



# The Power of Our Voices



Preparing for a CTCAC  
Monitoring Visit



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# WILL I HAVE A TCAC AUDIT THIS YEAR?

- CTCAC posts a list for all current properties that are scheduled to be inspected during the year the 1<sup>st</sup> week in January
- Properties that had a Preliminary Reservation that Placed in Service between January – November 2017 will be added throughout the year
  - CTCAC must see properties within 2 years of the last building placing in Service
- Starting in 2019 – will start posting the Extended Use list
  - Extended Use List is potentially subject to change

# WHEN WILL TCAC COME OUT?

- CTCAC tries to schedule very large properties that require multiple analysts to complete in February and early March
- Southern California is generally seen in the 1<sup>st</sup> half of the year, but budget constraints, peak travel/tourist seasons, and weather may influence when an analyst schedules an inspection
- All TCAC Analysts are given a portfolio that changes yearly. Other than Los Angeles, staff will not necessarily be in the same county from one year to the next.

# CAN I RESCHEDULE AND AUDIT?

- TCAC gets dozens of requests each year to reschedule audits for various reasons
  - Company Trainings
  - Scheduled Vacations
  - Just took over Management of Property
  - On-site Manager on leave
- TCAC Analysts see over 1200 properties a year. We are unable to reschedule inspections outside of ones that we have to cancel.

# WHAT DO I DO IF I CAN'T RESCHEDULE?

- To conduct an inspection on a property, all TCAC staff analysts need is someone to pull the requested files, keys, and walk the units with us
  - Suggestions:
    - See if a manager from a nearby property can cover that day
    - Is there another staff person who would be able to pull the files and/or another maintenance person to walk the units?
- Failure to respond to a request for an inspection, or not providing access on the day of the inspection can be reported to the IRS on Form 8823

# WHAT IS THE PROCESS OF AN AUDIT?

- CTCAC will send out a Notice of Intent to conduct an Inspection
  - Prior years through the end of 2019 – this will generally be a 30 day notice
  - Starting in 2020 – this will be a 15 day notice
- Will have date of Inspection and Analyst's information
- Will list documentation that must be submitted prior to conducting the inspection

# WHAT IS THE PROCESS OF AN AUDIT?

- Documents Needed:
  - Current Project Status Report (PSR)
    - Must be current version
  - Current Utility Allowance
  - Notice to Tenants
    - Should state from 9-5pm
    - Must be given with at least 24hr notice





# WHAT IS THE PROCESS OF AN AUDIT?

- Documents Needed:
  - Current Rent Roll for last two months
  - Fire System Inspection Log
    - For any fire sprinklers in the units
  - Who currently occupies Exempt Unit(s)

# WHAT IS THE PROCESS OF AN AUDIT?

- Other Documentation may be requested:
  - Property Map – large group inspection
  - Elevator Permit
- Other Needs:
  - A quiet space where our auditors can review the files
  - The files must be brought to the property
  - If there are parking restrictions/issues, arrangements should be made with staff

## Audit Day

- Files
- Physicals
- Site Amenities
- Service Amenities

## Post Inspection

- Findings Letter
- Owner's Response
- Closeout Letter



# WHAT HAPPENS THE DAY OF AN AUDIT?

## Audit Day

- CTCAC staff will not enter a unit in the process of an eviction
  - Unit will be swapped with a similar unit in the same building
- Our auditors will not enter a unit where there are only minor children inside
- CTCAC staff will not carry any unit keys

# WHAT HAPPENS THE DAY OF AN AUDIT?

## Audit Day

- If a resident in a unit is very ill due to an illness, surgery, etc., unit may be swapped
  - File will still be reviewed for that unit
- If there are bedbugs in certain units, please disclose those units to CTCAC.
  - Unit will be swapped with a similar unit in the same building
  - File will still be reviewed for that unit

# CTCAC AUDIT - FILES

- In 2019 and Prior Years – TCAC will look at a random 20% sample for projects in the current federal credit period and a 10% random sample for projects in the extended use period
- Starting in 2020 – TCAC will look at a sample based on the IRS published Table
  - Follow guidance for properties up to 102 units
  - For properties over 102 units – TCAC will continue 20% sample

# CTCAC AUDIT - FILES

Number of LIHTC Units	Minimum Unit Sample Size
1	1
2	2
3	3
4	4
5-6	5
7	6
8-9	7
10-11	8
12-13	9
14-16	10
17-18	11

Number of LIHTC Units	Minimum Unit Sample Size
19-21	12
22-25	13
26-29	14
30-34	15
35-40	16
41-47	17
48-56	18
57-67	19
68-81	20
82-101	21
Over 102 units	20% Sample

# CTCAC AUDIT - FILES

## Application

- Current
- Employment History
- Housing History
- Household Members
- Assets
- Completion





# CTCAC AUDIT - FILES

## Lease

- Lease Term
  - Minimum of 6 months unless SRO/Special Needs
- Language referencing Section 42 or a separate Section 42 Lease Addendum
- Good Cause Eviction Lease Rider
- HUD VAWA Lease Rider

# CTCAC AUDIT - FILES

## Forms

- Move-in TIC
  - Signed within 5 days of move in
- Recert TIC or THIF
  - Signed within 120 days of recertification date
- TICQ
  - One per adult household member
- Child Support Affidavit
  - One per adult household member

# CTCAC AUDIT - FILES

## Forms

- Under \$5000 Form OR third party verification if assets are over \$5000
  - One per adult household member or combined form if joint assets
- Any other “if applicable” Forms
  - Zero Income Certification
  - Student Verification
  - Financial Aide Verification
  - Foster Care Verification
  - Live-in Aide Verification
  - Single Parent Full-time Student Affidavit

# CTCAC AUDIT - FILES

## Income Sources

- Wage Earners
  - Third Party Verifications – VOE
    - Work Number
  - Paystubs
    - 3 Months
    - Less than 3 months – 75% Calculation
  - Self Employment
  - Cash Wages
  - Day Labor

# CTCAC AUDIT - FILES

## Other Income Sources

- Social Security
- Disability/SSI
- AFDC/TANF/CalWorks
- Unemployment
- Gifts
- Pensions/Annuities
- Any other source that is indicated on the application



# FILE AUDIT - RED FLAGS

- Disorganized files
- Documentation at 1<sup>st</sup> recertification conflicts with move-in information
- Missing Signatures or Dates
- Paystubs show income higher than the VOE, which puts the household over the limit
- Claiming self-employment without a tax return/Schedule C or completed 4506-T verifying non-filing status
- Unusual or unrealistic patterns

# CTCAC AUDIT - PHYSICALS

- Keys should be pulled when the list of files is given
- All Common Spaces will be inspected in addition to units
- Water Heater closets / Boiler Rooms will be inspected
- Pool and playground areas will be inspected
- Laundry Areas

## Compliance Manual

- Section 7 – Part 7.3 Physical Inspection Checklist

# CTCAC AUDIT - PHYSICALS

## Physical Inspection - UPCS

- Uniform Physical Condition Standard
  - ADA Accessibility to Common Areas
  - Visual Inspection of Building/Roof
  - Landscaping/Standing Water
  - Trip Hazards
  - Parking Structures





# CTCAC AUDIT - PHYSICALS

## Physical Inspection

- Interior
  - Smoke Detectors
  - Functioning Appliances
  - Water Heater/HVAC Closets
  - Blocked Ingress/Egress
  - Holes/Leaks
  - Trip Hazards



# CTCAC AUDIT - PHYSICALS

## 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



# CTCAC AUDIT – SITE AMENITIES

If 1<sup>st</sup> inspection of a property:

- Analyst will ask for the information for any site amenities noted on the Regulatory Agreement
  - Parks
  - Schools
  - Libraries
  - Grocery
  - Transit
  - Medical Offices / Pharmacy

# CTCAC AUDIT – SERVICE AMENITIES

At every inspection during the 15 Year Credit Period:

- Analyst will ask for the information for any service amenities noted on the Regulatory Agreement
  - After School Programs
  - Health/Wellness Classes
  - Services Coordinator
  - Other Services Specialist
  - Child Care
- Service Amenities must be in place within 6 months of the property placing in service

# 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  
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f (916) 654-6033  
[www.treasurer.ca.gov/ctcac](http://www.treasurer.ca.gov/ctcac)

April 25, 2017

Joseph A. Smith  
Happy Place Apartments, L.P., a CA LP  
999 Main Street., Suite 160  
Sacramento, CA 95814

**RE: Happy Place Apartments (CA-2015-303)**

**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 on **April 21, 2017**. The law and regulations require that tax credit units be rent restricted and occupied by eligible households whose income is verified by third-party documentation. All units must be habitable and property must be safe for all tenants.

**RESULTS OF THE TENANT FILE INSPECTION:**

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

**Building 2 - Unit #1063-12 (Smith)** – This two-person household moved in on 09/14/2016.

- At move in, the Tenant Income Certification (TIC) Effective Date and Move In Date is



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# CTCAC FINDINGS LETTER

- 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

**Initial response  
documentation must  
be mailed to the Analyst in  
charge of the inspection,  
not e-mailed.**



# CTCAC INSPECTION CLOSEOUT

Once all documents are received:

- Close out letter will be sent to Owner/Management Agent contact
  - Closeout letters should be sent out within 45 days of receiving all the documentation
  - Letter does not get sent to the site
- 8823 will be filed (if applicable)
  - 8823 filings happen at the end of each month
  - If an Uncorrected 8823 is filed, the owner has up to 3 years to correct the noncompliance. If not corrected by the time of the next audit, another uncorrected 8823 will be filed.
    - The first uncorrected 8823 will never be able to be corrected



Questions?