



Manager Units and Income Restrictions

California law 25 CCR § 42 requires an onsite manager, maintenance, or other responsible person for rental housing of 16 or more units. The Internal Revenue Service (IRS) guidance for manager or exempt units permits the cost of the unit to be included in eligible basis if the unit is reasonably required for the operation of the residential rental housing per IRS Revenue Ruling 92-61; however, the unit is excluded from the applicable fraction calculation. The IRS has further clarified that the person occupying the unit must be employed at the property where they reside. Tenant keyholders, service coordinators, regional managers, and any staff that “float” from one project to another are all ineligible to reside in a manager unit.

California Tax Credit Allocation Committee (CTCAC) staff receives applications that propose a manager unit to be occupied by an income-restricted tenant. Staff has become aware that in some cases owners may be evicting these tenants upon employment termination and that the eviction requirement is written into the employment contract. CTCAC has received guidance from the IRS indicating this practice is not in compliance with federal LIHTC program rules.

Restricted unit occupancy **cannot** be contingent upon the tenant’s employment by the project owner. In addition, by designating the unit specifically for occupancy by a manager, the unit no longer meets the general public use rule. If a unit is designated for a manager and is exempt from the applicable fraction, it is not a restricted low-income unit. As a result, a unit cannot be both an exempt manager unit and a restricted low-income unit.

If a CTCAC applicant or project owner proposes to utilize a low-income unit to meet California and CTCAC manager unit requirements, the following apply: (1) the unit is considered a low-income restricted unit and must comply with all requirements associated with low-income restricted units; (2) the unit is included in the applicable fraction; and (3) the tenant cannot be evicted upon employment termination. This is applicable to all existing projects as well as current and future applications. If employment is terminated, the project owner is responsible for continuing to meet California and CTCAC onsite manager unit requirements. Any application proposing to utilize a low-income unit to meet California and CTCAC manager unit requirements must include a description of how the project will meet those requirements if employment is terminated.

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An alternative option for an applicant that asserts the need for every unit to be income-restricted is for the project to provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working per CTCAC Regulation § 10325(f)(7)(J). These desk or security staff cannot be tenants of low-income restricted units.