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
CTCAC Forms

- Tenant Income Certification (TIC)
  - Updated January 2017
- Tenant Household Information Form (THIF)
  - Updated January 2017
- Tenant Income Certification Questionnaire (TICQ)
- Verification of Employment (VOE)
- Zero Income Certification
### Tenant Income Certification (TIC)

#### Part V: Determination of Income Eligibility

<table>
<thead>
<tr>
<th>Category</th>
<th>Income Limit Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Income</td>
<td>130% of Poverty Line</td>
</tr>
</tbody>
</table>

#### Part VI: Rent

<table>
<thead>
<tr>
<th>Rent Category</th>
<th>Maximum Rent Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Income</td>
<td>120% of Poverty Line</td>
</tr>
</tbody>
</table>

#### Part VII: Employment

<table>
<thead>
<tr>
<th>Employment Category</th>
<th>Percentage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Income</td>
<td>120% of Poverty Line</td>
</tr>
</tbody>
</table>

#### Part VIII: Income Verification

<table>
<thead>
<tr>
<th>Verification Method</th>
<th>Income Percentage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Income</td>
<td>120% of Poverty Line</td>
</tr>
</tbody>
</table>

#### Part IX: Certification

**Tenant Income Certification Statement:**

I, the tenant, certify that the information provided is true and accurate to the best of my knowledge. Failure to provide accurate information may result in the revocation of the housing benefit.

**Signature:** [Signature]

**Date:** [Date]

#### Part X: Program Information

The California Tenants' Housing Assistance (TCH), requires the following information in order to comply with the Housing and Economic Development Act (HECOA), of 2009, that requires all Local Housing Boards (LHBs) to develop and enforce the TCH requirements. The TCH requires the tenant to provide the following information:

- **Annual Income:**
  - Tenant Income: [Income]
  - Tenant Income Verification: [Verification]

- **Residency Status:**
  - [Residency Status]

- **Others:**
  - [Others]

**Tenant Income Certification:**

I, the tenant, certify that the information provided is true and accurate to the best of my knowledge. Failure to provide accurate information may result in the revocation of the housing benefit.

**Signature:** [Signature]

**Date:** [Date]
### Tenant Income Certification (TICQ)

#### Verification of Employment (VOE)

**Tenant Income Certification (TICQ)**

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Details</td>
<td></td>
</tr>
<tr>
<td>- Total Income</td>
<td></td>
</tr>
<tr>
<td>- Income from Employment</td>
<td></td>
</tr>
<tr>
<td>- Income from Self-Employment</td>
<td></td>
</tr>
<tr>
<td>- Income from Rental Property</td>
<td></td>
</tr>
<tr>
<td>- Other Income</td>
<td></td>
</tr>
</tbody>
</table>

**Verification of Employment (VOE)**

**Employment Verification**

This section to be completed by management and executed by tenant.

<table>
<thead>
<tr>
<th>Employer Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Name</td>
</tr>
<tr>
<td>Address</td>
</tr>
<tr>
<td>City, State, Zip</td>
</tr>
</tbody>
</table>

**Employee Information**

<table>
<thead>
<tr>
<th>Employee Name</th>
<th>Address</th>
<th>City, State, Zip</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
</table>

**Date**

<table>
<thead>
<tr>
<th>Date</th>
<th></th>
</tr>
</thead>
</table>

**Employer Information**

- State:
- City:
- Zip:
- Phone:
- Email:

**Employee Information**

- Name:
- Address:
- City, State, Zip:
- Phone:
- Email:

**Reason for Employment**

- Full Time:
- Part Time:
- Other:

**Date of Employment**

<table>
<thead>
<tr>
<th>Date</th>
<th></th>
</tr>
</thead>
</table>

**Reason for Employment**

- Full Time:
- Part Time:
- Other:

**Date of Employment**

<table>
<thead>
<tr>
<th>Date</th>
<th></th>
</tr>
</thead>
</table>

**Reason for Employment**

- Full Time:
- Part Time:
- Other:

**Date of Employment**

<table>
<thead>
<tr>
<th>Date</th>
<th></th>
</tr>
</thead>
</table>

**Reason for Employment**

- Full Time:
- Part Time:
- Other:

**Date of Employment**

<table>
<thead>
<tr>
<th>Date</th>
<th></th>
</tr>
</thead>
</table>
Zero Income Certification

CTCAC Forms

- Under $5000 Asset Verification Form
  - Updated January 2017

- Good Cause Eviction Lease Rider

- Project Status Report (PSR)
  - Required prior to inspection
  - Must be in the current Excel Format

- Live-in Aide Verification Form
  - Updated January 2017
**Under $5000 Asset Form**

**Good Cause Eviction Lease Rider**

**LOW INCOME HOUSING TAX CREDIT LEASE RIDER**

(to be attached to resident lease)

Property Name: 

Household Name: 

Unit #

Dear Resident or Applicant:

The owner(s) of this property rents residential units under the federal Low Income Housing Tax Credit Program (the "program") administered by the California Tax Credit Allocation Committee (CTAC). The program is administered by the CTAC, under the authority of the United States Treasury Department, and is funded by the issuance of tax credits to private developers who invest in the development of rental housing for low-income tenants.

The Lease or Rental Agreement dated is hereby amended by adding the following provision:

**Lease Rider: Good Cause for Termination**

Owner may terminate the tenancy by giving a written notice to the tenant of the grounds for termination of lease, and the date the same shall become effective, provided that the notice is received by the tenant not less than thirty (30) days prior to the date of the termination of the tenancy. The notice shall be served by personal service upon the tenant, unless otherwise provided by law. The tenant may contest the termination of lease in court within thirty (30) days after service of the notice. Any dispute arising out of the termination of the tenancy shall be determined by the court.

To the extent that any tax credits contained in the lease or rental agreement, or any other agreement between the owner and the tenant, are conditioned on the terms of this Rider, the provisions of this Rider shall control.

By signing below, I indicate my consent to this Lease Rider:

<table>
<thead>
<tr>
<th>Property Representative Name (print)</th>
<th>Signature</th>
<th>Date</th>
</tr>
</thead>
</table>

By signing below, I indicate my consent to this Lease Rider:

<table>
<thead>
<tr>
<th>Resident or Applicant Name (print)</th>
<th>Signature</th>
<th>Date</th>
</tr>
</thead>
</table>

By signing below, I indicate my consent to this Lease Rider:

<table>
<thead>
<tr>
<th>Resident or Applicant Name (print)</th>
<th>Signature</th>
<th>Date</th>
</tr>
</thead>
</table>

By signing below, I indicate my consent to this Lease Rider:

<table>
<thead>
<tr>
<th>Resident or Applicant Name (print)</th>
<th>Signature</th>
<th>Date</th>
</tr>
</thead>
</table>

Under contract:

[Contract details]

Department: 

Program: 

Date: 

Ca Tax Credit Allocation (October 2017)
CTCAC Forms

- Child/Spousal Support Affidavit
- Child/Spousal Support Verification
- Marital Separation Status Form
- Student Verification Form
- Single Parent Full-time Student Affidavit
- Foster Care Verification Form
- Resyndication Clarification Form

Child / Spousal Support Affidavit Form

A. Do you receive child support and/or spousal support? YEA or NO

B. If Yes:
   1. Payment amount ________________
   2. Frequency ________________
   3. Name(s) of recipient(s) ________________

C. 1. Have you been awarded child or spousal support by court order? YEA or NO

   2. Provide copy of entire document, order amount of support $ ________________
      and frequency ________________
   3. Is payment being received as mandated? YEA or NO

   a. Indicate the manner by which payment is received and sign form.
      i. Enforcement agency
      ii. Court of Law
      iii. Direct from responsible party
      iv. Other

   b. If payment not received or if amount received is less than amount awarded provide details and documentation of collection efforts.

Under penalty of perjury, I certify that the information presented in this affidavit is true and accurate to the best of my knowledge. I understand further understands that providing false or misrepresentative information is a crime and may result in the termination of a future claim.

Applicant/Respondent Name ____________________________

Developer and Name ____________________________

Unit Number/Identification ____________________________

Child support and/or spousal support payments that are received shall be included as income whether or not there is a court order enforcing payments.

Child support and/or spousal support amounts awarded by the court but not received can be enforced by the agency that has jurisdiction over the state. The procedures used for enforcing support payments by a state agency, including filing with the appropriate court or agency responsible for enforcing payment, have been included.

As part of the qualifications process required by federal and/or state funding programs with jurisdiction over this development, the following information is mandated.
Child / Spousal Support Verification

Date

Applicant/Plaintiff Name

Declaration Name

Unit Number/Identification

TD: (Name and Address of Party)

RETURN TD: (Name and Address of Party)

The following information is required as part of the household qualification process required by federal and/or state housing programs with jurisdiction over the rental community. Information provided will be subject confidential. Your signature by completing and returning this form in a timely manner will be greatly appreciated. Please fill in the below sections.

Signature

Telephone Number

Printed Name

Printed Name

THIRD SECTION TO BE COMPLETED BY PARTY

Name(s) of Recipient(s)

Payment amount

Frequency

Are payments paid to offset an ADOPTEE grant? □ Yes □ No

Are you employed in the next 12 months? □ Yes □ No

If yes, provide details

Note: Child support and/or tenant support payments received by the service provider must not be included as income if the applicant/recipient stated that payments are not being made. This information is required to ensure proper financial assistance calculations.

I hereby certify that the information supplied is true and complete.

Signature

Completion Date

Printed Name

Phone Number

Organization

Marital Separation Status Form

For each set, list the other party’s address. You must report any change of address or name. These questions are being asked to determine income eligibility. Provide the following information on this form.

To be completed by both parties:

□ Divorced □ Separated □ Widowed □ Deceased

Date of separation (if applicable): ____________________________

Please check this box and initial: □ My spouse is NOT a member of this household and WILL NOT be living in the apartment.

Please choose either A, B, or C:

□ A. My spouse was legally married to me, or they are currently or in the future, or in the past, legally married to another person.

□ B. My spouse is legally married to me, but I am in the process of finalizing the legal separation. I will provide legal documentation as it becomes available.

□ C. My spouse was legally married to me, but I am NOT married to my spouse and I am NOT a member of this household.

Income: Total income:

Have been awarded child support, spousal support, or any kind of financial assistance. I certify or receive as a spouse of the other party. The total amount of such assistance is.

I certify that the above information is complete and correct. I understand that any misrepresentation or failure to provide complete and correct information will be considered a violation of the laws of the state and the state’s right to recover the costs of any action, subject to enforcement of the laws of the state.

Applicant/Plaintiff Name

Signature

State

Marital Separation Status Form
Single Parent Full-time Student Status Form

Foster Care Verification Form

To: [Name & Address]

I, [Name], hereby declare that I am a resident of [State] and that the above information is true and correct. I further declare that I have been a resident of [State] for a period of at least six months preceding the date of this application.

[Signature]
[Date]

[Name & Address]

The individual named above is an applicant for the Foster Care Program and is [minor/age]

[Signature]
[Date]

[Name & Address]

The information provided above is true and correct, and any false information will result in the immediate termination of the Foster Care Program.

[Signature]
[Date]

[Name & Address]

Warning: Section 101 of Title 10 of the U.S. Code prohibits the making of false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.
CTCAC Reporting Requirements

► Annual Owner Certification (AOC)
► Annual Reporting due in March
► Certification
► Project Ownership Profile (POP)
California Tax Credit Allocation Committee

ANNUAL OWNER CERTIFICATION (AOC)

REPORTING YEAR: 2016

Project Name: 
Project Address: 
Project City: 
Project State: CA 
Project Zip: 

RCPTING 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
STATMENTS.

☐ (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 §1.42-10), including the
buildings and low-income units in the project were suitable for occupancy, taking into

☐ (vi) There was no change in the eligible basis (as defined in 42(d)(1)) of any building in the project.

☐ (vii) All tenant facilities included in the eligible basis under §42(d)(2) of any building in the project, such
as

☐ (viii) 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

☑ (X) A regulatory agreement as described in §42(b)(6) was in effect, including the requirement that the

☑ (x) All low-income units in the project were used on a nontransient basis (except for transitional housing

☑ (x) No change in ownership of the project has occurred during the reporting period.

☑ (x) The Project has been notified by the Internal Revenue Service that it is no longer a “qualified low-
income housing project”.

☑ (x) No additional tax exempt bond funds or other Federal grants or loans with interest rates below the

☑ (x) 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:

☑ (x) The project did not suffer any casualty loss in 2016, fire, flood, earthquake, or structural damage.

☑ (x) No tenants in low-income units were evicted or had their tenancy terminated other than for good

☑ (x) The project has provided all site service amenities as identified in the project Regulatory Agreement

☑ (x) The project owner certifies compliance with the Capital Needs Agreement to complete short term

INITIAL (xxx) BELOW ONLY IF YOUR PROJECT RECEIVED STATE TAx CREDITS:

☐ (x) No more than the allowable 3% cash distribution from Project operations, after funding required reserves, as

Date: Monday, March 20, 2017

The undersigned, acting under authority of the ownership interest of this project, has executed this Certification, subject to scrutiny of property:

A manager, partner or officer computing this certificate verifies only the identity of the individual who signed the document to which the

This
By (name or title)

declared:
(Tenant or Trustee)

This day of

County of

On

(Signature and title of the officer)

personally appeared

Notary Public is in and of the State/County/Province of

(Notary Public)

The undersigned, acting under authority of the ownership interest of this project, has executed this Certification, subject to scrutiny of property:

A manager, partner or officer computing this certificate verifies only the identity of the individual who signed the document to which the

This day of

County of

On

(Signature and title of the officer)

personally appeared

Notary Public is in and of the State/County/Province of

(Notary Public)
CTCAC Reporting Requirements

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

**California Tax Credit Allocation Committee**

**Reporting Year: 2015**

**Annual Operating Expense Report (AOE)**

**Reporting Period:** January 1 through December 31

#### Income

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Tenant Income</td>
<td></td>
</tr>
<tr>
<td>Net Rental Revenue</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td></td>
</tr>
<tr>
<td>Total Income</td>
<td></td>
</tr>
</tbody>
</table>

#### General Administrative

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>Legal Services</td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td></td>
</tr>
<tr>
<td>Total Administrative</td>
<td></td>
</tr>
<tr>
<td>Other Maintenance</td>
<td></td>
</tr>
<tr>
<td>Total Maintenance</td>
<td></td>
</tr>
</tbody>
</table>

#### Management

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Fee</td>
<td></td>
</tr>
<tr>
<td>Total Management</td>
<td></td>
</tr>
</tbody>
</table>

#### Other Expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>Total Other</td>
<td></td>
</tr>
</tbody>
</table>

#### Payouts

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-Deck Manager</td>
<td></td>
</tr>
<tr>
<td>Amortizing Debt Service</td>
<td></td>
</tr>
<tr>
<td>Total Payout</td>
<td></td>
</tr>
</tbody>
</table>

#### Financials

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td></td>
</tr>
</tbody>
</table>

---

### 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 TCCF outlives or Property Name does not appear in the list below, contact YLAC at (310) 342-3200.
3. Complete all information in light blue fields below.

#### PROJECT

<table>
<thead>
<tr>
<th>Field</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number/Name</td>
<td></td>
</tr>
<tr>
<td>Address</td>
<td></td>
</tr>
<tr>
<td>City</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td></td>
</tr>
<tr>
<td>Zip</td>
<td></td>
</tr>
</tbody>
</table>

#### LENDER

<table>
<thead>
<tr>
<th>Field</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lender 1</td>
<td></td>
</tr>
<tr>
<td>Loan Amount</td>
<td></td>
</tr>
<tr>
<td>Contact Name</td>
<td></td>
</tr>
<tr>
<td>Email</td>
<td></td>
</tr>
<tr>
<td>City</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td></td>
</tr>
<tr>
<td>Zip</td>
<td></td>
</tr>
<tr>
<td>Phone</td>
<td></td>
</tr>
<tr>
<td>Lender 2</td>
<td></td>
</tr>
<tr>
<td>Loan Amount</td>
<td></td>
</tr>
<tr>
<td>Contact Name</td>
<td></td>
</tr>
<tr>
<td>Email</td>
<td></td>
</tr>
<tr>
<td>City</td>
<td></td>
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<td>State</td>
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</tr>
<tr>
<td>Zip</td>
<td></td>
</tr>
<tr>
<td>Phone</td>
<td></td>
</tr>
<tr>
<td>Lender 3</td>
<td></td>
</tr>
<tr>
<td>Loan Amount</td>
<td></td>
</tr>
<tr>
<td>Contact Name</td>
<td></td>
</tr>
<tr>
<td>Email</td>
<td></td>
</tr>
<tr>
<td>City</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td></td>
</tr>
<tr>
<td>Zip</td>
<td></td>
</tr>
<tr>
<td>Phone</td>
<td></td>
</tr>
<tr>
<td>Lender 4</td>
<td></td>
</tr>
<tr>
<td>Loan Amount</td>
<td></td>
</tr>
<tr>
<td>Contact Name</td>
<td></td>
</tr>
<tr>
<td>Email</td>
<td></td>
</tr>
<tr>
<td>City</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td></td>
</tr>
<tr>
<td>Zip</td>
<td></td>
</tr>
<tr>
<td>Phone</td>
<td></td>
</tr>
</tbody>
</table>
CTCAC Reporting Requirements

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

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

**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

Resident Selection Plan
- Owner determines the plan
  - Are there certain populations being targeted?
  - Is the property available to the general public?
- Must meet Fair Housing Guidelines
- Not CTCAC Monitored
Eligibility Basics

Verification of Income and Assets:
• Third party verification

• Telephone clarifications for minor issues or items left blank

• Significant changes 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

• Payments from another Country
Eligibility Basics
SSA/EDD/Payroll Debit Cards

• Issued by the source

• CTCAC will treat as Income

• Verify the Source - Either 3rd 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
    ▶ 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.
Calculating Income Exercise

Exercise # 1

2016 Income Limit for a 1 person household:
$30,200

Kimmie Johnson is applying to your property. She fills out the application and her consent forms. Her employer completes the VOE, she gives you 3 months worth of current and consecutive paystubs, and completes all other required documentation. Use the following information to determine if she is income qualified at move-in.

Calculating Income Exercise

Verification of Employment

- $14.50 an hour @ 40 hours a week. No overtime or shift differential.

Year to Date

- YTD on the VOE shows $9688.59 earned from 12/28/15 - 4/23/16

Paystubs

- Average hours on her paystubs show that she has been getting occasional overtime, but that she also does not always work 40 hours a week.
Calculating Income Exercise

Paystub #1 - 40hrs / no overtime
Paystub #2 - 40hrs / 1 hr overtime
Paystub #3 - 37.5hrs / 2.5 hrs overtime
Paystub #4 - 39hrs / no overtime
Paystub #5 - 40hrs / no overtime
Paystub #6 - 40 hrs / 1.25hrs overtime
Paystub #7 - 38hrs / .75 overtime
Paystub #8 - 38.5hrs / 1hr overtime
Paystub #9 - 40hrs / no overtime
Paystub #10 - 39hrs / 1 hr overtime
Paystub #11 - 40hrs / no overtime
Paystub #12 - 37.5 hrs / 1.5 hrs overtime

Exercise #1 Answer

- **Verification of Employment**
  - 14.50 an hour x 40 hours x 52 weeks = $30,160

- **YTD Calculation**
  - Pay period ending 4/23/15 = 117 days (4 days in 2014/113 in 2015)
  - 117 days / 7 = 16.71 weeks
  - $9,688.59 / 16.71 = $579.81
  - $579.81 x 52 = $30,150.12

- **Paystub Calculation**
  - Regular - 40+40+37.5+39+40+40+38+38.5+40+39+40+37.5 = 469.5
  - 469.5/12 stubs = 39.125 average hours per pay period
  - $14.50 x 39.125 x 52 = $29,500.25
  - Overtime - 1+2.5+1.25+.75+1+1+1.5 = 9
  - 9/12 stubs = .75 average hours per pay period
  - $21.75 x .75 x 52 = $848.25
  - Total Paystub - $29,500.25 + $848.25 = $30,348.50
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
Utility Allowances

- Rural Housing Service - RHS
- HUD
- Local PHA
- Local Utility Company Estimate

Utility Allowances

- HUD Utility Model
- Energy Consumption Model - CA Utility Allowance Calculator (CUAC)
- Agency Estimate
  - Not Available in California
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

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

37 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 20% of Area Median Gross Income
  - 2 One-Bedroom Units
  - 2 Two-Bedroom Units
  - 2 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 25 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, unless the remaining units are configured based on 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. Thereafter 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 1,250 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(a). The Executive Director, in her 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 1,000 square feet; projects from 61 to
  100 total units, at least 1,200 square feet; projects over 100 units, at least 1,800 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 cost, 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 priced on an equivalent 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 impracticability.
- Projects are subject to a minimum low-income use period of 15 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 provided on
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
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 - Totem Pole Rule

- As long as at least one original household member remains in the unit, that unit continues to maintain its eligibility
  - Additional household members may be added
  - Household members that were minors at initial move-in still qualify as an original household member even though they didn’t sign paperwork
  - For mixed-income properties that means the household must remain under 140% or the Next Available Unit rule applies

- If at any time no original members are in the unit, the unit must now income qualify at the current limits with the existing household members

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 primarily at the property they are living at

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

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
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.
**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 1st 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.
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.

UPCS

Basic Physical Inspection Protocols

- 24 hour notice
- Keys
- Water Heater Closets / Boiler Rooms
- Smoke Detectors
- Pool

Compliance Manual

- Section 7 - Part 720 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

• 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
  - Deficiencies that could cause immediate injury

- Requirements before leaving the property:
  - Copy of signed and dated work orders for those items that require immediate attention
CTCAC Findings Letter

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

States the Correction Period and the Owner’s Response due date.
- Extensions

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.
Tenant Relations

Per IRS - TCAC’s Monitoring begins after the last building in a project has placed in service

Monitoring responsibilities are to audit:
- the owner’s tenant files,
- utility allowance records,
- rent records,
- physical inspections of units, buildings and grounds

Tenant Relations

Standards must not violate California Tenant/Landlord Law
- [www.dca.ca.gov/publications/landlordbook/catenant.pdf](http://www.dca.ca.gov/publications/landlordbook/catenant.pdf)

Each LIHTC project must have an office, adequate office hours and sufficient staff to handle the tenant needs and adequately operate the day to day responsibilities of the project
Tenant Relations

Owner or agent must be very knowledgeable of how the LIHTC program works and should be tax credit certified

- This allows for ability to explain to tenants the basic program rules and answer their questions and concerns

Tenant Relations

- On average CTCAC receives over 40 tenant complaints per week,
  - Over 2000 complaints per year!!!

- Complaints come in form of emails, correspondence, phone calls and in person

- The State Agency acknowledges that there is always 2 sides to a story and we are only hearing one side
  - However as a state agency responsible for the administration of the LIHTC program we must respond to each and every complaint from any tenant living in a tax credit unit
Tenant Relations

One of the main complaints is confusion over the concept of a project’s deeper targeting criteria

- Tenants, especially elderly tenants do not understand why they cannot have a 35% ami rent, like their neighbor
- Or they confuse the LIHTC program with the Section 8 program and think they should only be paying 30% of their income towards rent

Tenant Relations

A second major complaint is not being treated fairly, kindly, or respectfully by on-site management staff including:

- On-site management staff have favorites who they allow to break rules
- On-site management staff are never in the office and office remains closed during posted office hours
Tenant Relations

Other common concerns:

• Claims that on-site management staff are committing fraud - asking for or taking kickbacks to move people to different unit, up on wait list, or to add a household member to unit

• Claims that tenants are asked to sign blank forms and back date tax credit paperwork

• Claims that management is refusing to give the tenant copies of the paperwork they signed

Tenant Relations

• Claims that tenants are asked to leave off a job because they earn too much and won’t income qualify

• Claims that management is renting out community room to outside organizations and tenants cannot use facilities

• Claims that work orders are not being handled timely
Tenant Relations

Suggestions for Maintaining Good Tenant Relations:

- CTCAC highly recommends hiring only on-site staff that are Section 42 tax credit certified

- Can easily explain how the LIHTC program rules work

- Ensure that on-site staff are also trained and certified on Fair Housing Law

Tenant Relations

- Conduct your own yearly in-house training in small groups or large groups

- Ensure that on-site staff possess good people skills, if they don’t like working with a variety of people they are not going to handle their job very well
Tenant Relations

► Our Staff sees over 1000 projects a year

► We find that the majority of management staff working at LIHTC projects are hard working, diligent and professional both the on-site office staff and maintenance personnel

► We commend you for the hard work that goes into managing a LIHTC property that is renting to only income qualified households, charging the correct tax credit rents and maintaining the property and units so they are safe, habitable and in good repair

Questions?