



STATE AGENCIES UPDATE

MAYRA LOZANO & ELIZABETH GUTIERREZ-RAMOS

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UTILITY ALLOWANCES – SECTION 42, 1.42-10

Utility Allowances – Funding per Building

- HUD UA- Section 8 Project Based Rental Assistance
- Rural Development – USDA (Zeffert)

Neither HUD or RD

Housing Choice Voucher Program, (HCV),
Tenant based/Project-based

- Local Public Housing Authority

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UTILITY ALLOWANCES – SECTION 42, 1.42-10

Neither HUD/RD/HCV - Owners may apply:

- Local Public Housing Authority (all units in bldg.)
- Local Utility Company Estimate (all units in bldg.)
- Hud Utility Schedule Model (all units in bldg.)
- Energy Consumption Model- California Utility Allowance Calculator (all units in bldg.)

• If PBV units, Local PHA must approve to utilize

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UTILITY ALLOWANCES – SECTION 42, 1.42-10

Energy Consumption Model- CUAC

Newly Adopted Regulations (01/2024):

- Utilization of the CUAC approved upon field verifications being completed
- A quality control review will still be required at the PIS stage
- Owners will be notified to correct any errors
- IRS to be notified if overrents found

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UTILITY ALLOWANCES – SECTION 42, 1.42-10

HOME Units (HOMEfires Vol13)

Owners may apply

- Local Utility Company Estimate (all units in bldg.)
- Hud Utility Schedule Model (all units in bldg.)
- Energy Consumption Model- California Utility Allowance Calculator (all units in bldg.)
- Multifamily Housing Utility Analysis (all units in bldg.)

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UTILITY ALLOWANCES – SECTION 42, 1.42-10

HOME Units with Project-Based Vouchers

- Owners may apply for waiver to utilize the Local PHA UA for all units
 - HOME Loans prior to August 23, 2013, can apply Local PHA UA

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HOTMA UPDATES

Housing Opportunity Through Modernization Act (HOTMA)

- HOTMA was enacted on July 29, 2016 – made amendments to various HUD programs, affects public housing and Section 8 rental assistance programs
- On February 14, 2023, HUD published the final rules and implementation of HOTMA legislation in the Federal Register
 - Implementation date for multifamily housing with HUD subsidy is January 1, 2024

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HOTMA UPDATES

- IRS has not released specific guidance on the HOTMA final rules and implementation for the LIHTC Program
- LIHTC Program is not a HUD multifamily program; however, Section 42 of IRC statutorily relies on HUD's definition and methodology for determining income eligibility
- In the absence of guidance from the IRS, CTCAC will implement applicable HOTMA changes on **January 1, 2025**
 - CTCAC released a revised HOTMA Guidance Memo on February 28, 2024

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HOTMA UPDATES

CTCAC reviewed the HOTMA legislation and determined the following sections are applicable to the LIHTC Program:

- Annual Income Definition
- Net Family Assets Definition
- Annual Income Exclusions

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HOTMA UPDATES

How do these changes affect the LIHTC Program?

Annual Income Definition

Does not significantly change previous annual income definition

- CTCAC still requires a Verification of Employment (VOE) and the most current three months of consecutive paystubs to verify the income of all wage earners at move-in

Some highlights:

- Foster Children/Foster Adults – clarifies foster children/adults can be used for determining unit size but not considered household members when determining income/assets
- Nonrecurring Income – replaces prior definition of "sporadic income", provides examples of nonrecurring income

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HOTMA UPDATES

Annual Income Definition (cont)

- Student Financial Aid
 - Significantly changes methodology for determining type and amount of financial aid that needs to be calculated for students
- Student Financial Aide Policies PRE-HOTMA
 - Section 8 Household- count all financial aid in excess of actual covered costs (tuition, books, supplies, room/board, other fees)
 - Exclude all financial aid if Section 8 household meets one of the following:
 - 23 or older with dependent children OR
 - Living with their parents

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HOTMA UPDATES

Annual Income Definition (cont)

Student Financial Aide Policies -HOTMA

- Section 8 Household who is HOH, Spouse or Co-head-
 - 23 or under OR No Dependent Children
- **Count all financial aid in excess of actual covered costs (tuition, books, supplies, room/board, other fees)

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HOTMA- STUDENT FINANCIAL AID

MORE CHANGES UNDER HOTMA

- 1 Non- Section 8 Households
- 2 All Other Section 8 Households
- 3 Same Methodology

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HOTMA- FINANCIAL AID, NON-SECTION 8, ALL OTHER SECTION 8 METHODOLOGY

- Higher Education Act, (HEA)- exclude from income
- Other Financial Aid,- include in income
 - Actual Covered Costs – apply HEA assistance & other financial aid
 - Include in Income any excess **from other financial aid** once Actual Covered Costs are met

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HOTMA- FINANCIAL AID, NON-SECTION 8, ALL OTHER SECTION 8 METHODOLOGY

Example 1-

Actual Covered Costs = \$25,000
 HEA Amount = \$10,000
 Other Financial Amt = \$20,000

Calculate

\$25,000 -	*Add to Income: \$5000	
\$10,000-\$20,000=		*Excess from other Financial Aid

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**HOTMA- FINANCIAL AID,
NON-SECTION 8, ALL OTHER SECTION 8
METHODOLOGY**

Example 2-

Actual Covered Costs = \$25,000
 HEA Amount = \$30,000 (exclude from income)
 Other Financial Amt = \$10,000

Calculate

\$25,000-

*Add to Income: \$10,000

(\$30,000)-\$10,000

*Excess from other
Financial Aid

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HOTMA UPDATES

Net Family Assets Definition

HOTMA increased the "net family assets" threshold from \$5,000 to \$50,000

- Households with combined assets under \$50,000 will self-certify using Under \$50,000 Asset Certification form (replaces Under \$5,000 Asset Certification form)

Other Highlights:

- Balance of retirement accounts (401Ks, IRA's and Pensions) are excluded from asset determination
 - Regular distributions from retirement accounts still calculated as income
- Current balance of checking account is used to determine the asset value (previously used 6-month average)

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HOTMA UPDATES

HH Mbr #	Type of Asset	Bank/Source	Last 4 of Account #	C/I	Cash Value of Asset	Actual Income from Asset	If total Assets > 50K and no actual impute @ .40%
1	Savings	Bank of America	0001	C - .2%	\$10,000	\$20.00	N/A
1	Checking	Bank of America	0002	C - 0%	\$10,000	\$0.00	N/A
2	CD	Wells Fargo	0003	C - 2%	\$15,000	\$300.00	N/A
2	Stock	Fidelity	0004	I - .40%	\$30,000	N/A	\$120
					Total	\$440	

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HOTMA UPDATES

Annual Income Exclusions

HOTMA modified and added to the list of income exclusions:

- CTCAC will implement these additions and modifications and will not count as income

Some Modifications to Exclusions List:

- Earnings in excess of \$480 for a full-time student – modified to \$480 threshold may change annually per HUD guidance
- Adoption Assistance payments in excess of \$480 per adopted child – modified to \$480 threshold may change annually per HUD

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HOTMA UPDATES

Some Modifications to Exclusions List (cont):

- IHSS income exclusion – HOTMA modification removes the developmental disability requirement and changes the exclusion to any amounts paid by a state Medicaid managed care system, other state agency or authorized entity for any disability.
 - CTCAC will require a statement from the resident’s doctor, medical practitioner, or other 3rd party agency treating the resident verifying the disability. CTCAC does not need to know the specific nature of the disability.

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HOTMA UPDATES

CTCAC Forms to be updated

- Tenant Income Certification (TIC)
- Tenant Income Certification Questionnaire (TICQ)
- Under \$50,000 Asset Certification Form
- Student Financial Aide Verification Form

Please note: These forms will be noted on CTCAC’s website as HOTMA Forms

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NSPIRE UPDATES

What are the changes going from UPCS to NSPIRE?

- NSPIRE protocol is streamlined with the focus on the welfare of resident and places a higher priority on the unit
- The UPCS 5 inspectable areas (Site, Exterior, System, Common Area and Unit) will be reduced to 3 inspectable areas under the NSPIRE protocol (Unit, Outside, Inside)
- NSPIRE will no longer utilize "Levels of Severity" as inspection standards but instead will use 3 Categories of Deficiencies
- CTCAC will not apply a "score" to each individual deficiency found or an overall score for the on-site physical inspection

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NSPIRE UPDATES

Categories of Deficiencies:

Old – UPCS



New – NSPIRE



*For deficiencies not found in the NSPIRE Guidebook, the deficiency will be categorized as a "Low CA Deficiency"

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NSPIRE UPDATES

How will NSPIRE deficiencies be listed on a Non-Compliance Letter ?

Old - UPCS

Building 2 - Unit #201

- Kitchen - inoperative garbage disposal (Level 2 UPCS Violation)
- Kitchen - loose electrical cover right of sink (Level 1 CA Violation)
- Bathroom #1 - water drains slowly in sink (Level 1 UPCS Violation)
- Bathroom #2 - coach blocking doorway, this is an ingress egress issue (Level 3 UPCS Violation and Health & Safety Violation)

New - NSPIRE

Building 4 - Unit #303

- Kitchen - extensive coach/pest infestation in 2 rooms (Severe Deficiency)
- Bathroom #1 - inoperative ceiling exhaust fan with no window (Moderate Deficiency)
- Bathroom #1 - extensive coach/pest infestation in 2 rooms (Severe Deficiency)
- Bathroom #2 - cracked/damaged toilet tank lid (Low Deficiency)
- Bathroom #2 - missing toilet roll holder spindle (Low CA Deficiency)

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NSPIRE UPDATES

Response time to correct deficiencies

- All deficiencies found during the on-site audit will be noted in a Non-Compliance Letter
- The Owner will be required to correct physical non-compliance within 30 days
 - Some items in the severe category will require 24-48 hours correction.

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NSPIRE UPDATES

IRS Form 8823 Submissions

For all audits that have a physical onsite inspection, CTCAC will issue an IRS Form 8823 and report ALL levels of NSPIRE deficiencies (Low, Moderate and Severe) for all properties in the initial 15-year Federal Compliance Period

- IRS Form 8823 will note both corrected and uncorrected noncompliance
 - Corrected noncompliance will be noted as "corrected" on the Form 8823
- Owner will still have a normal correction period as determined in the Noncompliance Letter to correct any deficiencies

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NSPIRE UPDATES

NSPIRE Guidebook



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California Update – Rent Cap

On April 3, 2024, CTCAC adopted final state regulations for low-income tax credit projects. In those regulations, CTCAC included a rent cap for LIHTC units.

- Rent cap is not the same as AB 1482 or HUD Rent Ceiling
- Applies to 2024 tax credit allocations, forward
 - Any project with a CA-2024-XXX number and forward
- Does not apply to existing tax credit projects unless the project changes ownership

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California Update – Rent Cap

Language in the regulations:

- Rents for a low-income household shall not increase in any 12-month period more than the lesser of 5% plus the percentage increase in the cost of living as defined in paragraph (3) of subdivision (g) of Section 1947.12 of the Civil Code of 10% of the lowest rental rate charged for that household at any time during the 12 months prior to the effective date of the increase.

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California Update – Rent Cap

Area	Maximum Increase through 7/31/24
Los Angeles Area: <ul style="list-style-type: none"> • Los Angeles County • Orange County 	8.8%
Riverside Area: <ul style="list-style-type: none"> • Riverside County • San Bernardino County 	9.6%
San Diego Area: <ul style="list-style-type: none"> • San Diego County 	10%
San Francisco Area: <ul style="list-style-type: none"> • Alameda County • Contra Costa County • Marin County • San Francisco County • San Mateo County 	9.2%
All Other Counties	9.2%

• CPI used by CTCAC are published by U.S. Bureau of Labor Statistics or the California Department of Industrial Relations each year.

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California Update – Rent Cap

- There are waiver provisions set forth in the regulation:
 - The Executive Director may grant a waiver to exceed the limit provided the owner shows the proposed rent increase is necessary to ensure financial stability or fiscal integrity of the property

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California Update – Rent Cap

- Owner may exceed the limit without a waiver in the following circumstances:
 - To increase the rent up to 30% of the monthly income of the household occupying the unit
 - For projects with terminated project-based rental assistance or operating subsidy as described in Section 10337 (a)(3)(B); or
 - A transfer of a household to another unit in the same property that has a different bedroom count or transfer to a higher AMI 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

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California Update – Rent Cap

- Requirements to keep in mind if an owner plans on selling the property:
 - The Executive Director shall not approve a transfer if, in any of the five calendar years prior to the transfer date or in the year to date of the transfer but not earlier than April 3, 2024, the owner has increased the rent for any low-income household in excess of the amount described previously.
 - Annual Certification – CTCAC will require, as part of the Annual Owner Certification, the owner representative to initial that they are following the requirements of the CTCAC rent cap, if applicable.

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CA UPDATES

Due Dates

- Annual Owner Certification Package, Part II (Due June 3, 2024)
 - Includes the Annual Operating Expense Form (AOE) and Lender Profile Form
 - For information on the AOE/LP, please contact Jerry Yang at jerry.yang@treasurer.ca.gov
- Tenant Demographic Data Collection (Due May 31, 2024)
 - Includes information from TIC/Supplemental Information Form for certifications/recertifications completed in 2023
 - Contractor continues to be Spectrum Enterprises - Contact Paul Perpich at HUDHelp@SpectrumLHHC.com
- Annual Owner Certification Package, Part II was due April 1, 2024

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CA UPDATES

2024 Compliance List

- Posted to the CTCAC website at https://www.treasurer.ca.gov/ctcac/compliance/inspection_list.pdf
- For informational purposes only, CTCAC cannot divulge inspection date until 15-days prior to inspection
- Extended Use List to be posted in the next few weeks

2024 Rent and Income Limits

- Released by HUD on April 1st, 2024
- CTCAC currently working on finalizing the Rent and Income Limit Spreadsheets and will be posting the limits in the next 2-3 weeks

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THANK YOU FOR JOINING US



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