CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 Capitol Mall, Suite 280
Sacramento, CA 95814
p (916) 654-6340
f (916) 654-6033
www.treasurer.ca.gov/ctcac

MEMBERS

FIONA MA, CPA, CHAIR
State Treasurer

MALIA M. COHEN
State Controller

JOE STEPHENSHAW
Director of Finance

GUSTAVO VELASQUEZ
Director of HCD

TONY SERTICH
Executive Director of CalHFA

EXECUTIVE DIRECTOR
MARINA WIANT

DATE: June 9, 2026

TO: CTCAC Stakeholders

FROM: Marina Wiant, Executive Director

RE: Rent Increase Limit Waiver Guidance

Effective January 1, 2025, the California Tax Credit Allocation Committee (CTCAC) is implementing a rent increase limit ("rent cap") on all low-income housing tax credit projects with a CTCAC regulatory agreement.[1] The purpose of this memorandum is to provide guidance, pursuant to CTCAC Regulation 10336, subdivision (a)(5), on the waiver requirements, the standard for evaluating a waiver, and the tenant notice requirements.

Rent Increase Limit Standard

Under the rent cap, owners may increase gross rent for a low-income household provided that in any 12-month period the increase does not exceed the lesser of five (5) percent plus the percentage increase in the cost of living[2] or ten (10) percent of the lowest rental rate charged for that household at any time during the 12 months prior to the effective date of the increase.[3]

Owners may exceed the rent cap limit without a waiver to increase the gross rent up to 30 percent of the monthly income of the household occupying the unit; for projects with terminated project-based rental assistance or operating subsidy as described in CTCAC Regulation Section 10337(a)(3)(B); or for a transfer of a household to another unit in the same property that has a different bedroom count or transfer to a higher AMI

[1] Prior to December 31, 2024, the rent increase limit applied prospectively, starting April 3, 2024, to new tax credit reservations and transfer events. (See CTCAC Regulations 10328(a), 10320(b) (April 3, 2024).)
[2] As defined in paragraph (3) of subdivision (g) of Section 1947.12 of the Civil Code
[3] CTCAC Regulation Section 10336(a).

designation, as required by a public regulatory agreement or deed restriction, due to a change in the household's income or occupancy from initial qualification. Exceeding the rent cap under any other circumstance requires a waiver from the Executive Director.

Rent Increase Limit Waiver Requirements

Upon request, the Executive Director may waive the rent cap limit if the project owner shows that the proposed increase is necessary to ensure the financial stability or fiscal integrity of the project and does not unreasonably impact existing residents. All waivers require adequate notice to tenants pursuant to Section 10336, subdivision (a)(3). Please see the Tenant Notice provision below for more information

Financial stability considers the project's overall financial health, with a focus on how historical financial decision making impacted the project's current fiscal integrity and how projected needs may impact the project's future fiscal integrity. Fiscal integrity evaluates whether for the three years preceding the year of the waiver request the project's total operating income plus funds released from the operating reserve consistent with project documents are insufficient to pay all current operating expenses, pay all current debt service (excluding deferred interest), fully fund all reserve accounts (other than the operating reserve account), and pay other costs permitted by the CTCAC Regulatory Agreement, without regard for the ability to pay any permitted annual distributions. If the project's fiscal integrity evaluation does not exhibit negative cash flow for the preceding three years, the project will otherwise need to demonstrate a need for the waiver based on the project's financial stability.

The impact on existing residents involves a review of vacancy rate information and rent burden analysis, with an understanding that households are rent burdened if they spend 30% or more of household income on housing costs and severely rent burdened if they spend more than 50%. The Executive Director may consider any other factors relevant to the waiver request in making a waiver determination. Under no circumstance shall the Executive Director approve a waiver exceeding the maximum allowable programmatic rents.

To start the waiver request process, please contact Gabriel Bursk by email at rentcapwaiver@treasurer.ca.gov or by phone at 916-654-6340. Staff will respond to waiver requests within 10 working days to provide CTCAC worksheets the owner must complete as part of the waiver request. CTCAC must receive the completed worksheets and all supporting waiver documentation within 30 business days. CTCAC will respond to the waiver request within 30 business days but may require additional time to render a decision and will notify the owner of any timeline extensions or need for more information.

The following documentation is required to be submitted with all waiver requests:

1. Rent increase waiver justification narrative discussing the project's financial stability, a specific presentation of the project's current fiscal integrity and, if relevant, how it may be compromised in the future, and the proposed rent increase impact on tenants.

2. A complete rental increase request and *rent burden worksheet*.
3. Current utility allowance documentation, including calculations.
4. 12-month occupancy report with unit level vacancy information.
5. Financial statements (income statement and balance sheet), and any relevant historic financial statements or financial projections for the three years preceding the year of the waiver request.
6. A fiscal integrity cash flow analysis for the three years preceding the year of the waiver request.
7. Current rent rolls.
8. Detailed information on capital needs, which may include:
    a. Third-party reports documenting the property needs and estimated timing of repair/replacement.
    b. Capital needs assessment, when available.
    c. Updated replacement schedule clearly assessing property needs, including estimated replacement costs and estimated remaining life.
9. Certification the Owner timely provided tenants with the Section 10336(a)(3) notice of intent to request a rent increase limit waiver and a copy of the notice.
10. Other information supporting the waiver, such as habitability issues, increased staffing costs, increased insurance premiums, damage from natural disasters, etc.

The Executive Director's waiver evaluation will include, but is not limited to, the following to determine the need for the requested rent limit increase:

1. The project's fiscal integrity and past, current, and future financial stability.
2. Review of current rents and utility allowances, subsidy information and household income.
3. A comparison of the request to the maximum allowable programmatic rent.
4. A review of the property's vacancy rate history and extended unit vacancies.
5. Consideration of a property's needs, including capital repairs, maintenance, services, and staffing.
6. An analysis of reasonableness to area market comparable rents.
7. An assessment of project resources, including replacement reserve.
8. A review of outstanding compliance issues, including unapproved rent increases, unresolved habitability issues, and unresponsiveness to CTCAC reporting requirements.
9. An analysis of the number of tenants cost burdened or severely cost burdened by the increase.
10. A replacement reserve analysis.
11. Tenant comments received in response to the Owner's notice of intent to request waiver of the rent increase limit.

The following standards may be relied on by the Executive Director in granting a requested waiver:

1. Analysis of cash flow trends; cash flow before obligations.
2. A clear narrative explanation and sufficient documentation supporting the request for additional resources.
3. Limited impact to existing residents, including an evaluation of the percent of residents that are considered rent burdened (over 30% of income towards housing costs).

4. Clear demonstration of capital needs and clear explanation how additional rental income will be used to fund capital needs.
5. Projects that have maintained an occupancy rate of 97% or higher for over 12 months or projects that can clearly articulate why a rental increase will have limited impact on vacancy rates.

Tenant Notice Requirements and Remedies

Owners shall notify tenants of their intent to request a rent increase limit waiver consistent with subdivision (a)(3) of Regulation 10336. The notice shall explain in plain and accessible language the increase being requested and the Owner's justification for the waiver. The notice shall be translated into the tenant's primary language and inform tenants of their right to submit comment on the waiver request to CTCAC by email rentcapwaiver@treasurer.ca.gov by mail addressed to CTCAC, 901 P Street, Suite 213A, Sacramento, CA 95814, or by telephone at 916-654-6340. A sample notice, meeting CTCAC's requirements is available on CTCAC's website under: *Tenant Notice of Intent to Request Rent Increase Rent Increase Limit Waiver (SAMPLE).*

Consistent with the remedies available under the project's Regulatory Agreement, if CTCAC determines a project impermissibly increases rents above allowable limits, it may, at its sole discretion, require the owner to refund the excess rent collected by the project to the tenants. Proof of rent credit or refund will be required. CTCAC may also impose negative points and fines consistent with Regulation Sections 10325(c)(2) and 10337(f).