)(A).
  - (B) Narrative explanation of the applicant's mission statement.
  - (C) Formation documents for the applicant, including Articles of Incorporation and Bylaws.
  - (D) Organizational chart.
  - (E) List of Board of Directors membership and resumes for all board members.
  - (F) List of corporate officers (or organizational equivalent) and officer duties, and resumes for all corporate officers.
  - (G) Biographical affidavits for all board members and corporate officers. Affidavits shall be completed on Form 11 of the National Association of Insurance Commissioners (NAIC) Uniform Certificate of Authority (UCAA) package, or any successor biographical affidavit form that NAIC may develop for the UCAA package; the form may be downloaded from the NAIC website.
  - (H) Most recent annual report.
  - (I) Audited financial statements for preceding three years and unaudited financial statements for the most recently concluded quarter.
  - (J) Marketing materials for the applicant.

- (K) California Statement of Domestic Nonprofit Corporation, if applicable.
- (L) Internal Revenue Code Section 501(c)(3) or 501(c)(4) determination letter, if applicable.
- (M) Department of Treasury CDFI certification letter, if applicable.
- (N) Department of Treasury Community Development Entity (CDE) certification letter, if applicable.
- (O) Regulatory charter, if the applicant is a financial institution subject to state or federal regulation.
- (P) Bank or credit union ratings by regulator.
- (Q) CARS™ rating, if available.
- (R) Other documents deemed relevant by the applicant.

Authority: Revenue and Taxation Code Sections 12209(f) and (g), 17053.57(d) and (e), and 23657(e) and (f).

Reference: Revenue and Taxation Code Sections 12209, 17053.57 and 23657; Insurance Code Sections 12939 - 12939.2.

2696.26 COIN CDFI Certification Evaluation and Issuance; Duration; Termination

- (a) COIN will evaluate applications for certification, and, on the basis of evidence satisfactory to COIN, issue certification to applicants complying with the following criteria:
  - (1) The certification requirements referred to in Section 2696.24(b)(2)(A); and
  - (2) The applicant must demonstrate by relevant evidence that it has financial solvency, adequate capitalization, management capability, liquidity, assets, and earnings to effectively promote statutory program goals and administer investment proceeds using sound financial management practices.
- (b) COIN may request additional information or documents during the application review process, and applicants must respond completely within the time stated in the request.
- (c)
  - (1) Certification is valid for the lesser of three years from the date of issuance, as specified on the certification document, or as described in either of subdivisions (A) or (B), as applicable
    - (A) Until the final filing date of a reapplication period as described in Section 2696.28(b).

- (B) Thirty calendar days after the effective date of purchase, sale, merger, or change in control of a certified CDFI; if the certified CDFI subject to purchase, sale, merger, or change in control timely files a new application pursuant to Section 2696.24 prior to expiration of the 30 day period, its existing certification shall remain valid during review of the new application.
- (2) Unless granted an extension for good cause by COIN, no less than 12 months and no more than 15 months after the effective date of certification and each anniversary thereof, certified CDFIs must file current, updated versions of information and documents listed in subdivisions (A) – (G):
  - (A) Cover letter as described in Section 2696.24(b)(3)(A).
  - (B) Mission statement as described in Section 2696.24(b)(3)(B).
  - (C) Organizational chart as described in Section 2696.24(b)(3)(D).
  - (D) Board of Directions membership list as described in Section 2696.24(b)(3)(E).
  - (E) Annual report as described in Section 2696.24(b)(3)(H).
  - (F) Audited financial statements for the most recently concluded year.
  - (G) Unaudited financial statements for the most recent quarter.
- (d) Certification is subject to, and may be revoked for non-compliance with, the conditions in subdivisions (1) – (4):
  - (1) Certified CDFIs must not engage in any conduct, or be subject to any actions or proceedings listed in subdivisions (g) or (h).
  - (2) Certified CDFIs must file the information and documents listed in subdivision (c)(2).
  - (3) Certified CDFIs which receive qualified investments must submit reports pursuant to Insurance Code Section 12939.1(a), and any notices issued thereunder.
  - (4) Such conditions as COIN may reasonably impose to ensure continuing compliance with the requirements of this Article.
- (e) If COIN becomes aware that a certified CDFI has not complied with a condition of its certification listed in subdivision (d), or that grounds exist to suspend or revoke a certification pursuant to subdivision (g), or subdivision (h), COIN may, in lieu of suspending or revoking certification, notify the certified CDFI of the non-compliance and allow a specified time from the date of the notice for the certified CDFI to become compliant or remediate the conduct giving rise to the grounds.

- (f) If a certified CDFI fails to timely comply with a notice of non-compliance issued pursuant to subdivision (e), COIN may revoke certification.
- (g) COIN may deny an application for certification, or suspend or revoke certification on any of the grounds recited in Insurance Code Section 1668(a) – (q). For purposes of this subdivision, applicant includes any person who is a "controlling person" of the applicant as that term is defined in Insurance Code Section 1668.5(b).
- (h) COIN may deny an application for certification, or suspend or revoke certification if an applicant, or a certified CDFI, is subject to, or participates in any of the following as described in subdivisions (1) – (7):
  - (1) Declares bankruptcy, is placed in receivership or conservatorship, or is otherwise subject to insolvency proceedings.
  - (2) Violates the terms or requirements of the COIN program.
  - (3) Engages in material misrepresentation regarding the COIN program.
  - (4) Pre-pays, without prior written consent of the COIN CDFI tax credit recipient, any qualified investment upon which a tax credit has been allocated.
  - (5) Uses qualified investment funds in a manner that materially deviates from what was approved in the application, including non-use of funds.
  - (6) Fails to timely provide all annually updated information and documents as required by Section 2696.26(d)(3).
  - (7) Submits to COIN any documents, information, or communications containing material misrepresentations.

Authority: Revenue and Taxation Code Sections 12209(f) and (g), 17053.57(d) and (e), and 23657(e) and (f).

Reference: Revenue and Taxation Code Sections 12209, 17053.57 and 23657; Insurance Code Sections 12939 - 12939.2.

#### 2696.28 CDFI Recertification; Recertification Period

- (a) At least 30 days prior to expiration of certification as set forth in Section 2696.26(c), a certified CDFI may submit a new application for certification as set forth in Section 2696.24. So long as a certified CDFI has timely filed under this subdivision, its certification will remain in effect during review of the renewal application.
- (b) At least ninety (90) days before applications are due as part of a recertification period, COIN shall publish on its website the final date when certification applications will be accepted. No CDFI shall be required to apply for recertification prior to 24 months after certification. Upon good cause and sufficient notice, COIN may modify these periods, as applicable.



Authority: Revenue and Taxation Code Sections 12209(f) and (g), 17053.57(d) and (e), and 23657(e) and (f).

Reference: Revenue and Taxation Code Sections 12209, 17053.57 and 23657; Insurance Code Sections 12939

Article 3: Investment Tax Credit Certificates

2696.30 Applications: submittal; contents

(a) Application submittal

- (1) An applicant shall file a separate completed application, on paper, using the current form provided by COIN, to apply for each certificate.
- (2) COIN may reject an application received after a deadline for filing applications. Applicants must retain proof of timely application submittal.
- (3) An applicant may not change or supplement an application after an application deadline without COIN's prior consent, which may only be granted for good cause.

(b) Application form contents

Applicants or taxpayers shall provide all of the items listed in subdivisions (1) - (5), including of the items in their subparts, on or with the application form.

(1) General CDFI and taxpayer information.

- (A) The name of the CDFI;
- (B) The name, title, telephone number, fax number, business address, mailing address and E-mail address of the CDFI's contact;
- (C) The number of certificate applications being filed by the CDFI during the current cycle;
- (D) The name and taxpayer ID number of the taxpayer to whom or which the certificate would be issued; and
- (E) The name, title, telephone number, fax number, business address, mailing address and E-mail address of the taxpayer's contact.

(2) General qualified investment and tax credit information.

- (A) The qualified investment and tax credit amounts for which a certificate is being requested;
- (B) Confirmation that the qualified investment is for a minimum duration of sixty (60) months, and the final maturity date of the investment if it is an equitylike debt instrument;
- (C) Documentation of remittance of invested funds; and

- (D) The entire amount invested if different from the qualified investment amount for which the certificate is sought.
- (3) Specific investment and tax credit information.
  - (A) Copies of all documents between the CDFI and the taxpayer relevant to the qualified investment;
  - (B) A summary of the main terms of agreement between the taxpayer and the CDFI regarding the qualified investment, including but not limited to the following:
    - 1. The names of the CDFI and taxpayer;
    - 2. The effective date of the agreement;
    - 3. The date(s) the agreement was executed;
    - 4. Whether the qualified investment is a deposit, a zero-interest loan, an equity investment or an equity-like debt instrument;
    - 5. The specific intended use of the investment;
    - 6. Whether the CDFI will have full use and control of the proceeds and earnings;
    - 7. The percentage of the investment proceeds that will be used in California;
    - 8. Confirmation that the agreement contains a disclosure to the investor of the tax consequences if the investment is withdrawn early;
    - 9. Confirmation that the agreement addresses whether the CDFI may repay the investment before the end of its term, despite the tax consequences;
    - 10. An explanation of any fees;
    - 11. An explanation of all prior financial arrangements between the parties for the past five years; and
    - 12. All other material restrictions or requirements.
  - (C) Numerical summary of investment uses;
    - 1. The percentage of the investment that will:
      - a. be a direct benefit to LMI households; and
      - b. be a direct benefit to rural areas.
    - 2. The percentage of the investment that will:
      - a. go toward green investment;
      - b. go toward rental housing;
      - c. go toward community-based residential programs;

- d. go toward self-help housing;
  - e. go toward single-family owned housing; and
  - f. be from an insurance company.
3. The number of temporary and permanent jobs created, and the number of those jobs in high unemployment areas;
  4. Any other statistical information that addresses the factors in Section 2696.32(b)(2); and
  5. A list of the metrics the applicant deems most appropriate for evaluating the impact of its investment, and the calculations the applicant used with those metrics to determine the impact. In applying the evaluation criteria in Section 2960.32, COIN will consider the reasonableness of the applicant's metrics and the validity of its calculations.

(4) Acknowledgments and agreements.

A signed and notarized statement acknowledging or agreeing:

- (A) that the program may change due to statutory, regulatory or judicial actions;
- (B) that tax credit amounts allocated may be reduced if the terms and amounts of project sources and uses of funds are modified;
- (C) that the applicant and taxpayer must continue to comply with all laws and regulations, including those prohibiting discrimination, and program requirements;
- (D) that information submitted to COIN is subject to disclosure under the California Public Records Act, except as provided in Revenue and Taxation Code Sections 12209(d)(3)(B), 17053.57(c)(3)(B), 23657(c)(3)(B), and any successor or other statutes;
- (E) that the CDFI and taxpayer hold the Department and its employees harmless from liability deriving from the program or uses;
- (F) that the application will be evaluated according to COIN regulations; and
- (G) that the CDFI will upon later request provide to COIN information needed to establish the benefits of the investment if a certificate is issued.

(5) Signatures

- (A) An original signature on the application form by a CDFI corporate officer attesting, under penalty of perjury under the laws of the State of California, that all information provided by the CDFI is true and correct, and that the CDFI will notify COIN of changes causing information in the application to become materially inaccurate or incomplete; and
- (B) An original signature on the application form by a natural person taxpayer, or an officer of a taxpayer that is not a natural person, attesting, under penalty of perjury under the laws of the State of California, that all information provided by the taxpayer is true and correct, and that the taxpayer will notify COIN of changes causing information in the application to become materially inaccurate or incomplete.

(c) Detailed narrative

Applicants shall submit with the application form a detailed narrative description of the intended use of the qualified investment and its anticipated benefits with any supporting documentation, including data. The narrative and documentation must support the answers and information provided in response to subparagraph (b)(3).

(d) Additional information

Upon request by COIN an applicant shall provide any other information reasonably necessary to evaluate an application.

(e) Preliminary review

An application that does not include all required or requested information, or which does not comply with the specific statutory requirements to be a qualified investment, will not be evaluated further pursuant to Section 2960.32 to determine whether a certificate should be granted.

Authority: Revenue and Taxation Code Sections 12209(f), 17053.57(d) and 23657(e).

Reference: Revenue and Taxation Code Sections 12209, 17053.57 and 23657; Insurance Code Sections 926.1 and 12939 - 12939.2.

Article 4: Evaluation Criteria

2696.32 Evaluation Criteria

(a)

- (1) COIN will evaluate applications and the investment proposals they contain to determine which taxpayers will receive a tax credit certificate. In making these evaluations, COIN will apply the following criteria:

- (A) COIN will determine the aggregate benefit of the proposed investment to LMI areas and households. The greater the aggregate benefit, the higher the priority COIN will give to the application. This criterion will receive more weight than all other criteria combined;
  - (B) COIN will determine the benefit of the proposed investment on job creation, retention, and training. The greater the benefit, the higher the priority COIN will give to the application. This criterion will receive the second most weight of all the criteria;
  - (C) COIN will determine whether the proposed investment is a green investment or an investment in a rural area. The more the proposed investment creates benefits as a green investment or an investment in a rural area, the higher the priority COIN will give to the application. These criteria will receive the third most weight of all the criteria;
  - (D) COIN will determine whether the investor is an insurer. If the investor is an insurer, COIN will increase the priority;
  - (E) COIN will determine whether a proposed investment would likely cause, directly or indirectly, an adverse impact on LMI households or areas, or an adverse impact on the COIN program. If it would, COIN will lower the priority given to the application; and
  - (F) In evaluating applications that fund housing, COIN will give higher priority to an application if it supports affordable rental housing, housing for veterans, mortgages for community-based residential programs, and self-help housing, instead of single-family owned housing.
- (2) COIN's determinations will be final with respect to:
- (A) The weight to give each criterion relative to other criteria;
  - (B) The credibility and reliability of information in an application; and
  - (C) Whether to award a tax credit.
  - (D) Examples:
    - 1. [This example essentially illustrates the same point as the examples under (b)(3), only not as clearly.]An applicant attempts to prove the benefits of its proposed investment using an economic study. COIN may determine how much weight to give the study based on the presence or absence of flaws in the study's data, assumptions or analysis.

2. An applicant attempts to prove the benefits of its proposed investment using a declaration from an expert. COIN may determine how much weight to give the declaration based on the expert's qualifications, assumptions or analysis.
3. The benefits of a proposed investment derive from quantifiable factors specified in subdivision (b)(3). COIN may determine how much weight to give to each quantifiable factor.
4. The benefits of a proposed investment derive from subjective factors specified in subdivision (b)(3). COIN may determine how much weight to give to each subjective factor.

(b)

- (1) COIN will evaluate each proposed investment according to the criteria recited in subdivisions (a)(1)(A) – (C). In doing so, COIN will consider each factor in subdivision (b)(2) if the factor is relevant to the investment.
- (2) The list of factors includes three types of examples to clarify the meanings of the factors. First, some examples compare two fact patterns and indicate that COIN would award a higher priority in one situation and a lower priority in the other. Second, some examples provide a single fact pattern and indicate the effect of those facts on the priority of the application because of the factor. Third, some examples merely help define the factor without any indication of how the example affects the priority that would be given to the application.
- (3) List of factors:
  - (A) The characteristics of the persons and organizations that will provide benefits under the proposed investment;
    1. Example 1. CDFI will fund Organization A, a not-for-profit corporation that has a thirty-year history of building affordable housing. Organization A has a low fundraising expense ratio and is led by proven professional management and an accomplished board of directors.  
Example 1.A. Compare, lower priority: CDFI will fund Organization B, which has the same mission statement and goals as Organization A, but is a start-up with unproven management.

2. Example 2. CDFI will fund Organization X, which has a five-year history of providing drug and alcohol rehabilitation in a major California city.

Example 2.A. Compare, lower priority: CDFI will fund Organization Y. Organization Y is similar to Organization X except that it uses methods that have recently been questioned by the mainstream scientific community and investigative reporters.

(B) The value of benefits delivered relative to the cost of delivering those benefits to the persons or organization which provide the benefits;

1. Example 1. Lower priority: CDFI will fund Organization A, a not-for-profit that builds affordable housing. Organization A expends on average less than 50% of its annual revenue on construction labor and materials, and more than 50% on administrative expenses to run the organization. The amount spent on administrative expenses exceeds industry norms for comparable types of organizations due to higher than normal executive and other salaries.

2. Example 2. Higher priority: CDFI will fund Organizations X and Y. Both organizations operate childcare and preschool centers for LMI single working mothers in the same urban area. Organization Y has costs that are 20% higher than those of Organization X and industry norms. However, Organization Y has a lower child-to-caregiver ratio that would justify an even greater cost-to-value disparity.

(C) The characteristics of the households and areas that will receive benefits under the proposed investment;

1. Example 1. Higher priority: CDFI will fund construction of new below-market-rate homes for purchase in a low-income area. Eligible families must have income of not more than 30% of area median income.

Example 1.A. Compare, lower priority: CDFI will fund construction of new below-market-rate homes for purchase, but in a moderate-income area. Eligible families must have income of not more than 70% of area median income.

2. Example 2. Lower Priority: CDFI will loan money to a small automobile manufacturer that is developing a plug-in electric vehicle that, if it comes to market, would be affordable only to buyers with median or high incomes.  
Example 2.A. Compare, higher priority: CDFI will fund a wind energy company which will use the money to provide market rate loans to purchasers of small wind turbine installations for rural properties.
- (D) The number of households and areas that will receive benefits:
1. Example 1. CDFI investment will enable Organization A to provide 50 LMI families with rental apartments at below-market-rate rent for five years
  2. Example 2: CDFI investment will enable Organization X to provide job training to 50 individuals per year for five years.
- (E) The locations of households and areas that will receive benefits:
1. Example 1. Higher priority: CDFI investment in Organization A will enable it to build new below-market-rate ownership units within a Census Tract with 14% owner-occupied homes, and a median household income of \$36,213, as of the last census.  
Example 1.A. Compare, lower priority: CDFI investment in Organization B will enable it to build the same number of identical new below-market-rate ownership units as Organization A, but in a Census Tract 35% owner-occupied homes, and a median household income of \$52,419, as of the last census.
  2. Example 2. CDFI will invest in Organization X, which operates a primary care medical and dental clinic on a sliding-scale basis for persons with or without a public health care plan or private insurance. It seeks to serve exclusively county residents.
- (F) When benefits will begin and end:
1. Example 1: CDFI will fund ongoing operations of the organization's existing programs for five years.
  2. Example 2: CDFI will finance a school in an LMI area. Construction is scheduled to begin on April 1, 20XX and finish by October 30, 20XY.



3. Example 3. CDFI funds a job-training program expected to provide permanent, full-time employment to its LMI graduates.

Example 3.A. Compare, lower priority: CDFI funds a job-training program expected to provide temporary or part-time employment to its LMI graduates.

(G) The type and quality of benefits;

1. Example 1. CDFI will invest in Organization A, which addresses obesity and poor nutrition among children by improving access to and encouraging consumption of healthy foods. To do this it funds the planting of vegetable gardens at primary schools , gardener-teacher salaries and gardening supplies. Based on teacher, parent, administrator and student feedback, Organization A has been more successful in achieving its goals than other approaches.
2. Example 2. CDFI will invest in Organization B, which treats substance abuse with a wide variety of drug treatment methods offered on an in-patient and outpatient basis. Based on a variety of generally accepted metrics used in the drug treatment field, Organization B obtains excellent outcomes.
3. Example 3: CDFI will invest in an elementary school that serves homeless youth in a low-income area of city. Unlike similar schools, this school is amply staffed with counselors possessing master's degrees in social welfare and possessing special knowledge and training in youth homelessness. It provides healthy meals, shower facilities, and clean clothing.
4. Example 4. CDFI will provide a small business loan to a low-income household for the purchase of a gas station in a rural area. The loan program under which the CDFI makes the loan includes, unlike other small business loan programs, free on-line business courses and one-on-one management consulting.

(H) How many households need the benefits in the area served by the investment;

1. Example 1: CDFI will finance construction of a groundwater treatment facility for a newly formed water district comprising seven small rural towns with a population of 4,000.

2. Example 2: CDFI will finance ongoing operations of a primary care medical and dental clinic offering services on a sliding-scale basis to residents of a county with 70,000 persons.
- (I) How acutely the households need the benefits in the area served by the investment;
1. Example 1: CDFI will finance construction of a new groundwater treatment facility for a town where households currently must consume water containing 31 contaminants, linked to multiple cancers and birth defects. Residents cannot afford bottled water, and the town cannot afford to build and operate a treatment facility due to its small tax base (median annual household income under \$15,000).
  2. Example 2: CDFI will finance a medical clinic providing no-cost and low-cost medical services, and the only childbirth facility within 50 miles. The clinic will serve a currently underserved rural area encompassing several small towns.
- (J) The quantity of benefits delivered to each beneficiary;
1. Example 1: CDFI will finance a joint initiative between a nonprofit organization and a leading technology firm to provide free online courses on how to write computer code. Each student may take an unlimited number of courses.
  2. Example 2: CDFI will fund a nonprofit meal delivery service so it can add a lunch option to its dinner delivery services for low-income senior members. Consequently, the number of meals provided weekly per member increases from 7 to 14.
  3. Example 3: CDFI investment in a caterer of healthy school meals for low-income students enables it to improve efficiencies of scale, thus reducing the cost of meals by more than 50%. As a result, a charter school serving the caterer's free and reduced-price breakfasts to 500 students can offer free and reduced-price lunches, an increase of five meals per week per student.
- (K) The possible financial or other impediments to delivery of the benefits;
1. Example 1. CDFI will finance construction of new affordable rental housing. The application indicates that negotiations are "ongoing" to obtain the necessary easement and permits.

2. Example 2. CDFI will finance property improvements for a residential alcohol treatment clinic serving veterans suffering from PTSD. The clinic's financial statements indicate inability to meet future operating expenses after 19 months, based on current reserves and cash flow projections.
- (L) Whether any new business financed by the proposed investment would be owned or staffed by members of the community being served by the proposed investment;
1. Example 1: CDFI will give a small business loan to the owner of a tire recycling company who lives in a Northern California city but will operate the business in a low-income and high unemployment area of the Central Valley.
  2. Example 2: CDFI will give a small business loan to a large city's downtown resident to open an ice cream store in that downtown area. The store will employ long-term unemployed veterans to make and sell the ice cream.
- (M) Whether the investment delivers benefits directly or indirectly, with more weight being given if the investment delivers benefits directly;
1. Example 1: CDFI invests in a transit oriented development (TOD), which opens in a low-income area as the anchor for a new shopping center. New businesses in the TOD shopping center hire 27 persons from low income households in the local community. (Indirect benefits)
  2. Example 2: CDFI invests in a nonprofit landscaping business that trains and employs the homeless. The business landscapes an affordable housing complex. (Direct benefits)
- (N) Whether the investment would likely be unavailable to the CDFI, or be less likely to be available, without the benefit of the tax credit as an incentive;
- (O) The availability of matching funds from other sources which will enable the CDFI to leverage the proposed investment in order to increase the overall benefits to LMI households and areas; and
- (P) Other factors relevant to analyzing the criteria recited in subdivisions (a)(1)(A) - (C).
- (3) In a particular cycle COIN will issue certificates to the applicants whose applications receive the highest priority based on the criteria specified in subdivision (a)(1). COIN will issue certificates in order of the applicants' priority until all tax credit dollars available in that cycle have been issued.

Authority: Revenue and Taxation Code Sections 12209(f), 17053.57(d) and 23657(e).

Reference: Revenue and Taxation Code Sections 12209, 17053.57 and 23657; Insurance Code Sections 926.1 and 12939 - 12939.2.

#### Article 5: Miscellaneous Provisions

##### 2696.34 Tax credit issuance cycle

At least ninety (90) days before applications are due, COIN shall publish on its website the final date when applications will be accepted. Not later than ninety (90) days after the due date for receiving applications, COIN shall issue all certificates to applicants that COIN intends to issue for that cycle. Upon good cause and sufficient notice, COIN may modify these periods.

Authority: Revenue and Taxation Code Sections 12209(f), 17053.57(d) and 23657(e).

Reference: Revenue and Taxation Code Sections 12209, 17053.57 and 23657; Insurance Code Sections 926.1 and 12939 - 12939.2.

##### 2696.36 Application carry-over

An applicant may, upon request to COIN, either at the conclusion or commencement of a cycle, carry over its proposal and score to the cycle following one in which it failed to receive a certificate, and be comparatively ranked in relation to the other applicants in that cycle. Modifications in the carried-over application will result in commensurately-revised scores.

Authority: Revenue and Taxation Code Sections 12209(f), 17053.57(d) and 23657(e).

Reference: Revenue and Taxation Code Sections 12209, 17053.57 and 23657; Insurance Code Sections 926.1 and 12939 - 12939.2.

##### 2696.38 Investment limits and unallocated set-asides

- (a) Investments shall be governed by limits in Revenue and Taxation Code Sections 12209, 17053.57 and 23657
- (b) Unallocated set asides shall be governed by provisions in Revenue and Taxation Code Sections 12209, 17053.57 and 23657

Authority: Revenue and Taxation Code Sections 12209(f), 17053.57(d) and 23657(e).

Reference: Revenue and Taxation Code Sections 12209, 17053.57 and 23657; Insurance Code Sections 926.1 and 12939 - 12939.2.

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COIN may keep all documents related to applications received under this Subchapter confidential pursuant to the California Public Records Act (California Government Code Section 6250 et seq.), but may share such information with state or Federal regulatory agencies as COIN deems appropriate.

Authority: Revenue and Taxation Code Sections 12209(f), 17053.57(d) and 23657(e).

Reference: Revenue and Taxation Code Sections 12209, 17053.57 and 23657; Insurance Code Sections 926.1 and 12939 - 12939.2.

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