

# CTCAC Combined Compliance Workshop

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## Washington Update

- New President/New Administration
- Republican majority in both Senate and House
- Ben Carson appointed new HUD Secretary
- Steven Mnuchin appointed as Treasury Secretary

## Washington Update

- Talk of changing the tax rate from current 35% to 20%
- The LIHTC program has strong support in both houses of congress
- IRS - Utility Allowance Regulations of 3/2016 - principles of sub metering rules

## Washington Update

- IRS 2016/2017 Priority Guidance Plan will look at finalizing renewal energy for Section 42 Rents
- IRS has no current plan to issue further guidance on Resyndication and existing tenants
- IRS is requesting more timely issuance of Form 8823 from State Allocating Agencies

## Role of the State Monitoring Agency

- Monitor LIHTC Properties for compliance to IRC Section 42
- Report incidents of noncompliance to the IRS on Form 8823
- Provide guidance, information, and training to the users of the LIHTC program

## Role of the State Monitoring Agency

- Keep up with changing regulations, program requirements, laws and industry discussions that affect LIHTC
- Work in partnership with the owners and management agents who own and operate LIHTC properties

## Key Terms

- CTCAC Project Number
  - CA-XX-XXX or CA-12-105
  - This number will identify the particular project on our database
    - Used on Form 8609 -IRS
    - Used on Form 8823 -IRS
  - Used any time you contact CTCAC

## IRS Section 42 Rules - Regulatory Agreement

- Prepared by the Allocating Agency
- Required by IRS for all projects allocated credits after 1990
- Covers the entire 15 year federal compliance period and extended use period
- Signed by owner and allocating agency

## IRS Section 42 Rules - Regulatory Agreement

- Owner covenants to maintain property as a low-income housing project
- Recorded against Title
- Recorded in county where the project is located

## IRS Section 42 Rules - Regulatory Agreement

### Know these Sections!!

- Section 4 - Federal Minimum Set-aside
- Exhibit A - Description of the Property and Project Size
- Appendix A - Income Targeting, Site and Service Amenities

Recording requested by and  
when recorded mail to:

Tax Credit Allocation Committee  
915 Capitol Mall, Room 485  
P.O. Box 942809  
Sacramento, CA 94209-0001

Free Recording Requested  
In Accordance With  
Government Code 27383

Space above this line  
for Recorder's use

REGULATORY AGREEMENT  
Federal Credits

This Regulatory Agreement (this "Agreement") is made between the California Tax Credit Allocation Committee ("TCAC"), established under Section 50199.8 of the Health and Safety Code of the State of California, and Atascadero California Manor, LP ("Owner") and is dated as of December, 15 2013 (the "Effective Date"). The Owner has requested and TCAC has authorized an allocation relating to the low-income housing tax credit (the "Federal Tax Credit") under Section 42 of the Internal Revenue Code of 1986 (collectively, the "Tax Credit"). The Tax Credit relates to a multifamily rental housing project known as Happy Place Apartments, identified in the records of TCAC by TCAC# CA-11-123 and IRS Building Identification Number CA-11-12301, and located on the real property described in Exhibit A of this Agreement, attached hereto and incorporated herein (the "Project"). This Agreement is intended to constitute the extended low income housing commitment required by Section 42(h)(6) of the Internal Revenue Code. Accordingly, in consideration of the allocation relating to the Tax Credit by TCAC and the requirements of the Internal Revenue Code, the Owner and TCAC hereby agree as follows:

Section 1. Definitions.

a. Unless the context otherwise requires, capitalized terms used in this Agreement shall have the following meanings:

"Agreement" means this Regulatory Agreement between TCAC and the Owner.

## Reg Agreement - Exhibit A

EXHIBIT A  
to Regulatory Agreement

Description of the real property  
on which the Project is located

CA-11-123  
Location:

1110 Main Street  
Sacramento, CA 95820

Legal Description:

Project Size Description:

1 Building  
87 Low-Income Units; 1 Manager's Unit  
0 Studio; 22 1-Bedroom; 32 2-Bedroom;  
27 3-Bedroom; 7 4-Bedroom;  
0 5-Bedroom

# Reg Agreement - Appendix A

## APPENDIX A ADDITIONAL USE RESTRICTIONS

### Housing Type

- Large Family
- Senior
- SRO
- Special Needs
- At-Risk
- Non-targeted

### Income Target

Throughout the Compliance Period, unless otherwise permitted by TCAC, Units must be occupied by Tenants such that:

- 20% of Low-Income Units (19 units) @ or below 30% of Area Median Gross Income
  - 5 One-Bedroom Units
  - 7 Two-Bedroom Units
  - 5 Three-Bedroom Units
  - 2 Four-Bedroom Units
- 25% of Low-Income Units (23 units) @ or below 35% of Area Median Gross Income
- 20% of Low-Income Units (18 units) @ or below 40% of Area Median Gross Income
- 30% of Low-Income Units (27 units) @ or below 50% of Area Median Gross Income

### Longer Compliance Period

The Compliance Period shall be a period of 55 consecutive taxable years commencing with the first year of the Credit Period.

### Targeted Population and Physical Facility Features

#### Large Family Project

- At least thirty percent (30%) of the units in the project are three-bedroom or larger units, with the remaining units configured based on the demand established in the basic threshold requirements except that for projects qualifying for and applying under the At-risk set-aside, the Executive Director may grant a waiver of this requirement if the applicant shows it would be cost prohibitive to comply;
- One-bedroom units must include at least 500 square feet and two-bedroom units must include at least 750 square feet of living space. These limits may be waived for rehabilitation projects, at the discretion of the Executive Director. Three-bedroom units shall include at least 1,000 square feet of living space and four-bedroom units shall include at least 1,200 square feet of living space, unless these restrictions conflict with the requirements of another governmental agency to which the project is subject to approval (bedrooms shall be large enough to accommodate two persons each and living areas shall be adequately sized to accommodate families based on two persons per bedroom);
- Four-bedroom and larger units shall have at least two full bathrooms.
- The project shall provide outdoor play/recreational facilities suitable and available to all tenants, for children of all ages, except for small developments as defined in Section 10315(c). The Executive Director, in her/his discretion may waive this requirement upon demonstration of nearby, readily accessible, recreational facilities;
- The project shall provide an appropriately sized common area(s). For purposes of this part, common areas shall include all interior common areas, such as rental office and meeting rooms, but shall not include laundry rooms or manager living units, and shall meet the following size requirement: projects comprised of 30 or less units, at least 600 square feet; projects from 31 to 60 units, at least 1000 square feet; projects from 61 to 100 total units, at least 1400 square feet; projects over 100 units, at least 1800 square feet. Small developments, defined in Section 10315 (d), are exempt from this requirement;
- A public agency shall provide direct or indirect long term financial support for at least fifteen percent (15%) of the total project development costs, or the owner's equity (includes syndication proceeds) shall constitute at least thirty percent (30%) of the total project development costs;
- Adequate laundry facilities shall be available on the project premises, with no fewer than one washer/dryer per 10 units. To the extent that tenants will be charged for the use of central laundry facilities, washers and dryers must be excluded from eligible basis. If no centralized laundry facilities are provided, washers and dryers shall be provided in each unit, subject to the further provision that gas connections for dryers shall be provided where gas is otherwise available at the property;
- Dishwashers shall be provided in all units unless a waiver is granted by the Executive Director because of planning or financial impracticality;
- Projects are subject to a minimum low-income use period of 55 years.

## Reg Agreement - Appendix A

### Site Amenities

Throughout the Compliance Period, unless otherwise permitted by TCAC, the Project shall include the following site amenities:

- **Within ¼ mile of transit stop, service every 30 minutes in rush hours**
- **Within ½ mile of public park or community center open to general public**
- **Within 3 miles of a full-scale grocery/supermarket of at least 25,000 square feet**
- **Within ½ mile of public school project children may attend**
- **Within 1 mile of medical clinic or hospital**
- **Within 1 mile of a pharmacy**

### Service Amenities

The Project shall include the following service amenities, which must be of a regular, ongoing nature, provided to tenants free of charge (with exception of licensed child care), appropriate to the population being served, on-site or within ¼ mile of the project site and committed for a minimum of 10 years:

- **Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms**
- **Adult education/health & wellness/skill building classes, minimum 84 hours/year instruction**

## CTCAC Reporting Requirements

- **Annual Owner Certification (AOC)**
  - **Due March 20<sup>th</sup> 2017**
    - **Certification**
    - **Project Ownership Profile (POP)**
  - **Lack of AOC or POP submittal will trigger an Uncorrected 8823 and/or monetary fine**



Annual Owner Certification (AOC)

**California Tax Credit Allocation Committee**  
**ANNUAL OWNER CERTIFICATION (AOC)**  
**REPORTING YEAR: 2016**

<b>Project Name:</b>		<b>CTCAC number:</b>	
<b>Project Address:</b>			
<b>Project City:</b>			
<b>Project State:</b>	CA	<b>Project Zip:</b>	

**REPORTING PERIOD: JANUARY 1 THROUGH DECEMBER 31, 2016**

The undersigned, having been allocated certain Low-Income Housing Tax Credits pursuant to Section 42 of  
**FOR THE ENTIRE 12 MONTH REPORTING PERIOD SPECIFIED ABOVE INITIAL ALL TRUE STATEMENTS.**

- (i)  The project met the requirements:
  - (A) The 20-50 test under §42(g)(1)(A), **(REQUIRED FIELD - check one)** or
  - (B) the 40-60 test under §42(g)(1)(B);
- (ii)  There was no change in the applicable fraction (as defined in §42(c)(1)(B)) of any building in the project;
- (iii)  The owner has received an annual income certification from each low-income tenant, and
- (iv)  Each low-income unit in the project was rent-restricted under section 42(g)(2);
- (v)  All units in the project were for use by the general public (as defined in §1.42-9), including the
- (vi)  The buildings and low-income units in the project were suitable for occupancy, taking into
- (vii)  There was no change in the eligible basis (as defined in §42(d)) of any building in the project,
- (viii)  All tenant facilities included in the eligible basis under §42(d) of any building in the project, such
- (ix)  If a low-income unit in the project became vacant during the year, that reasonable attempts were
- (x)  If the income of tenants of a low-income unit in the project increased above the limit allowed in

Annual Owner Certification (AOC)

- (xi)  A regulatory agreement as described in §42(h)(6) was in effect, including the requirement that the
  - (xii)  All low-income units in the project were used on a nontransient basis (except for transitional housing
  - (xiii)  The project met all terms and conditions recorded in its Regulatory Agreement, if applicable. (As
  - (xiv)  The applicable fraction (as defined in IRC Section 42(c)(1)(B)) met all requirements of the credit
  - (xv)  No change in ownership of the project has occurred during the reporting period;
  - (xvi)  The Project has **not** been notified by the Internal Revenue Service that it is no longer a "qualified low-
  - (xvii)  No additional tax-exempt bond funds or other Federal grants or loans with interest rates below the
  - (xviii)  The project contains:  low income units, on December 31, 2016, the number of low income units that were **occupied** by tax credit eligible households were:   
**(REQUIRED FIELD - please select number from drop down list at left):**
  - (xix)  The project did not suffer any casualty loss in 2016; fire, flood, earthquake, or structural damage;
  - (xx)  No tenants in low-income units were evicted or had their tenancies terminated other than for good
  - (xxi)  The project has provided all site/ service amenities as identified in the project Regulatory Agreement
  - (xxii)  The project owner certifies compliance with the Capital Needs Agreement to complete short term
- INITIAL (xxiii) BELOW ONLY IF YOUR PROJECT RECEIVED STATE TAX CREDITS.**
- (xxiii)  No more than the allowable 8% cash distribution from Project operations, after funding required reserves, as

**Due: Monday, March 20, 2017**

The undersigned, acting under authority of the ownership entity of this project, has executed this Certification, subject to penalties of perjury.

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

This \_\_\_\_\_ day of \_\_\_\_\_.

By (owner signature) \_\_\_\_\_

Title \_\_\_\_\_

(Printed or Typed)

State of \_\_\_\_\_

County of \_\_\_\_\_

On \_\_\_\_\_ before me,

(insert name and title of the officer)

personally appeared \_\_\_\_\_

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of \_\_\_\_\_ that the foregoing paragraph is true and correct. Witness my hand and official seal.

Signature \_\_\_\_\_

Notary Public

Project Ownership Profile (POP)

California Tax Credit Allocation Committee Project Ownership Profile (POP) 2016 CURRENT owner and management company contact info.			
1. Use the <TAB> key to Navigate Fields. 2. If the TCAC number or Property Name does not appear in the list below, contact Tina Johnson at (916) 651-0344. 3. Complete all information in Light Orange fields below.			
PROJECT			
CTCAC Number / Name:			◀ Select property from the Dropdown Box
Address:			
City:	State:	Zip:	
County:			
Onsite Phone:	Onsite Fax:	Date Form Completed:	
PARTNERSHIP/OWNER			
Partnership/Owner Name:			
Partnership Tax ID:			
<b>Managing General Partner Name:</b>			
Parent Company Name:			
Address:			
City:	State:	Zip:	
Contact Name:	Email:		
Phone:	Fax:		
<b>Administrative General Partner Name:</b>			
Parent Company Name:			
Address:			
City:	State:	Zip:	
Contact Name:	Email:		
Phone:	Fax:		
MANAGEMENT COMPANY			
Management Company:			
Address:			
City:	State:	Zip:	
Contact Name:	Email:		
Phone:	Fax:		

## CTCAC Reporting Requirements

- Annual Owner Expense Reporting (AOE)
  - Annual Reporting due in May
  - Operating Expense Report
  - Lender Profile

Annual Operating Expense Report (AOE)

California Tax Credit Allocation Committee			
REPORTING YEAR: 2015			
ANNUAL OPERATING EXPENSE REPORT (AOE) <small>Rev. 2/11</small>			
Reporting Period: January 1 through December 31			
Project Number:		Project Name:	
Date Prepared:			
Total Occupied Units:			
<b>Income</b>			
Gross Tenant Income:	\$0	Net Rental Revenue:	\$0
Vacancy Loss:	\$0	Misc. Income:	\$0
		Effective Gross Income:	\$0
<b>General Administrative</b>		<b>Maintenance</b>	
Advertising:	\$0	Painting:	\$0
Insurance:	\$0	Repairs:	\$0
Legal:	\$0	Trash Removal:	\$0
Accounting/Auditing:	\$0	Exterminating:	\$0
Security:	\$0	Grounds:	\$0
Other General:	\$0	Elevator:	\$0
Total Administrative:	\$0	Other Maintenance 1 (Specify):	\$0
		Other Maintenance 2 (Specify):	\$0
		Total Maintenance:	\$0
<b>Management</b>		<b>Other Expenses</b>	
Management Fee:	\$0	Other 1 (Specify):	\$0
		Other 2 (Specify):	\$0
		Other 3 (Specify):	\$0
		Other 4 (Specify):	\$0
		Total Other:	\$0
<b>Utilities</b>		<b>Debt Service Payments, Real Estate Taxes, and Reserve Accounts</b>	
Fuel:	\$0	Amortizing Debt Service Payments:	\$0
Gas:	\$0	Total Real Estate Taxes:	\$0
Electricity:	\$0	Current Year Replacement Reserve Deposits:	\$0
Water/ Sewer:	\$0	Service Amenities:	\$0
Total Utilities:	\$0		
<b>Payroll/Payroll Taxes</b>		<b>Current Replacement Reserve Balance:</b>	
On-Site Manager:	\$0	Current Operating Expense Reserve Balance:	\$0
Health Benefits:	\$0	Total Annual Residential Operating Expense:	\$0
Workers Compensation:	\$0		
Maintenance Personnel:	\$0		
Payroll Taxes:	\$0		
Other:	\$0		
Total Payroll:	\$0		
		<b>Net Income/ Loss:</b>	\$0
the negative, please provide a brief explanation:			
Form completed by contact:			
Contact phone number:			
Contact email address:			

Lender Report

California Tax Credit Allocation Committee			
Lender Profile Form			
2015			
Reporting Period: January 1 through December 31, 2015			
1. Use the <TAB> key to Navigate Fields.			
2. If the TCAC number or Property Name does not appear in the list below, contact TCAC at (916) 654-6340.			
3. Complete all information in Light Blue fields below.			
PROJECT			
TCAC Number / Name:		Select property from the Dropdown Box	
Address:			
City:		State:	Zip:
County:			
Onsite Phone:		Onsite Fax:	Date Form Completed:
LENDER			
Lender #1:			
Loan amount:			
Contact Name:		Email:	
Contact Address:			
City:		State:	Zip:
Phone:		Fax:	
Lender #2:			
Loan amount:			
Contact Name:		Email:	
Contact Address:			
City:		State:	Zip:
Phone:		Fax:	
Lender #3:			
Loan amount:			
Contact Name:		Email:	
Contact Address:			
City:		State:	Zip:
Phone:		Fax:	
Lender #4:			
Loan amount:			
Contact Name:		Email:	
Contact Address:			
City:		State:	Zip:
Phone:		Fax:	

## CTCAC Reporting Requirements

- Tenant Demographic Data Reporting
- Annual Requirement
- Submitted to HUD
- 2016 Annual Reporting was due March 17<sup>th</sup> 2017
  - For California - currently collected and reported by Spectrum Enterprises
    - Software can be installed from Spectrum's website:
      - <http://www.spectrumlihtc.com/states/california/>

## Updated Forms

- Several Compliance required forms have been updated:
  - TIC
  - THIF
  - Live-in Aide
  - Under \$5,000 verification

Tenant Income Certification (TIC)

### TENANT INCOME CERTIFICATION

Initial Certification     Recertification     Other    Effective Date: \_\_\_\_\_  
 Move-In Date: (MM/DD/YYYY) \_\_\_\_\_

#### PART I. DEVELOPMENT DATA

Property Name: \_\_\_\_\_ County: \_\_\_\_\_ T/CAC#: \_\_\_\_\_ BIN#: \_\_\_\_\_  
 Address: \_\_\_\_\_ If applicable, CD/LAC#: \_\_\_\_\_  
 Unit Number: \_\_\_\_\_ # Bedrooms: \_\_\_\_\_ Square Footage: \_\_\_\_\_

#### PART II. HOUSEHOLD COMPOSITION

Vacant (Check if unit was vacant on December 31 of the Reporting Year)

HH Mbr #	Last Name	First Name	Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	F/T Student (Y or N)	Last 4 digits of Social Security #
1				HEAD			
2							
3							
4							
5							
6							
7							

#### PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
<b>TOTALS</b>	\$ _____	\$ _____	\$ _____	\$ _____

Add totals from (A) through (D), above: **TOTAL INCOME (E):** \$ \_\_\_\_\_

#### PART IV. INCOME FROM ASSETS

HH Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
<b>TOTALS:</b>			\$ _____	\$ _____

Enter Column (H) Total \_\_\_\_\_  
 If over \$5000 \$ \_\_\_\_\_ X 0.06% = (J) Imputed Income \$ \_\_\_\_\_  
 Enter the greater of the total of column I, or J; imputed income **TOTAL INCOME FROM ASSETS (K)** \$ \_\_\_\_\_  
**(L) Total Annual Household Income from all Sources (Add (E) + (K))** \$ \_\_\_\_\_

#### HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) on form in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature \_\_\_\_\_ (Date) \_\_\_\_\_ Signature \_\_\_\_\_ (Date) \_\_\_\_\_  
 Signature \_\_\_\_\_ (Date) \_\_\_\_\_ Signature \_\_\_\_\_ (Date) \_\_\_\_\_

Tenant Income Certification (TIC)

#### PART V. DETERMINATION OF INCOME ELIGIBILITY

<b>TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES:</b> From item (L) on page 1: \$ _____ Current Federal LIHTC Income Limit per Family Size: \$ _____ If Applicable, Current Federal Bond Income Limit per Family Size: \$ _____ Household Income as of Move-in: \$ _____	Unit Meets Federal Income Restriction at: <input type="checkbox"/> 60% <input type="checkbox"/> 50%    \$ _____ <input type="checkbox"/> 60% Deeper Targeting Income Restriction at: _____ <input type="checkbox"/> Other _____% <input type="checkbox"/> Yes <input type="checkbox"/> No Household Size at Move-in: _____	<b>RECERTIFICATION ONLY</b> Current Federal LIHTC Income Limit x 140%: \$ _____ Household Income exceeds 140% at recertification: <input type="checkbox"/> Yes <input type="checkbox"/> No
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#### PART VI. RENT

Tenant Paid Monthly Rent: \$ _____ Monthly Utility Allowance: \$ _____ Other Monthly Non-optional charges: \$ _____ <b>GROSS MONTHLY RENT FOR UNIT:</b> (Tenant paid rent plus Utility Allowance & other non-optional charges): \$ _____ Maximum Federal LIHTC Rent Limit for this unit: \$ _____ If Applicable, Maximum Federal & State LIHTC Bond Rent Limit for this unit: \$ _____ Unit Meets Federal Rent Restriction at: <input type="checkbox"/> 60% <input type="checkbox"/> 50% If Applicable, Unit Meets Bond Rent Restriction at: <input type="checkbox"/> 60% <input type="checkbox"/> 50% Unit Meets Deeper Targeting Rent Restriction at: <input type="checkbox"/> Other _____%	Federal Rent Assistance: \$ _____ *Source: _____ Non-Federal Rent Assistance: \$ _____ (*0.8) <b>Total Monthly Rent Assistance:</b> \$ _____ *Source of Federal Assistance: 1 **HUD Multi-Family Project Based Rental Assistance (PBRA) 2 Section 8 Moderate Rehabilitation 3 Public Housing Operating Subsidy 4 HOME Rental Assistance 5 HUD Housing Choice Voucher (HCV), tenant-based 6 HUD Project-Based Voucher (PBV) 7 USDA Section 521 Rental Assistance Program 8 Other Federal Rental Assistance 0 Missing ** (PBRA) Includes: Section 8 New Construction/Substantial Rehabilitation; Section 8 Loan Management; Section 8 Property Disposition; Section 202 Project Rental Assistance Contracts (PRAC)
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#### PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL-TIME STUDENTS?  yes     no

If yes, Enter student explanation\* (also attach documentation) \_\_\_\_\_

\*Student Explanation:  
 1 AFDC/TANF Assistance  
 2 Job Training Program  
 3 Single Parent/Dependent Child  
 4 Married/Joint Return  
 5 Former Foster Care

#### PART VIII. PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.

a. Tax Credit <input type="checkbox"/>	b. HOME <input type="checkbox"/>	c. Tax Exempt Bond <input type="checkbox"/>	d. AHDP <input type="checkbox"/>	e. (Name of Program) <input type="checkbox"/>
See Part V above.	Income Status: <input type="checkbox"/> ≤ 50% AMGI <input type="checkbox"/> ≤ 60% AMGI <input type="checkbox"/> ≤ 80% AMGI <input type="checkbox"/> QP**	Income Status: <input type="checkbox"/> 50% AMGI <input type="checkbox"/> 60% AMGI <input type="checkbox"/> 80% AMGI <input type="checkbox"/> QP**	Income Status: <input type="checkbox"/> 50% AMGI <input type="checkbox"/> 80% AMGI <input type="checkbox"/> QP**	Income Status: <input type="checkbox"/> _____ <input type="checkbox"/> QP**

\*\*Upon recertification, household was determined over income (OI) according to eligibility requirements of the program(s) marked above.

#### SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proof and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement (if applicable), to live in a unit in this Project.

SIGNATURE OF OWNER/REPRESENTATIVE \_\_\_\_\_ DATE \_\_\_\_\_

# Tenant Income Certification (TIC)

## PART IX. SUPPLEMENTAL INFORMATION FORM

The California Tax Credit Allocation Committee (CTCAC) requests the following information in order to comply with the Housing and Economic Recovery Act (HERA) of 2008, which requires all Low Income Housing Tax Credit (LIHTC) properties to collect and submit to the U.S. Department of Housing and Urban Development (HUD), certain demographic and economic information on tenants residing in LIHTC financed properties. Although the CTCAC would appreciate receiving this information, you may choose not to furnish it. You will not be discriminated against on the basis of this information, or on whether or not you choose to furnish it. If you do not wish to furnish this information, please check the box at the bottom of the page and initial.

Enter both Ethnicity and Race codes for each household member (see below for codes)

TENANT DEMOGRAPHIC PROFILE						
HH Mbr #	Last Name	First Name	Middle Initial	Race	Ethnicity	Disabled
1						
2						
3						
4						
5						
6						
7						

- The Following Race Codes should be used:**
- White - A person having origins in any of the original people of Europe, the Middle East or North Africa.
  - Black/African American - A person having origins in any of the black racial groups of Africa. Terms such as "Haitian" or "Negro" apply to this category.
  - American Indian/Alaska Native - A person having origins in any of the original peoples of North and South America (including Central America), and who maintain tribal affiliation or community attachment.
  - Asian - A person having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian subcontinent:
    - 4a - Asian Indian
    - 4b - Chinese
    - 4c - Filipino
    - 4d - Japanese
    - 4e - Korean
    - 4f - Vietnamese
    - 4g - Other Asian
  - Native Hawaiian/Other Pacific Islander - A person having origins in any of the original peoples of Hawaii, Guam, Samoa, or other Pacific Islands:
    - 5a - Native Hawaiian
    - 5b - Guamanian or Chamorro
    - 5c - Samoan
    - 5d - Other Pacific Islander
  - Other
  - Did not respond. (Please initial below)

Note: Multiple racial categories may be indicated as such: 31 - American Indian/Alaska Native & White, 14b - White & Asian (Chinese), etc.

- The Following Ethnicity Codes should be used:**
- Hispanic - A person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin, regardless of race. Terms such as "Latino" or "Spanish Origin" apply to this category.
  - Not Hispanic - A person not of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin, regardless of race.
  - Did not respond. (Please initial below)
- Disability Status:**
- Yes
    - If any member of the household is disabled according to Fair Housing Act definition for handicap (disability):
      - A physical or mental impairment which substantially limits one or more major life activities; a record of such an impairment or being regarded as having such an impairment. For a definition of "physical or mental impairment" and other terms used, please see 24 CFR 100.201, available at [http://www.fairhousing.com/index.cfm?method=raas\\_display&page=raas\\_reqs\\_100\\_201](http://www.fairhousing.com/index.cfm?method=raas_display&page=raas_reqs_100_201).
      - "Handicap" does not include current, illegal use of or addiction to a controlled substance.
      - An individual shall not be considered to have a handicap solely because that individual is a transvestite.
  - No
  - Did not respond (Please initial below)

Resident/Applicant: I do not wish to furnish information regarding ethnicity, race and other household composition.

(Initials) \_\_\_\_\_  
 (HH#) 1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_ 4. \_\_\_\_\_ 5. \_\_\_\_\_ 6. \_\_\_\_\_ 7. \_\_\_\_\_

# Tenant Household Information Form (THIF)

Tenant Household Information Form (for use in Tier 1 LIHTC Credit Properties)		Effective Date: _____				
		Move-In Date: _____				
		MM/DD/YYYY				
<b>PROJECT DATA</b>						
Project Name: _____	County: _____	TCAC#: _____				
Address: _____	City: _____	ZIP: _____				
Unit Number: _____	Block/Tract: _____	Signature: _____				
<b>HOUSEHOLD COMPOSITION</b>						
I/We moved (Check if unit was vacant on December 31 of the Effective Date Year)						
HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	F/T Student (Y or N)	Last 4 digits of Social Security#
1						
2						
3						
4						
5						
6						
7						
Household Size as of LIHTC Move-In: _____		Effective Date of LIHTC Income Certification: _____				
Household Size at LIHTC Move-In: _____		Household Size at LIHTC Certification: _____				
<b>RENT</b>						
Tenant Paid Monthly Rent: \$ _____	Federal Rent Assistance: \$ _____	% Source: _____				
Monthly Utility Allowance: \$ _____	Non-Federal Rent Assistance: \$ _____	(70%)				
Other Monthly Non-Optional Charges: \$ _____	Total Monthly Rent Assistance: \$ _____					
<b>GROSS MONTHLY RENT CRITERIA:</b>						
(Tenant paid monthly rent plus monthly utility allowance & other non-optional charges)						
Maximum Federal LIHTC Rent Limit for this unit: \$ _____	*Source of Federal Assistance:					
If Applicable, Maximum Federal § 811 LIHTC Bond Rent Limit for this unit: \$ _____	1 **HUD Inhibitory Project Based Rental Assistance (PBRA)					
Unit Meets Federal Rent Restriction: <input type="checkbox"/> 60% <input type="checkbox"/> 50%	2 Section 811(b)(6) Distribution					
If Applicable, Unit Meets Bond Rent Restriction: <input type="checkbox"/> 60% <input type="checkbox"/> 50%	3 Public Housing Operating Subsidy					
Unit Meets Deeply Targeting Rent Restriction: <input type="checkbox"/> Other _____ %	4 HOME Rental Assistance					
	5 HUD Housing Choice Voucher (HCV) Juntas based					
	6 HUD Housing Choice Voucher (HCV)					
	7 USDA Section 521 Rental Assistance Program					
	8 Other Federal Rental Assistance					
	9 Housing					
	** (PBRA) includes: Section 8 New Construction/Substantial Rehabilitation; Section 8 Loan Management; Section 8 Project Rental Assistance Contract (PRAC)					
<b>STUDENT STATUS</b>						
ARE ALL OCCUPANTS FULL TIME STUDENTS?						
<input type="checkbox"/> Yes <input type="checkbox"/> No	If Yes, State student explanation* (Date and % of enrollment)	*Student Explanation:				
		1 ARDC / DINE Assistance				
		2 Job Training Program				
		3 Single Parent/Dependent Child				
		4 Merit-based Return				
		5 Financial Hardship				
*If the above answer is yes, a Student Verification Form (completed via 3 <sup>rd</sup> party) must be attached to this form.						

Under \$5000 Asset Form

**UNDER \$5,000 ASSET CERTIFICATION**

For households whose combined net assets do not exceed \$4999.99.  
Complete one form for households with joint assets or one form per person with separate assets. If a household contains both joint and separate assets, use separate forms and list the joint asset on both forms with the statement (Joint) next to the applicable asset.

Household Name: \_\_\_\_\_ Unit No. \_\_\_\_\_  
Development Name: \_\_\_\_\_ City: \_\_\_\_\_

Complete the following:

1. Choose one:  
 I/we do not have any assets at this time. (If this box is checked, draw a line through the asset information below; place a zero in 83, sign and date)  
 OR

My/our assets include:  
*(Please complete fully. Put a zero in any columns that do not apply)*

(A) Cash Value*	(B) Int. Rate	(A*B) Annual Income	Source	(A) Cash Value*	(B) Int. Rate	(A*B) Annual Income	Source
\$ _____	\$ _____	\$ _____	Savings Account	\$ _____	\$ _____	\$ _____	Checking Account
\$ _____	\$ _____	\$ _____	Cash on Hand	\$ _____	\$ _____	\$ _____	Safety Deposit Box
\$ _____	\$ _____	\$ _____	EBT/Debit Visa or MC	\$ _____	\$ _____	\$ _____	Certificates of Deposit
\$ _____	\$ _____	\$ _____	Stocks	\$ _____	\$ _____	\$ _____	Money market funds
\$ _____	\$ _____	\$ _____	IRA Accounts	\$ _____	\$ _____	\$ _____	Bonds
\$ _____	\$ _____	\$ _____	Keogh Accounts	\$ _____	\$ _____	\$ _____	401K Accounts
\$ _____	\$ _____	\$ _____	Equity in real estate	\$ _____	\$ _____	\$ _____	Trust Funds
\$ _____	\$ _____	\$ _____	Lump Sum Receipts	\$ _____	\$ _____	\$ _____	Capital investments
\$ _____	\$ _____	\$ _____	Life Insurance Policies (excluding Term)				
\$ _____	\$ _____	\$ _____	Other Retirement/Pension Funds not named above:				
\$ _____	\$ _____	\$ _____	Personal property held as an investment**:				
\$ _____	\$ _____	\$ _____	Other (list): _____				

**PLEASE NOTE:** Certain funds (e.g., Retirement, Pension, Trust) may or may not be fully accessible to you. Include only those amounts which are:  
\*Cash value is defined as market value minus the cost of converting the asset to cash, such as broker's fees, settlement costs, outstanding loans, early withdrawal penalties, etc.

\*\*Personal property held as an investment may include, but is not limited to, gem or coin collections, art, antique cars, etc. Do not include necessary personal property such as, but not necessarily limited to, household furniture, daily-use autos, clothing, assets of an active business, or special equipment for use by the disabled.

2. Choose one:  
 I/we have not sold or given away assets (including cash, real estate, etc.) for less than fair market value during the past two (2) years.  
 OR  
 Within the past two (2) years, I/we have sold or given away assets (including cash, real estate, etc.) for more than \$1,000 below their fair market value (FMV). Those amounts\* are included above and are equal to a total of: \$ \_\_\_\_\_  
\_\_\_\_\_\*(the difference between FMV and the amount received, for each asset on which this occurred).

3. Please complete:  
The net family assets (as defined in 24 CFR 813.102) above do not exceed \$5,000 and the total annual income (add all annual income columns) from the net family assets is \$ \_\_\_\_\_. This amount is included in total gross annual income.

Under penalty of perjury, I/we certify that the information presented in this certification is true and accurate to the best of my/our knowledge. The undersigned further understand(s) that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of a lease agreement.

Applicant/Tenant \_\_\_\_\_ Date \_\_\_\_\_ Applicant/Tenant \_\_\_\_\_ Date \_\_\_\_\_  
CA Tax Credit Allocation Committee (January 2017)

Live-In Aide Verification Form

**Live-In Aide Request for Verification  
(California Tax Credit Properties)**

Date: \_\_\_\_\_  
Household Member's Name: \_\_\_\_\_  
To: \_\_\_\_\_ From: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The household member named above has applied for or is currently residing in a unit that is part of the Low Income Housing Tax Credit program under IRS Section 42. The household member has indicated that he/she is disabled and requires a live-in aide in order to have equal access to housing the same as if he or she was not disabled. The LIHTC program has specific verification requirements for all households indicating a need for a live-in aide, including, but not limited to: (1) the aide is there for the sole purpose of providing supportive services essential to the member's care and well being; and (2) the aide would not otherwise be occupying the unit except to provide the necessary supportive services.

The household member named above has indicated that you are a third-party professional competent to verify the disability and the need for the requested accommodation. We ask that you provide the following general information to determine if a live-in care attendant is required to provide necessary supportive services in order for the member to use and enjoy the dwelling.

Please Note: The information provided should respond to the general questions and not disclose any confidential information regarding the nature of the disability of the household member.

I hereby authorize the release of the information on this verification form:

Household Member's Signature \_\_\_\_\_ Date \_\_\_\_\_  
.....

- Information Requested:**
- Is the household member disabled as defined below?  Yes  No
  - In your professional opinion, and with knowledge of the member's disability, does the member require the services of a live-in care attendant in order to use and enjoy the dwelling?  Yes  No
  - Is the household member's disability permanent and/or without the potential for improvement such that the household member would continue to need the services of a live-in care attendant?  Yes  No  
*(ETCAC will require that any "No" response be verified annually)*
  - Does the member require more than one aide to occupy the unit?  Yes  No  
Number of Aides needed: \_\_\_\_\_

Under applicable law, an individual is disabled if he/she has, is regarded as having or perceived as having a physical or mental impairment that limits a major life activity such as: caring for one's self, performing manual tasks, participating in social activities, walking, seeing, hearing, speaking, breathing, learning and working, and includes, but is not limited to, conditions such as cerebral palsy, autism, epilepsy, muscular dystrophy, multiple sclerosis, cancer, heart disease, Human Immunodeficiency Virus Infection, mental retardation, and emotional illness. This definition does not include sexual behavior disorders, compulsive gambling, kleptomania, pyromania, or psychoactive substance use disorders resulting from the current unlawful use of controlled substances or other drugs.

Printed name of Person supplying information: \_\_\_\_\_  
Title of Person supplying information: \_\_\_\_\_  
Firm/Organization: \_\_\_\_\_  
Phone Number: \_\_\_\_\_ Fax: \_\_\_\_\_

Signature of Person supplying information: \_\_\_\_\_ Date: \_\_\_\_\_  
By signing above, I certify, under penalty of perjury, that the information presented in this Verification is true and accurate to the best of my knowledge and belief. I further understand that providing false representations herein constitutes an act of fraud.

Please attach a business card or stamp here.

## Compliance Due Diligence

Tax credits can be claimed if unit meets three basic requirements:

- Income Eligible
- Rent Restricted
- UPCS Standards
  - Safe
  - Habitable
  - Good Condition



## Compliance Due Diligence

### Facts and Circumstances

- CTCAC will determine if the owner/management performed sufficient due diligence with regards to the following:
  - Documenting Income Eligibility
  - Keeping Units Rent Restricted



## Compliance Due Diligence

- CTCAC Compliance Website:
  - [www.treasurer.ca.gov/ctcac/compliance.asp](http://www.treasurer.ca.gov/ctcac/compliance.asp)
    - Online Compliance Manual
    - Policy Memos
    - Forms
    - 2017 Monitoring List
      - Note: CTCAC cannot give advance notice of inspection dates

## Eligibility Basics

### The Tenant Application

- Detailed and Asks Appropriate Questions
  - Household Members
  - Income Sources
  - Assets
  - Employment
  - Housing History
  - Age (if Senior Complex)
- Should not accept if not complete

## Eligibility Basics

- Verification of Income and Assets:
- Third party verification
- Telephone clarifications only for minor issues or items left blank
- Significant changes in the stated income must be third party verified
- Don't have ALL the info...
  - DON'T MOVE THEM IN!!

## Eligibility Basics

### Other Income Sources:

- Social Security and Supplemental Security
- Pensions and Annuities
- Gifts
- Zero Income Certification

## Eligibility Basics

### Other Income Sources:

- Payments from another Country
  - Per IRS - Must be verified and translated
  - Burden of cost is on the tenant

## Eligibility Basics

### SSA/EDD/Payroll Debit Cards

- Issued by the source
- CTCAC will treat as Income
- Verify the Source - Either 3<sup>rd</sup> Party or the Current Award Letter
  - HUD guidance differs slightly. It is ok to follow HUD guidance and count it as both income and an asset if there is HUD funding in the property

## Eligibility Basics

### Required Income Documentation

#### Regular Income from Wages

- VOE and 3 months of current pay-stubs
- Calculating income (3 methods)

#### Self Employment

- Tax Return and Schedule C
- 4506-T if claiming no tax returns
  - Veritax - Third party vendor who can assist with getting 4506-T's returned timely
  - Profit/Loss Statement
  - Statements from recurring clients

## Eligibility Basics

### Cash Wages

- 4506-T if claiming no tax returns
- Third party statement from the employer on company letterhead indicating tenant is paid in cash and also include tenant's name, title and job duties.
- Day Labor
  - CTCAC Definition of Day Labor
  - Self-Certification of Wages
  - Previous History Research

## Eligibility Basics

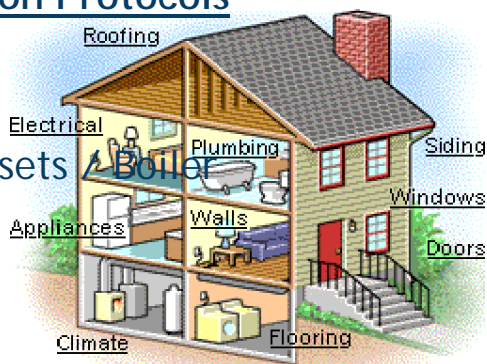
### Farm Labor and other Seasonal Labor

- Completed VOE showing lay-off period
- May use payroll printout instead of paystubs
- If receiving unemployment during lay-off period
  - Calculate only the months expected to receive. Do not annualize.
- For all other types of Unemployment
  - Must annualize at 52 weeks

## UPCS

### Basic Physical Inspection Protocols

- 24 hour notice
- Keys
- Water Heater Closets / Boiler Rooms
- Smoke Detectors
- Pool
- Compliance Manual
  - Section 7 - Part 7.3 Physical Inspection Checklist



## UPCS

### Physical Inspection

- HUD's UPCS Standards
  - Exterior
    - ADA Accessibility to Common Areas
    - Visual Inspection of Building/Roof
    - Landscaping/Standing Water
    - Trip Hazards
    - Parking Structures

## UPCS

### Physical Inspection

- HUD's UPCS Standard
  - Interior
    - Smoke Detectors
    - Functioning Appliances
    - Water Heater/HVAC Closets
    - Blocked Ingress/Egress
    - Holes/Leaks
    - Trip Hazards
    - Carbon Monoxide Detector

## UPCS

### Interior Corridor Emergency Lighting

- CTCAC will check all emergency lighting to verify back-up battery systems are operating correctly
  - If 20% of the units tested are inoperable it is an automatic 8823
- **Fire Alarm Systems**
- Maintenance/service logs are required for all properties with a centralized Fire Alarm system



## UPCS

### Results of Physical Inspections

- Attention to:
  - No operational smoke detector
  - Exposed electrical wiring
- Requirements before leaving the property:
  - Deficiencies that could cause immediate injury
  - Copy of signed and dated work orders for those items that require immediate attention

# CTCAC Findings Letter



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 Capitol Mall, Suite 405  
Sacramento, CA 95814  
p (916) 654-4346  
f (916) 654-6033  
ctcac@treasurer.ca.gov  
www.treasurer.ca.gov/ctcac

MEMBERS  
JOHN CHANG, CHAIRMAN  
State Treasurer  
BETTY YEE  
State Controller  
MICHAEL COHEN  
Director of Finance  
EXECUTIVE DIRECTOR  
Mark Stevens

March 1, 2015

John Smith  
ABC Apartments, LP  
111 Main Street, Suite 202  
Sacramento, CA 95814

RE: ABC Apartments (CA-2015-213)

## NOTICE OF NONCOMPLIANCE WITH INTERNAL REVENUE CODE SECTION 42

The California Tax Credit Allocation Committee (CTCAC) staff conducted a file and on-site physical inspection of your project to determine compliance with the Low-Income Housing Tax Credit program requirements on February 17<sup>th</sup> 2015. The law and regulations require that tax credit units be rent restricted and occupied by income eligible households whose income is verified by third-party documentation. All units must be habitable and the property must be safe for all tenants.

### RESULTS OF THE TENANT FILE INSPECTION:

Thirteen tenant files were reviewed. The review of the files and the Project Status Report (PSR) for your project indicate that income eligible households occupy the units, rents are within the maximum rent limits, and all required documentation is contained in the files with the exception of the following:

**Building 2 - Unit #203 (Smith)** - This one-person household moved in on 04/21/2009. At initial

- Two Types of Letters
  - Good
    - No file or physical issues
  - Noncompliance
    - One or more file or physical issues
- 30 day turnaround timeframe
- Detailed list of noncompliance issues for file, physical, and amenities

# CTCAC Findings Letter



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**Building 2 - Unit #203 (Smith)** - This one-person household moved in on 04/21/2009. At initial

- States the Correction Period and the Owner's Response due date.
  - Extensions (if warranted)
- Analyst's Contact information
- Sent to Owner and Management Contact on File



## Owner / Management Response Letter

### Preferred Response Layout:

- Cover letter with non-compliance issues and brief summary of response
- Documentation requested to correct file non-compliance
- Work orders requested to correct physical non-compliance
  - Signed and dated by both tenant and maintenance.
- Documentation requested to correct other issues

## Owner / Management Response Letter

**Documentation must  
be mailed to the  
Analyst in charge of  
the inspection not  
e-mailed.**

## Student Rules

### Who is a Student?

- IRS defines a student as an individual, who during each of 5 calendar months during the calendar year is a full-time student at an educational organization defined by IRC 170 (b)(1)(A)(ii)
- Months need not be consecutive
- Full-time or part-time is determined by the educational institution the student is attending



## Important Compliance Rules - Students

- Anyone at any age can become a full-time student
- Remember that student rules for Section 42 conflict with Student rules for most HUD programs
- If project is layered and there's a conflict talk to owner and tax credit investor and let them guide you on what they want you to do

## Important Compliance Rules - Students

- IRS has stated that if a student attends 2 different colleges on a part-time basis, and school verifies their part-time status, they are considered a part-time student
- Student status must be reviewed and if applicable verified at each annual recertification

## Student Rules

### What is an Education Organization?

- Any organization that maintains a regular facility, faculty, and curriculum that normally has an enrolled body of students in attendance
- Definition includes elementary, junior and senior high schools, colleges, universities, technical, trade, or mechanical schools.



## Student Rules

Full-time Student Households must meet one of 5 IRS exceptions:

1. Any member(s) of the household is married and is filing (or is entitled to file) a joint tax return
2. Be receiving assistance under Title IV of the Social Security Act (AFDC, Cal WORKS, or TANF not SSA/SSI)



## Student Rules

3. Have recently exited the Foster Care System
  - CTCAC restricts to ages 18-24
4. Be enrolled in a job training program under the JTPA or WIA or under another similar Federal, State or local law
5. Be a single parent with a child (or children) and neither the parent or children are claimed as a dependent on a third parties tax return
  - Single Parent Full-time Student Status Form

## Student Rule Examples

Jan started her last semester at CSU Chico in January of 2016 and graduated in June. She was a full time student all through her college years but now she is no longer going to school and she is working full-time. She is applying at your property in September of 2016. Do you need to worry about her student status since she graduated?

- Yes. The IRS classifies full-time student status as any time in a calendar year. Jan would need to meet one of the 5 IRS exceptions or wait until 2017 to move-in.

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## Student Rule Examples

Kevin and David are both full-time medical students going to school at UC Davis. Both are married to spouses living in other states. Their spouses will not be living in the units but their income will be added to the total household income, since spouses are legally obligated for support. Even with the added income, they income qualify for a two-bedroom unit. Do they meet one of the 5 IRS exceptions?

- Yes. The IRS exception is any member of the household is married and filing or is entitled to file a joint tax return. It does not state household members need to be married to each other.

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## Student Rule Examples

Kathy is 22 and working towards her Bachelors Degree in Mechanical Engineering at University of Phoenix. She has been going to school full-time and she gets \$1000 a month from her mother, who is not living in the unit. Kathy has a daughter named Mary who is in the 1<sup>st</sup> grade. Does this household meet one of the 5 IRS exceptions?

- **Not Necessarily.** The IRS exception is single parent with a dependent child and neither are dependent on a third party's tax return. In this instance Kathy *may* still of a dependent of her mother, even though the mother is not residing in the unit.

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## Financial Aid

- Only counted if the household is receiving Section 8 Assistance
- Aid in excess of tuition (scholarships, grants, etc. but **not** loans) must be added to the households income unless one of two exceptions are met:
  1. Living at home with his/her parents or guardian
  2. Over age 23 with a dependent child

## Student Income

For households where the Student is over 18 and has wages from a job - Only count \$480 of the student's income

1. Student cannot be the Head, Co-head, or Spouse
2. Must be living in the unit and claimed as a dependent on the HOH, Co-Head, or Spouse's tax return
  1. Tax Return must be in the file
  2. Applies to full-time students

## Student Income

- If not a dependent of HOH, Co-Head or Spouse, full income from wages must be counted.
- For part-time students - full income from wages must be counted.

## IRS Section 42 Rules - Vacant Units

The IRS permits credits on a vacant unit as long as:

- Previously occupied by an income qualified household
- Turn-key ready for immediate occupancy
  - CTCAC allows a 60 day grace period from date of vacancy before noting this as a noncompliance issue, please note the IRS considers a 2 week period sufficient

## IRS Section 42 Rules - Vacant Units

- CTCAC Requires 3 methods of Advertising:
  - Newspaper
  - Internet
  - Signage
- Reported to the IRS if vacant more than 60 days:
  - Unit not being advertised
  - Not Turn Key Ready
  - Waiting for a referral from an Agency



## IRS Section 42 Rules - Changing Household Size

- Circumstances may arise where a tenant wants to add additional members to the household
- CTCAC strongly suggests not permitting any change in household the first year of the credit period.
  - Check with the owner and Investor prior to making changes to household size during the first year of the credit period
  - Most investors will want assurance that if there is an increase in household size the units will be tax credit eligible

## IRS Section 42 Rules - Changing Household Size

- Have clear criteria that states:
  - If adding members to household will put the household over the limit for household size - the change will not be permitted
- Mixed-use tax credit project -
  - Recalculate income to verify:
    - additional household member will not put the household over either income limit or over 140% of AMI

## IRS Section 42 Rules - Transfers

- Know the 8609 Part II Line 8b election
- If yes, tenants can transfer throughout the property
- If no, tenants can transfer within the same building, but cannot transfer directly to another building on the property.
  - Treated like a move-out / new move-in
  - Tenants would have to re-income qualify at the current limits

## IRS Section 42 Rules - Manager's Unit

- Unit that is included in eligible basis as Common Space
- Used for the needs of the property
  - On-Site Manager
  - Maintenance
  - Police Unit (must have prior CTCAC approval)
- The IRS has clarified that rent and utilities may be charged on a Manager's unit
- Employee(s) living in the unit must be working at the property they are living at
  - No exceptions!

## IRS Section 42 Rules - Manager's Unit

- Know what the project's regulatory agreement allows
- Should hire the on-site manager with condition that they have to live at project
- Manager must work at same project as the unit they are occupying

## IRS Section 42 Rules - Manager's Unit

- IRS no longer requires manager to work on a "Full-time" basis at same project they live at
- Be careful if splitting the manager's time between two different tax credit projects!
- CTCAC will start looking at this issue more closely in 2017

## IRS Section 42 Rules - Common Areas

- Common Areas include
  - Community Room
  - Pool / Gym
  - Computer Room
- Common Areas should be available for use by the tenants and the tenants should have access to the areas
  - Management cannot charge for the use of common areas
  - Hours of use may be set by management
    - Be reasonable!

## IRS Section 42 Rules - General

- Section 42 is silent on the requirement for SSN# and Citizenship
- CTCAC is not authorized to use the HUD Enterprise Information Verification (EIV) System
- Households that are comprised of entirely of full-time students are subject to additional rules

## Compliance Fines Schedule

Beginning in 2017, CTCAC will have the authority to levy monetary fines for compliance violations -Implementation April 2017

- CTCAC will either issue an 8823 or levy a fine depending on the circumstances
- Most findings have a correction period
- Fines may be charged monthly until corrected
- Approval pending at March Committee Meeting

## Compliance Fines Schedule

Compliance Violation Fines		
All payments due within 30 days of assessment or completion of appeal		
Compliance Violation (per unit unless otherwise noted)	Corrective Time Period	Fines after Corrective Period
Life and Safety Violations Life-threatening (post Y15)	24hr – 1 week to correct	\$250 fine and \$50 per month until corrected
Life and Safety Violations Non-Life threatening and UPCS Violations – Level 2 and 3 (post Y15)	30 days to correct. Refer to NCL letter for specific violation	\$250 fine and \$50 per month until corrected
Incorrect eligibility documentation or unable to determine eligibility (post Y15)	30 days to correct	\$250 fine and \$100 per month until corrected
Incorrect rent of \$15 or less (post Y15 for all units; Initial credit period for all deeper targeted units)	30 days to correct and reimburse tenants the overage amount	The greater of \$100 or twice the monthly financial gain per month until corrected
Incorrect Rent of more the \$15 (post Y15 for all units; Initial credit period for all deeper targeted units)	Immediate \$250 fine or twice the financial gain, whichever is greater, and owner must correct the rents and reimburse tenants the overage amount	After 30 days, an additional fine equal to the greater of \$100 or twice the monthly financial gain per month until corrected
Failure to submit reports – AOC (post Y15) (per project)	30 days to correct	\$250 fine and \$50 per month until corrected
Failure to submit Reports –AOE, Tenant Demographic Data (Initial credit period and post Y15) (Per project)	30 days to correct	\$250 fine and \$50 per month until corrected

## Compliance Fines Schedule

Vacant/off-line unit (post Y15)	Immediate \$250 fine if unit is vacant more than 60 days, not being advertised, and not ready to rent. TCAC may extend the 60-day period for situations beyond the owner's control or involving particularly lengthy rehabilitation, provided that the owner is diligently working to correct the situation.	After 30 days, an additional \$250 fine per month
Failure to Provide Service Amenities (Initial credit period) (Per project)	Immediate fine of twice the financial gain, based on the service costs presented in the application or, if none, an assumed cost of \$20,000 per year, except that no immediate fine shall be imposed for a lapse of 30 days or less within a calendar year.	After 30 days, an additional fine of twice the monthly financial gain.
Lack of cooperation to monitor (post Y15) (Per project)	90 days to correct from date of initial letter notifying of inspection	\$500 per month
RUBS (Ratio Utility Billing Service) and Mandatory Fees (examples but not inclusive – Renter's insurance, W/D hook-ups, cable, storage, parking) (Initial credit period and post Y15)	Immediate fine of \$100 or twice the financial gain, whichever is greater. If over maximum TCAC rent, owner must also reimburse tenants for overage.	After 30 days, an additional fine of \$100 per month or twice the monthly financial gain, whichever is greater, until corrected
Student Rule (post Y15)	Immediate \$250 fine	After 30 days, an additional fine of \$100 per month until corrected

## Compliance Fines Schedule

Change of Ownership or Management without TCAC Approval (Initial credit period and post Y15) (Per project)	Immediate \$500 fine	After 30 days, an additional fine of \$500 per month until corrected
Transfer event without TCAC approval (Per project) (Initial credit period and post Y15)	Immediate \$500 fine or twice the financial gain, whichever is greater	After 30 days, an additional \$500 fine or twice the monthly financial gain, whichever is greater
Change in Unit Mix without TCAC Approval (Initial credit period and post Y15)	Immediate \$500 fine	After 30 days, an additional \$500 fine per month until corrected unless TCAC approves the change
Not using TCAC required forms - TIC - TICQ - THIF (if applicable) - Under \$5k Asset - Child/Spousal Support Verification - Zero Income Certification (if applicable) (Initial credit period and post Y15) (Per project)	Immediate \$250 fine	After 30 days, an additional fine of \$100 per month until forms are in use
Failure to maximize utilization of accessible units and give priority for accessible units to persons already residing in the complex or on the waiting list who need the accessibility features (Initial credit period and post Y15) (per project)	30 days to correct	\$250 fine and \$100 per month until corrected

## CTCAC Compliance Update

Beginning in 2017 - CTCAC Compliance Section will use Survey Monkey to assess quality control after every monitoring visit

- Post - Inspection Survey
- CTCAC Number and Project Name
- Analyst Conducting the Inspection
- Notes and General Feedback regarding the monitoring visit

### Survey Monkey Sample

Post Inspection Survey

1. Project Name & TCAC Number:

2. Name of CTCAC staff who conducted monitoring visit?

3. Did CTCAC staff arrive to the property at the scheduled monitoring time?  
 YES  
 NO

4. Was CTCAC staff professional and courteous to all on-site staff and the tenants at the property?  
 YES  
 NO

5. What time was the monitoring visit completed?  
Date / Time  :  :  AM/PM

6. Any additional comments you would like to add regarding the monitoring visit?

## Important Compliance Rules - 8823 Issuance

- Initial letter sent out to owner notifying of a Monitoring Inspection
- A 30 day notification is given, but can be shorter if necessary
- Monitoring visit by state agency occurs
- Within 30 days, the owner and management company receive a findings letter

## Important Compliance Rules - 8823 Issuance

- A Good letter is sent if no issues with files, rents, physical inspection of units, site and service amenities and common areas are found
- A Noncompliance Letter or (NCL) will be sent if any issue of noncompliance is found
- The NCL is broken down by: Files, Physical Inspection, Other Issues



## Important Compliance Rules - 8823 Issuance

- The NCL is specific to what was missing, found lacking, not working, not operable, not in place, not being conducted, expired, vacant units not turnkey ready, unable to access entry to unit, to common areas, to any area of the project needed to be reviewed, changes or violations of eligible basis (turning a low income unit into different use, charging for community room, parking)

## Important Compliance Rules - 8823 Issuance

- Please review each and every issue noted and respond to the noncompliance by providing exactly what is being requested - need to analyze letter carefully
- At the end of the correction period the owner response is due to our office
- IRS requires we file an 8823 for any issue found during the monitoring visit whether corrected or not corrected

## Important Compliance Rules - 8823 Issuance

- IRS requires we file the 8823 timely
- 8823's reported by building
- Three types of 8823's can be filed: Informational, Corrected, Uncorrected
- **Informational 8823** - to report a sale, foreclosure, destruction, Other

## Important Compliance Rules - 8823 Issuance

- **Corrected 8823** - The monitoring agency found an issue(s) of noncompliance and during the correction period given the owner, the owner corrected **all** the noncompliance - IRS determines if there will be any penalty
- Nothing further needs to be done by owner - matter is closed
- This action closes the Monitoring visit until the next monitoring rotation in 3 years

## Important Compliance Rules - 8823 Issuance

- **Uncorrected 8823-** The owner was able to correct some but not all of the issues, or the owner was unable to correct any of the issues - IRS determines if there will be a penalty - \* IRS has stated they take special interest in these 8823 filings
- *Owner will want to correct the outstanding issues of noncompliance with the state agency*
- This action closes the Monitoring visit until next monitoring rotation in 3 years

## Important Compliance Rules - 8823 Issuance

- However, if the owner corrects all the outstanding noncompliance reported that was not previously corrected, the state agency will file a "Corrected 8823"
- Work closely with the Chief of Compliance and the analyst in charge of inspection at this point
- Please note that there is no automatic guarantee that the owner will receive a 2<sup>nd</sup> and final NCL from the state agency

## Important Compliance Rules - 8823 Issuance

- A 2<sup>nd</sup> and final NCL is done as a courtesy and when time permits
- There is no time period dictated by IRS on when "Corrected 8823's" need to be filed
- The IRS will never share with the state allocating agency what the ramifications or loss of credits, penalties will be when an 8823 is filed, they consider this a confidential matter between the Taxpayer and the IRS

## Important Compliance Rules - 8823 Issuance

- IRS requires that the state agency discuss any issuance of an 8823 with only the owner of the tax credit project
- The state agency cannot release a copy of a filed 8823 with anyone but the owner of the tax credit project - please note in most cases the management company is not the owner of the project

## What is the Gross Rent?

- Gross Rent is the maximum rent that can be charged to a unit
- Gross Rent includes the tenant paid portion, utility allowance, and any mandatory or required fees
- For IRS purposes
  - Maximum gross rent will be at either the 60% level for 40/60 properties or at 50% for 20/50 properties
  - Units that have additional State deeper targeting but also meet the requirements as stated in the Regulatory Agreement for the property
    - It is not a Federal (IRS) issue if the Deeper Targeting is not being met.
    - Deeper Targeting that is not met may result in Negative Points to the owner and/or management company or a monetary fine to the owner

## How Do You Know the Gross Rent?

- Gross Rent is based on the greater of either the Gross Rent Floor Election (GRFE) at application or the current maximum rent limit as released by HUD
- The GRFE is a protection against a decrease in rents from the time the owner came in for credits and the time the property places in service
  - The GRFE defaults to Carryover for 9% properties or Preliminary Reservation for 4% properties
    - Owners of 9% properties may elect to set the GRFE at PIS instead of Carryover
  - GRFE is Held Harmless at the highest point it has achieved

## Other Important Rent Information

- In 2017 going forward, HUD has stated that the applicable LIHTC income limits will be released in March of each year
- CTCAC will try to post the rent and income limits on our webpage within the same week they are released
- Management agents must know the placed in service date (PIS Date) for all projects they oversee

## Important Compliance Rules - Totem Pole Rule

- A rule often over looked
- Applies throughout the tenancy of a household
- When all members of a household that originally income qualified the unit have moved out

## Important Compliance Rules - Totem Pole Rule

- Any remaining member that joined the household after initial move-in must be income qualified to remain in unit
- Management should independently income qualify any additional member to a household and if they income qualify clearly note that in the file for future reference
- This will become very important if a project undergoes resyndication at a future date

## Transfer Events

In October of 2015, CTCAC released an updated Memo and Questionnaire to correspond with the State Regulation Changes for 2016:

- Questionnaire can be found at:  
<http://www.treasurer.ca.gov/ctcac/compliance.asp>

## Transfer Events

Easy to follow questions will determine what needs to be submitted for each type

- Ownership Transfer
- Sale
- Re-finance,
- Other change in partnership (either limited partner or general partner)

## Transfer Events

- In order to start the review process, CTCAC must receive the documents noted as necessary on the questionnaire
- The review can take from 2 ½ to 4 weeks depending on whether the correct documentation was submitted and how many reviews are being conducted.



## Transfer Events

- Currently we receive on average 3-4 Transfer Events a week to process
- Please factor review processing time into your submission for review. We cannot push projects to the top of the queue because of late submission too close to a close date.

## Transfer Events

- Please submit completed Word versions of the following forms:
  - Assignment and Assumption Agreement
  - Stand Still Agreement
  - Capital Needs Agreement
- This allows us to edit if necessary and will speed up the review process

## Transfer Events

- Transfer Events as part of a Resyndication where a new allocation of credits has already been awarded go to Jewel Chen in Development
- All other transfer events go to Ammer Singh or Shannon Nardinelli

## Transfer Events

### Mandatory CTCAC Training

- For new owners who are intending to purchase Tax Credit Properties in California and do not meet the same qualifications as the outgoing ownership entity and/or management company, CTCAC will require that the new owners, their management company, and their maintenance staff attend a one day training class held by CTCAC at our offices in Sacramento.

## Transfer Events

Occasionally, CTCAC may also require ownership entities who have never owned Tax Credit properties to partner with a bone-fide management company familiar with the LIHTC in the state of California for a minimum of 2 years before the owner can self-manage.

## Management Company Changes

### Management Agent Transfers:

- 9% tax credit projects require TCAC consent and equivalent management agent experience as existing entity:
  - Substitution of Property Management Agent
- 4% tax credit projects require TCAC management experience similar to the exiting management company
- Owner to send request to the CTCAC Chief of Compliance

## Management Company Changes

- All letters and notices of intent to conduct a monitoring inspection go to the Owner and Management Contact CTCAC has on file
- Starting in April of 2017, CTCAC will have the authority to issue fines to owners who change management companies without notifying and receiving approval from CTCAC first.

## CTCAC Handouts

### New Construction Compliance Guidance

1. Renting Up
2. Important Terms
3. Source Documents
4. State Agency Monitoring
5. Annual Reporting

## CTCAC Handouts

### Acquisition and Rehabilitation Compliance Guidance

1. Renting Up
2. Important Terms
3. Source Documents
4. State Agency Monitoring
5. Annual Reporting

## CTCAC Handouts

### Resyndication Guidance

1. Renting Up
2. Important Terms
3. Source Documents
4. State Agency Monitoring
5. Annual Reporting

Resyndication Clarification  
Form

**Resyndication Clarification Form**

*For existing households that qualified under the original allocation of credits and now exceed the current tax credit limits at resyndication. Please print on colored paper.*

1. Name of tax credit property: \_\_\_\_\_
2. Original CTCAC project number: \_\_\_\_\_
3. Resyndicated CTCAC project number: \_\_\_\_\_
4. Household name: \_\_\_\_\_
5. Original move-in date: \_\_\_\_\_
6. Original unit and building number: \_\_\_\_\_
7. Number of members in original household: \_\_\_\_\_
8. Original household, currently income eligible at resyndication? \_\_\_\_\_
9. Current household eligible to be grandfathered, as a tax credit unit? \_\_\_\_\_
10. Is a complete copy of initial move-in certification attached? \_\_\_\_\_
11. If No was answered for question 10, what complete subsequent certification is attached? \_\_\_\_\_
12. Most current certification date for household: \_\_\_\_\_
13. Current income of household: \_\_\_\_\_

Certification by Owner/ Manager Company Agent:

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_

*I certify under penalty of perjury that the above information is true and correct to the best of our ability the owner has provided either the **initial move-in certification** for this original household or **the next most current completed recertification** to show the household was initially an income eligible household under the old allocation of tax credits for this project.*

Questions?