



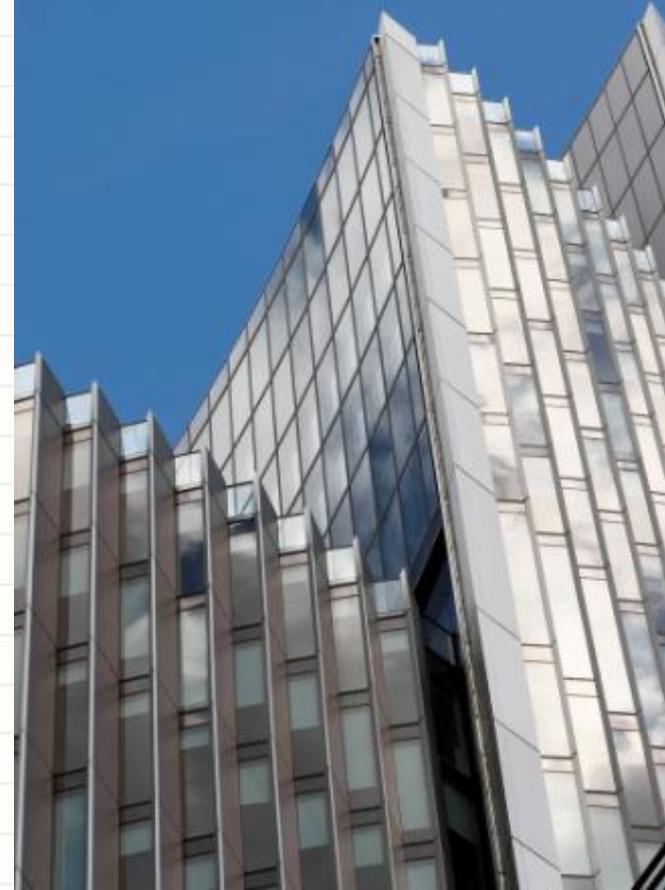
**CA TAX CREDIT ALLOCATION COMPLIANCE
DIVISION PRESENTS
*COMBINED COMPLIANCE WORKSHOP***

Lisa Vergolini – lvergolini@sto.ca.gov
Shannon Nardinelli – snardinelli@sto.ca.gov

CA Tax Credit Allocation Committee
915 Capitol Mall, Room 485
Sacramento, CA 95814
P: 916.654.6340 F: 916.654.6033
www.treasurer.ca.gov/ctcac

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



Key Terms

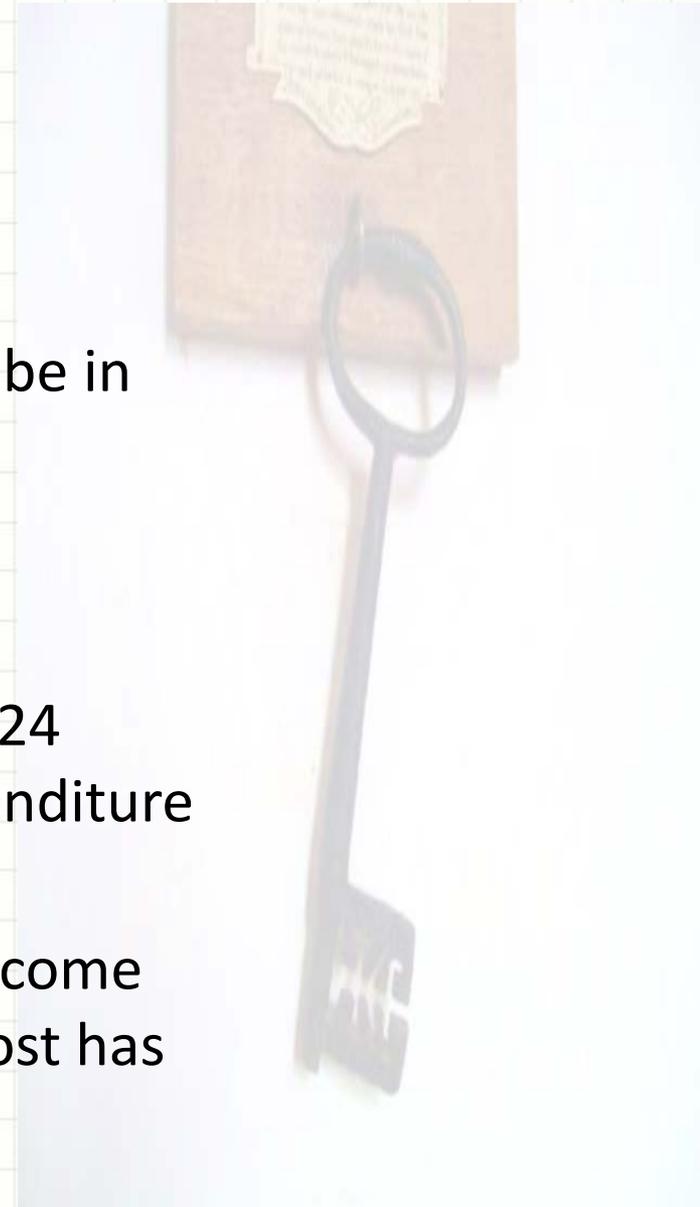
- Placed in Service Date
 - The key date which triggers compliance monitoring
 - New Construction Projects – when 1st unit is ready for occupancy – Certification of Occupancy (*C of O*)



Key Terms

Placed In Service Date (PIS)

- Acquisition Projects
 - Date of acquisition
 - If not habitable, then it cannot be in service until “restored”
- Rehab Projects
 - date is artificial
 - established by owner at end of 24 month period when rehab expenditure threshold has been satisfied
 - greater of \$6,000 per low income unit or 20% of acquisition cost has been expended



Key Terms

Compliance Period (IRC §42(i)(1))

- 1st year of a building's Credit Period
 - Year the owner files the 8609 Forms and claims the Tax Credits
 - Federal Compliance Period is 15 years
 - Credits can be accelerated and taken in 10 years

Extended Use Period

- Begins in year 16
- Project must remain in full compliance
- State agency may relax some restrictions



Key Compliance Documents

- Form B for each Building in Project
- Form 8609 Part I and Part II for each building
- Recorded Regulatory Agreement



Key Compliance Forms

- Prepared by State Allocation Agency
 - One Form 8609 per building
- Prepared from the information submitted by owner on Form B
- Part I – State Agency
- Part II – Owner (tax attorney or CPA)
 - Owner cannot claim tax credits without Form 8609

A hand is holding a light-colored document or envelope. A large, red, rectangular stamp with the word "IMPORTANT!" is printed diagonally across the document. The background of the slide features a light gray grid pattern.

**Low-Income Housing Credit
Allocation Certification**

➤ The building owner must attach Form 8609 and
Schedule A (Form 8609) to its Federal income tax return.

SAMPLE
FORM NO. 8609-0207**PART I Allocation of Credit**Check if Add/for to Qualified Basis Amended Form

A. Address of building (do not use P.O. box) (see instructions)

Happy Place Apartments
1110 Main Street, Building 1 of 1
Sacramento, CA 95820

B. Name and address of housing credit agency

California Tax Credit Allocation Committee
915 Capitol Mall Suite 485
Sacramento, CA 95814

C. Name, address, and TIN of building owner receiving allocation

Happy Place Partner, L.P., a California Limited Partnership
1500 Jackson Avenue Suite 100
Los Angeles, CA 92610

D. Employer identification number of agency

94-6001347

E. Building identification number (BIN)

CA-2011-123

TIN ➤ 12-3456789

1a Date of allocation ➤ 6/13/2011 b Maximum housing credit dollar amount allowable.....

2 Maximum applicable credit percentage allowable.....

3a Maximum qualified basis.....

b If the eligible basis used in computation of line 3a was increased, check the applicable box and enter the percentage to which the eligible basis was increased (see instructions).....

 Building located in Gulf Opportunity (GO) Zone, Rita GO Zone, or Wilma GO Zone Section 42(d)(5)(C) high cost area provisions

4 Percentage of the aggregate basis financed by tax-exempt bonds. (If zero, enter -0-).....

5 Date building placed in service..... ➤ 8/30/13

6 Check the boxes that describes the allocation for the building (check those that apply):

a Newly constructed and federally subsidizedb Newly constructed and not federally subsidizedc Existing buildingd Sec. 42(e) rehabilitation expenditures federally subsidizede Sec. 42(e) rehabilitation expenditures not federally subsidizedf Not federally subsidized by reason of 40-50 rule under sec. 42(i)(2)(E)g Allocation subject to non-profit set-aside under sec. 42(h)(5)**Signature of Authorized Housing Credit Agency Official – Completed by Housing Credit Agency Only**

Under penalties of perjury, I declare that the allocation made is in compliance with the requirements of section 42 of the Internal Revenue Code, and that I have examined Part I of this form to the best of my knowledge and belief, the information is true, correct, and complete.

William J. Parão
Executive Director

July 23, 2013

➤ _____ ➤ _____ ➤ _____
Signature of authorized official Name (please type or print) Date

PART II First-Year Certification—Completed by Building Owners with respect to the First Year of Credit Period

7 Eligible basis of building (see instructions)..... 7 7,804,050

8a Original qualified basis of the building at close of first year of credit period..... 8a 7,804,050

Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?..... Yes No9a If box 6a or box 6d is checked, do you elect to reduce eligible basis under section 42(i)(2)(B)?..... Yes Nob Do you elect to reduce eligible basis by disproportionate costs of non-low-income units (section 42(d)(3)(B))?..... Yes No

10 Check the appropriate box for each election:

Caution: Once made, the following elections are irrevocable.

a Elect to begin credit period the first year after the building is placed in service (section 42(f)(1))..... Yes Nob Elect not to treat large partnership as taxpayer (section 42(j)(5))..... Yesc Elect minimum set-aside requirement (section 42(g)) (see instructions) 20-50 40-60 25-60 (N.Y.C. only)d Elect deep rent skewed project (section 142(d)(4)(B)) (see instructions)..... 15-40

Under penalties of perjury, I declare that the above building continues to qualify as a part of a qualified low-income housing project and meets the requirements of Internal Revenue Code section 42. I have examined this form and attachments, and to the best of my knowledge and belief, they are true, correct, and complete.

➤ _____ ➤ _____ ➤ _____
Signature Taxpayer identification number Date

➤ _____ ➤ _____ ➤ _____
Name (please type or print) Tax year

Part II First-Year Certification—Completed by Building Owners with respect to the First Year of the Credit Period

7	Eligible basis of building (see instructions)	7	7,804,050
8a	Original qualified basis of the building at close of first year of credit period	8a	7,905,050
b	Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
9a	If box 6a or box 6d is checked, do you elect to reduce eligible basis under section 42(l)(2)(B)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	For market-rate units above the average quality standards of low-income units in the building, do you elect to reduce eligible basis by disproportionate costs of non-low income units under section 42(d)(3)(B)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
10	Check the appropriate box for each election:		
	Caution: <i>Once made, the following elections are irrevocable.</i>		
a	Elect to begin credit period the first year after the building is placed in service (section 42(f)(1))	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
b	Elect not to treat large partnership as taxpayer (section 42(j)(5))	<input type="checkbox"/> Yes	
c	Elect minimum set-aside requirement (section 42(g)) (see instructions)	<input type="checkbox"/> 20-50	<input checked="" type="checkbox"/> 40-60
d	Elect deep rent skewed project (section 142(d)(4)(B)) (see instructions)	<input type="checkbox"/> 25-60 (N.Y.C. only)	<input type="checkbox"/> 15-40

Under penalties of perjury, I declare that the above building continues to qualify as a part of a qualified low-income housing project and meets the requirements of Internal Revenue Code section 42. I have examined this form and attachments, and to the best of my knowledge and belief, they are true, correct, and complete.

----- Signature	----- Taxpayer identification number	----- Date
----- Name (please type or print)	----- Tax year	

For Privacy Act and Paperwork Reduction Act Notice, see instructions.

Cat. No. 63981U

Form **8609** (Rev. 12-2007)

Key Compliance Documents - 8609

- You must know how the owner made this election on their filed Form 8609's
- A NO, means you must re-income qualify a household to transfer to a different building
- A YES, means you may transfer easily among buildings

Part II First-Year Certification—Completed by Building Owners with respect to the First Year of the Credit Period

7	Eligible basis of building (see instructions)	7	7,804,050
8a	Original qualified basis of the building at close of first year of credit period	8a	7,905,050
b	Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Key Compliance Documents

- Medical reasonable accommodation
 - Permits a transfer from one building to another building on a project with a NO election on Line 8b
 - Doctor's note must be in tenant file



Key Compliance Documents - Transfers

- Let owner/investor know of this circumstance, make sure to track on a spreadsheet
- In general try and limit transfers of any kind if the election on the Line 8b of the 8609 Form is a No.



Key Compliance Documents – 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

A red stamp with the word "IMPORTANT!" in a bold, sans-serif font, tilted slightly upwards to the right. The stamp is on a light-colored, slightly textured paper background.

Key Compliance Documents – Regulatory Agreement

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



Key Compliance Documents – 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.

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:

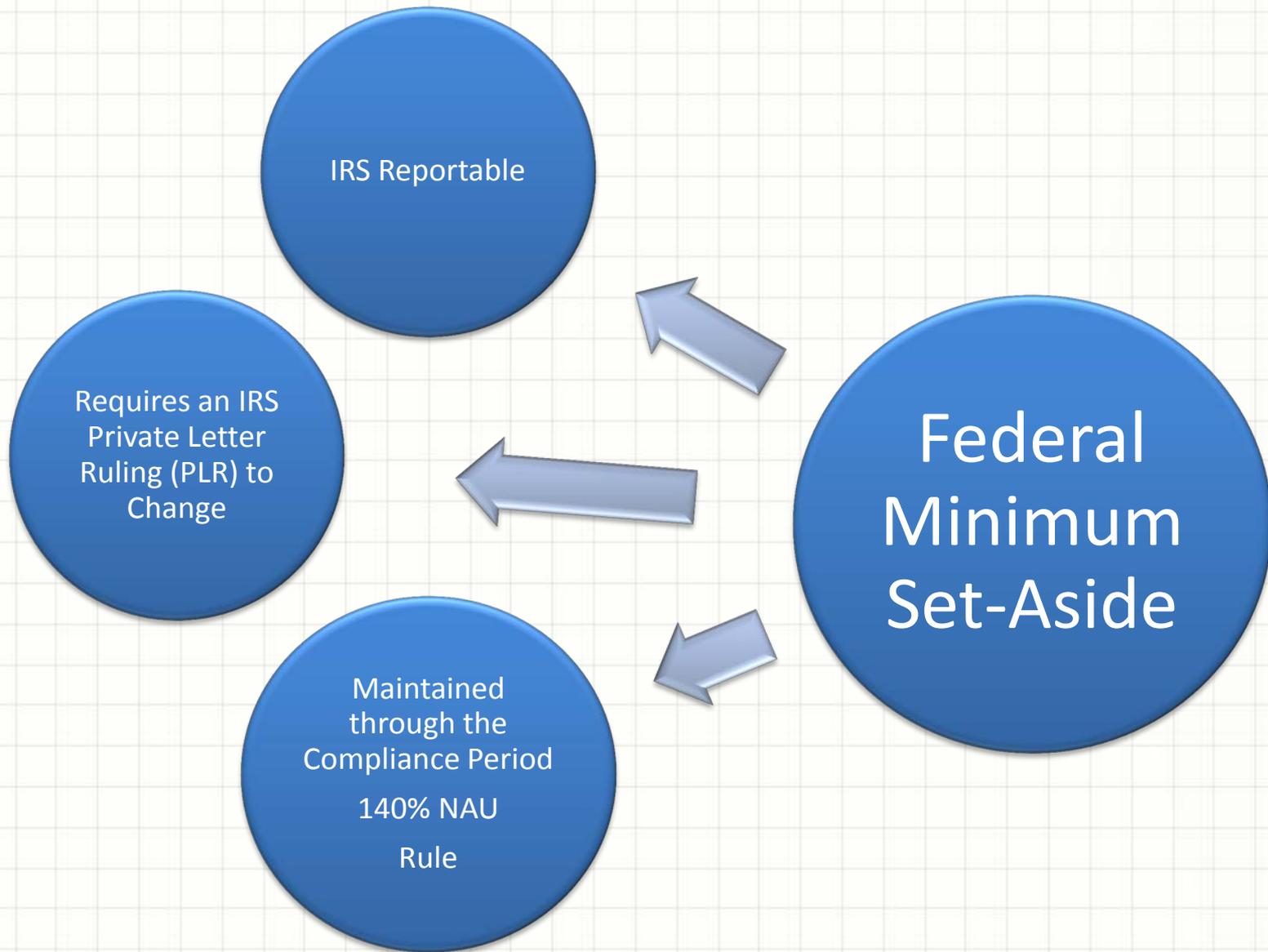
- **Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms**
- **Adult education/health & wellness/skill building classes, minimum 84 hours/year instruction**

**Federal
Minimum Set-
Aside**

Vs.

**Deeper
Targeting Set-
Aside**





```
graph LR; A((Deeper Targeted Set-Aside)) --> B((State-based)); A --> C((Failure to meet is a Negative Points Issue)); A --> D((Must be Maintained through the Compliance Period));
```

Deeper Targeted Set-Aside

State-based

Failure to meet is a Negative Points Issue

Must be Maintained through the Compliance Period

Utility Allowances

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



Utility Allowances

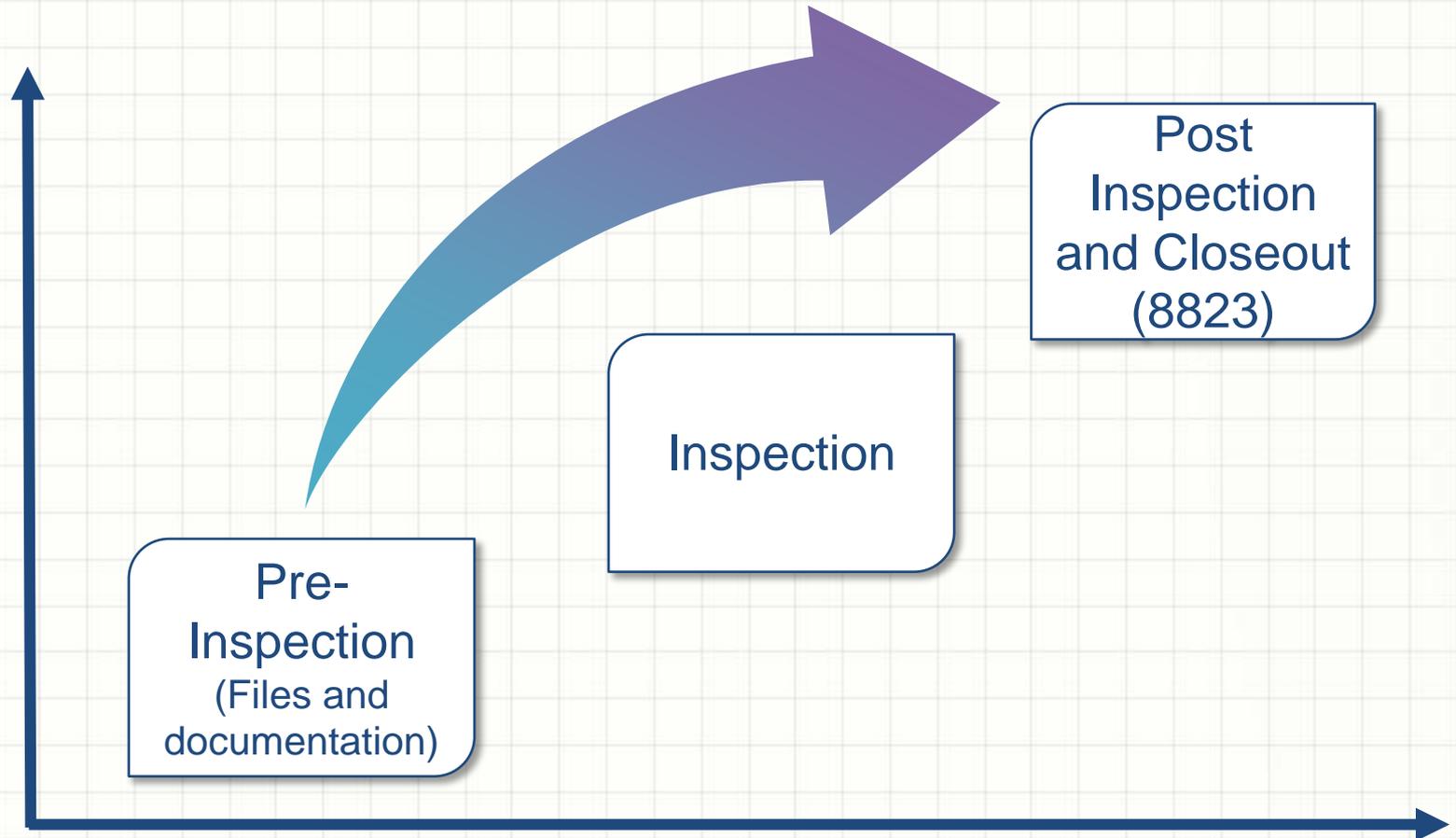
- HUD Utility Model
- Energy Consumption Model – CA Utility Allowance Calculator (CUAC)
- Agency Estimate
 - Not Available in California



General Compliance FAQ

- Section 42 is silent on the requirement for SSN# and Citizenship
- CTCAC is not authorized to use the HUD Enterprise Information Verification (EIV) System
- CTCAC Compliance Website:
 - www.treasurer.ca.gov/ctcac/compliance.asp
 - Online Compliance Manual
 - Policy Memos
 - Forms
 - 2016 Monitoring List
 - Note: CTCAC cannot give advance notice of inspection dates

Working Through an Inspection



Compliance Inspections

- Notification of Intent to Conduct an Inspection
- Owner has 2 weeks to provide requested documentation
 - Project Status Report (PSR)
 - Utility Allowance
 - Notice to Tenants
 - Rent Roll
 - Contact Information for Onsite Manager



Basic Move-in Criteria

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



Basic Move-in Criteria

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!!**



Basic Move-in Criteria

Other Income Sources:

- Social Security and Supplemental Security
- Pensions and Annuities
- Gifts
- Zero Income Certification
- Payments from another Country



Basic Move-in Criteria

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

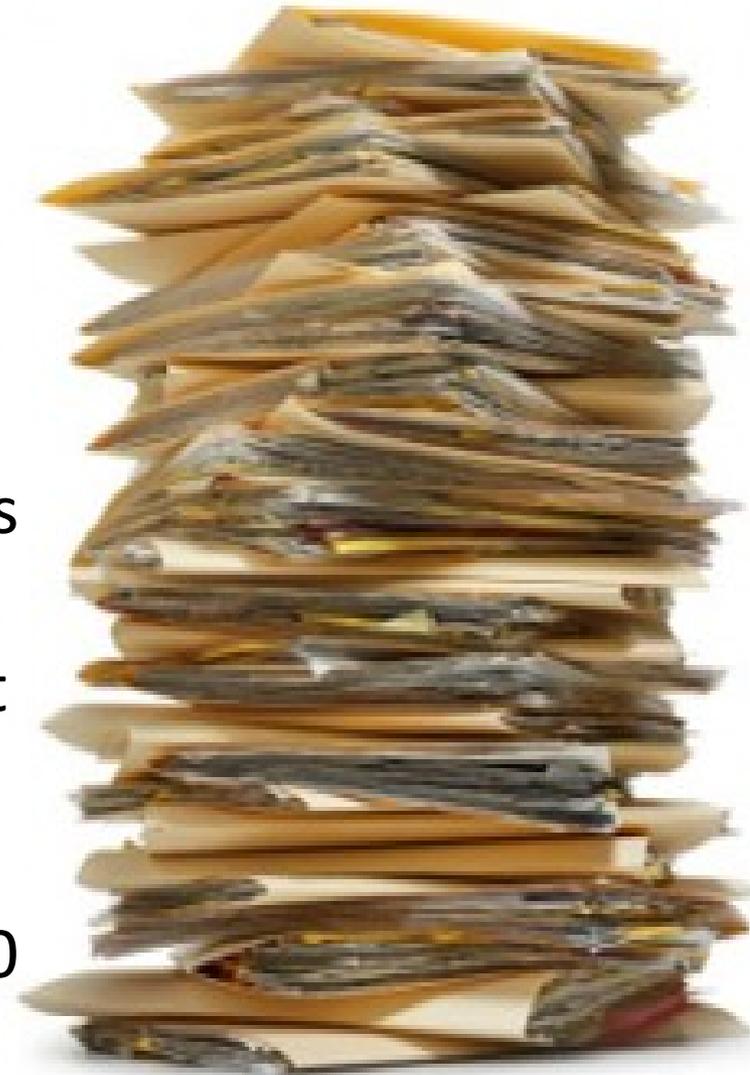
Basic Move-in Criteria

Tenant File Structure/Layout

- Orderly
- Initial and subsequent re-certifications sectionalized

Review Objectives

- Eligibility at move-in/Rents within limits
- Discrepancies at 1st recert
- Timely annual recertifications
- Verifications are within 120 days



Calculating Income

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, and:
 - Profit/Loss Statement
 - Or:
 - Statements from recurring clients

Calculating Income

Required Income Documentation (cont.)

- Cash Wages
 - 1099 Wages preferred
 - 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

Calculating Income – Unusual Situations

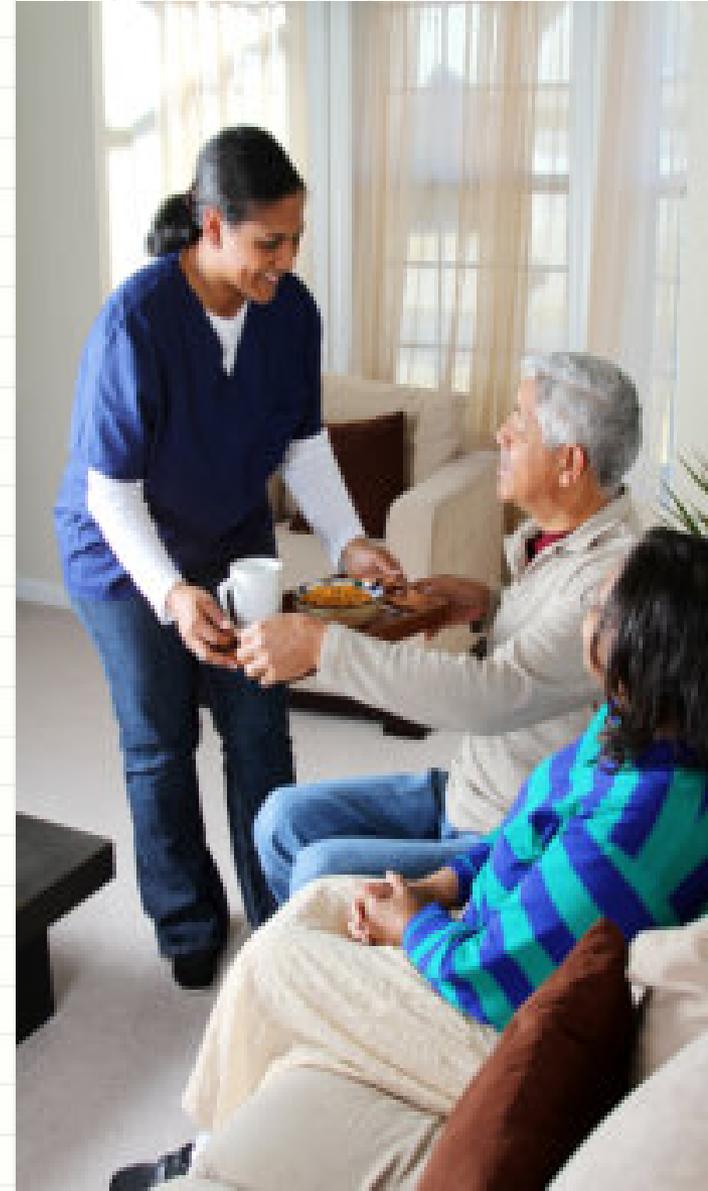
Farm Labor

- Completed VOE showing lay-off period
 - May use payroll printout instead of paystubs
 - Regular Wages up to 60 hours a week
- 
- A photograph showing several farm workers in a field. They are wearing hats and light-colored clothing, and appear to be engaged in manual labor. The field is filled with green plants, and the background shows a clear sky and some distant structures.
- If receiving unemployment during lay-off period
 - Calculate only the months expected to receive. Do not annualize.

Calculating Income – Unusual Situations

Live In Aide:

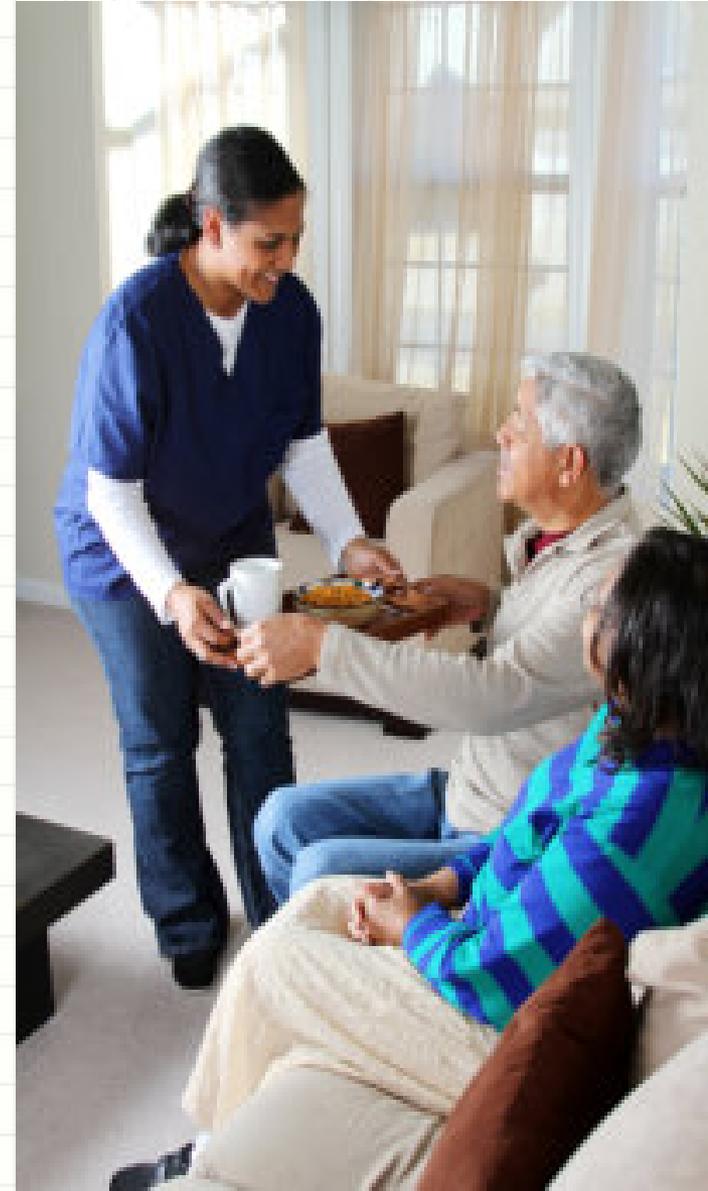
- CTCAC required Live-in Aide Verification Form
- Completed by a Doctor, Medical Practitioner, Psychologist, Social Worker, or other person who meets HUD's Definition
- Aide does not contribute to the Household
- Only in unit to benefit the tenant
- Does not go on the lease
- Spouse can never be a live-in aide



Calculating Income – Unusual Situations

Live In Aide:

- Neither CTCAC nor HUD define the number of hours that a live-in aide is required to perform
- HUD:
 - A live-in aide cannot bring in additional family members unless:
 - the aide has a specialized skill



Unusual Situations

Unborn Children

- CTCAC requires a self-certification of pregnancy to be in the file

Expired Elevator Permit

- Considered noncompliance until a valid permit is in place
- Letter from Industrial Relations stating a backlog will not suffice

Student Scenarios

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 Scenarios

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





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 and claimed as a dependent on the HOH's tax return
 - *must have a copy of the tax return in the file*
 2. Over age 23 with a dependent child

Financial Aid

GI Bill

Post 9/11 GI Bill

- Tuition and Books are not counted as a source of Income
- Housing Allowance is counted as a source of income



Uniform Physical Condition Standards - UPCS

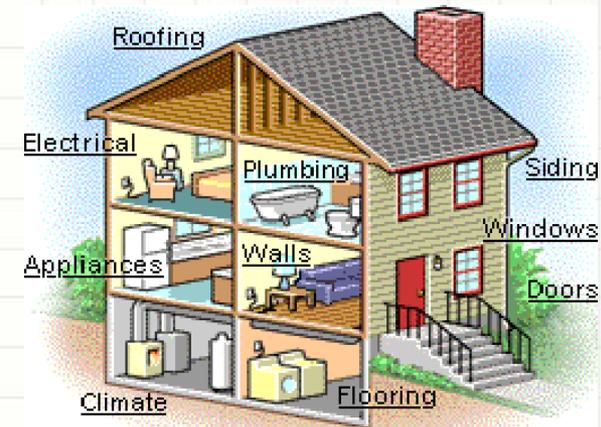
- Buildings and units are suitable for occupancy
- On-site inspection at least once every three years
- Applied Standard is UPCS
- Decent, sanitary, and in good repair



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



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
 - 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



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 Capitol Mall, Suite 485
Sacramento, CA 95814
p (916) 654-6340
f (916) 654-6033
ctcac@treasurer.ca.gov
www.treasurer.ca.gov/ctcac

MEMBER
JOHN CHANG, CHARMA
State Treasurer
BETTY YE
State Controller
MICHAEL COHE
Director of Finance
EXECUTIVE DIRECTOR
Mark Stieve

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 17th 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

CTCAC Findings Letter



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 Capitol Mall, Suite 405
Sacramento, CA 95814
p (916) 854-6340
f (916) 854-6033
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 Oliver

March 1, 2015

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

RE: ABC Apartments (CA-2015-213)

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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
- 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 faxed or
e-mailed.**

8823 Filings

Form 8823- Low Income Housing Tax Credit Agencies Report of Noncompliance or Building Disposition

- CTCAC files Form 8823
- Reports noncompliance with Section 42 during the 15 year federal compliance period
- Filed whether noncompliance is corrected or not
- Filed to report a sale, a foreclosure, destruction or other issue

**Low-Income Housing Credit Agencies
 Report of Noncompliance or Building Disposition**

Note: File a separate Form 8823 for each building that is disposed of or goes out of compliance.

OMB No. 1545-1204

Check here if this is an amended return

1 Building name (if any). Check if item 1 differs from Form 8609

Happy Place Apartments

Street address

1110 Main Street, Building 1 of 1

City or town, state, and ZIP code

Sacramento, CA 95820

2 Building identification number (BIN) **CA1112301**

3 Owner's name. Check if item 3 differs from Form 8609

Happy Place Partners LP, a CA LP

Street address

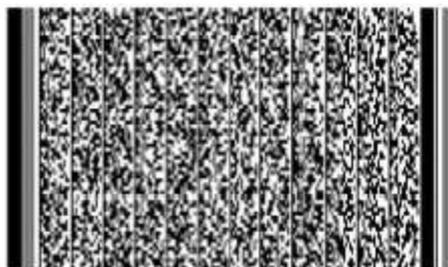
1500 Jackson Ave, Suite 100

City or town, state, and ZIP code

Los Angeles, CA 92610

4 Owner's taxpayer identification number
123456789 EIN SSN

IRS Use Only



5 Total credit allocated to this BIN **\$ 578,798.00**

6 If this building is part of a multiple building project, enter the number of buildings in the project **100**

7 a Total number of residential units in this building **100**

b Total number of low-income units in this building **2**

c Total number of residential units in this building determined to have noncompliance issues **20**

d Total number of units reviewed by agency (see instructions) **06152013**

8 Date building ceased to comply with the low-income housing credit provisions (see instructions) (MMDDYYYY)

9 Date noncompliance corrected (if applicable) (see instructions) (MMDDYYYY)

10 Check this box if you are filing only to show correction of a previously reported noncompliance problem

11 Check the box(es) that apply:

	Out of compliance	Noncompliance corrected
a Household income above income limit upon initial occupancy	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b Owner failed to correctly complete or document tenant's annual income recertification	<input type="checkbox"/>	<input type="checkbox"/>
c Violation(s) of the UPCS or local inspection standards (see instructions) (attach explanation)	<input type="checkbox"/>	<input type="checkbox"/>
d Owner failed to provide annual certifications or provided incomplete or inaccurate certifications	<input type="checkbox"/>	<input type="checkbox"/>
e Changes in Eligible Basis or the Applicable Percentage (see instructions)	<input type="checkbox"/>	<input type="checkbox"/>
f Project failed to meet minimum set-aside requirement (20/50, 40/60 test) (see instructions)	<input type="checkbox"/>	<input type="checkbox"/>
g Gross rent(s) exceed tax credit limits	<input checked="" type="checkbox"/>	<input type="checkbox"/>
h Project not available to the general public (see instructions) (attach explanation)	<input type="checkbox"/>	<input type="checkbox"/>
i Violation(s) of the Available Unit Rule under section 42(g)(2)(B)	<input type="checkbox"/>	<input type="checkbox"/>
j Violation(s) of the Vacant Unit Rule under Reg. 1.42-5(c)(1)(x)	<input type="checkbox"/>	<input type="checkbox"/>
k Owner failed to execute and record extended-use agreement within time prescribed by section 42(f)(5)(J)	<input type="checkbox"/>	<input type="checkbox"/>
l Low-income units occupied by nonqualified full-time students	<input type="checkbox"/>	<input type="checkbox"/>
m Owner did not properly calculate utility allowance	<input type="checkbox"/>	<input type="checkbox"/>
n Owner has failed to respond to agency requests for monitoring reviews	<input type="checkbox"/>	<input type="checkbox"/>
o Low-income units used on a transient basis (attach explanation)	<input type="checkbox"/>	<input type="checkbox"/>
p Project is no longer in compliance nor participating in the section 42 program (attach explanation)	<input type="checkbox"/>	<input type="checkbox"/>
q Other noncompliance issues (attach explanation)	<input type="checkbox"/>	<input type="checkbox"/>

12 Additional information for any item above. Attach explanation and check box

13 a Building disposition by Sale Foreclosure Destruction Other (attach explanation)

b Date of disposition (MMDDYYYY)

c New Owner's Name

d New owner's taxpayer identification number EIN SSN

Street address

14 Name of contact person **Rose Guerrero, Program Manager**

15 Telephone number of contact person **(916) 654-6340** Fax

City or town, state, and ZIP code

Under penalties of perjury, I declare that I have examined this report, including accompanying statements and schedule, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature of authorizing official **William J. Pavao, Executive Director** Date (MMDDYYYY)

Form **8823**
(Rev. Oct. 2005)

Department of the Treasury
Internal Revenue Service

Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition

Note: File a separate Form 8823 for each building that is disposed of or goes out of compliance.

OMB No. 1545-1204

Check here if this is an amended return

1 Building name (if any). Check if item 1 differs from Form 8609

Happy Place Apartments

Street address

1110 Main Street, Building 1 of 1

City or town, state, and ZIP code

Sacramento, CA 95820

2 Building identification number (BIN) **CA1112301**

3 Owner's name. Check if item 3 differs from Form 8609

Happy Place Partners LP, a CA LP

Street address

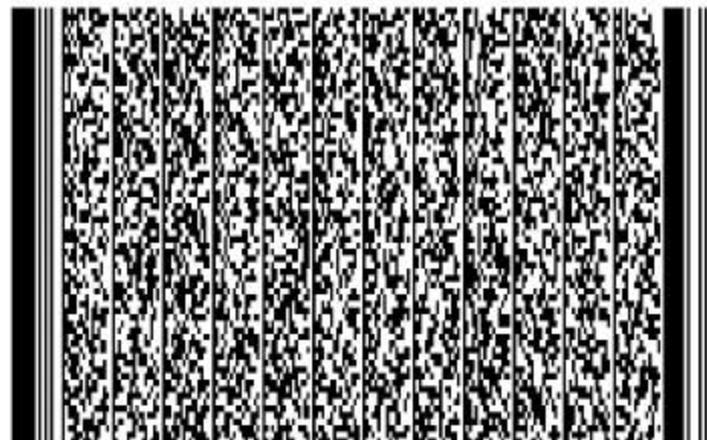
1500 Jackson Ave, Sulte 100

City or town, state, and ZIP code

Los Angeles, CA 92610

4 Owner's taxpayer identification number
123456789 EIN SSN

IRS Use Only



5 Total credit allocated to this BIN	▶ \$	578,798.00
6 If this building is part of a multiple building project, enter the number of buildings in the project	▶	100
7 a Total number of residential units in this building	▶	100
b Total number of low-income units in this building	▶	2
c Total number of residential units in this building determined to have noncompliance issues	▶	20
d Total number of units reviewed by agency (see instructions)	▶	06152013
8 Date building ceased to comply with the low-income housing credit provisions (see instructions) (MMDDYYYY)		
9 Date noncompliance corrected (if applicable) (see instructions) (MMDDYYYY)		
10 Check this box if you are filing only to show correction of a previously reported noncompliance problem	▶	<input type="checkbox"/>

- | | Out of
compliance | Noncompliance
corrected |
|---|-------------------------------------|----------------------------|
| 11 Check the box(es) that apply: | | |
| a Household income above income limit upon initial occupancy | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b Owner failed to correctly complete or document tenant's annual income recertification | <input type="checkbox"/> | <input type="checkbox"/> |
| c Violation(s) of the UPCS or local inspection standards (see instructions) (attach explanation) | <input type="checkbox"/> | <input type="checkbox"/> |
| d Owner failed to provide annual certifications or provided incomplete or inaccurate certifications | <input type="checkbox"/> | <input type="checkbox"/> |
| e Changes in Eligible Basis or the Applicable Percentage (see instructions) | <input type="checkbox"/> | <input type="checkbox"/> |
| f Project failed to meet minimum set-aside requirement (20/50, 40/60 test) (see instructions) | <input type="checkbox"/> | <input type="checkbox"/> |
| g Gross rent(s) exceed tax credit limits | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| h Project not available to the general public (see instructions) (attach explanation) | <input type="checkbox"/> | <input type="checkbox"/> |
| i Violation(s) of the Available Unit Rule under section 42(g)(2)(D)(ii) | <input type="checkbox"/> | <input type="checkbox"/> |
| j Violation(s) of the Vacant Unit Rule under Reg. 1.42-5(c)(1)(ix) | <input type="checkbox"/> | <input type="checkbox"/> |
| k Owner failed to execute and record extended-use agreement within time prescribed by section 42(h)(6)(J) | <input type="checkbox"/> | <input type="checkbox"/> |
| l Low-income units occupied by nonqualified full-time students | <input type="checkbox"/> | <input type="checkbox"/> |
| m Owner did not properly calculate utility allowance | <input type="checkbox"/> | <input type="checkbox"/> |
| n Owner has failed to respond to agency requests for monitoring reviews | <input type="checkbox"/> | <input type="checkbox"/> |
| o Low-income units used on a transient basis (attach explanation) | <input type="checkbox"/> | <input type="checkbox"/> |
| p Project is no longer in compliance nor participating in the section 42 program (attach explanation) | <input type="checkbox"/> | <input type="checkbox"/> |
| q Other noncompliance issues (attach explanation) | <input type="checkbox"/> | <input type="checkbox"/> |

12 Additional information for any item above. Attach explanation and check box

13 a Building disposition by Sale Foreclosure Destruction Other (attach explanation)

b Date of disposition (MMDDYYYY)	d New owner's taxpayer identification number <input type="checkbox"/> EIN <input type="checkbox"/> SSN
c New Owner's Name	14 Name of contact person Rose Guerrero, Program Manager
Street address	15 Telephone number of contact person (916) 654-6340 Ext. _____
City or town, state, and ZIP code	

Under penalties of perjury, I declare that I have examined this report, including accompanying statements and schedules, and to the best of my knowledge and belief, it is true, correct, and complete.

	William J. Pavao, Executive Director	
Signature of authorizing official	Print name and title	Date (MMDDYYYY)

8823 Filings

- Filed against project owner
- Info on 8823 mirrors the information on Form 8609 for each building in a project
- Filed **within 45 days** from date of correction period noted in noncompliance letter
 - this is the owner’s “cure period”
- Extensions up to 90 days (*only if necessary*)

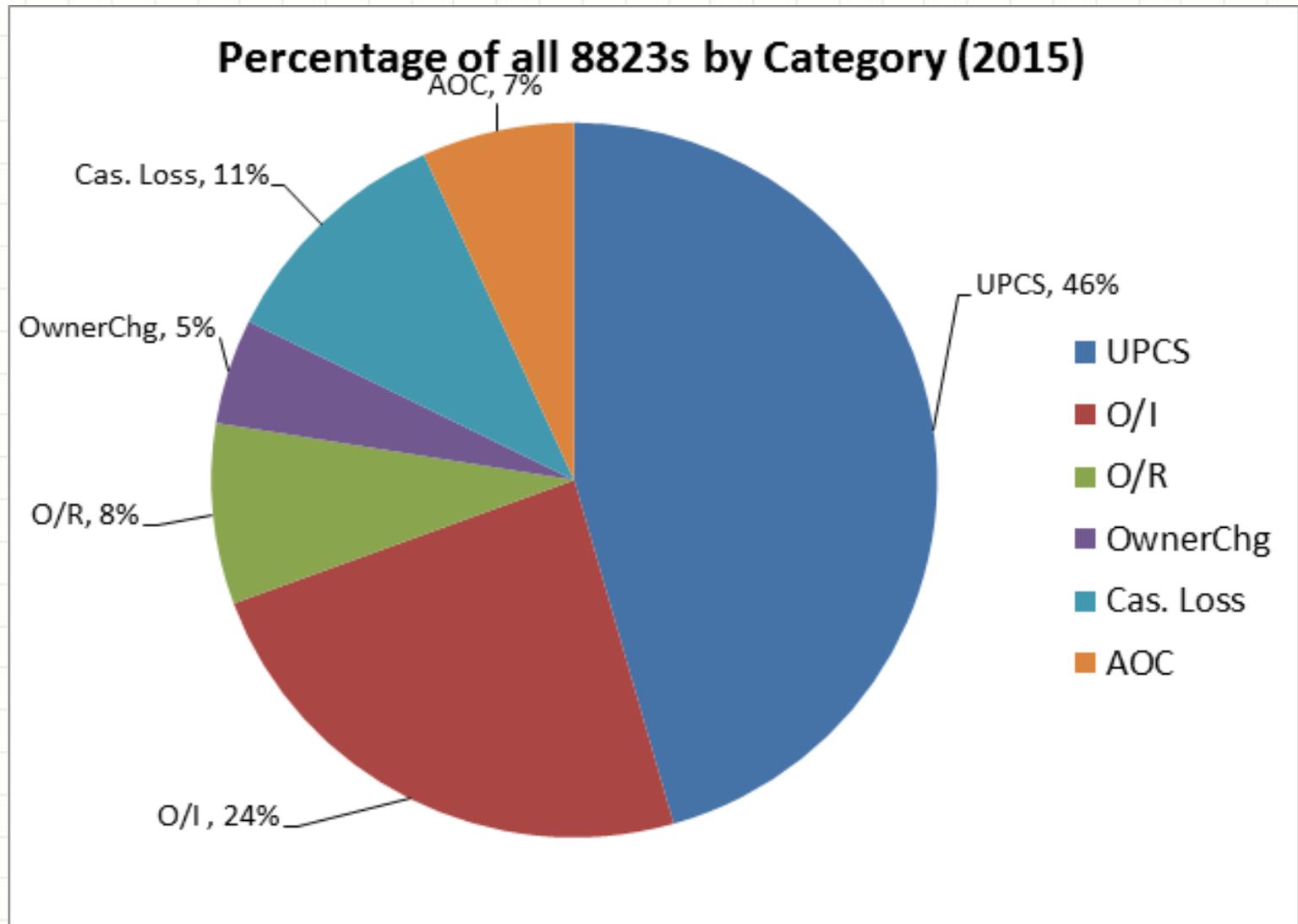
8823 Filings

- For multiple units
 - the date out of compliance is the **earliest date**
- A building cannot be reported back in compliance until all units reported are back in compliance
- Per conversations with IRS - Non-Corrected 8823 filings may flag the project

8823 Filings

- Amended Form 8823
 - filed by State Agency only to correct an error on a previously filed 8823
- There is no correction when Line 11p – is checked off
- Most noncompliance filings are correctable

8823 Filing



Washington DC Updates

- 2016: California continues with the Federal Alignment PILOT on Physical Inspections
 - 17 projects in 2016
 - HUD will perform the Physical, could still result in an 8823 filing



Washington DC Updates

Protecting Americans from Tax Hikes (PATH Act)

- Made permanent the exclusion of military housing allowances for LIHTC qualification for some states.
 - **Does not apply to California**
- Fixed the 9% Credit rate



Washington DC Updates

IRS is working on several items:

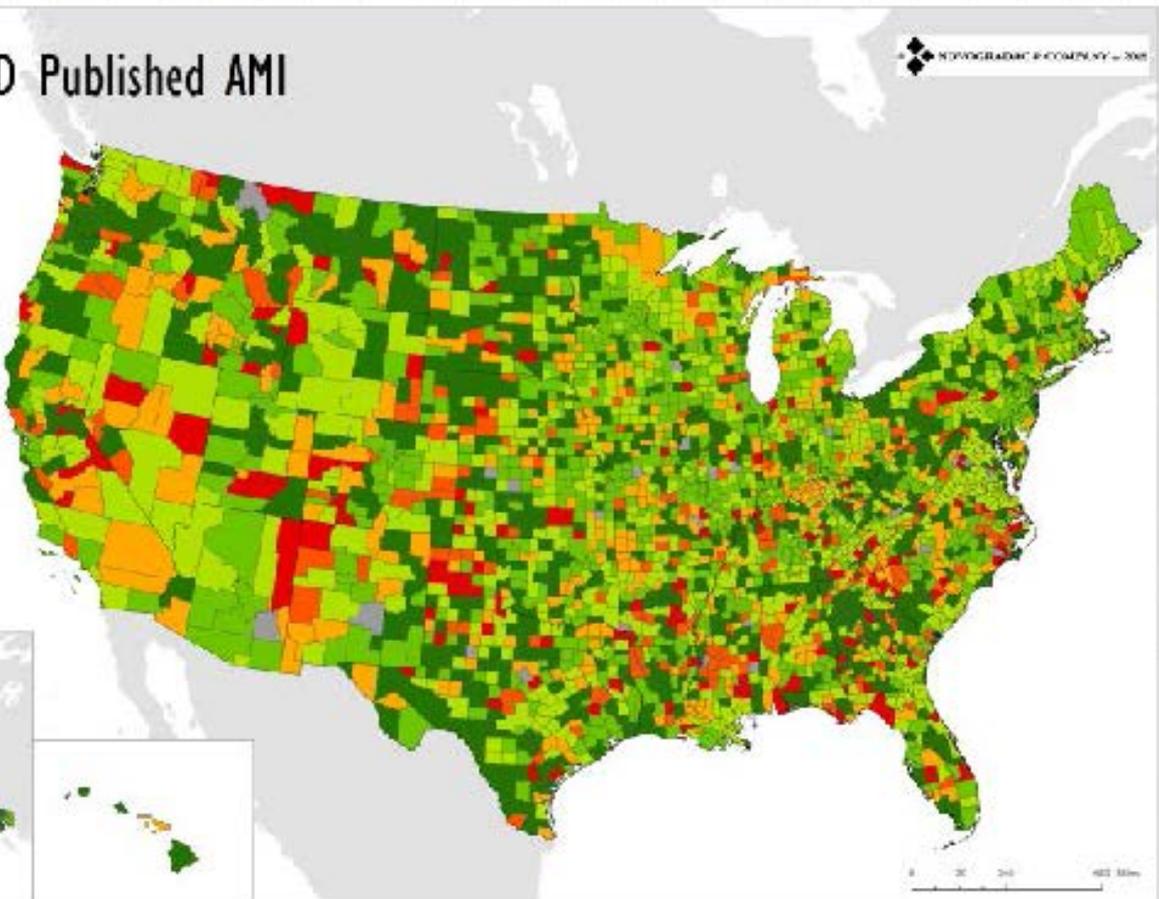
- Energy efficiency and Utility allowances
- Sub-metering
- Physical Inspection Pilot – de-coupling files



Rent and Income Limits 2015

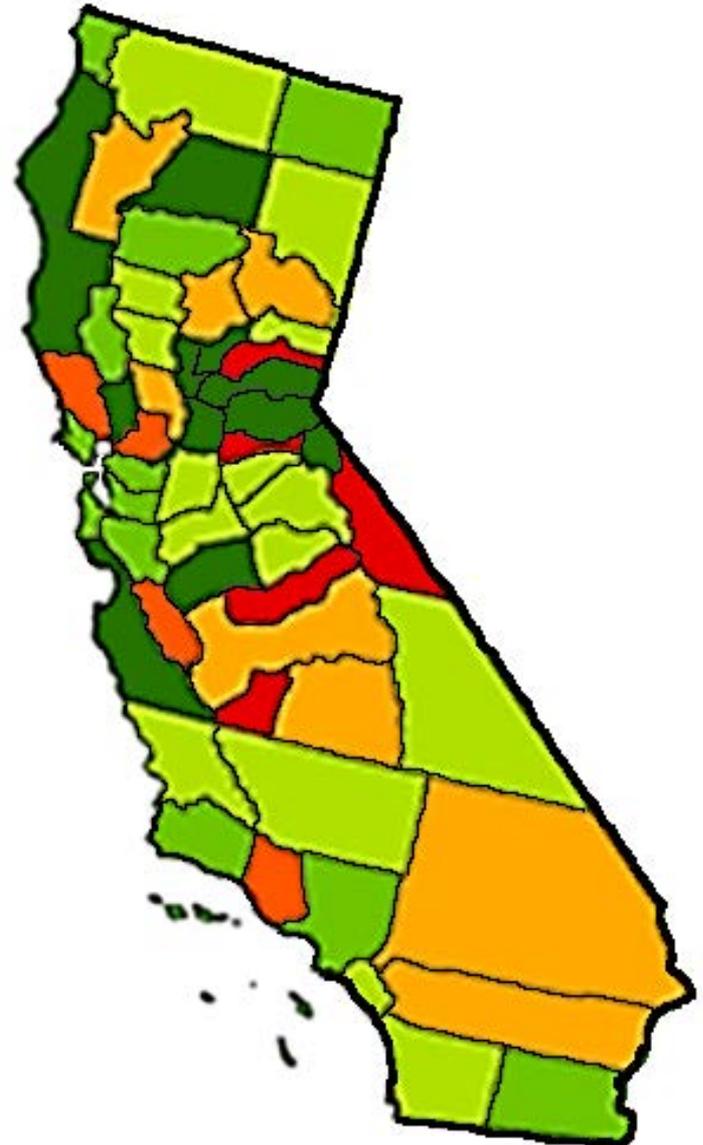
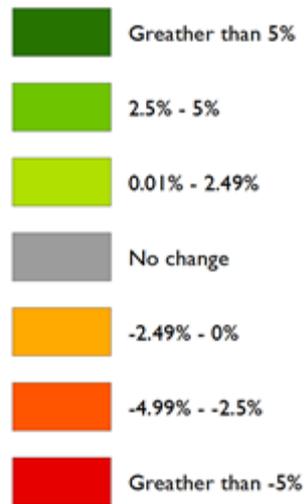
Change in HUD Published AMI
2014 to 2015

- Greater than 5%
- 2.5% - 5%
- 0.01% - 2.49%
- No change
- 2.45% - 0%
- 4.9% - -2.46%
- Greater than -5%



2014-2015

AMI Changes - California



2016 Rent and Income Limits

- Projected to be released late March 2016
- Anticipate increases in most counties



State Regulations Update

- Increase minimum rehabilitation threshold to \$15,000 per unit for 4% projects
 - Previously \$10,000



State Regulations Update

Native American Set-aside

- Allow projects sponsored by a tribe to be off reservation, provided the units are reserved for tribal households.
- Disregard site amenity points within the Native American apportionment.



State Regulations Update

9% projects – Large Family

- Reduce required 3-bedroom percentage to 25%. (was 30%)
 - Require an additional 25% of units to be 2-bedroom or larger.



State Regulations Update

Special Needs Projects

- Special needs projects no longer have to meet a 2nd housing type.
 - Non-special needs units must meet senior or SRO housing type OR provide at least 20% 1-bedroom units and 10% 2-bedroom or larger



State Regulations Update

Site and Services Amenities

- Widen radii for site amenities.
- Provide site amenity points for the provision of transit passes.
 - Require applicants to provide committed services for 15 years. *(was 10 years)*



State Regulations Update

- Alter the smoke free points category
 - Provide points for having a policy prohibiting smoking in certain units and, for projects with more than one building, having at least one smoke-free building.



State Regulations Update

Scattered Sites Projects

- Allow any number and location of sites for a scattered-site acquisition/rehabilitation project with a single pre-existing project-based Section 8 contract in effect for all the sites.



State Regulations Update

- Allow scattered site rehab projects of up to 5 existing affordable housing developments if all sites are either:
 - within the same city,
 - within a 10-mile diameter in the same county,
 - or within the same county if no location is within a city having a population of 500,000 or more.



State Regulations Update

Scattered Sites

- New construction projects & all other acquisition/rehabilitation projects limited to 5 scattered sites with all sites within a 1 mile diameter circle and within the same county.



State Regulations Update

Scattered Sites

- Allow scattered site rehabilitation projects to meet project type requirements at each site independently. (family, Senior, etc.)
 - For all scattered site projects, require files to be brought to one location for inspection upon request of TCAC.



State Regulations Update

Minimum Construction Standards

- Cap the maximum number of managers' units at 4 for large projects. (1 per 80 rule)
- Allow projects to forego a manager's unit if the appropriate number of property managers are **employed** full time on-site
and:
 - the project has an equal number of security or desk staff on site at all other



State Regulations Update

Re-syndications - State Hold Harmless Rule

- Allow re-syndication projects to continue to use hold harmless rents (except 60% AMI).
 - If new rents are lower for deeper targeting, may use existing rents, but for 60% AMI units, until rents rise.



State Regulations Update

- Allow the imposition of negative points for serious failure to submit required compliance documentation.
 - Reports, etc.



TCAC Other Updates

- TCAC/HCD monitoring Pilot program still on hold
- Minimum wage now \$10 hr. - reminder



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 General

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 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**

General FAQ

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



Compliance Due Diligence

Changing Household Size

- CTCAC strongly suggests not permitting any change in household the first year of the credit period.

OR:

- 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



Compliance Due Diligence 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

Compliance Due Diligence

Annual Certifications – 100% Tax Credit

- For projects that are **100% tax credit projects** – every household must be tax credit eligible when the project places in service
- IRS requires a full income and asset recertification at initial move-in for the household
- State Monitoring Agency (CTCAC) requires one full income and asset recertification on the first year anniversary move-in date
 - required as of 2/1/2009

Compliance Due Diligence

Annual Certifications – 100% Tax Credit

- If project is 100% tax credit eligible:
 - Year 2+:
 - Annual recertification does not have to have income and asset information
 - Check with owner and tax credit investor!!
- Tenant Household Income Form (THIF) to use at annual recertification after year 2

Please note: Most tax credit investors and owners prefer to continue with full income and asset recertification's – so check and verify with them before changing your procedure!!

Compliance Due Diligence

Annual Certifications – Mixed Income

- Full income and asset recertification required:
 - Each year on anniversary move-in date
 - No Exceptions!
- **Mass recertifications** are not permitted for Tax Credit – even if HUD allows it.
- Track the Next Available Unit Rule:
 - Crucial for Mixed-Income projects
 - Failure to perform full income and asset recertifications is a reportable issue on an 8823 Form

Compliance Due Diligence

Annual Certifications – Mixed Income

- When in doubt please call or email CTCAC for correct guidance.
- The IRS requirement to perform full income and asset recertification's each year on the anniversary move-in date of each household has been an IRS requirement since **1992**

Compliance Due Diligence Buildings and Units Offline

Required to notify the State Monitoring Agency immediately if:

- a fire
- mold remediation
- structural damage
- any casualty loss



Compliance Due Diligence Buildings and Units Offline

- CTCAC must report (8823) on any of these issues if the building(s) or unit(s) will be off-line longer than a 2 month period
- Be especially careful of leaving units vacant for any length of time during the federal compliance period
 - When in doubt – check with CTCAC!

Compliance Odds and Ends

- CTCAC does **not** have “Occupancy Requirements”
 - most owners and management companies follow the industry standards on number of household members per bedroom
- CTCAC does not “approve files for move-in”
 - our obligation is to audit the owners records for tenants that are already in place
- CTCAC does not mediate in tenant evictions

Compliance Odds and Ends

- CTCAC requires “wet signatures” on all our required forms (*tenants and management*)
 - Starting in 2016 – CTCAC will allow electronic signatures on the Application only
- The owner must keep a copy of the files for the original occupying households for the first year of the credit period for a period of 22 years

Compliance Odds and Ends

- IRS requires the owner to keep:
 - Master file with records showing the applicable rent and utility allowance for the project on a **yearly basis** for each year in the Federal Compliance Period and in the Extended Use Period.
- This information would be crucial for the owner to produce in case of an IRS audit



Resyndication – New Allocation

- New Credit Period
- New Regulatory Agreement
- New 8609's Issued
- New Monitoring Cycle

Resyndication - Preparation

Resyndication is:

- When an existing tax credit property with a current regulatory agreement receives a **new** allocation of tax credits
- Project could have a new owner or same owner and will have a new tax credit investor

Resyndication - Preparation

Resyndication is NOT:

- A project that formerly had tax credits but has ended its compliance period and did not enter into an extended use agreement. (Re-application)
- A project that has never had tax credits before. (Acquisition/Rehab)

Resyndication – Definition of Grandfathering

The initial Regulatory Agreement is the “authority” that prohibits the eviction without good cause.

- Households determined to be income qualified during the initial 15-year compliance period are considered concurrently income qualified for the purposes of the Extended Use period.
- Any household determined to be income eligible at the time of move-in for purpose of the extended use agreement is a qualified household for any subsequent allocation of credits.

Resyndication - Preparation

- Check with CTCAC for any questions
- Resyndication Clarification Form for all over-income households
- Check with the tax credit investor – they might have specific standard they want you to follow
 - Investor will audit the files prior to Agency Review

Resyndication - Preparation

- 2016+ Resyndications may keep deeper-targeted rents at the prior limits rate
 - **Federal set-aside rents must be consistent with current rent restrictions**
- Vacancies Prior to Resyndication

Resyndication - Preparation

- Relocation -
 - Cannot exceed a 6 month period
 - Tenants cannot incur extra costs
- Never temporarily move tenants into vacant tax credit units in a different tax credit property
 - Ok to move them into vacant units/different buildings at **same** tax credit property



Ownership Transfers

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>



Ownership Transfers

- 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)

Ownership Transfers

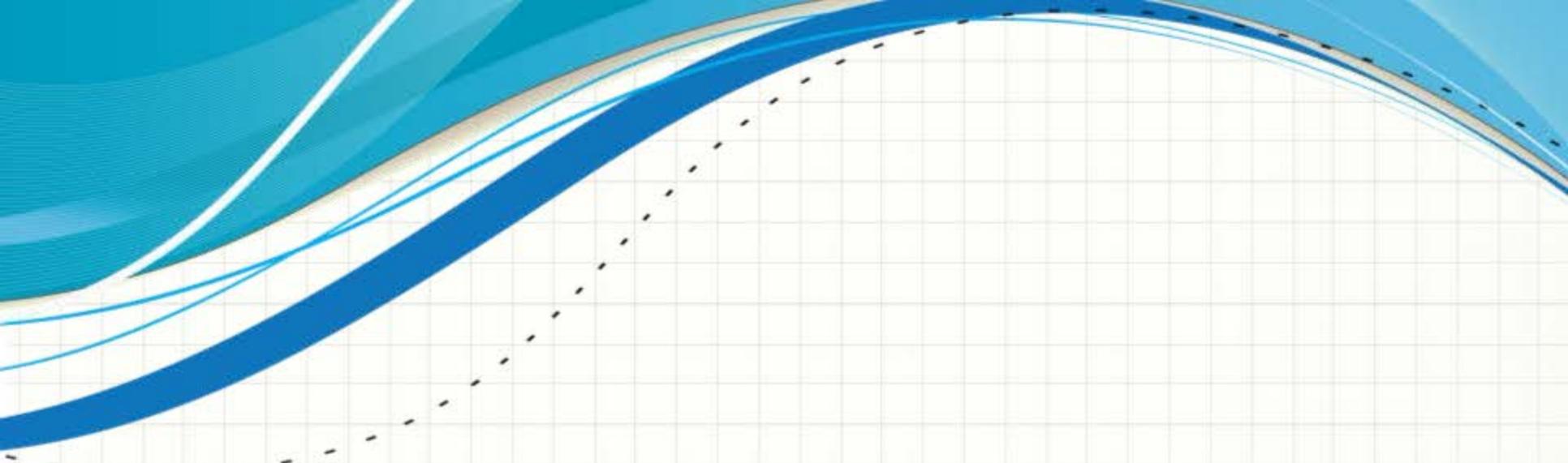
- Once documentation is submitted to CTCAC, it will take 2-3 weeks to process
- Transfer Events as part of a Resyndication where a new allocation of credits has already been awarded go to Anthony Zeto
- All other transfer events go to Ammer Singh or Shannon Nardinelli

Ownership Transfers

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 minimal management experience points
 - 3 points minimum





QUESTIONS?