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SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES

NINSI CASTELAN, an individual,

Plaintiff,

vs.

716 YALE TERRACE, L.P., a California
limited partnership; TRIUMPH
RESIDENTIAL SERVICES, INC., a
California stock corporation; GRCLA -
AFFORDABLE HOLDING, LLC, a California
limited liability corporation; JK
AFFORDABLE HOLDINGS, LLC, a
California limited liability corporation; and
DOES 1 to 25,

Defendants.

Case No. **25STCV05369**

**COMPLAINT FOR INJUNCTIVE
RELIEF AND DAMAGES FOR:**

1. BREACH OF CONTRACT AND
RECORDED COVENANT
2. UNLAWFUL AND UNFAIR
BUSINESS PRACTICES OR ACTS
[Bus. & Prof. Code § 17200 et seq.]
3. COLLECTION AND RETENTION
OF EXCESS RENT [Civ Code §
1947.11]

DEMAND FOR JURY TRIAL

1 Plaintiff alleges:

2 **PARTIES**

3 1. Plaintiff NINSI CASTELAN (“Castelan”) is an individual who resides in the
4 County of Los Angeles, State of California. Since approximately 2012, Castelan has been a tenant
5 of the 4-bedroom residential rental unit located at 716 Yale Street, Unit 307, Los Angeles, CA
6 90012.

7 2. Defendant 716 YALE TERRACE, L.P. (“Yale Terrace”) is a California limited
8 partnership operating in the County of Los Angeles, State of California. Yale Terrace is the owner
9 of the apartment building located at 716 Yale Terrace, Los Angeles, CA 90012 (“Yale Terrace
10 Apartments”). Yale Terrace rented Unit 307 to Plaintiff Castelan and held itself out to be the
11 owner of the premises. Plaintiff Castelan makes rent payments to Yale Terrace.

12 3. Defendant TRIUMPH RESIDENTIAL SERVICES, INC. (“Triumph”) is a
13 California stock corporation operating in the County of Los Angeles, State of California. At all
14 times relevant, Triumph was the manager of Yale Terrace Apartments, the residential rental
15 property located at 716 Yale Terrace, Los Angeles, CA 90012. Triumph as manager interacts with
16 Plaintiff Castelan on issues of rent and other charges.

17 4. Defendant GRCLA-AFFORDABLE HOLDING, LLC (“GRCLA”) is a California
18 limited liability company operating in the County of Los Angeles, State of California. At all times
19 relevant, GRCLA was the administrative general partner of Yale Terrace. GRCLA controls Yale
20 Terrace.

21 5. Defendant JK AFFORDABLE HOLDINGS, LLC (“JK”) is a California limited
22 liability company operating in the County of Los Angeles, State of California. At all times
23 relevant herein, JK AFFORDABLE HOLDINGS, LLC was a partner of Yale Terrace. JK benefits
24 from the actions of Yale Terrace and, on information and belief, has some control over Yale
25 Terrace.

26 6. The Plaintiff is ignorant of the true names and capacities of Defendants sued as
27 DOES 1 through 25, inclusive, and therefore sue these Defendants by such fictitious names and
28 capacities. The Plaintiff is informed and believes, and thereupon alleges, that each Defendant

1 fictitiously named as a DOE is legally responsible, negligently or in some other actionable
2 manner, for the acts and failures to act as alleged herein, and thereby proximately and legally
3 caused the injuries and damages to Plaintiff as alleged. Plaintiff will seek leave of court to amend
4 this complaint to allege such names and/or capacities of such fictitiously named Defendants as
5 soon as they are ascertained. On information and belief, Plaintiff alleges that Defendants were
6 owners, persons, or entities actually or apparently responsible for the management and
7 maintenance of the Building during Plaintiff's tenancy.

8 JURISDICTION AND VENUE

9 7. This Court has jurisdiction over this action pursuant to article VI, Section 10 of the
10 California Constitution and California Code of Civil Procedure Section 410.10. Each cause of
11 action asserted arises under the laws of the State of California or is subject to adjudication in the
12 courts of the State of California.

13 8. Venue is proper pursuant to Code of Civil Procedure Section 395, as the
14 Defendants operate in Los Angeles County, and their acts or omissions giving rise to the liability
15 alleged in this Complaint occurred in Los Angeles County. Venue is also proper pursuant to Code
16 of Civil Procedure Section 392, as the Yale Terrace Apartments are located in downtown Los
17 Angeles in Los Angeles County.

18 FACTUAL ALLEGATIONS

19 **A. Defendants Are Charging Plaintiff Rent Exceeding the Maximum Rent Level;** 20 **Defendants Are Violating an Affordability Covenant Governing Maximum** 21 **Rents that Can be Charged.**

22 9. The Yale Terrace Apartments were built with funds provided by the City of Los
23 Angeles and others in exchange for limits on allowable rent as provided for in a recorded
24 Affordability Covenant between Yale Terrace and the City of Los Angeles, ("the City") restricting
25 both who units can be rented to, how much rent can be charged, and how much the rent can be
26 increased. The City sold the land for the construction of Yale Terrace Apartment for a price
27 \$550,000 below appraised fair market value to assist in the viability of the project.
28

1 10. On October 4, 2005, an entity named Yale Terrace Apartments, L.P., received two
2 loans from the Community Redevelopment Agency of the City of Los Angeles for \$3.05 million
3 and \$1.945 million—approximately \$5 million. Both of these loans are subject to the Amended
4 and Restated Agreement Containing Covenants Affecting Real Property (Including Rental
5 Restrictions), dated August 25, 2020 and bearing Control No. 20211081518, a true and correct
6 copy of which has been attached hereto as **Exhibit A** (the “Affordability Covenant”). The
7 Affordability Covenant between the City and Yale Terrace (the current owner of the property) was
8 recorded against the property on July 13, 2021.

9 11. The City provided these loans on favorable terms for the purpose of constructing
10 affordable housing. In exchange, Defendants agreed that rents would be subject to important
11 restrictions for the next 55 years to serve lower income residents.

12 12. The Affordability Covenant requires that all rental units in Yale Terrace be
13 reserved for low-income households. For example, it states, in Section 2(a), titled “Development
14 and Use,” that Yale Terrace “shall be developed and used for individuals and families residential
15 rental uses, consisting of fifty four (54) dwelling units for Eligible Households (the ‘Affordable
16 Units’).” Ex. A, at 8(§ 2(a)). An “Eligible Household” is defined as a household that qualifies as
17 either “Extremely Low Income, Very Low Income, or Low Income Household.” *Id.* at 5 (§ 1).

18 13. For each of these units, the Affordability Covenant limits the rent that can be
19 charged to the maximum rent levels set out in the CRA-HCD (Post-1991) Rent Schedule, which is
20 published by LAHD. A true and correct copy of the 2024 version has been attached hereto as
21 **Exhibit B** (the “CRA-HCD Schedule”).

22 14. Despite agreeing to these maximum rent levels in the Affordability Covenant,
23 Defendants are overcharging Plaintiff Castelan and other tenants and threatening eviction if the
24 unlawful higher rents are not paid.

25 15. The Affordability Covenant defines Extremely Low Income and Very Low Income
26 Households by reference to California Health and Safety Code Sections 50106 and 50105,
27 respectively. Ex. A, at 6, 8. Extremely Low Income Households are households with incomes not
28 exceeding thirty percent of Area Median Income (“AMI”), while Very Low Income Households

1 are households with incomes not exceeding fifty percent of AMI. Cal. Health and Safety Code
2 §§ 50106 and 50105.

3 16. For 2024, the AMI in Los Angeles County was \$98,200. Ex B. Thus, Extremely
4 Low Income Households have incomes not exceeding \$29,460, while Very Low Income
5 Households have incomes not exceeding \$49,100.

6 17. Plaintiff Castelan, at the beginning of 2024, was paying \$1,999 a month in rent.
7 That is the maximum rent that Yale Terrace is permitted to charge today, yet starting in July 2024
8 Yale Terrace has raised rents above that level. In July 2024, Plaintiff Castelan was notified that her
9 rent was going up 16.4% on November 1, 2024, to \$2,328. Plaintiff Castelan paid \$2,328 in
10 November and December 2024. In December 2024, Yale Terrace rescinded the increase, thereby
11 rolling back rent to October 2024 levels, and promised to refund the November and December
12 2024 overpayments within fourteen days. Plaintiff Castellán paid \$1,999 in rent in January 2025.
13 Yale Terrace then announced it would increase Plaintiff Castelan's rent by 9.9% effective
14 February 1, 2025. Since then, Plaintiff has been paying \$2,198 in monthly rent.

15 **B. Defendants Are Prohibited from Raising Rents in 2025**

16 18. The Affordability Covenant prohibits rent increases "in excess of the percentage
17 increase in the county median income for the applicable year in which the rent increase is being
18 considered." Ex. A, at 9 (§ 2(c)(2)).

19 19. For 2024, the "percentage increase" in AMI for Los Angeles County was zero.
20 Ex. B. Thus, the Affordability Covenant restricts Defendants from increasing Plaintiff's rent by
21 any amount during 2025.

22 20. Disregarding this restriction, Defendants have increased rents by almost 10% in
23 2025.

24 21. On or around July 31, 2024, tenants at Yale Terrace, including Plaintiff, received
25 90-day rent increase notices of 16.4%, effective November 1, 2024, , a true and correct copy of
26 which has been attached hereto as **Exhibit C**.

1 22. This rent increase is prohibited by the Affordability Covenant for at least two
2 reasons. First, both the pre-increase status quo rents and the post-increase rents are above the
3 maximum rent levels set out in the Affordability Covenant. Second, the Affordability Covenant
4 prohibits any rent increase for the current year.

5 23. On December 13, 2024, after months of tenant protest and Public Counsel
6 advocacy, Defendants rescinded the 16.4% rent increase and promised to refund overpayments.
7 However, Defendants then issued a new rent increase of 9.9% effective February 1, 2025.

8 24. This 9.9% increase was improper both because: 1) the rent was already above the
9 maximum rent level allowed under the Affordability Covenant, and 2) there was no increase in
10 Los Angeles County's AMI this year and the Affordability Covenant thus prohibits rent increases.

11 25. For January 2025, Plaintiff paid her status quo rent of \$1,999, which was accepted
12 by Defendants.

13 26. On or around February 5, 2025, Plaintiff paid rent of \$1,902. Management credited
14 \$296 of Plaintiff's \$658 overpayment to Plaintiff's February rent to account for the full increased
15 rent of \$2,198. Management informed Plaintiff the remaining \$362 of the overpayment credit
16 would be used to cover outstanding repair fees assessed against Plaintiff's unit. Plaintiff was never
17 provided with notice of such outstanding charges and did not know such fees were outstanding
18 until Plaintiff paid her February rent. Plaintiff also paid a \$50 late fee in February.

19 27. The Affordability Covenant includes a "use it or lose it" clause, prohibiting "an
20 accumulation of rental increases from year to year for those years in which the Owner chooses not
21 to increase rents by the percentage allowed herein." Ex. A, at 10 (§ 2(c)(2)). Thus, the restriction
22 against raising rents for the current year applies even if Yale Terrace did not raise rents over the
23 past few years.

24 **C. The Affordability Covenant Clearly Indicates that the HCD Post 1991 Rent**
25 **Schedule Applies.**

26 28. Defendants have asserted that the proper rent schedule is the Los Angeles Housing
27 Department 2024 Rent Schedule – CRA-HUD. This assertion is incorrect.

1 29. The Affordability Covenant limits the rent that can be charged to an “Affordable
2 Rent.” Ex A. at 9 (§ 2(a)). This maximum rent level is “determined by HCD [the California
3 Department of Housing and Community Development] as set forth in the Maximum Rents and
4 Occupancy Income Limits for New Projects attached to this Agreement as Attachment No. 2.”
5 *Id.* at 9 (§ 2(b)). Rather than prescribing specific maximums, Attachment No. 2. uses the meaning
6 of Affordable Rent as “set forth in California Health and Safety Code Section 50053(b).”
7 *Id.* at 40 (Attachment 2).

8 30. The statute provides formulas for calculating these maximum rent levels based on
9 the household’s income level, the number of bedrooms in each apartment, and the Area Median
10 Income (“AMI”). Cal. Health & Safety Code § 50053(b) (Deering 2024). For Extremely Low
11 Income Households, the maximum rent is “the product of 30 percent times 30 percent of the
12 [AMI] adjusted for family size appropriate for the unit.” *Id.* at § 50053(b)(1)(B). For Very Low
13 Income Households, the maximum rent is “the product of 30 percent times 50 percent of [AMI]
14 adjusted for family size appropriate for the unit.” *Id.* at § 50053(b)(1)(C).

15 31. In these formulas, AMI refers to “the median family income of a geographic area of
16 the state, as annually estimated by the United States Department of Housing and Urban
17 Development (“HUD”) pursuant to Section 8 of the United States Housing Act of 1937.”
18 *Id.* at § 50093. HUD’s calculation of AMI assumes a four-person household and adjusts that AMI
19 for larger households. U.S. Dep’t of Hous. & Urban Dev., *Methodology for Determining Section 8*
20 *Income Limits*, Huduser.gov (2024)
21 <https://www.huduser.gov/portal/datasets/il/il24/IncomeLimitsMethodology-FY24.pdf>. Rather than
22 focusing on the actual household size, the statutory formulas adjust AMI based on the number of
23 bedrooms in the unit. Cal. Health & Safety Code § 50053(b). For a three-bedroom unit, the base
24 AMI should be used; for a four-bedroom unit, the adjusted AMI for a five person household
25 should be used. *Id.*

26 32. For 2024, the AMI in Los Angeles County was \$98,200. Ex. B. Because
27 four-bedroom units are considered five-person households, the adjusted AMI for those units is 8%
28 higher at \$106,050. U.S. Dep’t of Hous. & Urban Dev., *Supra*.

1 33. By applying the statutory formulas, the maximum rent for Extremely Low Income
2 Households is \$737 for 3-bedroom apartments and \$795 for 4-bedroom apartments. For Very Low
3 Income Households, the maximum rent is \$1,228 for 3-bedroom apartments and \$1,326 for
4 4-bedroom apartments.

5 34. These rent limits are identical to the rent limits found in the proper rent schedule,
6 the CRA-HCD Schedule. Ex. B.

7 35. Based on annual submission to Yale Terrace, Plaintiff's household is likely
8 qualified as a Very Low Income household at 50% AMI. Therefore, the applicable rent limit for
9 Plaintiff's 4-bedroom unit should be \$1,326 under the CRA-HCD Post-1991 rent schedule.
10 Defendants' rental charges of, variously, \$1,999 (status quo), \$2,328 (16.4% increase assessed
11 from November to December 2024), and \$2,198 (9.9% increase assessed from February 2025
12 onwards) all plainly violate this limit.

13 36. The Affordability Covenant provides tenants of Yale Terrace with a private right of
14 action to enforce the covenant's provisions against violations by Yale Terrace. Ex. A., at 23–24
15 (§§ 9–11).

16 **C. Defendants Are in Violation of California Regulations of Affordable Housing**
17 **Rent Increase Limits.**

18 37. In addition to the CRA/LA loan, the Yale Terrace Apartments were built with
19 subsidy from federal tax credits issued by the California Tax Credit Allocation Committee
20 ("CTCAC"), which administers the federal Low Income Housing Tax Credit ("LIHTC") program
21 for the State of California. CTCAC identifies Yale Terrace Apartments as TCAC #CA-2005-050
22 and IRS Building Identification Number CA-2005-05001. On February 14, 2008, CTCAC and
23 Yale Terrace Apartments, L.P., entered into a regulatory agreement constituting the extended low
24 income housing commitment required by I.R.C. §42(h)(6), bearing Control No. 20090212012, a
25 true and correct copy of which has been attached hereto as **Exhibit D** (the "Regulatory
26 Agreement"). The Regulatory Agreement between CTCAC and Yale Terrace was recorded against
27 the property on February 17, 2009.
28

1 38. As the owner of property subject to a recorded Regulatory Agreement with
2 CTCAC, Yale Terrace is subject to Cal. Code. Regs. §§10300 *et seq*, which governs properties
3 subject to recorded regulatory covenants like Yale Terrace.

4 39. On December 11, 2024, CTCAC promulgated new regulations limiting annual rent
5 increases for all LIHTC properties in the State of California, effective January 1, 2025. These
6 regulations included Cal. Code. Regs. §10336(a), which established an annual rent increase limit
7 of “the lesser of five percent plus the percentage increase in the cost of living as defined in
8 paragraph (3) of subdivision (g) of Section 1947.12 of the Civil Code or ten percent of the lowest
9 rental rate charged for that household at any time during the 12 months prior to the effective date
10 of the increase.” This limit is subject to three exceptions that, upon information and belief, do not
11 apply to Plaintiff. A true and correct copy of the regulations are attached as **Exhibit E** (“CTCAC
12 Regulations”).

13 40. CTCAC guidance indicates that the current applicable CTCAC rent increase limit
14 for Los Angeles County is 8.9%. A true and correct copy of this guidance is attached as **Exhibit F**
15 (“CTCAC Rent Increase Limit.”)

16 41. When there are multiple rent increase limits applicable to the Property due to
17 “multiple funding sources and/or concessions, the most restrictive rent shall apply.” Ex. A, at 40
18 (Attachment 2). Even though the more restrictive 0.0% rent limit from the Affordability Covenant
19 applies to the Property, Defendants’ 9.9% rent increase, effective February 1, 2025, also plainly
20 violates CTCAC’s 8.9% rent increase limit under Cal. Code. Regs. §10336(a).

21 42. The operative date for rent increases is the date the increase is effective, not the
22 date the notice was served. In the unlawful detainer context, “the tenancy is not terminated upon
23 the giving of the notice but upon the expiration of the period therein specified.” *Nicolaysen v. Pac.*
24 *Home*, 65 Cal.App.2d 769, 773, 151 P.2d 567, 569 (1944). The same principle applies for rent
25 increases. The rent increase is not effective when the notice is served, but upon notice expiration
26 and the actual effective date of the increase. The language of Regulation 10336 backs this up.
27 CTCAC could have said “gross rents for a low-income household shall not be noticed to increase
28 in any 12-month period more than” Instead, the regulation states “gross rents for a low-

1 income household shall not increase in any 12-month period more than . . .” Cal. Code. Regs.
2 §10336(a)(1). This choice of language means the date the rent increase is effective is the date that
3 matters for the purposes of the regulation.

4 43. Similarly, Cal. Civ. Code §827 states that the rent increase notice’s changes to the
5 “lease, the terms, rents, and conditions specified in the notice” is “effectual” only “if the tenant
6 shall continue to hold the premises after the notice takes effect.” Cal. Civ. Code §827(a)(2). It is
7 clear that the landlord can only increase the rent after proper notice, implying that the operative
8 date is the date the notice expires, not the date the notice is served.

9 44. Regulation 10336 was adopted on December 11, 2024, but was structured so that
10 certain protections were effective on January 1, 2025. Cal. Code. Regs. §10336(a)(5). This is an
11 important distinction. Any landlord who served a rent increase notice after December 11, 2024 did
12 so while Regulation 10336 was in effect, whether the January 1, 2025 protections were triggered
13 or not. Once the January 1, 2025 protections are triggered, the landlord cannot increase the rent
14 without complying with the law. Even if Regulation 10336 went into effect on January 1, 2025, it
15 would still be a forward-looking restriction on actual rent increases. This type of application
16 would not be considered “retroactive” simply by the protections applying to landlords who served
17 notices of their intent to increase the rent before the protections were effective. This is something
18 Defendants are on notice of. They should have limited their rent increases accordingly.

19 **D. Defendants Have Been Told that Rents Charged are Too High by Public**
20 **Counsel, the City of Los Angeles, and the State of California.**

21 45. Defendants know that the rent amounts they are charging tenants and the rent
22 increases violate Cal. Code. Regs. §10336(a) and the Affordability Covenant.

23 46. On September 30, 2024, Raymond Fang of Public Counsel emailed Maria Salazar,
24 at Triumph notifying her that the 16.4% rent increase effective November 1, 2024, violated
25 California law. As Fang informed Salazar, the City of Los Angeles was under multiple states of
26 emergency, and California Penal Code Section 396(e) makes unlawful residential rent increases of
27 over 10% during a federal, state, or local state of emergency.
28

1 47. On October 25, 2024, Fang emailed S. Young Lim, counsel for Yale Terrace,
2 notifying him that Defendants' overcharging of rents and the 16.4% rent increase effective
3 November 1, 2024, breached the Affordability Covenant and that the percentage increase in AMI
4 for Los Angeles County was zero, per the CRA-HCD Rent Schedule, rendering any increase in
5 rent a breach of the covenant.

6 48. On October 31, 2024, Lim emailed Fang and disputed the applicable rent schedule.
7 Opposing Counsel argued that the correct rent schedule was the 2024 CRA-HUD Rent Schedule,
8 not the CRA-HCD schedule, and claimed that the rent amounts and rent increases were therefore
9 correct. Opposing Counsel enclosed a copy of the CRA-HUD rent schedule in their letter. A true
10 and correct copy of this correspondence is attached as **Exhibit G**.

11 49. However, the 2024 CRA-HUD Rent Schedule also indicates that the percentage
12 increase in AMI for Los Angeles County was zero percent. Ex. G, at 3. In addition, every rent
13 schedule published by LAHD for 2024 indicates a percentage increase in AMI of zero percent.

14 50. Therefore, regardless of which rent schedule applies, any increase in rent violates
15 the Affordability Covenant.

16 51. On January 24, 2025, Fang received an email from the City of Los Angeles
17 Housing Development Bureau Occupancy Monitoring Department, with the Los Angeles City
18 Attorney's Office on carbon copy, stating that the City had notified the property manager for Yale
19 Terrace that the rent increase scheduled for February 1, 2025 was improper. Yale Terrace was told
20 by the City to rescind the increases. A true and correct copy of this correspondence is attached as
21 **Exhibit H**.

22 52. On January 30, 2025, CTCAC emailed Defendants and copied Fang to inform
23 Defendants that the rent increase scheduled for February 1, 2025 was improper under Cal. Code.
24 Regs. §10336(a) and should be rescinded. Defendants acknowledged receipt of CTCAC's email
25 on the same day. A true and correct copy of this correspondence is attached as **Exhibit I**.

26 **FIRST CAUSE OF ACTION**

27 **Breach of Contract and Recorded Covenant – Against All Defendants**

1 53. Plaintiff incorporates by reference the allegations set forth above in this Complaint
2 as if fully set forth herein.

3 54. The City of Los Angeles and 716 Yale Terrace, L.P. executed the Affordability
4 Covenant. As detailed above, the Affordability Covenant sets forth maximum rent levels, which is
5 calculated using the formulas in California Health and Safety Code Section 50053(b).

6 55. The Affordability Covenant also restricts rent increases in excess of the percentage
7 increase in the AMI for the year in which the rent increase is being considered.

8 56. The AMI increase for 2024 was zero percent. Therefore, any increase in rent during
9 the period subject to the 2024 CRA-HCD Rent Schedule is prohibited by the Affordability
10 Covenant.

11 57. Defendants breached the Affordability Covenant. Among other improper activities
12 described herein, Defendants have been charging Plaintiff rent that exceeds the maximum rent
13 levels in violation of Sections 2(a) and 2(b) of the Affordability Covenant. Defendants have also
14 twice increased rents in violation of Section 2(c)(2) of the Affordability Covenant.

15 58. Plaintiff has been unjustly damaged by Defendants' breaches of the Affordability
16 Covenant.

17 59. Plaintiff has been further damaged by the improper rent increases. In November
18 2024, Plaintiff was forced to pay a rent increase of 16.4%, on top of the already inflated rent.
19 Despite promises to refund the difference for the 16.4% increase, Defendants have not provided
20 Plaintiff with the full refund to which she is are entitled. Instead, Defendants have credited the
21 difference to routine repair and maintenance charges that Defendants have been illegally charging
22 to Plaintiff. In February 2025, Plaintiff was forced to pay a rent increase of 9.9%.

23 60. Defendants continue to subject Plaintiff to the improper 9.9% rent increase.

24 61. As a direct and proximate result of Defendants' breaches of the Affordability
25 Covenant, Plaintiff has been substantially and irreparably harmed and, unless permanently
26 enjoined from further breaches of the Affordability Covenant, Defendants will cause additional
27 irreparable harm for which there is no adequate remedy at law. Plaintiff is therefore entitled to
28 injunctive relief requiring Defendants to reduce the rent to be within the maximum rent levels,

1 rescind the improper increases in Plaintiff's rent, and abstain from further breaches of the
2 Affordability Covenant. Among other bases, the Affordability Covenant recognizes that violations
3 of its provisions justify the imposition of an injunction. *See* Ex. A, at 26–27, 30–31.

4 62. Therefore, Plaintiff is entitled to damages, injunctive relief, restitution, attorneys'
5 fees, costs, expenses, and other relief for Defendants' breaches of the Affordability Covenant.

6 **SECOND CAUSE OF ACTION**

7 **Violation of Cal. Bus. & Prof. Code Sections 17200 *et seq.* – Against All Defendants**

8 63. Plaintiff re-alleges and incorporates by reference each of the allegations of the
9 Complaint.

10 64. The illegal rent increases at the Property arise from Defendants' failure to comply
11 with Cal. Code. Regs. §10336(a) and the Affordability Covenant.

12 65. By committing the acts alleged herein, Defendants have engaged in unfair and
13 unlawful conduct prohibited under Business and Professions Code section 17200 *et seq.*

14 66. The Plaintiff has suffered and continues to suffer irreparable harm due to
15 Defendants' continuing violations of the aforementioned regulations and Covenant. The Plaintiff
16 has been injured in fact and has suffered a loss of money and/or property as a result of
17 Defendants' conduct, including, but not limited to: overpayment of rent; and other damages in an
18 amount to be determined at trial, but which amount is within the jurisdictional requirements of
19 this Court.

20 67. As a direct and proximate result of the above-mentioned acts and omissions,
21 Defendants have been unjustly enriched at the expense of Plaintiff, and Plaintiff is entitled to
22 restitution and the disgorgement of all earnings, profits, compensations, benefits, and other ill-
23 gotten gains obtained by Defendants as a result of their conduct in violation of Business and
24 Professions Code section 17200 *et seq.*, in an amount to be proven at trial

25 68. Unless Defendants are restrained from doing so, Defendants will continue to
26 engage in said unlawful and unfair business practices.

27 69. Continuing commissions and omissions by Defendants of the acts and omissions
28

1 alleged will irreparably harm Plaintiff, for which harm she have no plain, speedy, or adequate
2 remedy at law.

3 70. An action for injunctive relief and restitution against all Defendants is specifically
4 authorized by Business and Professions Code section 17203.

5 **THIRD CAUSE OF ACTION**

6 **Collection of Excess Rent – Civil Code § 1947.11 – Against All Defendants**

7 71. Plaintiff re-alleges and incorporate by reference each of the allegations set forth in
8 the preceding paragraphs as if fully set forth herein.

9 72. Since 2012, Plaintiff has been in a landlord-tenant relationship with Defendants,
10 paying rent and occupying the property pursuant to a rental agreement.

11 73. Plaintiff's rental unit is regulated by an Affordability Covenant with the City,
12 constituting part of the City's "system of controls on the price at which residential rental units
13 may be offered for rent or lease and which requires the registration of rents, upon the
14 establishment of a certified rent level" under Civil Code § 1947.11.

15 74. Throughout Plaintiff's tenancy, Defendants willfully and/or intentionally
16 demanded, accepted, and retained payments of rent in excess of the maximum lawful rent under
17 the Affordability Covenant.

18 75. As a result of Defendants' illegal demand, acceptance, or collection of rent in
19 excess of legal limits, Plaintiff has been damaged in an amount to be proven at trial. Because
20 Defendants were at all times prohibited by law from charging the inflated rent for the rental unit,
21 Plaintiff seeks disgorgement of all excess rent they paid to Defendants during the course of their
22 tenancy.

23 76. Additionally, because Defendants "refuse[d] to refund the excess rent" and
24 "willfully or intentionally charged the tenant rent in excess of the certified lawful rent ceiling,"
25 Plaintiff seeks treble damages, attorney's fees and court costs, as provided for by Civil Code
26 section 1947.11, in an amount to be proven at trial.

27 **PRAYER FOR RELIEF**

28 WHEREFORE, Plaintiff prays for relief as follows:

1 1. A temporary restraining order restraining and enjoining Defendants and
2 their agents, employees, assigns, and all persons acting in concert with them from charging more
3 than the monthly rent charged for October 2024, and from serving and enforcing any rent
4 increases in violation of Cal. Code. Regs. §10336(a)(1) and the Covenant, including the 9.9% rent
5 increase that was effective February 1, 2025, during the pendency of this action;

6 2. A preliminary injunction restraining and enjoining Defendants and their
7 agents, employees, assigns, and all persons acting in concert with them from charging more than
8 the monthly rent charged for October 2024, and from serving and enforcing any rent increases in
9 violation of Cal. Code. Regs. §10336(a)(1) and the Covenant, including the 9.9% rent increase that
10 was effective February 1, 2025, during the pendency of this action;

11 3. A permanent injunction against future violations of the Covenant and Cal.
12 Code. Regs. §10336(a);

13 4. A judgment that the CRA-HCD Rent Schedule (Post-1991) is the applicable
14 rent schedule for the Property;

15 5. Treble damages, attorney's fees, and court costs, as provided for by Civil
16 Code section 1947.11, in an amount to be proven at trial, according to proof;

17 6. General and special damages in an amount equal to the amount of rent
18 overpayment, or in an amount to be determined at trial, according to proof;

19 7. In accordance with Business and Professions Code section 17203, for
20 restitution and the disgorgement of all earnings, profits, compensation, benefits, and other ill-
21 gotten gains obtained by Defendants in an amount to be determined at trial, according to proof;

22 8. For pre-judgment and post-judgment interest, pursuant to Civil Code
23 Sections 3288, 3289, and 3291;

24 9. Costs of suit incurred;

25 10. Reasonable attorneys' fees, where allowed by law; and

26 11. Such other relief as the Court may deem just and proper.
27

28 **DEMAND FOR JURY TRIAL**

1 Plaintiff demands a jury trial on all causes of action triable by a jury.

2
3 Dated: February 26, 2025

Irell & Manella LLP

4 By: /s/ Bruce Wessel
5 Bruce Wessel

6 Public Counsel

7 By: Raymond Fang
8 Raymond Fang

9 **IRELL & MANELLA LLP**

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Attorneys for Plaintiff

EXHIBIT A

NO FEE DOCUMENT
Recording requested by and
when recorded, mail to:

City of Los Angeles
City of Los Angeles
Housing and Community Investment Department
P.O. Box 532729
Los Angeles, CA 90053-2729
Attn: Asset Management

APN Nos : 5408-018-028

**AMENDED AND RESTATED
AGREEMENT CONTAINING COVENANTS AFFECTING REAL PROPERTY
(INCLUDING RENTAL RESTRICTIONS)**

By and between

THE CITY OF LOS ANGELES, a municipal corporation

and

716 YALE TERRACE, LP, a California limited partnership

**AMENDED AND RESTATED
AGREEMENT CONTAINING COVENANTS AFFECTING REAL PROPERTY
(INCLUDING RENTAL RESTRICTIONS)**

This Amended and Restated Agreement Containing Covenants ("Agreement") is made this 25 day of August, 2020 by and between the City of Los Angeles, a municipal corporation, acting on its own behalf, and by and through the Housing and Community Investment Department as successor to the housing assets and housing functions of the Community Redevelopment Agency of the City of Los Angeles ("CRA/LA") under Section 34176(a) of the California Health and Safety Code pursuant to the Agreement regarding CRA/LA Affordable Housing Assets and Functions with the effective date of April 5, 2013, and 716 Yale Terrace, LP, a California limited partnership ("Owner").

RECITALS

- A. Owner is the owner and holder of fee title to that certain real property (the "Site") located at 716-734 Yale Street, Los Angeles, CA 90012, legally described in the "Legal Description" attached hereto and incorporated herein as Attachment No. 1.
- B. CRA/LA (the "Agency") made a loan to Yale Terrace Apartments, L.P., a California limited partnership ("Original Owner") principal amount of Three Million Fifty Thousand Dollars (\$3,050,000) as the CRA/LA Loan No. CRA872525-002 pursuant to a Disposition and Development Loan Agreement dated October 4, 2005 (with all amendments and modifications thereto, the "Agency Loan 1"), and evidenced by a Promissory Note Secured by a Deed of Trust to the Community Redevelopment Agency of the City of Los Angeles, California, in the principal amount of \$3,050,000 dated October 4, 2005 (with all amendments and modifications thereto, "Agency Note 1"). The Agency Note 1 is secured by a certain Deed of Trust With Assignment of Rents Acquisition Component (\$3,050,000), recorded in Official Records of Los Angeles County Recorder's Office on October 31, 2005, as Instrument Number 05-2619771, encumbering the title to the Property (with all amendments and modifications thereto, the "Agency Deed of Trust 1").
- C. The Agency made a second loan to the Original Owner pursuant to the Agency Loans in a principal amount of One Million Nine Hundred Forty Five Thousand Dollars (\$1,945,000) as the CRA/LA Loan No. CRA872525-001 pursuant to a Disposition and Development Loan Agreement dated October 4, 2005 (with all amendments and modifications thereto, the "Agency Loan 2"), and evidenced by a Promissory Note Secured by a Deed of Trust to the Community Redevelopment Agency of the City of Los Angeles, California, in the principal amount of \$1,945,000 dated October 4, 2005 (with all amendments and modifications thereto, "Agency Note 2"). The Agency Note 2 is secured by a certain Deed of Trust With Assignment of Rents Construction Component (\$1,945,000.00), recorded in

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Official Records of Los Angeles County Recorder's Office on October 31, 2005, as Instrument Number 05-2619772, encumbering the title to the Property (with all amendments and modifications thereto, the "Agency Deed of Trust 2"). Agency Note 1 and Agency Note 2 are collectively referred to herein as "Agency Notes". Agency Deed of Trust 1 and Agency Deed of Trust 2 are collectively referred to herein as "Agency Deeds of Trust". Agency Loan 1 and Agency Loan 2 are collectively referred to herein as "Agency Loans".

- D. The Agency and the Original Owner have further entered into that certain Agreement Containing Covenants Affecting Real Property recorded in Official Records of Los Angeles County Recorder's Office on October 31, 2005 as Instrument Number 05-2619770, encumbering the title to the Property (with all amendments and modifications thereto, the "Agency Covenants").
- E. The City is a successor to the housing assets and housing functions of the Agency pursuant to the Agreement regarding CRA/LA Affordable Housing Assets and Functions with the effective date of April 5, 2013.
- F. On Sept. 18, 2019, the City, Original Owner, and 716 Yale Terrace LLC, a California limited liability company ("Assignor 1") entered into an Assignment, Assumption, and Consent Agreement, wherein the Original Owner assigned all of its rights, obligations, duties, and interests in, to and under the Agency Loans, Agency Deed of Trusts, Agency Note, Agency Covenants, and all related documents (with all amendments and modifications thereto, the "Assignor Documents") to the Assignor 1 ("First Assignment, Assumption and Consent Agreement").
- G. Pursuant to the First Assignment, Assumption and Consent Agreement, the Assignor also agreed to amend and execute the Assignor Documents as requested by the City (collectively, the "Amendments" and together with the Assignor Documents, the "Amended Assignor Documents"), and all other documents City requires the Assignor to execute and enter into in connection with Assignor's assumption of obligations under the Assignor Documents and the Amendments; and
- H. On Dec. 4, 2019, the City, Assignor 1, and the Owner entered into an Assignment, Assumption, and Consent Agreement, wherein the Assignor 1 assigned all of its rights, obligations, duties, and interests in, to and under the Agency Loans, Agency Deed of Trust, Agency Note, Agency Covenants, and all related documents (with all amendments and modifications thereto, the "Owner Documents") to the Owner ("Second Assignment, Assumption and Consent Agreement").

- I. The Agency Deed of Trusts and Agency Covenants continue to encumber title to the Property.
- J. The Agency Covenants provide, in pertinent part, for the use of the Site and Improvements exclusively for occupancy by very low and low income persons as specified in the DDLA.
- K. This Agreement ("Agreement") is entered into and recorded in accordance with the DDLA, and all amendments and modifications thereto. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the DDLA, as amended and modified.

NOW THEREFORE, City and Owner agree as follows:

1. DEFINITIONS

The following terms have the meanings and content set forth in this section wherever used in this Agreement or attached exhibits.

"Accessibility Covenants" shall mean the Accessibility Covenants attached to the Agreement as Attachment 3, Accessibility Covenants, which is hereby incorporated into this Agreement by this reference, describing the obligations of Owner regarding the accessibility of the Project.

"Affordable Rent" shall have the appropriate meaning set forth in California Health and Safety Code Section 50053(b) as it may be amended from time to time, which, as of the date hereof, means monthly rent, including a reasonable utility allowance, that does not exceed the following respective amounts (which are more particularly set forth in the City Maximum Rents and Occupancy Income Limits for New Projects attached to this Agreement as Attachment No. 2, with all amendments thereto), which sets forth the applicable maximum incomes and rents as of the date of this Agreement, which shall be adjusted annually:

- (a) for an Extremely Low Income Household, one-twelfth of the product of thirty percent (30%) times thirty percent (30%) of the Area Median Income adjusted for family size appropriate for the unit, as determined by the California Department of Housing and Community Development ("HCD");
- (b) for a Very Low Income Household, one-twelfth of the product of thirty percent (30%) times fifty percent (50%) of the Area Median Income adjusted for family size appropriate for the unit, as determined by HCD;
- (c) for a Low Income Household, one-twelfth of the product of thirty percent (30%) times eighty percent (80%) of Area Median Income adjusted for family size appropriate for the unit, as determined by the California

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Department of Housing and Community Development ("HCD"), to an amount that does not exceed thirty percent (30%) of the actual income of the household; and

(d) for a Moderate Income Household, one-twelfth of the product of thirty percent (30%) times one hundred ten percent (110%) of the Area Median Income adjusted for family size appropriate for the unit as determined by HCD, which Owner may adjust upon each annual income verification and recertification for any Moderate Income Household with an annual income that exceeds one hundred ten percent (110%) but does not exceed one hundred twenty percent (120%) of Area Median Income, to an amount that does not exceed thirty percent (30%) of the actual income of the household.

"Affordable Unit" shall mean any of the dwelling units in the Improvements on the Site required by this Agreement to be rented exclusively to and occupied by Eligible Households.

"Area Median Income" shall have the meaning set forth in California Health and Safety Code Section 50093, as amended from time-to-time.

"Chronically Homeless" shall mean (a) experiencing chronic homelessness as defined in 24 C.F.R. Part 578.3; (b) residing in a transitional housing project that will be eliminated and meets the definition of chronically homeless in effect at the time in which the individual or family entered the transitional housing project; (c) residing in a place not meant for human habitation, an emergency shelter, or a safe haven, but where the individuals or families experiencing chronic homelessness as defined in 24 C.F.R. Part 578.3 had been admitted and enrolled in a permanent housing project within the last year and were unable to maintain a housing placement; (d) residing in transitional housing funded by a Joint Transitional Housing and Permanent Housing Rapid Re-Housing component project and who were experiencing chronic homelessness as defined in 24 C.F.R. Part 578.3 prior to entering the project; (e) residing and having resided in a place not meant for human habitation, a safe haven, or an emergency shelter for at least 12 months in the last three years, but has not done so on four separate occasions; or (f) receiving assistance through the Department of Veterans Affairs (VA) funded homeless assistance programs and met one of the above criteria at intake to the VA's homeless assistance system.

"City" shall mean the City of Los Angeles, California, a municipal corporation, operating through its governing body, the City Council, and its various departments.

"Eligible Household" shall mean, as applicable to this Agreement, a household that qualifies as an Extremely Low Income, Very Low Income, or Low Income Household, as described in Section 2(b), below.

"Extremely Low Income" shall have the meaning set forth therefor in California Health and Safety Code Section 50106, as it may be amended from time-to-time.

"General Partner of Owner" shall mean Korean Health, Education, Information Research Center, a California non-profit corporation.

"HCD" shall mean the California Department of Housing and Community Development.

"Homeless" shall mean (a) an individual who lacks a fixed, regular and adequate nighttime residence; or (b) an individual who has a primary nighttime residence that is: (i) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and Transitional Housing for the mentally ill); or (ii) an institution that provides a temporary residence for individuals intended to be institutionalized; or (iii) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

"Housing Development" means the whole of one or more residential structures and appurtenant structures in the Project, including common walkways and parking lots that were or are designed, constructed, altered, operated, administered or financed in whole or in part in connection with the Project.

"Housing Unit" means a single unit of residence in the Housing Development that provides spaces for living, bathing and sleeping.

"Improvements" shall mean and include all buildings, structures, fixtures, excavation, parking, landscaping, and other improvements of whatsoever character, located on, around, under or over the Site.

"Low or Moderate Income Households" shall have the same meaning as the term "persons and families of low or moderate income" set forth in California Health and Safety Code Section 50093, as it may be amended from time-to-time.

"Low Income Households" shall have the same meaning as the term "Lower Income households" set forth in California Health and Safety Code Section 50079.5, as it may be amended from time-to-time.

"Low Income Housing Tax Credit" shall mean the tax credit authorized by the Tax Reform Act of 1986 and governed by Section 42 of the Internal Revenue Code.

"Moderate Income Households" shall have the same meaning as the term "persons and families of low or moderate income" set forth in California Health and Safety Code Section 50093, as it may be amended from time-to-time.

"Ownership or Control" shall mean, without limitation, any voting rights and any beneficial Ownership with respect to all classes of stock, interests in partnerships and/or

limited liability companies, and/or beneficial interests under a trust, as may be applicable to the type of entity in question. In the case of a trust, such term shall also include the rights of the trustee as well as the beneficiary.

"Parties" shall mean the City and the Owner, collectively, and "Party" shall mean either the City or the Owner.

"Permitted Transfer" means any of the following, provided Owner or a general partner or managing member, as the case may be, of Owner retains day-to-day control over management and operations of the Site and the Improvements:

- a. A conveyance of a security interest in the Site in connection with any permitted transfer of the Site (as described in the DDLA, and all amendments and revisions thereto) and any subsequent transfer of title by foreclosure, deed or other conveyance in lieu of foreclosure in connection therewith;
- b. A conveyance of the Site or other Transfer by Owner to a limited partnership or limited liability company in which Owner is the managing partner or managing member, as the case may be, and the Tax Credit Equity Investor is a limited partner or member, as the case may be, or to any other affiliate, or a sale back from such affiliate to Owner;
- c. The inclusion of equity participation by Owner by addition of members to Owner's limited liability company, limited partners to Owner's limited partnership, or similar mechanisms;
- d. The sale of non-managing membership or limited partnership interests to any affiliate of the Tax Credit Investor;
- e. The lease for occupancy of all or any part of the Improvements on the Site;
- f. The granting of easements or permits to facilitate the development of the Site in accordance with this Agreement;
- g. In addition, the withdrawal, removal and/or replacement of any managing member of Owner's limited liability company or general partner of Owner's partnership, as the case may be, pursuant to the terms of the Owner's limited liability company agreement or partnership agreement, as the case may be, shall not constitute a default under this Agreement, provided that any required substitute member or general partner, as the case may be, is reasonably acceptable to the City and is selected with reasonable promptness; and
- h. Any other transfer approved in writing by the City, at its sole discretion.

"Tax Credit Equity Investor" shall mean any Person who will be an investor member in Owner's limited liability company or partnership, as the case may be, and who will purchase the Low Income Housing Tax Credit and own at least a 99% interest in Owner, and its successors and assigns.

"Tenant" shall mean, at any time of determination thereof, all persons who together occupy a single residential unit in the Project, and upon the occupancy of a unit by any individual in addition to the previous Tenant of such unit, such unit shall be deemed to be occupied by a new Tenant.

"Term of this Agreement" shall mean the affordability restriction expire not earlier than Fifty Five (55) years from the date of issuance of a Certificate of Occupancy or the filing of a Notice and/or Certificate of Completion for the Project, whichever comes first.

"Transfer" shall mean and include any voluntary or involuntary transfer, sale, assignment, lease, sublease, license, franchise, concession, operating agreement, gift, hypothecation, mortgage, pledge or encumbrance, or the like, or all or any portion of the Site or any rights of the Owner to any person or entity ("Transferee").

"Verification of Income" shall mean a Verification of Income in the Tenant Certification Form, or in such other comparable form which the Owner or its agent may find more convenient and consistent with its administrative procedures as may be approved from time to time by the City.

"Very Low Income Households" shall have the meaning set forth therefor in California Health and Safety Code Section 50105, as it may be amended from time-to-time.

2. Agreement Regarding Use of Site.

Owner, on behalf of itself and its successors, assigns, and each successor in interest to Owner's interest in the Site or any part thereof, hereby covenants and agrees to use the Site during the Term of this Agreement only for the uses permitted in the DDLA, Implementation Agreements, and this Agreement, specifically including the following:

(a) Development and Use. The Site shall be developed and used for individuals and families residential rental uses, consisting of fifty four (54) dwelling units for Eligible Households (the "Affordable Units") and one (1) three-bedroom unit for the resident manager. The Units for Extremely Low Income Households shall consist of fourteen (14) 3-bedroom units and three (3) 4-bedroom units. The Units for Very Low Income Households shall consist of three (3) 3-bedroom units and twenty-four (24) 4-bedroom units. The Units for Low Income Households shall consist of ten (10) 4-bedroom units. The use of the Site shall include related amenities and services, all as described in the Scope of Development attached to the DDLA, with all amendments and revisions

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thereto. The target population of the Development is persons and families of extremely low, very low and low income levels, defined as an Eligible Household. All of the Affordable Units shall be rented at an Affordable Rent to Eligible Households (as set forth in paragraph (b) of this Section, below), in accordance with this Agreement. All Affordable Units shall be leased, occupied and not withdrawn from the market. Owner shall not convert the Affordable Units to condominium or cooperative ownership or sell condominium or cooperative conversion rights to the Affordable Units during the Term of this Agreement.

(b) Income Restrictions. All of the Affordable Units shall be rented to and occupied exclusively by Eligible Households. For purposes of this Agreement, the income of a household shall be determined at initial occupancy of a Unit by that household. Owner shall determine the income eligibility of each tenant household pursuant to the City's approved tenant certification procedures within ninety (90) calendar days of the household's expected occupancy of one of the Affordable Units. Owner shall certify each tenant household's income on an annual basis. The Affordable Units shall be allocated among income groups as follows:

Fifty Four (54) units will be designated for the Extremely Low, Very Low and Low Income Households with qualifying incomes based on the Area Median Income for the Los Angeles Metropolitan Area as determined by HCD ("AMI"), as described in Attachment No. 2. Income determinations shall be made at the time of initial occupancy of a unit by a tenant.

The Affordable Rent applicable to the Affordable Units by Unit-types shall be as determined by HCD as set forth in the Maximum Rents and Occupancy Income Limits for New Projects attached to this Agreement as Attachment No. 2. The maximum incomes of residential tenants eligible to rent the Affordable Units shall be determined on the basis of the area median income for Los Angeles, determined annually by the U.S. Department of Housing and Urban Development and published by the California Department of Housing and Community Development ("HCD"). Owner shall verify that occupants are within these established income limits. Upon initial lease-up and from time-to-time thereafter, at the request of Owner, the City shall provide Owner with an updated Attachment No. 2 (Schedule of Maximum Rents and Occupancy Income Limits).

(c) Rent Restrictions. Rents for Affordable Units shall be limited to Affordable Rents as set forth in Attachment No. 2 of the Agreement Containing Covenants. Eligible Households shall be given at least thirty (30) days written notice prior to any rent increase.

The maximum allowable rent that may be charged for an Affordable Unit may change from time to time when there are changes, by a percentage equal to any percentage change in the Area Median Income for Los Angeles County as determined by the California Department of Housing and Community Development (HCD), or when there

are changes made to the allowances deducted for tenant paid utilities as calculated by the Housing Authority of the City of Los Angeles for the Section 8 Rental Assistance Program, subject to HUD rules and regulations.

Upon revisions of new rental limit schedules as determined by the HCD and/or HUD, the Owner may increase, and shall, if necessary, decrease the rental charges. Any increase in rental charges must comply with the terms of the lease as to the time and manner of such changes, provided that:

1. No qualified tenant in the Eligible Household shall have a rent increase sooner than one (1) year after initial occupancy;
2. No qualified tenant in the Eligible Household shall have an annual rent increase in excess of the percentage increase in the county median income for the applicable year in which the rent increase is being considered, nor shall there be an accumulation of rental increases from year to year for those years in which the Owner chooses not to increase rents by the percentage allowed herein;
3. For projects subject to the City's Rent Stabilization Ordinance, the maximum rent increase allowed by that ordinance may be less or more than that allowed by changes in the Area Median Income. In such instances, the rents on restricted units may only be raised to the lesser of the two (2) allowed increases.

(d) Priorities. Owner agrees that among Eligible Households who are otherwise eligible to rent the Affordable Units to be developed pursuant to the Agreement, those persons who have been displaced by any redevelopment project within the City of Los Angeles shall be given first priority over other eligible persons. After displaces, the households in any one or more of the following categories shall be given priority in the selection for occupancy of the Affordable Units: (i) those paying more than 50% of their income for housing; (ii) those living in overcrowded or seriously substandard conditions, especially housing which has been cited by the City for health and safety code violations; (iii) those in danger of imminent displacement as a result of the City action in cases where the property Owners agree not to re-rent the unit; and (iv) homeless households. Thereafter, occupancy shall be provided as set forth in an affirmative marketing plan ("Affirmative Marketing Plan") required for the Affordable Units. Owner agrees that prior to the initial lease-up of the Affordable Units, Owner shall consult with and obtain the approval of the City in developing an Affirmative Marketing Plan for renting the Affordable Units, in accordance with the Affirmative Marketing Requirements. Owner and the City shall cooperate to effectuate this subsection 2(d) prior to the initial renting, and upon occurrence of any vacancy and the re-renting of any Affordable Units. Owner shall hold Affordable Units vacant for the relocation of otherwise eligible persons entitled to preference pursuant to this subsection 2(d), upon City's request, as long as the City pays Owner an amount equal to the lost rent less any savings realized by Owner during such holding period. Owner shall accept any City's displacee of other persons entitled to preference pursuant to this subsection who meets Owner's then current tenant selection criteria. If a person referred to Owner by the City is rejected for tenancy, Owner shall specify in writing to the City which of the selection

criteria the tenant failed to meet. During the initial lease-up and from time to time thereafter, the City shall provide to Owner a list of such persons entitled to priority.

(e) Monitoring, Reporting and Enforcement. The City and its successors and assigns shall have the right to monitor and enforce the covenants contained in this Agreement. Owner hereby represents, warrants and covenants that it shall comply with any monitoring program set up by the City to enforce said covenants. In complying with such monitoring program, Owner or its agent shall prepare and submit to the City for each Affordable Unit, annually, not later than fifteen (15) calendar days after the anniversary date of the initial lease-up completion, until the end of the Term of this Agreement, an occupancy summary report in such form as may be required by the City, showing the present occupants; rent; unit type; household size; income at the time of initial occupancy; income certification information; move-in date; and, if applicable, move-out date. To the extent not otherwise included in such occupancy summary report, Owner shall also submit the information required by California Health and Safety Code Section 33418, including an occupancy report, financial information and income verification documents for each Tenant of an Affordable Unit, and all supporting documentation.

(i) No Tenant qualifying for an Affordable Unit upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Annual Income increases to exceed the qualifying limit. However, should a Tenant's Annual Income, as of the most recent determination thereof, exceed the income limit for an Affordable Unit of the same family size, the Tenant may be charged an affordable rent established at a level not to exceed 30% of the annual gross income of the household.

(ii) The Owner shall obtain, complete and maintain on file a certification of income for each Tenant of an Affordable Unit ("Income Certification") including (a) an Income Certification dated immediately prior to the initial occupancy of such Affordable Unit in the Project, and (b) thereafter, an annual Income Certification with respect to each Affordable Unit Tenant, within thirty (30) calendar days before or after the anniversary of such Tenant's initial occupancy of a unit in the Project. The Owner shall provide such additional information as may be required from time to time by the State of California, HCD, State law, or other municipal, state, or federal programs as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures or regulations now or hereafter promulgated, proposed or made applicable to the Project. The Owner shall make a good faith effort to verify that the income information provided by an applicant in any Income Certification is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a pay stub for the most recent pay period, (2) obtain an income tax return transcript for the most recent tax year, (3) obtain a credit report or conduct a similar type credit search (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an

income tax return, obtain another form of independent verification reasonably acceptable.

(iii) The Owner shall prepare and submit to the City, annually not later than July 15th, beginning after the first anniversary of this Agreement, until the end of the Term of this Agreement, a Certificate of Continuing Program Compliance executed by the Owner. The Owner shall pay to the City its annual monitoring fee, if any, for the City's administration of these reporting requirements.

(iv) For the Term of this Agreement, all Tenant leases or rental agreements shall be subordinate to this Agreement. All leases pertaining to Affordable Units shall contain clauses, among others wherein each Tenant who occupies an Affordable Unit: (1) certifies the accuracy of the statements made in the Verification of Income; (2) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such Tenant, that such Tenant shall comply promptly with all requests for information with respect thereto from the Owner, or the City, and that the failure to provide accurate information in the Verification of Income or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such Tenant; (3) acknowledges that the Owner has relied on the Verification of Income and supporting information supplied by the Affordable Unit Tenant in determining qualification for occupancy of the Affordable Unit, and that any material misstatement in such certification (whether or not intentional) shall be cause for immediate termination of such lease or rental agreement; and (4) agrees that the Tenant's income is subject to annual certification in accordance with subsection 7(i) of this Agreement and that if upon any such certification such tenant's annual household income exceeds the applicable income limit under Section 2 of this Agreement, such Tenant may be charged an affordable rent established at a level not to exceed 30% of the annual gross income of the household.

(f) Prohibition against renting to persons with a relationship to Owner. Except for resident managers occupying the manager's Unit, no person having any Ownership or Control of Owner or any of Owner's partners or members, and no officer, employee, agent, official or consultant of Owner or anyone having any Ownership or Control of Owner or any of Owner's partners or members, or any family member of anyone having any Ownership or Control of Owner or any of Owner's partners or members, may occupy any of the Affordable Units.

(g) Inspection of Books and Records and of the Site. Owner shall maintain records which clearly document Owner's performance of its obligations pursuant to this Agreement. Owner shall submit any records to the City within ten (10) Business Days of written request. Owner shall permit representatives of the City to enter and inspect the Site upon 24 hours' advance notice to Owner or the Management Agent, or such other notice as may be required by law. Owner's leases or rental agreements with tenants of the Affordable Units shall also provide for entry into the Affordable Units for periodic health and safety inspections. The City has the right at all reasonable times, and upon three (3) Business Days' prior notice, to inspect the books and records of the Owner

pertaining to the Site and/or Project as pertinent to the purposes of this Agreement and to make such books and records available to other governmental agencies as may be necessary or appropriate for determinations of compliance. Owner shall maintain copies of such books and records in a location that is within fifty (50) miles of the Site. The City's right to inspect the Owner's books and records shall be limited only to such records as may be necessary to determine Owner's compliance with the terms and conditions of this Agreement.

(h) Sustainability. Owner acknowledges that the Scope of Development attached to the DDLA requires Owner to incorporate features and systems in the Project that shall address issues of sustainability in design and development. In consideration of the DDLA, any and all Implementation Agreements, as amended or modified, Owner hereby covenants and agrees to: (1) monitor building operations and maintain the building and building systems in proper working order and in compliance with manufacturers' maintenance requirements to ensure continuous, efficient operation within design specifications; and (2) provide building system technical manuals and best practices literature to property managers and building occupants, as appropriate, to facilitate maximum operational efficiencies and best practices that support energy and water conservation, healthful indoor air quality, and waste reduction and recycling. Monitoring and operations status shall be reported to the City as reasonably requested.

(i) Use of Site for Commercial Advertising. Owner shall not, without prior written approval of the City, which approval the City may grant, deny or condition in its sole and absolute discretion, allow or permit any billboards, supergraphics or other similar forms of commercial advertising to be placed on the Site, not including signs used by Owner in the operation of affordable housing on the Site.

(j) Maintenance, Operation and Management of Site. Owner shall maintain, operate and manage the Site in accordance with this Agreement for the Term of this Agreement.

(k) Prohibition against renting to persons with a relationship to Owner. Except for resident managers occupying the manager's Unit, no person having any Ownership or Control of Owner or any of Owner's partners or members, and no officer, employee, agent, official or consultant of Owner or anyone having any Ownership or Control of Owner or any of Owner's partners or members, or any family member of anyone having any Ownership or Control of Owner or any of Owner's partners or members, may occupy any of the Affordable Units.

3. No Discrimination.

(a) Owner shall not discriminate or segregate in the use, enjoyment, occupancy, conveyance, lease, sublease, or rental of the Site or any part thereof on the basis of race, color, ancestry, national origin, religion, sex, sexual preference, age, marital status, family status, gender identity, transgender status, source of income, physical or mental disability, Acquired Immune deficiency Syndrome (AIDS) or AIDS-related

conditions (ARC), or any other arbitrary basis. Owner covenants and agrees for itself, its successors and its assigns in interest to the Site or any part thereof, that there shall be no discrimination against or segregation of any person or persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code. All deeds, leases, or contracts for the sale, lease, sublease, or other transfer of the Site shall contain or be subject to the nondiscrimination or non-segregation clauses hereafter prescribed. All advertisements, notices and signs for the availability of the Site units, shall contain a statement that Owner is an Equal Housing Opportunity Provider.

(b) Notwithstanding subdivision 3(a), above, with respect to familial status, subdivision (a) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in subdivision (a) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to subdivision (a).

4. Required Nondiscrimination Clauses.

Owner shall refrain from restricting the rental, sale or lease of the Site as provided in Section 3, above. All deeds, leases or contracts for the sale, lease, sublease, or other transfer of the Site entered into after the date on which this Agreement is executed by the City shall contain or be subject to substantially the following nondiscrimination or non-segregation clauses:

(a) (1) In deeds the following language shall appear--"The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, Owners, subtenants, sub-Owners, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

(2) Notwithstanding paragraph (a)(1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d)

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of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (a)(1).

(b) (1) In leases the following language shall appear--"The Owner herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the Owner himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, Owners, sub-Owners, subtenants, or vendees in the premises herein leased."

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

(c) In contracts entered into by the City relating to the sale, transfer, or leasing of land or any interest therein acquired by the City within any survey area or redevelopment project the foregoing provisions in substantially the forms set forth shall be included and the contracts shall further provide that the foregoing provisions shall be binding upon and shall obligate the contracting Party or parties and any subcontracting Party or parties, or other transferees under the instrument.

The Owner hereby certifies that it and any contractor and subcontractor will comply with the Americans with Disabilities Act, 42 USC §12101 et seq., and its implementing regulations (ADA), the Americans with Disabilities Act Amendments Act of 2008, Pub. L. 110-325 (ADAAA) and all subsequent amendments, Section 504 of the Rehabilitation Act of 1973, as amended, 29 USC 794 and 24 CFR Parts 8 and 9 (Rehab Act), the Uniform Federal Accessibility Standards (UFAS), and the Fair Housing Act, 42 U.S.C. 3601, et seq; 24 CFR Parts 100, 103, and 104 (FHA), the Fair Employment and Housing Act (California Government Code Section 12926), the Title 24 of the California Building Code, and all implementing regulations. The Owner and any contractor and subcontractor will provide reasonable accommodations to allow qualified individuals with disabilities to have access to and to participate in its programs, services and activities in accordance with the provisions of the ADA, the ADAAA, the Rehab Act, the UFAS and the FHA and all subsequent amendments. The Owner and any contractor and subcontractor will not

discriminate against persons with disabilities or against persons due to their relationship to or association with a person with a disability. Any contract and subcontract entered into, by, the Owner and any, contractor- and subcontractor, relating to this DDLA, Implementation Agreements, as amended or modified, and Project, to the extent allowed hereunder, shall be subject to the provisions of this paragraph.

Eleven percent (11%) of the total units in the project shall be constructed and maintained by the Owner as accessible units for persons with mobility impairments and four percent (4%) of the total units shall be constructed and maintained by the Owner as accessible units for persons with sensory impairments in compliance with the applicable provisions of the Americans with Disabilities Act as amended, 42 U.S.C. §12101, et seq. and its implementing regulations at 28 C.F.R. Parts 35 and 36 (ADA), Section 504 of the Rehabilitation Act of 1973 as amended, 29 U.S.C. §794 and the implementing regulations of HUD at 24 C.F.R. Part 8, the Fair Housing Act as amended, 42 U.S.C. §3601, et seq and its implementing regulations at 24 C.F.R. Part 100, the Fair Employment and Housing Act (California Government Code Section 12926), the Title 24 of the California Building Code, any applicable state and local laws, and any requirements of the City. The specific unit types shall be described in Attachment No. 2 of the Agreements Containing Covenants. Within 15 working days of the temporary Certificate of Occupancy being issued, Owner shall provide a list to HCIDLA of all accessible units with unit number, bedroom size and type of impairment for which the unit has been made accessible. Units must be in accordance with the standards enumerated in Section 36 Designated Assisted Units.

5. Barriers to the Disabled.

a. Compliance with all Accessibility Requirements. Owner shall comply with all applicable requirements of state, local and federal rules, laws and regulations relating to accessibility and reasonable accommodations for persons with disabilities, including, without limitation, the following to the extent any are applicable to the Project: Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. Section 794 and implementing regulations at 24 CFR Part 8); the Americans with Disabilities Act (42 U.S.C. Sections 12131 *et seq.* and 12181 *et seq.*, and implementing regulations at 28 CFR Parts 35 and 36); the Fair Housing Act (42 U.S.C. Section 3601 *et seq.*, and implementing regulations at 24 CFR Part 100); the Fair Employment and Housing Act (California Government Code Section 12926); and Title 24 of the California Building Code. Without limiting the generality of the foregoing,

(i) residential and nonresidential projects that involve new construction or rehabilitation of existing buildings and that are financed in whole or in part with federal funds (e.g. CDBG, HOME) shall comply with all applicable

requirements of Section 504 of the Rehabilitation Act of 1973 and all other applicable requirements;

(ii) projects that receive the City or other nonfederal sources of funding shall comply with all applicable requirements of the Americans with Disabilities Act, the Fair Housing Act, the Fair Employment and Housing Act, Title 24 of the California Building Code, and all other applicable requirements;

(iii) commercial structures, and common areas and public use areas in residential projects, shall comply with all applicable requirements of the Americans with Disabilities Act, Title 24 of the California Building Code and all other applicable requirements.

Owner shall ensure that construction plans submitted for review by the City comply with all applicable requirements of law and that Project construction is carried out in conformity with approved plans.

b. ADA Certification. Owner hereby certifies as follows:

(i) Owner is in compliance with and shall continue to comply with the Americans with Disabilities Act, 42 U.S.C. 12101 et seq. and its implementing regulations.

(ii) Owner shall provide for reasonable accommodations to allow qualified individuals with disabilities to have access to and participate in its programs, services and activities in accordance with the provisions of the Americans with Disabilities Act.

(iii) Owner shall not discriminate against persons with disabilities nor against persons due to their relationship or association with a person with a disability.

(iv) Owner shall require that the language of this Section 5 be included in the award documents for all sub-awards at all tiers (including subcontracts, and contracts under grants, loans and cooperative agreements) and that all subcontractors shall certify and disclose accordingly.

The certification set forth in this Section is a material representation of fact upon which reliance was placed when the Parties entered into this transaction.

6. Maintenance.

(a) Owner, its successors and assigns, shall maintain the Improvements on the Site (including all buildings, public spaces, walkways, driveways, parking areas and landscaping), in a decent, safe, sanitary and habitable condition and in good repair and working order, which shall be at least the same (or better) aesthetic condition as the

condition of the Site at the time the City issues a Certificate of Completion, reasonable wear and tear excepted. This standard for the quality of maintenance of the Site shall be met whether or not a specific item of maintenance is listed below. However, representative items of maintenance shall include frequent and regular inspection for graffiti or damage or deterioration or failure, and immediate repainting or repair or replacement of all surfaces, fencing, walls, equipment, etc., as necessary; emptying of trash receptacles and removal of litter; sweeping of public sidewalks adjacent to the Site, on-site walks and paved areas and washing-down as necessary to maintain clean surfaces; maintenance of all landscaping in a healthy and attractive condition, including trimming, fertilizing and replacing vegetation as necessary; cleaning windows on a regular basis; painting the buildings on a regular program and prior to the deterioration of the painted surfaces; conducting a roof inspection on a regular basis and maintaining the roof in a leak-free and weather-tight condition; maintaining security devices in good working order. This Section 6(a) shall be interpreted to require that, at all times, the Project shall be well maintained as to both external and internal appearance of all buildings, landscaping, common areas and parking areas, conforming to the best practices of operators of comparable City-assisted affordable housing and the requirements of this Agreement.

(b) From time to time, Owner shall make all necessary and proper repairs, renewals, and replacements. In the event Owner, its successors or assigns fails to maintain the Improvements in accordance with the standard for the quality of maintenance, the City or its designee shall have the right but not the obligation to enter the Site upon reasonable notice to Owner, correct any violation, and hold Owner, or such successors or assigns responsible for the cost thereof, and such cost, until paid, shall constitute a lien on the Site. In addition, Owner shall not commit or permit waste on or to the Site, and shall prevent and/or rectify any physical deterioration of the Site; Owner shall provide adequate ongoing security equipment or services for tenants of the Affordable Units. Owner shall maintain the Site in conformance with all applicable federal, state and local laws, ordinances, codes and regulations, and the Management Plan required by this Agreement.

7. Property Management.

For the Term of this Agreement, Owner shall operate and manage the Project in accordance with all applicable federal, state and local laws and rules, in conformance with the best practices of operators of comparable City -assisted affordable housing and the management requirements of this Agreement. Not later than ninety (90) calendar days prior to completion of construction of the Improvements, Owner shall submit to the City for approval or disapproval a plan for marketing and managing the Affordable Units (the "Property Management Plan"). Thereafter, Owner, its successors and assigns, shall manage the Affordable Units in accordance with the Property Management Plan

approved by HCIDLA General Manager or designee. The Property Management Plan, including such amendments as may be approved in writing by the City Council, shall remain in effect for the Term of this Agreement. The Property Management Plan shall contain the following components:

(a) Management Agent. Owner shall be responsible for the operation of the Improvements either by direct management or by contracting its managerial functions to a third Party property manager or agent (the "Management Agent") which Management Agent shall be charged with managing the Improvements on behalf of the Owner. The City shall have the right, but not the obligation, to review and approve or disapprove the name and qualifications of the Management Agent. Such approval shall not be unreasonably withheld. The City shall have no responsibility for the management of the Site. The City hereby pre-approves Triumph Residential Services, Inc. as the Management Agent.

(b) Affirmative Marketing Plan. Owner shall prepare and submit to the City for approval, and maintain in effect, a plan ("Affirmative Marketing Plan") for attracting to the Affordable Units tenants from those ethnic and racial groups least likely to reside in the Affordable Units in the absence of outreach efforts and providing a method to insure a fair method of selecting tenants. Owner shall be responsible for implementing the approved Affirmative Marketing Plan at initial marketing of the Affordable Units and upon any vacancy.

(c) Property Management Plan. Owner or its Management Agent shall prepare a Property Management Plan which shall describe the proposed management, maintenance, tenant selection and occupancy policies and procedures for the Affordable Units. Such policies and procedures shall be consistent with this Agreement.

(d) Management Agreement. Owner shall submit a copy of the proposed property management agreement specifying the amount of the management fee and the relationship and division of responsibilities between Owner and the Management Agent. Owner shall change management practices or replace its Management Agent if the City gives Owner notice that the Affordable Units are not being managed in accordance with this Agreement or if the Management Agent violates any federal, state or local health and safety laws and regulations which are not cured within twenty (20) Business Days following the giving of notice of such violations by the City or any other governmental entity; provided, however, that in the case of a violation that cannot be cured within such twenty (20) Business Days period, that such cure shall be commenced within twenty (20) Business Days of notification and shall be diligently prosecuted to completion. The property management agreement shall provide that it is subject to termination by Owner, without penalty, upon twenty (20) Business Days prior written notice, at the direction of the City. Within ten (10) Business Days following direction from City to replace the Management Agent, Owner shall select another management agent or make other arrangement satisfactory to the City for continuing management of the Affordable Units.

(e) Tenant Lease or Rental Agreement and Rent Collection. Owner shall submit to the City a copy of the proposed Tenant lease or rental agreement to be used in renting the Affordable Units before leasing any Affordable Unit. The term of the residential lease shall be for no less than one (1) year unless mutually agreed upon by Owner and Tenant. The City shall have the right but not the obligation to review and approve or disapprove the Tenant lease or rental agreement. Owner shall submit to the City its proposed plans for the collection of Tenant rents as outlined in the Property Management Plan.

(f) Annual Budget. Annually, not later than ninety (90) calendar days prior to the beginning of each fiscal year, Owner shall submit a projected operating budget to the City. The budget shall be in a form that is acceptable to the City.

(g) Tenant Selection. Before leasing the Affordable Units, Owner shall provide to the City for its approval or disapproval Owner's written tenant selection plan, which, subject to the priorities set forth in Section 2(d) of this Agreement, shall provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as it is practicable. Any selection criteria shall be consistent with the purpose of providing housing for persons and families of very low and low income and shall be reasonably related to program eligibility and the applicant's ability to perform the obligations of the lease. Owner shall give prompt written notification to any rejected applicant of the grounds for any rejection. Owner shall not apply selection criteria which discriminate in the rental of Affordable Units among Eligible Households applying for tenancy who otherwise qualify for occupancy, for the sole reason that the income of such applicant is lower than the income of another eligible applicant. Owner shall accept as Tenants, on the same basis as all other prospective Tenants, persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Federal Housing Act. Owner shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that are more burdensome than the criteria applied to all other prospective Tenants.

(h) Tenant Eligibility Review. Not later than ten (10) Business Days prior to the tenant's expected date of occupancy of an Affordable Unit, Owner shall determine the income eligibility of each tenant household pursuant to the City's approved tenant certification procedures. Owner shall obtain, complete and maintain on file immediately prior to initial occupancy and annually thereafter, income certifications from each Tenant renting any of the Affordable Units. The Owner agrees to submit to the City Annual Income Certifications. The Owner shall make a good faith effort to verify that the income provided by an applicant or Tenant in an income certification is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain pay stubs for the most recent pay periods; (2) obtain an income tax return for the most recent tax year; (3) conduct a credit City or similar search; (4) obtain an income verification form from the applicant's current employer; (5) obtain an income verification form from the Social

Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies; or (6) if the applicant is unemployed and has no such tax return, obtain another form of independent verification, and submit to the City, upon request, satisfactory documentation for review and approval prior to the household's occupancy of an Affordable Unit.

(i) Tenant Certification. On an annual basis, the City shall provide the Owner with the income and maximum rent limits that must be used in the process of establishing tenant eligibility for initial occupancy and for determining the eligibility of existing tenants occupying Affordable Units. Residents must be recertified annually. If upon recertification of the income of a Tenant of an Affordable Unit, the Owner determines that a former Extremely Low Income Household, Very Low Income Household, or Low Income Household has an adjusted income exceeding the maximum qualifying income for a Low Income household, such Tenant's lease shall be permitted to continue occupying the Affordable Unit and upon expiration of the Tenant's lease and upon sixty (60) calendar days written notice, the rent shall be increased to the lesser of thirty percent (30%) of actual adjusted income of the Tenant, and the Owner shall rent the next available Affordable Unit to a Low Income Household as applicable, to meet the requirements of this Agreement.

(j) Notice to Tenants. Owner shall give written notice to all Tenants of Affordable Units at the following times:

(1) Upon initial move-in/lease execution, Owner shall give written notice, to all Tenants of Affordable Units, of the duration of the rent restrictions under this Agreement. Owner shall maintain, in its files, a copy of each such notice containing each tenant's signed acknowledgement of the notice required hereunder or other proof of delivery of such notice. The notice shall state that the rent restrictions under this Agreement shall terminate not sooner than March 28, 2057. Upon termination of the rent restriction period under this Agreement, rents may be set at market rates unless otherwise restricted by some other legal, regulatory, or contractual requirement.

(2) Twelve (12) months prior to the termination of the rent restriction period under this Agreement, or at such other time as may be required by law, Owner must give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels.

(3) Ninety (90) calendar days prior to the termination of the rent restriction period under this Agreement, or at such other time as may be required by law, Owner must again give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels.

(k) Tenant Complaints. Owner shall establish Tenant complaint procedures.

(l) Termination of Tenancy. A tenancy may be terminated without being deemed an "eviction" under the following circumstances: (1) death of the sole tenant; (2) by the Tenant, at the expiration of the term of tenancy; (3) by abandonment of the premises by the Tenant, provided Owner complies with the provisions of Section 1951.3 of the California Civil Code to establish such abandonment; and (4) by Owner, where the Tenant has furnished or contradicted information to Owner which fails to establish the Tenant's financial eligibility to remain in the Tenant's Affordable Unit, provided Owner gives the Tenant written notice of such termination pursuant to Section 1946 of the California Civil Code. Any termination of a tenancy other than for the reasons set forth in this section shall constitute an "eviction."

(m) Eviction. Owner shall have the right to evict a Tenant upon material non-compliance with the lease, which includes: (1) one or more substantial violations of the lease, or (2) habitual minor violations of the lease which include (A) disrupting the livability of the building; (B) adversely affecting the health or safety of any person or the right of any tenant to the quiet enjoyment of the leased premises and related facilities; (C) Interfering with the management of the building, or (D) having an adverse financial effect on the building. Rent shall be due on the first calendar day of the rental period but shall not be late until after the fifth (5th) calendar day of that period. Unjustified non-payment of rent after the fifth calendar day of the rental period but before either the running of a three-day notice to pay rent or quit or the close of business of the day after the day on which a hearing decision is issued shall constitute a minor violation under the lease, but non-payment of rent or any other financial obligation under the lease after either such period shall constitute material non-compliance with the lease.

8. Occupancy Standards.

Occupancy of the Affordable Units shall be consistent with the Space and Occupancy Standards set forth in Section 501, et seq. of the Uniform Housing Code. These occupancy standards determine the minimum and maximum number of persons who may reside in an Affordable Unit. Deviations from these standards may be allowed only with the prior written approval of the City Council. Provided that there is no inconsistent federal requirement applicable to the Affordable Units, the maximum and minimum number of persons in a unit shall be as follows (provided, that to the extent the following is inconsistent with any applicable State or Federal standards, the stricter standard, i.e., higher minimum number or lower maximum number, shall apply):

<u>Unit-type</u>	<u>Minimum number</u>	<u>Maximum number</u>
Studio or SRO	1	2
One-bedroom	1	3
Two-bedroom	2	5
Three-bedroom	4	7
Four-bedroom	5	9

9. Covenants Run with the Land; Enforceable by the City and Tenants.

All conditions, covenants and restrictions contained in this Agreement shall be covenants running with the land and shall be enforceable against Owner or any subsequent Owner of the Site who violates a covenant or restriction and each successor in interest who continues the violation by any of the following:

- a. The City;
- b. A resident of any of the Affordable Units;
- c. A former resident of an Affordable Unit;
- d. An Applicant seeking to enforce the covenants or restrictions for a particular Affordable Unit, if the applicant conforms to all of the following:
 - i. is of Low Income;
 - ii. is able and willing to occupy that particular Affordable Unit; and
 - iii. Was denied occupancy of that particular Affordable Unit due to an alleged breach of a covenant or restriction set forth in this Agreement; and

A person on an affordable housing waiting list who is of Very Low or Low Income and who is able and willing to occupy an Affordable Unit.

10. Rights of Third Parties.

Except as otherwise expressly provided in Section 9 of this Agreement, this Agreement shall not be deemed to confer any rights upon, nor obligate either of the Parties to this Agreement to any person or entity not a Party to this Agreement, and the Parties explicitly disclaim any intent to create a third Party beneficiary relationship with any person or entity as a result of this Agreement.

11. Enforcement Rights.

The City and those listed in Section 9 shall have the right, in the event of any breach of any such agreement or covenant, to exercise all the rights and remedies, and to maintain any actions at law or suit in equity or other proper proceedings to enforce the curing of such breach of agreement or covenant.

12. Restrictions on Transfer.

Transfers of the Site and Owner's interests therein shall be subject to the DDLA, Implementation Agreements, as amended or modified. Following completion of construction, any Transfers shall be subject to the terms of this Agreement Containing Covenants.

a. Owner represents and agrees that its undertakings pursuant to this Agreement are for the purpose of redeveloping the Site and providing affordable rental housing for Eligible Households, and not for speculation in land holding. Owner further recognizes that the qualifications and identity of Owner are of particular concern to the City, in light of the following: (1) the importance of the redevelopment of the Site to the general welfare of the community; (2) the public assistance that has been made available by law and by the government for the purpose of making such redevelopment possible; and (3) the fact that a change in Ownership or control of Owner or any other act or transaction involving or resulting in a significant change in Ownership or control of Owner, is for practical purposes a transfer or disposition of the property then owned by Owner. Owner further recognizes that it is because of such qualifications and identity that the City is entering into the DDLA with Owner. Therefore, no voluntary or involuntary successor in interest of Owner shall acquire any rights or powers under this Agreement except as expressly set forth herein.

b. Owner shall not transfer the Site or any interest therein, without the prior written approval of the City. Subject to review of documentation effectuating any such proposed assignment or transfer, the City agrees to reasonably give such approval if the assignment is a Permitted Transfer.

c. For the reasons cited above, Owner represents and agrees for itself and any successor in interest that, without the prior written approval of the City, there shall be no significant change in the Ownership of Owner or in the relative proportions thereof, or with respect to the identity of the parties in control of Owner or the degree thereof, by any method or means, except Permitted Transfers.

d. Any transfer of the Site or assignment or transfer of this Agreement or any interest herein or significant change in Ownership of Owner, other than a Permitted Transfer, shall require the prior written approval of the City. To the extent City approval of an assignment or transfer is required by this Agreement, in granting or withholding its

approval, the City shall base its decision upon the relevant experience, financial capability and reputation of the proposed assignee or transferee and the effect, if any, of such proposed transfer on the public purposes of this Agreement. In addition, the City shall not be required to approve any assignment or transfer of this Agreement or any interest herein or significant change in Ownership of Owner that results in payment of consideration to any Person prior to the issuance of the Certificate of Occupancy and that is not conditioned upon the issuance of the Certificate of Occupancy.

e. Owner shall promptly notify the City of any and all changes whatsoever in the identity of the parties in control of Owner or the degree thereof, of which it or any of its officers have been notified or otherwise have knowledge or information. Except for Permitted Transfers, this Agreement may be terminated by the City if there is any significant change (voluntary or involuntary) in membership, management or control, of Owner (other than such changes occasioned by the death or incapacity of any individual). In the event of the death or incapacity of any individual who controls Owner or the managing member or general partner of Owner, any resulting change in the management of the Improvements or the control of the day-to-day operations of the Site and the Improvements shall be subject to the approval of the City Council, which approval shall not be unreasonably withheld, conditioned or delayed.

12.1. Prohibited Transfers.

The limitations on Transfers set forth in Section 12 shall apply until the latest of the following dates: (a) issuance of a Certificate of Completion by the City to the Owner; (b) the date the Loan is repaid in full; and (c) the expiration of the Term of this Agreement. Except as expressly permitted in this Agreement, Owner represents and agrees that Owner has not made or created, and shall not make or create or suffer to be made or created, any Transfer, either voluntarily or by operation of law, without the prior approval of the City. Any Transfer made in contravention of this Section 12.1 shall be void and shall be deemed to be a default under this Agreement, whether or not Owner knew of or participated in such Transfer.

12.2. Effectuation of Permitted Transfers.

a. No Transfer otherwise authorized or approved pursuant to Section 12 shall be permitted unless, at the time of the Transfer, the person or entity to which such Transfer is made, by an agreement reasonably satisfactory to the City and in form recordable in the Office of the Los Angeles County Recorder, expressly agrees to perform and observe, from and after the date of the Transfer, the obligations, terms and conditions of this Agreement Containing Covenants; provided, however, that no such transferee shall be liable for the failure of its predecessor to perform any such obligation. Any proposed transferee for which the City's approval is required shall have the relevant

experience, financial capability and reputation necessary to fulfill the obligations undertaken in this Agreement by the Owner and otherwise acceptable to the City. The City shall grant or deny approval of a proposed Transfer within sixty (60) days of receipt by the City of the Owner's request for approval of a Transfer, which request shall include evidence of the proposed transferee's business expertise and financial capacity.

b. Any assignment of rights and/or delegation of obligations under this Agreement in connection with a Transfer (whether or not City approval is required) shall be in writing executed by Owner and the assignee or transferee, which written agreement shall name the City as an express Third Party Beneficiary with respect to such agreement (the "Assumption Agreement") with a copy thereof delivered to the City within ten (10) days after the effective date thereof. Upon assignment or transfer of this Agreement pursuant to an Assumption Agreement, the assignor shall be relieved of liability with respect to any such obligations relating to the Project assumed by the assignee. Notwithstanding the foregoing, unless such assignee specifically assumes pursuant to the Assumption Agreement the obligations under this Agreement to indemnify the City with respect to the Project, the assignor shall retain such obligations and remain jointly and severally liable for such indemnity obligations with such assignee.

c. Owner shall reimburse the City for all actual staff time and consultant (legal and financial) costs associated with the City's review and consideration of any request for approval of a Transfer other than a Permitted Transfer. The City shall not be obligated to act on any request for approval of a Transfer unless Owner shall deposit with City the sum of Ten Thousand Dollars (\$10,000), which amount shall be subject to adjustment equal to the cumulative annual increase, if any, in the Consumer Price Index since 2010, together with its request for approval of a Transfer. If the costs of the City review are less than the amount deposited, the excess deposit shall be returned to Owner. If the costs of the City review exceed the deposit amount, the City shall send the Owner a bill for the costs and Owner shall promptly pay the City the additional costs.

13. Rights of Lenders; Subordination.

No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Agreement shall defeat or render invalid or in any way impair the lien or charge of any deed of trust or other encumbrance permitted by the DDLA, as amended and modified. Unless expressly subordinated by a recorded instrument duly executed by the City or its designee, this Agreement and the covenants contained herein shall not be subordinate to any deed of trust, mortgage or other encumbrance. Prior to the recordation of the deed of trust securing any loan to which this Agreement is to be subordinated, the City or its designee shall execute such instruments as may be necessary to subordinate this Agreement and the covenants contained herein to the lien of the beneficiary of such deed of trust. Anyone to whose lien this Agreement is subordinate, who acquires title to the Site by foreclosure, deed in lieu of foreclosure,

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trustee's sale or similar transfer of title, and the assignees and transferees of such holder, shall not be subject to or bound by the requirements of this Agreement.

14. Term of this Agreement.

Every covenant and condition and restriction contained in this Agreement shall remain in effect for the longest feasible time, but in not sooner than the Term of this Agreement. Provided, however, that the Term of this Agreement shall be extended automatically for a period of time equal to any period of documented and continuous noncompliance with the terms of this Agreement by Owner following notice as provided in Section 15 hereof.

15. Notice and Opportunity to Cure.

Prior to exercising any remedies hereunder, the City shall give Owner notice of such default. The City shall also give simultaneous notice of default to the Tax Credit Equity Investor at the address provided in Section 24 hereof, and any person or entity having a security interest in the Site secured by a lien that is superior to this Agreement. If the default is reasonably capable of being cured within thirty (30) days, Owner shall have such period to effect a cure prior to exercise of remedies by the City. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and Owner (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then Owner shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by the City. If Owner fails to take corrective action or to cure the default within a reasonable time, the City shall give Owner and each of the investment member and managing members of Owner's limited liability company written notice thereof, whereupon the investor member may remove and replace the manager(s) with a substitute manager(s) who shall effect a cure within a reasonable time thereafter in accordance with the foregoing provisions. In no event shall the City be precluded from exercising remedies if City's security in the Site becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) days after the first notice of default is given. City shall accept or reject any cure made or tendered by Tax Credit Equity Investor on the same basis as if made or tendered by Owner.

16. Remedies.

If a violation of any of the covenants or provisions of this Agreement remains uncured after the time period set forth in Section 15, above, the City and its successors and assigns, without regard to whether the City or its successors and assigns is an Owner of any land or interest therein to which these covenants relate, may institute and prosecute any proceedings at law or in equity to abate, prevent or enjoin any such violation or attempted violation or to compel specific performance by Owner of its obligations hereunder. In addition, a material breach of this Agreement that remains

uncured following the required notice period shall subject Owner to debarment and disqualification from any further City's financial assistance. The City may report any such material breach of this Agreement that remains uncured following the required notice period to the State of California and/or the U.S. Department of Housing and Urban Development. No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any Party entitled to enforce the provisions hereof or to obtain relief against or recover for the continuation or repetition of such breach or violations or any similar breach or violation hereof at any later time.

17. Non-Liability of Officials, Employees and Agents.

The City's commissioners, officers, employees and agents shall not be personally liable to Owner or any other person for any obligation created under the terms of this Agreement.

18. Indemnity.

Notwithstanding any insurance coverage, Owner shall indemnify, defend and hold the City (the "Indemnitees") harmless against any losses, damages, liabilities, claims, demands, judgments, actions, court costs and legal or other expenses (including reasonable attorneys' fees and costs) which the Indemnitees may incur as a direct or indirect result of (a) Owner's failure to perform any obligations as and when required by this Agreement; (b) any failure of any of Owner's representations or warranties to be true or complete; or (c) any act or omission by Owner or any contractor, subcontractor, Management Agent or supplier with respect to the Site or the Affordable Units, except where such losses are caused by the negligence or willful misconduct of the Indemnitees. Owner shall pay immediately upon demand, any amounts owing under this Indemnity. The duty of Owner to indemnify includes the duty to defend the Indemnitees in any court action, administrative action or other proceeding brought by any third Party arising from this Agreement. The Indemnitees may make all reasonable decisions with respect to its/their representation in any legal proceeding, including but not limited to selection of counsel. Owner's duty to indemnify shall survive the expiration of the Term of this Agreement.

19. Approvals.

(a) Except as otherwise expressly provided in this Agreement, approvals required of the City or Owner in this Agreement shall not be unreasonably withheld or delayed. All approvals shall be in writing. Failure by either Party to approve a matter within the time provided for approval of the matter shall not be deemed a disapproval, and failure by either Party to disapprove a matter within the time provided for approval of the matter shall not be deemed an approval.

(b) Whenever this Agreement calls for City approval, consent, or waiver,

the written approval, consent, or waiver of the City Council shall constitute the approval, consent, or waiver of the City, without further authorization required from the City. The City or its designee is further authorized to make such modifications to this Agreement as may be necessary or appropriate, so long as such modification does not adversely affect the receipt of any material benefit by the City pursuant to this Agreement. Any other amendment or material modification to this Agreement shall require approval by the City Council.

20. Construction and Interpretation of Agreement.

(a) The language in all parts of this Agreement shall in all cases be construed simply, as a whole and in accordance with its fair meaning and not strictly for or against any Party. The parties hereto acknowledge and agree that this Agreement has been prepared jointly by the parties and has been the subject of arm's length and careful negotiation over a considerable period of time, that each Party has been given the opportunity to independently review this Agreement with legal counsel, and that each Party has the requisite experience and sophistication to understand, interpret, and agree to the particular language of the provisions hereof. Accordingly, in the event of an ambiguity in or dispute regarding the interpretation of this Agreement, this Agreement shall not be interpreted or construed against the Party preparing it, and instead other rules of interpretation and construction shall be utilized.

(b) If any term or provision of this Agreement, the deletion of which would not adversely affect the receipt of any material benefit by any Party hereunder, shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and each other term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. It is the intention of the parties hereto that in lieu of each clause or provision of this Agreement that is illegal, invalid, or unenforceable, there be added as a part of this Agreement an enforceable clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible.

(c) Any titles of the articles, sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of its provision.

(d) References in this instrument to this "Agreement" mean, refer to and include this instrument as well as any riders, exhibits, addenda and attachments hereto or other documents expressly incorporated by reference in this instrument. All of the Attachments appended to this Agreement are hereby incorporated herein by this reference as though fully set forth herein. Any references to any covenant, condition, obligation, and/or undertaking "herein," "hereunder," or "pursuant hereto" (or language of like import) shall mean, refer to, and include the covenants, obligations, and undertakings existing pursuant to this instrument and any riders, Attachments, addenda, and

29 of 34

attachments or other documents affixed to or expressly incorporated by reference in this instrument.

(e) As used in this Agreement, and as the context may require, the singular includes the plural and vice versa, and the masculine gender includes the feminine and vice versa.

(f) In the event that any provisions of this Agreement and the DDLA, as amended and modified, the terms of this Agreement shall control.

(g) Time is of the essence in this Agreement.

21. Relationship of the Parties.

Nothing contained in this Agreement shall be deemed or construed to create a partnership, joint venture, or any other similar relationship between the parties hereto or cause the City to be responsible in any way for the debts or obligations of Owner or any other person.

22. Compliance with Law.

This Agreement shall be interpreted under and be governed by the laws of the State of California. Owner agrees to comply with all the requirements now in force, or which may hereafter be in force, of all municipal, county, state and federal authorities, pertaining to the development and use of the Site and the Improvements, as well as operations conducted thereon. The judgment of any court of competent jurisdiction, or the admission of Owner or any Owner or permittee in any action or proceeding against them, or any of them, whether the City be a Party thereto or not, that Owner, Owner or permittee has violated any such ordinance or statute in the development and use of the Site shall be conclusive of that fact as between the City and Owner.

23. Binding Effect.

This Agreement, and the terms, provisions, promises, covenants and conditions hereof, shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

24. Notices.

Formal notices, demands, and communications between the City and the Owner shall be sufficiently given if, and shall not be deemed given unless dispatched by certified mail, return receipt requested, or by electronic facsimile transmission followed by delivery of a "hard" copy, or by personal delivery (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), with a receipt showing date of delivery, to the principal offices of the City and the Owner:

City: City of Los Angeles
Housing and Community Investment Department
P.O. Box 532729
Los Angeles, CA 90053-2729
Attention: Asset Management

Owner: 716 Yale Terrace, LP
3250 Wilshire Blvd. #1805
Los Angeles, CA 90010

with copies to: JK AFFORDABLE HOLDINGS, LLC
3250 Wilshire Blvd. #1805
Los Angeles, CA 90010

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section 24. Delivery shall be deemed to have occurred at the time indicated on the receipt for delivery or refusal of delivery.

25. Severability.

If any term, provision, covenant or condition of this Agreement is held in a final disposition by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

26. Counterparts.

This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute one and the same instrument. The signature pages of one or more counterpart copies may be removed from such counterpart copies and all attached to the same copy of this Agreement, which, with all attached signature pages, shall be deemed to be an original Agreement. Unless otherwise prohibited by law or City policy, an electronic or scanned signature shall have the same force and effect as an original ink signature. For the purposes of this Agreement, "electronic signature" is an

electronic identifier, created by computer, attached or affixed to or logically associated with an electronic record, executed or adopted by a person with the intention of using it to have the same force and affect as the use of a manual signature, and "scanned signature" is a manual signature that has been placed on a document that has been scanned into an electronic record.

[Remainder of page intentionally left blank.]

[Signatures begin on the next page.]

IN WITNESS WHEREOF, the City of Los Angeles and the Owner have caused this Agreement to be executed by their duly authorized representatives.

Executed this 20th Day of AUGUST, 2020

THE CITY OF LOS ANGELES
Housing and Community Investment
Department

By: [Signature]
SEAN L. SPEAR
Assistant General Manager
Housing Development Bureau

APPROVED AS TO FORM:
MICHAEL N. FEUR, City Attorney

By: [Signature] for Anna Didak
Deputy City Attorney

Date: 8/25/2020

ATTEST:
HOLLY WOLCOTT, City Clerk

By: [Signature]
Deputy City Clerk



Date: 8-27-2020

THIS DOCUMENT MUST BE NOTARIZED FOR RECORDING.

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Los Angeles)

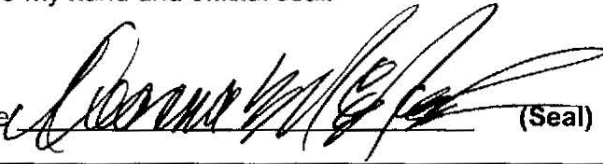
On August 20, 2020 before me, Deanna A. McNeally, Notary Public
(insert name and title of the officer)

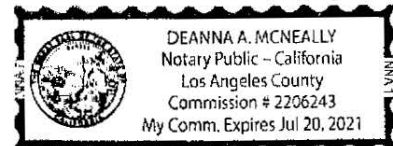
personally appeared Sean L. Spear,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.

Signature

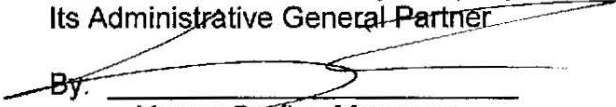
 (Seal)



OWNER:

716 Yale Terrace, LP
a California limited partnership

By: GRCLA-AFFORDABLE HOLDING, LLC
A California limited liability company,
Its Administrative General Partner

By. 

Young S. Kim, Manager

Date: 8/19/20

THIS DOCUMENT MUST BE NOTARIZED FOR RECORDING.

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of CALIFORNIA

County of LOS ANGELES

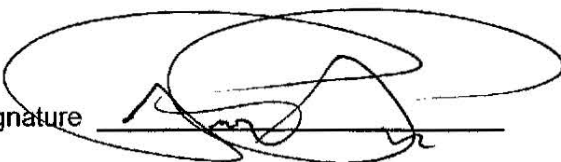
On AUGUST 19, 2020 before me, GENE M. SUN

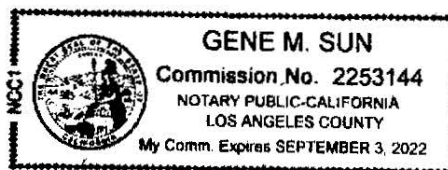
A Notary Public personally appeared YOUNG S. KIM

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature 



(Seal)

ATTACHMENT NO. 1
LEGAL DESCRIPTION

ATTACHMENT NO. 1"

Legal Description

For APN/Parcel ID(s): 5408-018-028

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

ALL OF LOTS 8 AND 9, ALL IN BLOCK 35 OF ORD'S SURVEY, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 107, PAGES 316 AND 317 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO THE SOUTHWESTERLY 39 FEET OF LOT 2 OF TRACT NO. 182, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 13 PAGE 132 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS, AND OTHER HYDROCARBON SUBSTANCES AND MINERALS INCLUDING GEOTHERMAL RESOURCES LYING IN AND UNDER SAID LAND ABOVE DESCRIBED, OR PRODUCED AND SAVED THEREFROM, AND FURTHER EXCEPTING TO GRANTOR THE SOLE AND EXCLUSIVE RIGHTS TO DRILL INTO, FROM AND THROUGH SAID LAND AND ALL SUBSURFACE EASEMENTS NECESSARY OR CONVENIENT TO PROSPECTING FOR, PRODUCING AND DEVELOPING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES AND MINERALS BY MEANS OF SLANT DRILLING OPERATION CONDUCTED FROM SURFACE LOCATIONS OUTSIDE SAID LAND, INTO OR THROUGH SAID LAND, TO PRODUCING INTERVALE EITHER WITHIN OR BEYOND SAID LAND, ALL SUBJECT HOWEVER, TO THE CONDITION THAT, IN THE ENJOYMENT OF SAID RESERVED AND EXCEPTED RIGHTS AND INTERESTS GRANTOR SHALL NOT ENTER UPON THE SURFACE OF SAID LAND OR INTO THE UPPER 500 FEET THEREOF MEASURED VERTICALLY FROM SAID SURFACE, AS RESERVED BY THE ROMAN CATHOLIC ARCHBISHOP OF LOS ANGELES, A CORPORATION SOLE RECORDED OCTOBER 8, 1982, AS INSTRUMENT NO. 82-1017591, OFFICIAL RECORDS.

ATTACHMENT NO. 2

**CITY MAXIMUM RENTS AND OCCUPANCY
INCOME LIMITS FOR NEW PROJECTS**

[BEHIND THIS PAGE]

ATTACHMENT 2
INCOME AND RENT RESTRICTIONS
Yale Terrace - 716 - 734 Yale Street

2020 AREA MEDIAN INCOME
\$77,300

Allowable Rental Increase Percentage 5.75%

Income Level	MAXIMUM INCOME LIMITS							
	Family Size							
	One	Two	Three	Four	Five	Six	Seven	Eight
30% Extremely Low	\$23,700	\$27,050	\$30,450	\$33,800	\$36,550	\$39,250	\$41,950	\$44,650
50% Very Low	\$39,450	\$45,050	\$50,700	\$56,300	\$60,850	\$65,350	\$69,850	\$74,350
80% Low	\$63,100	\$72,100	\$81,100	\$90,100	\$97,350	\$104,550	\$111,750	\$118,950
100% Median	\$54,100	\$61,850	\$69,550	\$77,300	\$83,500	\$89,650	\$95,850	\$102,050
120% Moderate	\$64,900	\$74,200	\$83,450	\$92,750	\$100,200	\$107,600	\$115,000	\$122,450

Rent Level	MAXIMUM MONTHLY AFFORDABLE HOUSING COSTS				
	Bedroom Size				
	0BR	1BR	2BR	3BR	4BR
30% Extremely Low	\$406	\$464	\$522	\$580	\$626
50% Very Low	\$676	\$773	\$870	\$966	\$1,044
60% Low	\$812	\$928	\$1,044	\$1,160	\$1,252
110% Moderate	\$1,488	\$1,701	\$1,913	\$2,126	\$2,296

For compliance with HCIDLA's occupancy requirements, "Affordable Rent" shall have the appropriate meaning set forth in California Health and Safety Code Section 50053(b) as it may be amended from time to time, including a reasonable utility allowance, that does not exceed the maximum allowable rent limit as set forth in this agreement. However, for projects with multiple funding sources and/or concessions, the most restrictive rent shall apply.

NUMBER OF UNITS TO BE RESTRICTED					
Unit Type	30% AMI Extremely Low Income	50% AMI Very Low Income	60% AMI Low Income	110% AMI Moderate Income	Market Units
SRO					
0BR			3		
1BR			16		
2BR					
3BR					
4BR					
TOTAL	0	0	19	0	0

Unit Type	UTILITY ALLOWANCE								
	Gas			Water and Sewer	Basic Electricity	Air Conditioning	Electric		
	Space Heating	Cooking	Water Heating				Space Heating	Cooking	Water Heating
SRO									
0BR									
1BR									
2BR									
3BR									
4BR									

- ☐ All utilities in the building are paid by the owner.
- ☐ All units in the building have the same utility allowance as indicated in the table above.
- ☐ One/some of the units in the building have different utility allowances from those indicated in the table above.
(If checked, an itemized utility allowance schedule for each restricted unit/unit type/household is attached)

Utility Schedule PHA CUAC HUSM OTHER

EXHIBIT B

Ann Sewill, General Manager
Tricia Keane, Executive Officer

Daniel Huynh, Assistant General Manager
Anna E. Ortega, Assistant General Manager
Luz C. Santiago, Assistant General Manager

City of Los Angeles



LOS ANGELES HOUSING DEPARTMENT
1910 Sunset Blvd, Ste 300
Los Angeles, CA 90026
Tel: 213.808.8808

housing.lacity.org

Karen Bass, Mayor

LOS ANGELES HOUSING DEPARTMENT

2024 Rent Limits - CRA-HCD Schedule (HCD POST-1991)

Effective Date: July 1, 2024

2024 Rental Increase % for former CRA/HUD Projects = 0.00%

2023 Area Median Income (AMI) \$98,200

2024 Area Median Income (AMI) \$98,200

Change in AMI from 2023 = 0%

Table II: Maximum Allowable Rent Levels

Rent Level	Bedroom Size					
	Single	One	Two	Three	Four	Five
25%	\$430	\$491	\$552	\$614	\$663	\$712
30% Extremely Low	\$516	\$589	\$663	\$737	\$795	\$854
35%	\$601	\$687	\$773	\$859	\$928	\$997
40%	\$687	\$786	\$884	\$982	\$1,061	\$1,139
45%	\$773	\$884	\$994	\$1,105	\$1,193	\$1,282
50% Very Low	\$859	\$982	\$1,105	\$1,228	\$1,326	\$1,424
60%/80% Lower/Low	\$1,031	\$1,178	\$1,326	\$1,473	\$1,591	\$1,709
100% Moderate	\$1,719	\$1,964	\$2,210	\$2,455	\$2,651	\$2,848
110%/120% Moderate	\$1,890	\$2,160	\$2,430	\$2,701	\$2,917	\$3,133

Note: This Schedule is based on HCD Gross Rent Schedule for Projects with CRA-HCD Covenants

Income: Extremely Low = 30% HCD AMI

Very Low = 50% HCD AMI

Low/Lower = 80% HCD AMI

Moderate = 120% HCD AMI

Rents: Extremely Low = 30% of 30% HCD AMI

Very Low = 30% of 50% HCD AMI

Low/Lower = 30% of 60% HCD AMI

Moderate = 30% of 110% HCD AMI

When applicable, rent increases must follow the lesser of the local rent stabilization regulations or the project's program limits. If your property is subject to the Rent Stabilization Ordinance, you may not be able to raise rents. Consult housing.lacity.org for additional information

EXHIBIT C

SAMPLE LETTER FOR TENANT THAT PAID INCREASED RENT AMOUNT

30-DAY NOTICE OF CHANGE OF MONTHLY RENT

December 13, 2024

VERONICA CASTELAN, RUDY GUERRERO CASTELAN, DANIEL GUERRERO CASTELAN, NINSI GUERRERO CASTELAN and all others in possession of the premises commonly known as:

Yale Terrace
716 YALE ST. 307
LOS ANGELES, CA 90012

24DEC16 12:44

Dear VERONICA CASTELAN, RUDY GUERRERO CASTELAN, DANIEL GUERRERO CASTELAN, NINSI GUERRERO CASTELAN and all others in possession of the premises:

Several months ago, you received a Ninety Day Notice of Change of Monthly Rent dated 7/31/2024 (the "July Notice"), which increased your rent from \$1,999.00 to \$2,328.00 beginning on 11/1/2024. Please be informed that the July Notice was issued in error, and should be disregarded. As of this date, your monthly rent remains at \$1,999.00. Our records indicate that you paid the increased rent amount of \$2,328.00 for the month of November 2024 & December 2024. As such, a refund of \$ 658.00 will be provided to you within the next 14 days.

Please further be informed, in accordance with Civil Code section 827, that 30 days after service upon you of this Notice, or 2/1/2025, whichever is later, your monthly rent which is payable in advance on or before the 1st day of each month will be the sum of \$2,198.00 instead of \$1,999.00.

The change rent is based on California Tax Credit Allocation Committee Maximum Allowed Rents.

Except as herein provided, all other terms of your tenancy shall remain in full force and effect. Charges for additional optional services (if any) will be applicable as before e.g., laundry, Pet fee.

You may call 213-621-9519 if you wish to arrange a meeting to discuss this change.

Thank you for your cooperation.

Sincerely,

TIRSA JOVEL
Authorized Agent

ANNUAL RECERTIFICATION
FINAL REMINDER NOTICE

Date: 01/22/2025

VERONICA CASTELAN

YALE TERRACE

716 YALE ST. 307
Los Angeles, CA 90012

25 JAN 22 2:49 PM

25 JAN 22 11:11 AM

Dear Resident:

Please take notice that, on 9/27/2024, 10/28/2024 and 11/27/2024 we sent you notices requesting you to set up your recertification interview. You have not scheduled any interview yet. The previous notice clearly stated that you are required to provide the requested documentation and sign all the necessary release forms. We hereby remind you for the FINAL time, the Tax Credit Program governed by the Internal Revenue Service (IRS), requires that we review your household's income and family composition at initial certification and then on an annual basis.

To complete our review of your income and family composition, you MUST meet the Resident Manager at the Management Office and provide the required information. The Manager will be available for your recertification interview on 1/23/2025, at 2:00:00 PM.

If you are unable to attend, you must call the Manager as soon as possible to reschedule your appointment at 213-621-9519. All household members, who are 18 years of age or older, will be asked to sign the Tenant Income Certification Questionnaire, as well as any other income verification deemed necessary.

In order to be in compliance with the Tax Credit procedure, it is necessary for you to bring with you to the interview the following:

- Copies of:
- ☐ Current 1040 or W-2 Forms
 - ☐ All Paycheck Stubs from Aug-24 through Oct-24
 - ☐ Bank Statements:
 - ☐ Six Bank Statements for checking account from May-24 through Oct-24
 - ☐ Most current statement for all savings or time deposits
 - ☐ Verification of monthly child support
 - ☐ Verification of childcare services AND copies of payment receipts from _____ through _____
 - ☐ Current value of real estate
 - ☐ Monthly annuity or pension payments.
 - ☐ Recent award letter from Social Security or Welfare (letter must be dated Oct-24 onwards)
 - ☐ Support payments from relatives (monthly amount – statement)
 - ☐ Award letter from unemployment (Call EDD 1-800-300-5616 and request a printout of pre-claim computation screen)
 - ☐ Any other income or asset not listed above.

Please be advised that upon due completion of Tenant Income Certification Questionnaire, the required information may differ.

Please be advised if you do not comply with this notice by 1/23/2025, your tenancy will be terminated.

Sincerely,

Community Manager

DECLARATION RE SERVICE OF

'24 MAY 29 11:28AM

Ninety Day Notice of Change of Monthly Rent

(Insert title of notice being served)

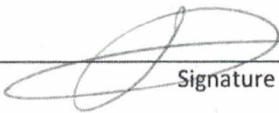
I, MARIA SALAZAR, declare as follows:
(Print name of person signing this form)

I served the Ninety Day Notice of Change of Monthly Rent, a copy of which is attached
hereto, as follows:

1. NAME OF PERSON SERVED: VERONICA CASTELAN ,GUERRERO CASTELAN
RUDY ,GUERRERO CASTELAN DANIEL ,GUERRERO
CASTELAN NINSI
(Tenant's name)
2. NAME OF PERSON GIVEN PAPERS: _____
3. DATE OF DELIVERY: _____
4. MAILING DATE (if copy was
mailed): 5/29/2024
5. POSTING DATE (if copy was
posted): 5/29/2024
6. METHOD OF SERVICE (Indicate A or B in the adjacent box):
☐ A. By handing a copy to person served and mailing to said person at the address
set forth in said notice.
☒ B. By posting a copy on the door at the premises described in the above-
mentioned NOTICE and mailing a copy to the person at the premises described
in the above-mentioned NOTICE.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on 5/29/2024, at LOS ANGELES CA
(Date) (City and State)



Signature

NOTE: When handing a notice to an adult, items 1, 2, 3, and 4 are to be completed. When posting a notice on the door, items 1, 4, and 5 are to be completed.

YALE TERRACE

LEASING OFFICE

716 YALE ST.

LOS ANGELES, CA, 90012

'24MAY29 11:38AM

NINETY DAY NOTICE OF CHANGE OF MONTHLY RENT

5/29/2024

VERONICA CASTELAN, and all others in possession of the premises commonly known as:

Yale Terrace

716 YALE ST. 307

LOS ANGELES, CA 90012

Dear VERONICA CASTELAN ,GUERRERO CASTELAN RUDY ,GUERRERO CASTELAN DANIEL ,GUERRERO CASTELAN NINSI and all others in possession of the premises:

You are hereby notified, in accordance with Civil Code Section 827, that 90 days after service upon you of this Notice, or 9/1/2024, whichever is later, your monthly rent which is payable in advance on or before the 1st day of each month, will be the sum of \$2,109.00, instead of \$1999.00.

The change rent is based on California Tax Credit Allocation Committee Maximum Allowed Rents.

Except as herein provided, all other terms of your tenancy shall remain in full force and effect. Charges for additional optional services (if any) will be applicable as before e.g., laundry,

You may call 213-621-9519 if you wish to arrange a meeting to discuss this change.

Thank you for your cooperation.

Sincerely,
MARIA SALAZAR

Authorized Agent

CC: Tenant File



**30 DAY NOTICE
CHANGE OF RENT PAYMENT TERMS**

Date: 11/29/2024

ALL TENANTS

(Name of the Tenant)

YALE TERRACE

(Name of Property)

716 YALE ST.

(Property Address)

LOS ANGELES, CA 90012

(City, State, Zip)

'24NOV29 10:50AM

Dear Residents,

This notice is to inform you of changes to the rental payment policies, effective January 1, 2025, which are intended to ensure consistency with the terms of your lease agreement.

RENT PAYMENT: Resident understands the entire rent for each month is due on or before the first (1st) day of the month and agrees to pay the same on that date to the Resident Manager at the Rental Office in the Apartment Community. Furthermore, the Resident understands that rent is DUE IN FULL on the first (1st) day of each month and that rent paid after the first day of each month is considered late and subject to legal action at that time. Partial Rent payment is not accepted. NO CASH ACCEPTED. Payment must be made in the form of a personal check, cashier's check, or money order. Residents may pay rent in person at the Management Office between office hours, Monday through Friday.

LATE CHARGES AND RETURNED CHECKS: Time is of the essence, and if the rent is paid after the **THIRD (3rd) day of the month**, a late charge of \$50.00 will be due as additional rent. If Management elects to accept rent after the **THIRD (3rd) day of the month**, payments will only be accepted in the form of cashier's check or money order. In the event Resident's check is dishonored by Resident's financial institution for "non-sufficient funds" (NSF), Resident agrees to pay Management additional rent in the amount of \$35.00 along with the appropriate additional rent for late payment in the form of a **cashier's check, certified check or money order**. After receipt of a second NSF check, the Resident must pay all subsequent rent by cashier's check or money order for a period of not less than six months.

If Management agrees to accept rent paid late, this does not waive Management's right not to accept future late payments or pursue its legal remedies.

Thank you for your attention and if you have any questions, please contact the management office at 213-621-9519

Sincerely,

The Management



011/18/2024



ANNUAL RECERTIFICATION
THIRD REMINDER NOTICE/NOTICE OF TERMINATION

Date: 11/27/2024

VERONICA CASTELAN
YALE TERRACE
716 YALE ST. 307
Los Angeles, CA 90012

Dear Resident:

on 9/27/2024 and 10/28/2024 we sent you notices requesting you to set up your recertification interview. You still have not scheduled your interview. The previous notices clearly stated that you were required to supply the requested documentation and sign all the necessary release forms. Once again, you are reminded the Tax Credit Program governed by the Internal Revenue Service (IRS), requires that we review your household's income and family composition at initial certification and then on an annual basis.

To complete our review of your income and family composition, you **MUST** meet with the Resident Manager at the rental office and supply the required information. I will be available for your recertification interview on 12/13/2024
At 12:30:00 PM

If you cannot attend, you must call the manager as soon as possible to reschedule the appointment at 213-621-9519

All household members, who are 18 years of age or older, will be asked to sign the Tenant Income Certification Questionnaire, as well as any other income verifications deemed necessary.

Cooperation with this requirement is a condition of continued program participation. If you do not respond to this notice by 12/20/2024 a Thirty Day (30-day) Notice to Vacate the Premises will be issued.

In order to be in compliance with the Tax Credit procedure, it is necessary for you to bring with you to the interview the following:

- Copies of:
- ☒ Current 1040 or W-2 forms
 - ☒ All Paycheck Stubs from Aug-24 through Oct-24
 - ☒ Bank statements:
 - ☒ Six Bank Statements for checking account from May-24 through Oct-24
 - ☒ Most current statement for all savings or time deposits
 - ☒ Verification of monthly child support
 - ☒ Verification of childcare services AND copies of payment receipts from _____ through _____
 - ☒ Current value of real estate
 - ☒ Monthly annuity or pension payments
 - ☒ Recent award letter from Social Security or Welfare (letter must be dated from **Oct-24**- onwards)
 - ☒ Support payments from relatives (monthly amount – statement)
 - ☒ Award letter from unemployment (Call EDD 1-800-300-5616 and request a print out of pre-claim computation screen)
 - ☒ Any other income or asset not listed above

Please be advised that after you complete the Tenant Income Certification Questionnaire, the required information may differ.

Please be advised if you do not recertify
by _____, your tenancy will be terminated.
(Recertification Date)

Very truly yours,

BARBARA ARCHILA
Community Manager



ANNUAL RECERTIFICATION

FIRST REMINDER NOTICE

Date: 09/27/2024

'24 SEP 27 12:29 PM

VERONICA CASTELAN
YALE TERRACE
716 YALE ST. 307
Los Angeles, CA 90012

Dear Resident:

It will soon be time for your Annual Recertification. The Tax Credit Program governed by the Internal Revenue Service (IRS), requires that we review your household's income and family composition at initial certification and then on an annual basis.

In order to begin this process, we have scheduled an appointment for you with MARIA SALAZAR
(Resident Manager)
on 10/16/2024, at 11:00:00 AM

If you cannot attend, you must call the manager as soon as possible to reschedule the appointment at 213-621-9519. All household members, who are 18 years of age or older, will be asked to sign the Tenant Income Certification Questionnaire, as well as any other income verifications, deemed necessary.

In order to be in compliance with the Tax Credit procedure, it is necessary for you to bring with you to the interview the following:

- Copies of:
- ☒ Current 1040 or W-2 forms
 - ☒ All Paycheck Stubs from Aug-24 through Oct-24
 - ☒ Bank statements:
 - ☒ Six Bank Statements for checking account from May-24 through Oct-24
 - ☒ Most current statement for all savings or time deposits
 - ☒ Verification of monthly child support
 - ☒ Verification of childcare services AND copies of payment receipts from _____ through _____
 - ☒ Current value of real estate
 - ☒ Monthly annuity or pension payments
 - ☒ Recent award letter from Social Security or Welfare (letter must be dated from Oct-24 onwards)
 - ☒ Support payments from relatives (monthly amount – statement)
 - ☒ Award letter from unemployment (Call EDD 1-800-300-5616 and request a print out of pre-claim computation screen)
 - ☒ Any other income or asset not listed above

Please be advised that after you complete the Tenant Income Certification Questionnaire, the required information may differ.

Please be advised if you do not recertify by 2/1/2025, your tenancy will be terminated.
(Recertification Date)

Very truly yours,

MARIA SALAZAR

Community Manager



EXHIBIT D

This page is part of your document - DO NOT DISCARD



20090212012



Pages:
0019

Recorded/Filed in Official Records
Recorder's Office, Los Angeles County,
California

02/17/09 AT 09:59AM

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TAXES:	0.00
OTHER:	0.00
PAID:	0.00

MAR 05 2009

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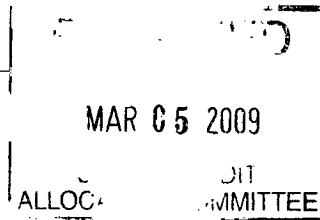
THIS FORM IS NOT TO BE DUPLICATED

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



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 Yale Terrace Apartments, a California Limited Partnership ("Owner") and is dated as of February 14, 2008 (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 Yale Terrace Apartments, identified in the records of TCAC by TCAC# CA-2005-050 and IRS Building Identification Number CA-2005-05001, 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.

"Applicable Fraction" means the smaller of the Unit Fraction or the Floor Space Fraction, all calculated in accordance with Section 42(c)(1) of the Code.

"Area Median Gross Income" means the median gross income of the area in which the Project is located as determined by the Secretary for purposes of Section 42 of the Code, including adjustments for family size.

"Assumption Agreement" shall have the meaning assigned in Section 15 hereof.

"Code" means those provisions of the Internal Revenue Code of 1986, as amended, and regulations promulgated pursuant thereto.

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"Compliance Period" means the period of 30 consecutive taxable years beginning with the first taxable year of the Credit Period, or such longer period as is prescribed at Appendix A.

"Credit Period" means, with respect to the State Tax Credit, the period of four taxable years beginning with the taxable year the Project is placed in service or (at the election of the Owner) the succeeding taxable year, and with respect to the Federal Tax Credit, the period of ten taxable years beginning with the taxable year the Project is placed in service or (at the election of the Owner) the succeeding taxable year, as further provided pursuant to Section 2b hereof.

"Effective Date" means the date first set forth herein above.

"Federal Tax Credit" means the low-income housing tax credit under Section 42 of the Code.

"Floor Space Fraction" means the fraction, the numerator of which is the total floor space of the Low-Income Units in a building and the denominator of which is the total floor space of the Units in such building.

"Gross Rent" means all amounts paid by a Tenant for rent, determined in a manner consistent with Section 42(g)(2) of the Code. If the Tenant pays utilities directly, Gross Rent shall include any utility allowance prescribed by the Secretary.

"Income" means the income of a Tenant determined in a manner consistent with the requirements of Section 142(d)(2)(B) of the Code.

"Low-Income" means, with respect to any Tenant, an income level not exceeding 50% or 60% of Area Median Gross Income, as provided in Section 4b hereof, or such alternative income level as may be set forth in Appendix A.

"Low-Income Tenant" means a Tenant who, when the Tenant originally occupied the Unit, had an Income qualifying as Low-Income. For so long as the Tenant occupies the particular Unit [or another unit in the same building], the Tenant will remain a Low-Income Tenant if the Tenant's Income, upon the most recent income certification, does not exceed 140% of Low-Income.

"Low-Income Unit" means a Unit in the Project that is occupied by a Low-Income Tenant, is Rent-Restricted and meets the other requirements of Section 42 of the Code, in particular, Section 42(i)(3).

"Minimum Amount" means the number of Units in the Project required to be Low-Income Units, which Minimum Amount for this Project is 20% or 40% of the Units, as provided in Section 4b hereof. Notwithstanding the Minimum Amount, the Applicable Fraction for this project shall be no less than that set forth at Section 4c hereof.

"Owner" means Yale Terrace Apartments, a California Limited Partnership or successors.

"Project" means the residential rental housing project known as Yale Terrace Apartments, TCAC# CA-2005-050, and located on the real property described in Exhibit A.

"Qualified Low-Income Housing Project" means a residential rental project meeting the requirements of Section 4 hereof.

"Rent-Restricted" means, with respect to any Unit, that the Gross Rent with respect to such Unit is not more than 30% of the imputed income limitation applicable to such Unit pursuant to Section 42(g)(2)(C) of the Code, as modified by Appendix A, if applicable.

"Secretary" means the Secretary of the Treasury of the United States.

"Service" means the United States Internal Revenue Service and any successor thereto.

"Tax Credit" means the low-income housing tax credit under Section 42 of the Code.

"TCAC" means the Tax Credit Allocation Committee and its successor.

"TCAC Compliance Monitoring Procedures" means those procedures and requirements adopted or imposed by TCAC for the purpose of discharging its responsibilities pursuant to Section 42(m)(1)(B)(iii) of the Code to monitor compliance by the Owner and the Project with the provisions of Section 42 of the Code and notify the Service of instances of noncompliance.

"Tenant" means the individual or individuals entitled to occupy a Unit in the Project by lease or other legal relationship with the Owner.

"Unit" means any residential rental unit in the Project consisting of an accommodation containing separate and complete facilities for living, sleeping, eating, cooking, and sanitation; provided, however, that single room occupancy units used on a nontransient basis may be treated as Units.

"Unit Fraction" means the fraction, the numerator of which is the number of Low-Income Units in a building and the denominator of which is the number of Units in such building.

b. Any term or phrase which is used in this Agreement and not defined herein shall have the meaning, if any, assigned thereto in Section 42 of the Code. Any term or phrase which is defined herein shall, unless the context shall clearly indicate otherwise, be interpreted in a manner consistent with the provisions and requirements of Section 42 of the Code.

Section 2. Term.

a. This Agreement shall commence as of the Effective Date and shall terminate on the last day of the Compliance Period (the "Term"), unless earlier terminated pursuant to Section 2c hereof.

b. The Credit Period commences with respect to each building in the Project (i) the taxable year in which the building is placed in service or (ii) the succeeding taxable year, at the irrevocable election of the Owner pursuant to Section 42(f)(1)(B) of the Code. In the case of the Project, the Credit Period begins in the calendar year 20 08 or as set forth at Appendix A with respect to individual buildings.

c. Notwithstanding subsection 2.a., this Agreement shall terminate with respect to any building in the Project on the date such building is acquired by foreclosure or instrument in lieu

of foreclosure unless the Secretary determines that such acquisition is part of an arrangement a purpose of which is to terminate such period; provided, however, that, except for eviction for good cause, the Tenant of any Low-Income Unit shall be entitled to occupy such Unit in accordance with the provisions of this Agreement for a period of three years following such termination.

Section 3. Filing. This Agreement, and all amendments hereto, shall be recorded as a restrictive covenant in the official records of the County of Los Angeles in which the Project is located. The Owner shall pay all fees and charges incurred in connection with such recording.

The Owner intends, declares and covenants, on behalf of itself and all future owners and operators of the Project during the Term of this Agreement, that this Agreement and the covenants and restrictions set forth in this Agreement regulating and restricting the use, occupancy and transfer of the Project (i) shall be and are covenants running with the Project land, encumbering the Project land for the Term of this Agreement and binding upon the Owner's successors in title and all subsequent owners and operators of the Project land, and (ii) shall bind the Owner (and the benefits shall inure to TCAC and any past, present or prospective Tenant of the Project) and its respective successors and assigns during the Term of this Agreement. The Owner hereby agrees that any and all requirements of the laws of the State of California to be satisfied in order for the provisions of this Agreement to constitute deed restrictions and covenants running with the land shall be deemed to be satisfied in full, and that any requirements or privileges of estate are intended to be satisfied, or in the alternate, that an equitable servitude has been created to insure that these restrictions run with the Project land. For the Term of this Agreement, each and every contract, deed or other instrument hereafter executed conveying the Project or portion thereof shall expressly provide that such conveyance is subject to this Agreement; provided, however, that the covenants contained herein shall survive and be effective regardless of whether such contract, deed or other instrument hereafter executed conveying the Project or portion thereof provides that such conveyance is subject to this Agreement.

Section 4. Qualified Low-Income Housing Project.

a. The Owner shall maintain the Project as a Qualified Low-Income Housing Project within the meaning of Section 42 of the Code at all times, commencing with the last day of the first year of the Credit Period and continuing throughout the Term of this Agreement. To this end, and without limitation, the Owner shall --

(i) operate the Project such that at least the Minimum Amount of the Units in the Project are Low-Income Units, and

(ii) assure that Units in the Project are (A) available for use by the general public, (B) suitable for occupancy and (C) used on other than a transient basis.

b. During the Term of this Agreement, the Owner shall not evict, terminate the tenancy, or refuse to renew the lease or rental agreement of any Tenant of any Low-Income Unit without good cause.

c. For purposes of this Agreement and Section 42 of the Code, the Owner has elected to comply with [] the "20-50 test" pursuant to which "Low-Income" is defined as 50% of Area Median Gross Income and the Minimum Amount is 20% of the Units in the Project or [X] the "40-60 test" pursuant to which "Low-Income" is defined as 60% of Area Median Gross Income and the Minimum Amount is 40% of the Units in the Project.

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d. The amount of Tax Credit allocated to the Project is based on the requirement that the Applicable Fraction for buildings in the Project will be at least 100% or as specified, building-by-building, at Appendix A. The Owner's failure to ensure that each building in the Project complies with such requirement will cause TCAC to report such fact to the Service which may result in the reduction and recapture by the Service of Tax Credit, and (ii) to take other appropriate enforcement action, including, but not limited to, the remedies provided herein.

e. The Owner may not refuse to lease a Unit in the Project to a prospective Tenant who holds a voucher or certificate of eligibility for assistance pursuant to Section 8 of the United States Housing Act of 1937, as amended, because of the status of such prospective Tenant as the holder of such voucher or certificate.

f. The Project and the Owner are subject to the additional and/or modified requirements, if any, set forth at Appendix A, which requirements are incorporated herein and made a part hereof.

Section 5. Annual Determinations; Low-Income Units. Upon initial occupancy and, unless otherwise allowed under Section 42 of the Code and specifically authorized by TCAC, at least annually thereafter, the Owner shall determine and certify the Income of each Low-Income Tenant. If, upon any such annual certification, the Tenant of a Low-Income Unit who was, at the last income certification, a Low-Income Tenant, is found no longer to be a Low-Income Tenant, such Unit will continue to be treated as a Low-Income Unit until the next available Unit of comparable or smaller size in the building (i) is rented to a person who is not a Low-Income Tenant or (ii) is rented without being Rent-Restricted. A Low-Income Unit that has been vacated will continue to be treated as a Low-Income Unit provided that (I) reasonable attempts are made to rent the Unit and (II) no other Units of comparable or smaller size in the building are rented to persons who are not Low-Income Tenants or are rented without being Rent-Restricted. In no case will a Unit be treated as a Low-Income Unit if all the Tenants of the Unit are students (as determined under Section 151(c)(4) of the Code), no one of whom is entitled to file a joint income tax return; provided, however, that such rule shall not apply to the types of students identified at Section 42(i)(3)(D) of the Code, or any successor to such provision, as applicable to the Project.

Section 6. Compliance Monitoring. The Owner acknowledges that TCAC is required, pursuant to Section 42(m)(1)(B)(iii) of the Code, (i) to monitor the Owner's and the Project's compliance with the requirements of Section 42 of the Code and (ii) to notify the Service of any noncompliance which is found. The Owner agrees (I) to maintain records that substantiate and document such compliance, preserving such records for the period required by the Service and TCAC, (II) to take all actions required by TCAC pursuant to the TCAC Compliance Monitoring Procedures to assist or cooperate with TCAC in monitoring such compliance and (III) to pay the fee prescribed by TCAC with respect to such monitoring. The TCAC Compliance Monitoring Procedures require, among other things, that the Owner annually certify to TCAC (on such forms as are prescribed by TCAC) the number of Units in the Project which are Low-Income Units, the percentage of floor space in the Project which is allocable to Low-Income Units, that the Project continues to be a Qualified Low-Income Housing Project; provided, however, that in the first year of the Credit Period, the Owner shall certify individually with respect to each month of such year the number of Low-Income Units in the Project and the percentage of floor space devoted to such Units on the last day of the month. The Owner is responsible for full adherence to the TCAC Compliance Monitoring Procedures without regard to whether particular requirements of those procedures are enumerated in this Agreement. The Owner agrees TCAC may, at any time

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during the construction, rehabilitation, or operation of the Project, enter and inspect the Project to evaluate its physical and financial condition, construction, rehabilitation, operation, management and maintenance.

Section 7. Notification of Noncompliance. The Owner agrees to notify TCAC or its designee if there is a determination by the Service that the Project is not a "qualified low-income housing project" within the meaning of Section 42(g) of the Code. Notification to TCAC will be made within ten business days of receipt of any such determination.

Section 8. Security for Performance. The Owner hereby assigns its interest in the rents from the Project to TCAC as security for the performance of the Owner's obligations under this Agreement. However, until and unless the Owner defaults in its obligations under this Agreement, the Owner is entitled to collect, retain and apply such rents.

Section 9. Remedies. In the event the Owner defaults in its obligations under this Agreement and such default is not cured within a reasonable time period, the remedies of TCAC, the Tenants and any former or prospective Low-Income Tenants shall include, but are not limited to, the following:

- a. collecting all rents with respect to the Project and applying them (i) to meet the ongoing costs of operating the Project, (ii) to pay debt service, (iii) to reimburse any Low-Income Tenants who may have been charged a Gross Rent above the applicable Rent-Restricted level or (iv) to assure the long-term, Low-Income use of the Project consistent with the requirements of Section 42 of the Code and this Agreement;
- b. taking possession of the Project and operating the Project in accordance with the requirements of this Agreement, including the collection and application of rents in accordance with subsection a of this Section 9, until the Owner demonstrates that it will operate the Project in accordance with this Agreement;
- c. applying to any court for specific performance of any of the obligations herein set forth;
- d. securing the appointment of a receiver to operate the Project in a manner consistent with this Agreement, including subsections a and b of this Section 9;
- e. suit against the Owner for damages or for the disgorgement of rents collected in excess of those which would have been received had the Owner complied with the requirements of this Agreement; and
- f. requiring the replacement of the manager of the Project with a property manager approved by TCAC, in the event the Owner fails to maintain the Project in sound and habitable condition, such that each Low-Income Unit is suitable for occupancy in accordance with the requirements of Section 42 (I) (3) (B) (I) of the Code and Section 4a of this Agreement;
- g. requiring the payment of an increased compliance monitoring fee by the owner for such period as TCAC determines appropriate; and
- h. such other relief as may be appropriate.

Section 10. Enforceability. This Agreement may be enforced by TCAC or its designee, including any agency of State or local government identified at Appendix A hereto or otherwise in a written notice provided by TCAC to Owner. In addition, the Agreement shall be deemed a contract enforceable by, and shall inure to the benefit of, one or more Tenants or persons meeting the Low-Income restriction, whether past, present, or prospective Tenants, as third-party beneficiaries hereof. TCAC, its designee and/or any Tenant or other third-party beneficiary shall be entitled to reasonable attorneys' fees and other legal costs in any judicial or administrative action in which such party shall prevail.

Section 11. No Conflicting Agreements. The Owner warrants that it is not bound by and will not execute any other agreement with provisions that bind it to violate the provisions of this Agreement; provided, however, that with the approval of TCAC, this Agreement may be subordinated, if required, to any lien or encumbrance of any banks or other institutional lenders to the Project; provided, further, that the terms of any such subordination shall provide that (i) prior to any such lender's acquisition of the Project by foreclosure or instrument in lieu of foreclosure, the exercise of any remedy or authority by any such lender shall be subject to all of the requirements of the Agreement, and (ii) subsequent to any such lender's acquisition of the Project by foreclosure or instrument in lieu of foreclosure, the requirement of Section 2c hereof, with respect to the continuation of occupancy and rent restrictions for three years following certain terminations of this Agreement, shall remain in effect.

Section 12. Successors Bound. This Agreement and the covenants and conditions contained herein shall run with the land and shall bind, and the benefits shall inure to, respectively, the Owner and its successors and assigns and all subsequent owners of the Project or any interest therein, and TCAC and its successors and assigns, for the Term of this Agreement, without regard to whether any such parties shall have executed an Assumption Agreement with respect hereto. Upon termination of this Agreement, the covenants and conditions contained herein shall expire, except that the requirement of Section 2c hereof, with respect to the continuation of occupancy and rent restrictions for three years following certain terminations of this Agreement, shall remain in effect.

Section 13. Amendments; Waivers. Except as otherwise provided in this Agreement, this Agreement may not be amended, changed, modified, altered or terminated except by written instrument executed and acknowledged by each of the parties hereto or their successors and duly recorded in the official records of the county in which this Agreement is recorded. Any waiver of any provision of this Agreement shall not be deemed to be an amendment hereof. Upon request by TCAC, the Owner agrees that it will take all actions necessary to effect any amendment of this Agreement which may be necessary in TCAC's sole discretion to comply with the Code, and any and all applicable rules, regulations, policies, procedures, rulings or other official statements pertaining to the Tax Credits.

Section 14. Assignment by Owner. The Owner may not sell or otherwise dispose of any portion of any building in the Project unless it disposes of the entire building to the same person. Upon sale or transfer of the Project, the Owner shall be relieved of all obligations under the Agreement and the transferee shall succeed to and be bound by all of the Owner's rights and obligations hereunder, without regard to whether the transferee has executed an Assumption Agreement as hereinafter provided. Prior to any transfer of the Project, the Owner shall notify TCAC in writing and provide the name(s) and address(es) and financial reports of the prospective successor owner and operator. The Owner shall require, as a condition precedent to any sale, transfer or exchange or any other disposition of the Project prior to termination of this Agreement, that the purchaser or successor assume, in writing, in an Assumption Agreement acceptable to TCAC, the Owner's obligations hereunder and under Section 42 of the Code and

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applicable regulations, which Assumption Agreement shall be delivered to TCAC in executed, recordable form prior to any such sale, transfer or exchange. This provision shall not act to waive any other restriction on sale, transfer or exchange of the Project or any building in the Project. The Owner agrees that any sale, transfer or exchange of the Project without execution of an Assumption Agreement or otherwise in contravention of the provisions of this Section 14 shall be voidable at the discretion of TCAC. Changes in the constituents of the Owner shall not constitute a default under this Agreement. Owner acknowledges that the sale, transfer or exchange of the Project, or any interest in the Project or the Owner, consistent with the requirements of this Agreement, does not relieve the Owner or any of its constituents from any obligations which it may have under Section 42 of the Code, including those with respect to recapture of Tax Credit or any alternative thereto.

Section 15. Notices. All notices, certificates or other communications shall be sufficiently given and shall be deemed received on the second day following the date on which the same have been mailed by certified mail, postage prepaid, or sent by other method which produces evidence of delivery thereof, addressed as follows:

To the TCAC:

California Tax Credit Allocation Committee
915 Capitol Mall, Room 485
P.O. Box 942809
Sacramento, CA 94209-0001

To the Owner:

Yale Terrace Apartments, a California Limited Partnership
5939 Monterey Road
Los Angeles, CA 90042

TCAC and the Owner may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 16. Indemnification. The Owner agrees to indemnify and hold harmless the Chairperson, TCAC committee members, TCAC officers, directors and employees from and against all liabilities, losses, claims, damages, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by TCAC as a result of any material inaccuracy in any of the representations and warranties contained in this Agreement, or as a result of any action by the Owner, including claims by third parties.

The Owner agrees that should any claims, demands, suits or other legal proceedings be made or instituted by any person against TCAC which arise out of any of the matters relating to this Agreement, the Owner will cooperate fully with TCAC in the defense or other disposition thereof.

Section 17. Severability. The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions thereof.

Section 18. Governing Law. This Agreement shall be governed by the laws of the State of California, excluding conflicts provisions, and, where applicable, the laws of the United States of America.

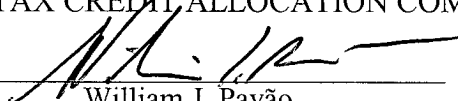
Section 19. Survival of Obligations. The obligations of the Owner as set forth herein and in the application shall survive the allocation of the Tax Credit and shall not be deemed to terminate or merge with the awarding of the allocation.

Section 20. Interpretation. TCAC's interpretation of this Agreement shall be controlling for purposes of determining whether (i) the Compliance Period shall have commenced, (ii) this Agreement shall have been terminated in accordance with Section 2 hereof, and (iii) the Additional Use Restrictions elected at Appendix A hereto, if any, shall have been complied with.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective duly authorized representatives, as of the day and year first written above.

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

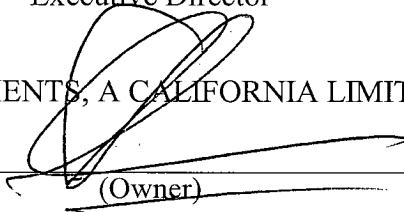
By



William J. Pavão
Executive Director

YALE TERRACE APARTMENTS, A CALIFORNIA LIMITED PARTNERSHIP

By



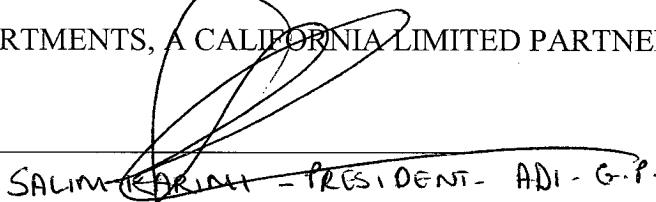
(Owner)

SALIM KARIMI - PRESIDENT - ADI - G.P.
(Please type or print name)

The undersigned, owners of the property described on Exhibit A hereto, hereby consent to recordation of this Regulatory Agreement against such property, and agree that such property shall be bound by the provisions thereof.

YALE TERRACE APARTMENTS, A CALIFORNIA LIMITED PARTNERSHIP

By


SALIM KARIMI - PRESIDENT - ADI - G.P.

ACKNOWLEDGMENT

State of California
County of Sacramento

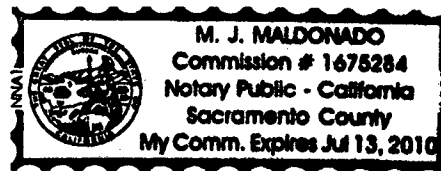
On January 28, 2009 before me, M J Maldonado, notary public
(insert name and title of the officer)

personally appeared William J. Pavão,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.

Signature M J Maldonado (Seal)



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ACKNOWLEDGMENT

State of California

County of Los Angeles)

On JANUARY 9, 2009 before me, Dmitriy Moskalenko, Notary Public
(insert name and title of the officer)

personally appeared SALIM KARIM,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~
subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in
his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.

Signature D. Moskalenko (Seal)

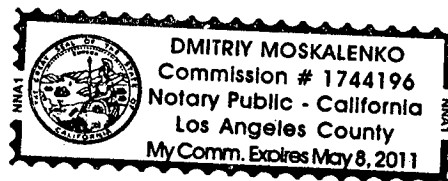


EXHIBIT A
to Regulatory Agreement

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Description of the real property
on which the Project is located

CA-2005-050

Location:

716 Yale Street
Los Angeles, CA 90012

Legal Description:

PLEASE SEE ATTACHED LEGAL
DESCRIPTION

Project Size Description:

1 Building
54 Low-Income Units; 1 Manager's Unit
0 Studio, 0 1-Bedroom; 0 2-Bedroom;
18 3-Bedroom; 37 4-Bedroom;
0 5-Bedroom

LEGAL DESCRIPTION

REAL PROPERTY IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

ALL OF LOTS 8 AND 9, ALL IN BLOCK 35 OF ORD'S SURVEY, IN THE CITY OF LOS ANGELES, AS PER MAP RECORDED IN BOOK 107 PAGES 316 AND 317 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO THE SOUTHWESTERLY 39 FEET OF LOT 2 OF TRACT 182, IN THE CITY OF LOS ANGELES, AS PER MAP RECORDED IN BOOK 13 PAGE 132 OF MAPS, IN THE OFFICE OF THE COUNTY EWCORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS, AND OTHER HYDROCARBON SUBSTANCES AND MINERALS INCLUDING GEOTHERMAL RESOURCES LYING IN AND UNDER SAID LAND ABOVE DESCRIBED, OR PRODUCED AND SAVED THEREFROM, AND FURTHER EXCEPTING AND RESERVING TO GRANTOR THE SOLE AND EXCLUSIVE RIGHTS TO DRILL INTO, FROM AND THROUGH SAID LAND AND ALL SUBSURFACE EASEMENTS NECESSARY OR CONVENIENT TO PROSPECTING FOR, PRODUCING AND DEVELOPING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES AND MINERALS BY MEANS OF SLANT DRILLING OPERATION CONDUCTED FROM SURFACE LOCATIONS OUTSIDE SAID LAND, INTO OR THROUGH SAID LAND, TO PRODUCING INTERVALE EITHER WITHIN OR BEYOND SAID LAND, ALL SUBJECT HOWEVER, TO THE CONDITION THAT, IN THE ENJOYMENT OF SAID RESERVED AND EXCEPTED RIGHTS AND INTERESTS GRANTOR SHALL NOT ENTER UPON THE SURFACE OF SAID LAND OR INTO THE UPPER 500 FEET THEREOF MEASURED VERTICALLY FROM SAID SURFACE, AS RESERVED BY THE ROMAN CATHOLIC ARCHBISHOP OF LOS ANGELES, A CORPORATION SOLE RECORDED OCTOBER 8, 1982 AS INSTRUMENT NO. 82-1017591, OFFICIAL RECORDS.

APN: 5408-018-024

5408-018-025

5408-018-026

5408-018-027

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APPENDIX A
ADDITIONAL USE RESTRICTIONS

Housing Type

- ☒ Large Family
- ☐ Senior
- ☐ SRO
- ☐ Special Needs
- ☐ At-Risk
- ☐ Non-targeted

Average Income Target

- ☒ Throughout the Compliance Period, unless otherwise permitted by TCAC, Units must be occupied by Tenants such that the average income of Tenants is at or below 30%@30%, 50%@50% of Area Median Gross Income, and, such Units shall be Rent-Restricted in accordance with such income level.

Longer Compliance Period

- ☒ The Compliance Period shall be a period of 55 consecutive taxable years commencing with the first year of the Credit Period.

Designation of First Year of Credit Period by Building

Building Id. _____ First Year of Credit Period 200__

☐ **Material Participation by Qualified Nonprofit Organization**

Throughout the Compliance Period, a "qualified nonprofit organization" within the meaning of Section 42(h)(5)(C) of the Code shall own an interest in the Project and shall materially participate (within the meaning of Section 469(h)) in the development and operation of the Project.

Targeted Population and Physical Facility Features

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☒ Large Family Project

- At least thirty percent (30%) of the units in the project are three-bedroom or larger units, with the remaining units configured based on the demand established in the basic threshold requirements except that for projects qualifying for and applying under the At-risk set-aside, the Executive Director may grant a waiver of this requirement if the applicant shows it would be cost prohibitive to comply;
- One-bedroom units must include at least 500 square feet and two-bedroom units must include at least 750 square feet of living space. These limits may be waived for rehabilitation projects, at the discretion of the Executive Director. Three-bedroom units shall include at least 1,000 square feet of living space and four-bedroom units shall include at least 1,200 square feet of living space, unless these restrictions conflict with the requirements of another governmental agency to which the project is subject to approval (bedrooms shall be large enough to accommodate two persons each and living areas shall be adequately sized to accommodate families based on two persons per bedroom);
- Four-bedroom and larger units shall have at least two full bathrooms.
- The project shall provide outdoor play/recreational facilities suitable and available to all tenants, for children of all ages, except for small developments as defined in Section 10315(c). The Executive Director, in her/his discretion may waive this requirement upon demonstration of nearby, readily accessible, recreational facilities;
- The project shall provide an appropriately sized common area(s). For purposes of this part, common areas shall include all interior common areas, such as rental office and meeting rooms, but shall not include laundry rooms or manager living units, and shall meet the following size requirement: projects comprised of 30 or less units, at least 600 square feet; projects from 31 to 60 units, at least 1000 square feet; projects from 61 to 100 total units, at least 1400 square feet; projects over 100 units, at least 1800 square feet. Small developments, defined in Section 10315 (d), are exempt from this requirement;
- A public agency shall provide direct or indirect long term financial support for at least fifteen percent (15%) of the total project development costs, or the owner's equity (includes syndication proceeds) shall constitute at least thirty percent (30%) of the total project development costs;
- Adequate laundry facilities shall be available on the project premises, with no fewer than one washer/dryer per 10 units. To the extent that tenants will be charged for the use of central laundry facilities, washers and dryers must be excluded from eligible basis. If no centralized laundry facilities are provided, washers and dryers shall be provided in each unit, subject to the further provision that gas connections for dryers shall be provided where gas is otherwise available at the property;
- Dishwashers shall be provided in all units unless a waiver is granted by the Executive Director because of planning or financial impracticality;
- Projects are subject to a minimum low-income use period of 55 years.

☐ Senior project

- All units shall be restricted to households eligible under the provisions of California Civil Code 51.3 (except for projects utilizing federal funds whose programs have differing definitions for senior projects), and further be subject to state and federal fair housing laws with respect to senior housing;

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- The project shall be on a suitable site. Access to basic services shall be available by other than resident-owned transportation;
 - Projects over two stories shall have an elevator;
 - No more than twenty percent (20%) of the low-income units in the project shall be larger than one-bedroom units, unless waived by the Executive Director, when supported by a full market study. One larger unit may be included for use as a manager's unit without a waiver;
 - One-bedroom units must have at least 500 square feet and two-bedroom units must include at least 750 square feet of living space. These limits may be waived for rehabilitation projects, at the discretion of the Executive Director;
 - For projects receiving credit after 2000, emergency call systems shall only be required in units intended for occupancy by frail elderly populations requiring assistance with activities of daily living, and/or applying as special needs units. When required, they shall provide 24-hour monitoring, unless an alternative monitoring system is approved by the Executive Director;
 - Common area(s) shall be provided on site, or are within approximately one-half mile of the subject property. For purposes of this part, common areas shall include all interior common areas, such as rental office and meeting rooms, but shall not include laundry rooms or manager living units; and shall meet the following size requirement: projects comprised of 30 or less units, at least 600 square feet; projects from 31 to 60 units, at least 1000 square feet; projects from 61 to 100 total units, at least 1400 square feet; projects over 100 units, at least 1800 square feet. Small developments, defined in Section 10315 (d), are exempt from this requirement;
 - A public agency shall provide direct or indirect long-term financial support for at least fifteen percent (15%) of the total project development costs, or the owner's equity (includes syndication proceeds) shall constitute at thirty percent (30%) of the total project development costs;
 - Adequate laundry facilities shall be available on the project premises, with no fewer than one washer/dryer per 15 units. To the extent that tenants will be charged for the use of central laundry facilities, washers and dryers must be excluded from eligible basis. If no centralized laundry facilities are provided, washers and dryers shall be provided in each unit, subject to the further provision that gas connections for dryers shall be provided where gas is otherwise available at the property. ;
 - Projects are subject to a minimum low-income use period of 55 years.

☐ **SRO project**

- Average income is no more than forty percent (40%) of the area median income;
- SRO units are efficiency units, which may include a complete private bath and kitchen but do not have a separate bedroom, unless the configuration of an already existing building being proposed to be used for an SRO dictates otherwise. The maximum size for an SRO unit shall be 500 square feet. At least ninety percent (90%) of the units in the project must meet these requirements;
- At least one bath is provided for every eight units;
- If the project does not have a rental subsidy committed, the applicant shall demonstrate that the target population can pay the proposed rents. For instance, if the target population will rely on General Assistance, the applicant shall show that those receiving General Assistance are willing to pay rent at the level proposed;
- The project configuration, including community space and kitchen, shall meet the needs of the population;
- A public agency shall provide direct or indirect long-term financial support for at least fifteen percent (15%) of the total project development costs, or the owner's equity

(includes syndication proceeds) shall constitute at least thirty percent (30%) of the total project development costs;

- Adequate laundry facilities shall be available on the project premises, with no fewer than one washer/dryer per 15 units;
- Projects are subject to a minimum low-income use period of 55 years;
- A ten percent (10%) vacancy rate shall be used unless otherwise approved by the Executive Director. Justification of a lower rate shall be included;
- A signed contract or memorandum of understanding between the developer and the service provider, together with the resolution of the service provider, must accompany the tax credit application;
- A summary of the experience of the developer and the service provider in the providing for the population to be serviced must accompany the tax credit application;
- New construction projects for seniors shall not qualify as Single Room Occupancy housing.

☐ **Special Needs project**

- Average income is no more than forty percent (40%) of the area median income;
- Third party verification from a federal, state or local agency of the availability of services appropriate to the targeted population;
- The units and building configurations (including community space) meet the specific needs of the population.
- If project does not have a rental subsidy committed, the applicant shall demonstrate that the target population can pay the proposed rents. For instance, if the target population will rely on General Assistance, the applicant shall show that those receiving General Assistance are willing to pay rent at the level proposed;
- A public agency shall provide direct or indirect long-term financial support for at least fifteen percent (15%) of the total project development costs, or the owner's equity (includes syndication proceeds) shall constitute at least thirty percent (30%) of the total project development costs;
- Adequate laundry facilities shall be available on the project premises, with no fewer than one washer/dryer per 15 units;
- Projects are subject to a minimum low-income use period of 55 years;
- A ten percent (10%) vacancy rate shall be used unless otherwise approved by the Executive Director. Justification of a lower rate shall be included;
- Where services are required as a condition of occupancy, special attention shall be paid to the assessment of service costs as related to maximum allowable Credits rents. A tax professional's opinion as to compliance with IRC Section 42 may be required by the Executive Director;
- A signed contract or memorandum of understanding between the developer and the service provider, together with the resolution of the service provider, must accompany the tax credit application;
- A summary of the experience of the developer and the service provider in the providing for the population to be serviced must accompany the tax credit application;
- A preliminary service plan that specifically identifies the services to be provided to the special needs population. The Executive Director shall, in her/his sole discretion, determine whether the plan is adequate to qualify the project as a special needs project.

☐ **At-Risk**

- Projects are subject to a minimum low-income use period of 55 years;
- Application shall meet the requirements of R & T Code subsection 17058(c)(4).

☒ **Site Amenities**

Throughout the Compliance Period, unless otherwise permitted by TCAC, the Project shall include the following site amenities:

- **within 1/4 mile of transit stop with service every 30 minutes & 25 units per acre density**
- **within 1/4 mile of public park or community center open to general public**
- **within 1/4 mile of public library**
- **within 1/4 mile of full-scale grocery store with staples, fresh meat and fresh produce**
- **within 1/4 mile of public school that project children may attend**
- **within 1/2 mile of medical clinic or hospital**
- **within 1/4 mile of pharmacy**

☒ **Service Amenities**

The Project shall include the following service amenities, which must of a regular, ongoing nature, provided to tenants free of charge (with exception of licensed child care), appropriate to the population being served, and committed for a minimum of 10 years:

- **after school programs of an ongoing nature for school age children**
- **educational classes**

Minimum Applicable Fraction by Building

Building Id. _____ Minimum Applicable Fraction _____%

Agency Designated to Enforce

At any time during the Compliance Period, the California Tax Credit Allocation Committee may designate an agency of local government to enforce the terms of this Agreement. The California Tax Credit Allocation Committee designates the following agency of local government for such purpose:

EXHIBIT E

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE REGULATIONS IMPLEMENTING THE
FEDERAL AND STATE LOW INCOME HOUSING TAX CREDIT LAWS

CALIFORNIA CODE OF REGULATIONS
TITLE 4, DIVISION 17, CHAPTER 1

December 11, 2024

[§10300. Purpose and Scope.](#)

[§10302. Definitions.](#)

[§10305. General Provisions.](#)

[§10310. Reservations of Tax Credits.](#)

[§10315. Set-Asides and Apportionments.](#)

[§10317. State Tax Credit Eligibility Requirements.](#)

[§10320. Actions by the Committee.](#)

[§10322. Application Requirements.](#)

[§10323. The American Recovery and Reinvestment Act of 2009.](#)

[§10325. Application Selection Criteria—Credit Ceiling Applications.](#)

[§10325.5. 2016 Projects. \[Repealed\]](#)

[§10326. Application Selection Criteria—Tax-Exempt Bond Applications.](#)

[§10327. Financial Feasibility and Determination of Credit Amounts.](#)

[§10328. Conditions on Credit Reservations.](#)

[§10330. Appeals.](#)

[§10335. Fees and Performance Deposit.](#)

[§10336. Laws, Rules, Guidelines, and Regulations for Tenants of Low-Income Units.](#)

[§10337. Compliance.](#)

Section 10300. Purpose and Scope.

These regulations establish procedures for the reservation, allocation and compliance monitoring of the Federal and State Low-Income Housing Tax Credit Programs (“Housing Tax Credit Programs”, “Programs”, or individually, “Federal Program” or “State Program”) and establish policies and procedures for use of the Tax Credits to meet the purposes contained in Section 252 of Public Law No. 99-514 (October 22, 1986), known as the Federal Tax Reform Act of 1986, as amended, and Chapter 658, California Statutes of 1987, as amended, and Chapter 1138, California Statutes of 1987, as amended.

Internal Revenue Code ("IRC") Section 42 provides for state administration of the Federal Program. California Health and Safety (H & S) Code Sections 50199.4 through 50199.22, and California Revenue and Taxation (R & T) Code Sections 12205, 12206, 17057.5, 17058, 23610.4 and 23610.5 establish the California State Program and designate the California Tax Credit Allocation Committee ("CTCAC") as the Housing Credit Agency to administer both the Federal and State Housing Tax Credit programs in California. These regulations set forth the policies and procedures governing the Committee's management of the Programs. In addition to these regulations, program participants shall comply with the rules applicable to the Federal Program as set forth in Section 42 and other applicable sections of the Internal Revenue Code. In the event that Congress, the California Legislature, or the IRS add or change any statutory or regulatory requirements concerning the use or management of the Programs, participants shall comply with such requirements.

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10302. Definitions.

- (a) Accessible Housing Unit(s). Includes "Housing Units with Mobility Features" and "Housing Units with Hearing/Vision Features."
- (b) Adaptive Reuse. Adaptive Reuse means retrofitting and repurposing of existing buildings that create new residential rental units, and expressly excludes any project that involves rehabilitation of any construction affecting existing residential units. Adaptive Reuse may include retrofitting and repurposing of existing hotels or motels if the hotel or motel is not currently a place of residence for the occupants, and/or sites that received a Project Homekey allocation.
- (c) AHP. The Affordable Housing Program of the Federal Home Loan Bank.
- (d) Allocation. The certification by the Committee of the amount of Federal, or Federal and State, Credits awarded to the applicant for purposes of income tax reporting to the IRS and/or the California Franchise Tax Board ("FTB").
- (e) Alternative Accessibility Standards or "HUD Deeming Memo," HUD-2014-0042-001. The Alternative accessibility standard for accessibility in the U.S. Department of Housing and Urban Development's (HUD) notice at 70 Fed. Reg. 29,671 (May 23, 2014,) when used in conjunction with the requirements of 24 Code of Federal Regulations (C.F.R.) part 8 and 28 CFR part 35, including the 2010 Standards for Accessible Design (2010 ADAS) (28 C.F.R. part 35.104), available at <https://www.ada.gov/law-and-reg/design-standards/2010-stds/>.
- (f) Applicable Credit Percentage. The monthly rate, published in IRS revenue rulings pursuant to IRC Section 42(b)(1), applicable to the Federal Program for purposes of calculating annual Tax Credit amounts.
- (g) Area Median Income or AMI. HUD developed income limits based on median family income estimates and fair market rent area definitions for each metropolitan area, parts of some metropolitan areas, and each non-metropolitan area, published annually on the CTCAC website.
- (h) At-Risk of Homelessness. The condition experienced by people defined as "at risk of homelessness" in 24 CFR Section 91.5 or 578.3.
- (i) Bath or bathroom. A bath or bathroom must be equipped with an exhaust fan, a toilet, a sink, a shower or bathtub, and a receptacle outlet.
- (j) Bedroom. A bedroom be at least 70 square feet, must include an interior door, a closet or free-standing wardrobe provided by the project owner, and at least one receptacle outlet.

- (k) Capital Needs Assessment or CNA. The physical needs assessment report required for all rehabilitation projects, described in Section 10322(h)(26)(B).
- (l) CDLAC. The California Debt Limit Allocation Committee or its successor.
- (m) Certified Access Specialist or CASp. Any individual currently holding a valid certification of certified access specialist pursuant to subchapter 2.5 of title 21 of the California Code of Regulations (C.C.R.).
- (n) Chairperson. The Chairperson of the California Tax Credit Allocation Committee.
- (o) Chronic Homelessness or Chronically Homeless. The condition experienced by people defined as “chronically homeless” in 24 CFR Sections 91.5 or 578.3 and includes individuals and families:
 - (1) Residing in a place not meant for human habitation, emergency shelter, or safe haven, after experiencing Chronic Homelessness and subsequently residing in a Low-Income Unit within the last year;
 - (2) Residing in transitional housing after experiencing Chronic Homelessness; or
 - (3) Residing in an existing Low-Income Unit being rehabilitated with financial assistance from a state housing agency or being replaced by a project receiving financial assistance from a state housing agency provided that upon occupancy, the individual or family was experiencing Chronic Homelessness.
- (p) Committee. The California Tax Credit Allocation Committee (“CTCAC”) or its successor.
- (q) Community Foundation. A local foundation organized as a public charity under section 509(a)(1) of the Internal Revenue Code.
- (r) Compliance Period. That period defined by IRC Section 42(i)(1) and modified by R & T Code Section 12206(h), and further modified by the provisions of these regulations.
- (s) Credit(s). Housing Tax Credit(s), or Tax Credit(s).
- (t) Credit Ceiling. The amount specified in IRC Section 42(h)(3)(C) for Federal Program purposes (including the unused credits from the preceding calendar year, the current year’s population based credits, returned credits and national pool credits), and in R & T Code Section 17058(g) for State Program purposes.
- (u) CTCAC. California Tax Credit Allocation Committee.
- (v) Developer Fee. All Funds paid at any time as compensation for developing the proposed project, to include all processing agent fees, developer overhead and profit, construction management oversight fees if provided by the developer, personal guarantee fees, syndicator consulting fees, and reserves in excess of those customarily required by multi-family housing lenders.
- (w) Development Team. The group of professionals identified by the applicant to carry out the development of a Tax Credit project, as identified in the application pursuant to subsection 10322(h)(5).
- (x) Disability. Has the same meaning as “disability” in the Americans with Disabilities Act (ADA) at 42 United States Code (U.S.C.) section 12102 or the California Fair Employment and Housing Act (FEHA) at Government Code (Gov. Code) section 12926 and C.C.R., title 2, section 14020.
- (y) Eligible Project. A proposed 9% Tax Credit project that has met all of the Basic Threshold Requirements and Additional Threshold Requirements described in Sections 10325(f) and (g) below.

- (z) Executive Director. The executive director of the California Tax Credit Allocation Committee.
- (aa) Fair Housing Law(s). Including the California FEHA (Gov. Code, § 12900 et seq.); 2 C.C.R. § 12005 et seq.; the Unruh Civil Rights Act (Unruh Act) (Civ. Code, § 51 et seq.); Gov. Code section 11135 and 2 C.C.R. § 14000 et seq. (the prohibition of discrimination in state-funded programs); Gov. Code section 8899.50 (the duty to affirmatively further fair housing); California's Housing Element Law (Gov. Code, § 65583 et seq.); the Disabled Person Act (Civ. Code § 5, et seq.), Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq.); the Americans with Disabilities Act of 1990 (ADA) (42 U.S.C. § 12101 et seq.); the Fair Housing Act (FHA) and amendments (42 U.S.C. § 3601 et seq.); the Fair Housing Amendments Act of 1988; Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794); the Architectural Barriers Act of 1968 (42 U.S.C. § 4151 et seq.); the Age Discrimination Act of 1975 (42 U.S.C. §§ 6101 – 6107); and all federal and state regulations implementing these laws.
- (bb) Farmworker. An individual who derives, or prior to retirement or disability derived, a substantial portion of their income as an agricultural employee as defined in subdivision (b) of Section 1140.4 of the Labor Code.
- (cc) Farmworker Housing. A development of permanent housing in which at least 50 percent of the units are available to, and occupied by, farmworkers and their households. The Committee may permit an owner to temporarily house non farmworkers in vacant units in the event of a disaster or other critical occurrence. However, such emergency shelter shall only be permitted if there are no pending qualified farmworker household applications for residency.
- (dd) Federally Subsidized. As defined by IRC Section 42(i)(2).
- (ee) Federal Credit. The Tax Credit for low-income rental housing provided under IRC Section 42 and implemented in California by the Committee.
- (ff) Financial Feasibility. As required by, IRC Section 42(m)(2), and further defined by these regulations in Section 10327.
- (gg) FTB. State of California Franchise Tax Board.
- (hh) Gross Rent. Gross rent has the same meaning as “gross rent” in 26 U.S.C. section 42, subdivision (g)(2).
- (ii) Hard construction costs. The amount of the construction contract, excluding contractor profit, general requirements and contractor overhead.
- (jj) High-Rise Project(s). A project which applies for a Credit reservation pursuant to Section 10325 in which 100 percent (100%) of the residential units are Tax Credit Units and for which the project architect has certified concurrently with the submission of an application to the Committee that (1) one or more of the buildings in the project would have at least six stories; and (2) the construction period for the project is reasonably expected to be in excess of 18 months.
- (kk) Homeless or Homelessness. The condition of individuals or households who meet the definition of “homeless” in HUD regulation, 24 CFR parts 91.5 or 578.3 and includes:
 - (1) Individuals or families subject to a Continuum of Care (CoC) emergency transfer plan;
 - (2) Individuals or families receiving or who received Supportive Services or rental subsidies administered by a CoC or other program(s) for people experiencing homelessness, including a public housing authority's shelter plus care program or SRO Moderate Rehabilitation Program; and

- (3) Individuals or families of a development undergoing rehabilitation with Tax Credits, or being replaced by a Tax Credit-funded property, shall be deemed to qualify under this definition if they qualified upon initial occupancy.
- (4) Individuals defined as Chronically Homeless herein.
- (5) People at-risk of homelessness referred to fill a Low-Income Unit vacancy through a local CES consistent with Section 10336(b)(2)(B)(ii).
- (II) Housing and Accessibility Requirements. Include California Building Code (CBC) Chapters 11 A and B; the Fair Housing Act (FHA) (42 U.S.C. § 3601 et seq.; 24 C.F.R. part 100) the ANSI A117.11986 design and construction standard incorporated by reference at 24 C.F.R. part 100.201a; the ADA (42 U.S.C. § 12101 et seq.; 28 C.F.R. part 35 (Title 11) and part 36 (Title III)) the Uniform Federal Accessibility Standards (UFAS) at 24 C.F.R. 40, or, in the alternative, the Alternative Accessibility Standards (as defined in (e)) when used with the 2010 ADAS and CBC 11 B; the Department of Agriculture Regulations for Rural Housing Programs (7 CFR 15b); and all federal and state regulations implementing these laws.
- (mm) Housing First. Has the same definition as "Housing First" in Welfare and Institutions (WIC) Code section 8255.
- (nn) Housing Unit with Mobility Features. A housing unit located on an accessible route and compliant with 24 C.F.R. part 8.22, CBC Ch. 11B, Division 4 and Sections 809.2 through 809.4, and all applicable provisions of UFAS or comparable provisions of the Alternative Accessibility Standard, including but not limited to Sections 809.2 through 809.4 of the 2010 ADAS. A Housing Unit with Mobility Features can be approached, entered, and used by persons with mobility disabilities, including individuals who use wheelchairs.
- (oo) Housing Unit with Hearing/Vision Features. A housing unit compliant with 24 C.F.R. part 8.22, CBC Ch. 11B, including Section 809.5, and all applicable provisions of UFAS or comparable provisions of the Alternative Accessibility Standard, including but not limited to Section 809.5 of the 2010 ADAS.
- (pp) Hybrid project or development. A new construction development constructed with separate 9% and 4% Federal Credit Allocations. The development must meet the conditions set forth in Section 10325(c)(9)(A).
- (qq) IRS. United States Internal Revenue Service.
- (rr) Local Development Impact Fees. The amount of impact fees, mitigation fees, or capital facilities fees imposed by municipalities, county agencies, or other jurisdictions such as public utility districts, school districts, water agencies, resource conservation districts, etc.
- (ss) Local Reviewing Agency. An agency designated by the local government having jurisdiction that will perform evaluations of proposed projects in its locale according to criteria set forth by the Committee.
- (tt) Low-Income Unit. As defined by IRC Section 42(i)(3).
- (uu) Market-Rate Unit. A unit other than a Tax Credit Unit as defined by these regulations.
- (vv) Multifamily Housing Program or MHP. Multifamily Housing Program of California's Department of Housing and Community Development (HCD).
- (ww) "Net Project Equity" shall mean the total sale or refinancing proceeds resulting from a Transfer Event less the payment of all obligations and liabilities of the owner, including any secured and unsecured related and third-party debt thereof (including, without limitation, repayment of deferred

developer fees and repayment of any advances made by a partner to fund operating and/or development deficits).

- (xx) Net Tax Credit Factor. The estimated or actual equity amount raised or to be raised from a tax credit syndication or other instrument, not including syndication related expenses, divided by the total amount of Federal and State Tax Credits reserved or allocated to a project. The calculation must include the full ten-year amount of Federal Tax Credits and the total amount of State Tax Credits.
- (yy) Older Adults in Need of Supportive Services. Individuals aged 55 or older who need Supportive Services to maintain and stabilize their housing.
- (zz) Qualified Allocation Plan or QAP. The “Low Income Housing Tax Credit Program Qualified Allocation Plan,” as adopted in regulation Sections 10300 et. seq., and in accordance with the standards and procedures of IRC Section 42(m)(1)(B).
- (aaa) Qualified CNA. A CNA for a property subject to a Transfer Event dated within one hundred eighty (180) days of the proposed Transfer Event which (i) meets the requirements of (a) the Fannie Mae Multifamily Instructions for the PNA Property Evaluator, (b) Freddie Mac’s Property Condition Report requirements in Chapter 14 of the Small Balance Loan Addendum, (c) HUD’s Multifamily CNA section in Appendix 5G of the Multifamily Accelerated Process Guide, or (d) Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process (ASTM Designation E 2018-08) utilizing a recognized industry standard to establish useful life estimates for the replacement reserve analysis, and (ii) clearly sets forth (a) the capital needs of the project for the next three (3) years (the “Short-Term Work”) and the projected costs thereof, and (b) the capital needs of the project for the subsequent twelve (12) years (the “Long Term Work”) and the projected contributions to reserves that will be needed to accomplish that work.
- (bbb) Qualified Nonprofit Organization. An organization that meets the requirements of IRC Section 42(h)(5), whose exempt purposes include the development of low-income housing as described in IRC Section 42, and which, if a State Tax Credit is requested, also qualifies under H & S Code Section 50091.
- (ccc) RHS. United States Rural Housing Service, formerly Rural Housing and Community Development Service or RHCDS, formerly Farmers Home Administration or FmHA
- (ddd) Related Party.
 - (1) the sibling(s), spouse, ancestors, and direct descendants of a person;
 - (2) a person and corporation where that person owns more than 50% in value of the outstanding stock of that corporation;
 - (3) two or more corporations, general partnership(s), limited partnership(s) or limited liability corporations connected through debt or equity ownership, in which
 - (A) stock is held by the same persons or entities for
 - (i) at least 50% of the total combined voting power of all classes that can vote, or
 - (ii) at least 50% of the total value of shares of all classes of stock of each of the corporations or
 - (iii) at least 50% of the total value of shares of all classes of stock of at least one of the other corporations, excluding, in computing that voting power or value, stock owned directly by that other corporation;
 - (B) concurrent ownership by a parent or related entity, regardless of the percentage of ownership, or a separate entity from which income is derived;

- (C) concurrent ownership by a parent or related entity, regardless of the percentage of ownership, or a separate entity where a sale-leaseback transaction provides the parent or related entity with income from the property leased or that creates an undue influence on the separate entity as a result of the sale-leaseback transaction;
 - (D) concurrent ownership by a parent or related entity, regardless of the percentage of ownership, of a separate entity where an interlocking directorate exists between the parent or related entity and the separate entity.
- (4) a grantor and fiduciary of any trust;
 - (5) a fiduciary of one trust and a fiduciary of another trust, if the same person is a grantor of both trusts;
 - (6) a fiduciary of a trust and a beneficiary of that trust;
 - (7) a fiduciary of a trust and a corporation where more than 50% in value of the outstanding stock is owned by or for the trust or by or for a person who is a grantor of the trust;
 - (8) a person or organization and an organization that is tax-exempt under Subsection 501(c)(3) or (4) of the IRC and that is affiliated with or controlled by that person or the person's family members or by that organization;
 - (9) a corporation and a partnership or joint venture if the same persons own more than:
 - (A) 50% in value of the outstanding stock of the corporation; and
 - (B) 50% of the capital interest, or the profits' interest, in the partnership or joint venture;
 - (10) one S corporation or limited liability corporation and another S corporation or limited liability corporation if the same persons own more than 50% in value of the outstanding stock of each corporation;
 - (11) an S corporation or limited liability corporation and a C corporation, if the same persons own more than 50% in value of the outstanding stock of each corporation;
 - (12) a partnership and a person or organization owning more than 50% of the capital interest, or the profits' interest, in that partnership; or
 - (13) two partnerships where the same person or organization owns more than 50% of the capital interests or profits' interests.

The constructive ownership provisions of IRC Section 267 also apply to subsections 1 through 13 above. The more stringent of regulations shall apply as to the ownership provisions of this section.

(eee) Reservation. As provided for in Health & Safety Code Section 50199.10(e) the initial award of Tax Credits to an Eligible project. Reservations may be conditional.

(fff) Resyndication. A project subject to an existing tax credit regulatory agreement that is awarded a new allocation of tax credits to preserve and extend the affordability of the project.

(ggg) Rural. An area defined in H & S Code Section 50199.21.

(hhh) Scattered Site Project. A project in which the parcels of land are not contiguous except for the interposition of a road, street, stream or similar interposition.

- (1) For acquisition and/or rehabilitation projects with one pre-existing project-based Section 8 contract in effect for all the sites, there shall be no limit on the number or proximity of sites.
 - (2) For acquisition and/or rehabilitation projects with any of the following: (A) existing federal or state rental assistance or operating subsidies, (B) an existing CTCAC Regulatory Agreement, or (C) an existing regulatory agreement with a federal, state, or local public entity, the number of sites shall be limited to five, unless the Executive Director approves a higher number, and all sites shall be either within the boundaries of the same city, within a 10-mile diameter circle in the same county, or within the same county if no location is within a city having a population of five-hundred thousand (500,000) or more.
 - (3) For new construction projects and all other acquisition and/or rehabilitation projects, the number of sites shall be limited to five, and all sites shall be within a 1-mile diameter circle within the same county.
- (iii) Single Room Occupancy (SRO)/Studio: A unit that may or may not include a complete private bath and kitchen but generally does not have a separate bedroom. A complete private bath consists of a toilet and shower, with a vanity sink that may or may not be in the same room. SRO units in projects with an existing regulatory agreement recorded with CTCAC or another government agency shall be deemed having met the requirements of an SRO/Studio. Projects containing units that do not have complete private baths shall provide at least one bath per eight units and at least one complete bath per floor. Common kitchen facilities shall be provided for units without complete kitchens. CTCAC uses SRO and Studio interchangeably but recognizes some jurisdictions may not, and the project shall comply with all local regulations.
- (jjj) Special Needs. A housing type servicing Special Needs Population(s) and meeting the requirements of Section 10325, subdivision (g)(3).
- (kkk) Special Needs Population(s). One or more of the following groups who need Supportive Services to maintain and stabilize their housing:
- (1) People with Disabilities;
 - (2) At-Risk of Homelessness;
 - (3) Individuals with substance use disorders;
 - (4) Frequent users of public health or mental health services, as identified by a public health or mental health agency;
 - (5) Individuals who are fleeing domestic violence, sexual assault, and human trafficking;
 - (6) Individuals who are experiencing Homelessness or Chronic Homelessness;
 - (7) Homeless youth as defined in Government Code section 12957, subdivision (e)(2);
 - (8) Families meeting the definition of "Eligible family" under the Bringing Families Home program at WIC section 16523, who may or may not be participating in the program.
 - (9) Individuals exiting institutional settings or at risk of placement in an institutional setting;
 - (10) Older Adults in Need of Supportive Services; or
 - (11) Other specific groups with unique housing needs as determined by the Executive Director.

(III) State Credit. The Tax Credit for low-income rental housing provided by the Revenue and Taxation Code Sections 12205, 12206, 17057.5, 17058, 23610.4 and 23610.5, including the State Farmworker Credit, formerly the Farmworker Housing Assistance Program provided by the Revenue and Taxation Code Sections 12206, 17058, and 23610.5 and by the Health and Safety Code Sections 50199.2 and 50199.7.

(mmm) Supportive Services. Services that address the special needs of people served by a project necessary to assist people maintain housing. Such services shall be consistent with the definition of "Supportive Services" in subdivision (29) of section 11360 of title 42 of the United States Code, and may include social, health, educational, income support and employment services and benefits, coordination of community building and educational activities, individualized needs assessment, and individualized assistance with obtaining services and benefits.

(nnn) Tax Credit Units. Low-Income Units and manager units.

(ooo) Tax-Exempt Bond Project. A project that meets the definition provided in IRC Section 42(h)(4).

(ppp) Tax forms. Income tax forms for claiming Tax Credits: for Federal Tax Credits, IRS Form 8609; and, for State Tax Credits, FTB Form 3521A.

(qqq) "Transfer Event" shall mean (i) a transfer of the ownership of a project, (ii) the sale or assignment of a partnership interest in a project owner and/or (iii) the refinancing of secured debt on a project. The following shall not be deemed a Transfer Event: (i) the transfer of the project or a partnership or membership interest in a project owner in which reserves remain with the project and the debt encumbering the project is not increased, refinanced or otherwise modified, (ii) the refinancing of project debt which does not increase the outstanding principal balance of the debt other than in the amount of the closing costs and fees paid to the project lender and third parties as transaction costs, provided that reserves remain with the project, (iii) the replacement of a general partner by a limited partner upon the occurrence of a default by a general partner in accordance with partnership agreement of the project owner, (iv) a transfer pursuant to a foreclosure or deed in lieu of foreclosure to a non-related party, (v) a "Subsequent Transfer" pursuant to Section 10320(b)(4)(B) hereof, (vi) a transfer of the ownership of a project subject to an existing tax credit regulatory agreement with a remaining term of five (5) or less years if the transfer is made in connection with a new reservation of 9% or 4% tax credits, or (vii) the sale of a project, or the sale or assignment of a partnership interest in a project owner, to an unrelated party for which the parties entered into a purchase agreement prior to October 9, 2015. Notwithstanding the foregoing, the term "Transfer Event" shall be applicable only to projects in which at least 50% of the units are Tax Credit Units.

(rrr) Threshold Basis Limit. The aggregate limit on amounts of unadjusted eligible basis allowed by the Committee for purposes of calculating Tax Credit amounts. These limits are published by CTCAC on its website, by unit size and project location, and are based upon average development costs reported within CTCAC applications and certified development cost reports. CTCAC staff shall use new construction cost data from both 9 percent and 4 percent funded projects, and shall eliminate extreme outliers from the calculation of averages. Staff shall publicly disclose the standard deviation percentage used in establishing the limits, and shall provide a worksheet for applicant use. CTCAC staff shall establish the limits in a manner that seeks to avoid a precipitous reduction in the volume of 9 percent projects awarded credits from year to year.

(sss) Tribe. A federally recognized Indian tribe located in California, or an entity established by the tribe to undertake Indian housing projects, including projects funded with federal Low Income Housing Tax Credits.

(ttt) Tribal Trust Land. Real property located within the State of California that meets both the following criteria:

- (1) is trust land for which the United States holds title to the tract or interest in trust for the benefit of one or more tribes or individual Indians, or is restricted Indian land for which one

or more tribes or individual Indians holds fee title to the tract or interest but can alienate or encumber it only with the approval of the United States.

- (2) the land may be leased for housing development and residential purposes under Federal law.

(uuu) Waiting List. A list of Eligible Projects approved by CTCAC following the last application cycle of any calendar year, pursuant to Section 10325(h) below.

(vvv) CTCAC/HCD Opportunity Area Map. A map or series of maps approved annually by the Committee as the CTCAC/HCD Opportunity Area Map.

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10305. General Provisions.

- (a) Meetings. The Committee shall meet on the call of the Chairperson.
- (b) Report. At each meeting of the Committee at which Tax Credit reservations from the Credit Ceiling are made, the Executive Director shall make a report to the Committee on the status of the Federal and State Tax Credits reserved and allocated.
- (c) Forms. CTCAC shall develop such forms as are necessary to administer the programs and is authorized to request such additional information from applicants as is appropriate to further the purposes of the Programs. Failure to provide such additional information may cause an application to be disqualified or render a reservation null and void.
- (d) Tax Credit Limitations. No applicant shall be eligible to receive Tax Credits if, together with the amount of Federal or State Tax Credits being requested, the applicant would have, in the capacity of individual owner, corporate shareholder, general partner, sponsor, or developer, received a reservation or allocation greater than fifteen percent (15%) of the total Federal Credit Ceiling for any calendar year, calculated as of February first of the calendar year.
- (e) Notification. Upon receipt of an application, CTCAC shall notify the Chief Executive Officer (e.g., city manager, county administrative officer, tribal chairperson) of the local jurisdiction within which the proposed project is located and provide such individual an opportunity to comment on the proposed project (IRC Section 42(m)(1)(ii)).
- (f) Conflicting provisions. These regulations shall take precedence with respect to any and all conflicts with provisions of the QAP or other guidance provided by the Committee. This subsection shall not be construed to limit the effect of the QAP and other guidance in cases where said documents seek to fulfill, without conflict, the requirements of federal and state statutes pertaining to the Tax Credit Programs.
- (g) The Committee may, at its sole discretion, reject an application if the proposed project fails to meet the minimum point requirements established by the Committee prior to that funding round. The Committee may establish a minimum point requirement for competitive rounds under either Section 10325 or 10326.
- (h) Notwithstanding any other provision of these regulations, only projects receiving a tax-exempt bond allocation from CDLAC shall be eligible for State Tax Credits allocated pursuant to subsection (g)(1)(B) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code and the applicant criteria shall be applied in accordance with Section 10326. Up to two hundred million dollars (\$200,000,000) may be allocated for housing financed by CalHFA's Mixed-Income Program,

and this amount may be reduced upon agreement of the Executive Directors of CalHFA and CTCAC.

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10310. Reservations of Tax Credits.

- (a) Reservation cycles. The Committee shall reserve Tax Credits on a regular basis in accordance with H. & S Code Section 50199.14(a), pursuant to these regulations and the QAP, incorporated by reference in full.
- (b) Credit Ceiling available. The approximate amount of Tax Credits available in each reservation cycle may be established by the Committee at a public meeting designated for that purpose as of February first of the calendar year, in accordance with the following provisions:
 - (1) Amount of Federal Tax Credits. The amount of Federal Tax Credits available for reservation in a reservation cycle shall be equal to the sum of:
 - (A) the per capita amount authorized by law for the year, plus or minus the unused, Federal Credit Ceiling balance from the preceding calendar year, multiplied by a percentage amount established by the Committee for said cycle;
 - (B) the amount allocated, and available, under IRC Section 42(h)(3)(D) as of the date that is thirty days following the application deadline for said cycle;
 - (C) the amount of Federal Credit Ceiling returned, and available, as of the date that is thirty days following the application deadline for said cycle; and, additional amounts of Federal Credit Ceiling, from the current or subsequent year, necessary to fully fund projects pursuant to the allocation procedures set forth in these regulations.

For calendar year 2020, and 2021 if applicable, the amount of the Federal Credit Ceiling established by the Further Consolidated Appropriations Act, 2020 ("FCAA") shall be allocated pursuant to Section 10325(d)(1). For calendar year 2021, and 2022 if applicable, the amount of the Federal Credit Ceiling established by the Consolidated Appropriations Act, 2021 ("CAA") shall be allocated pursuant to Section 10325(d)(1).

- (2) Amount of State Tax Credits. The amount of State Tax Credits available for reservation in a reservation cycle shall be equal to:
 - (A) the amount authorized by law for the year, less any amount set-aside for use with certain tax-exempt bond financed projects, plus the unused State Credit Ceiling balance from the preceding calendar year, multiplied by a percentage amount established by the Committee for said cycle;
 - (B) the amount of State Credit Ceiling returned, and available, by the date that is thirty days following the application deadline for said cycle; plus,
 - (C) additional amounts of State Credit Ceiling, from the current or subsequent year, necessary to fully fund projects pursuant to the allocation procedures set forth in these regulations and,
 - (D) five hundred thousand dollars (\$500,000) per calendar year in State Farmworker Credits to provide Farmworker Housing, plus any returned and unused State Farmworker Credit balance from the preceding calendar year.

- (3) Waiting List Tax Credits. Tax Credits returned (other than those returned pursuant to Section 10328(g), and Tax Credits allocated under IRC Section 42(h)(3)(D) during any calendar year, and not made available in a reservation cycle, shall be made available to applications on Committee Waiting Lists, pursuant to subsection 10325(h).

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10315. Set-asides and Apportionments.

CTCAC will accept applications from Qualified Nonprofit Organizations for the Nonprofit set-aside upon the request of the qualified applicant, regardless of the proposed housing type. Thereafter, CTCAC shall review each non-rural pending competitive application applying as an at-risk or special needs housing type under subsection (h) below, first, within that housing type's relevant set-aside. Non-rural applicants meeting the criteria for both the special needs and at-risk housing types pursuant to Section 10325(g) may request to be considered in both set-asides. Applicants receiving an award from either the At-Risk or Special Needs set-aside shall be considered as that housing type for purposes of paragraph (h).

- (a) Nonprofit Set-Aside. Ten percent (10%) of the Federal Credit Ceiling for any calendar year, calculated as of February first of the calendar year, shall be set-aside for projects involving, over the entire restricted use period, Qualified Nonprofit Organizations as the only general partners and developers, as defined by these regulations, and in accordance with IRC Section (42)(h)(5).
- (b) Nonprofit Set-Aside Homeless Assistance Project Priority.
 - (1) Each funding round, credits available in the Nonprofit set-aside shall be prioritized for qualified Homeless assistance, meaning the greater of 15 Low-Income Units or twenty-five percent (25%) of the Low-Income Units within the project are designated for people experiencing Homelessness and the average targeted income for those units is no more than forty percent (40%) AMI, in the following priority order:
 - (A) Qualified Homeless assistance projects with 1) McKinney-Vento Homeless Assistance Act, HCD Multifamily Housing Program (MHP), HCD Veterans Housing and Homeless Prevention Program (VHHP), HCD Homekey, Mental Health Services Act (MHSA), CalHFA Local Government Special Needs Housing Program, Governor's Homeless Initiative, Housing for a Healthy California, or HCD No Place Like Home development capital funding committed of at least \$500,000 or \$10,000 per unit for all Low-Income Units in the project, whichever is greater; or 2) projects with rental or operating assistance funding commitments from federal, state, or local governments where the rental assistance is sponsor-based or project-based and the remaining term of any project-based assistance contract is no less than one (1) year and applies to no less than fifty percent (50%) of the Low-Income Units in the proposed project. For local government funding sources, ongoing assistance may be in the form of a letter of intent from the governmental entity.
 - (B) Second priority will be given to other qualified Homeless assistance projects.
 - (2) For all projects receiving a reservation under (b)(1)(A) or (B), owners, property managers, and service providers shall comply with the core components of Housing First and the tenant selection requirements of Section 10336(b)(2)(B)(ii).
- (c) Rural set-aside. Twenty percent (20%) of the Federal Credit Ceiling for any calendar year, calculated as of February first of the calendar year, shall be set-aside for projects in rural areas as defined in H & S Code Section 50199.21 and as identified in supplemental application material prepared by CTCAC. For purposes of implementing Section 50199.21(a), an area is eligible under the Section 515 program on January 1 of the calendar year in question if it either resides on the

Section 515 designated places list in effect the prior September 30, or is so designated in writing by the USDA Multifamily Housing Program Director. All Projects located in eligible census tracts defined by this Section must compete in the rural set-aside and will not be eligible to compete in other set-asides or in the geographic areas unless the Geographic Region in which they are located has had no other Eligible Projects for reservation within the current calendar year. In such cases the rural project may receive a reservation in the last round for the year, from the geographic region in which it is located, if any.

Within the rural set-aside competition, the first tiebreaker shall be applied as described in Section 10325(c)(9), except that the Seniors, Large Family New Construction in Highest or High Resource Tract, and Acquisition and/or Rehabilitation housing type goals established by Section 10315(h) shall be calculated relative to the rural set-aside dollars available each round, rather than against the total credits available statewide each round.

- (1) RHS, HOME, and CDBG-DR program apportionment. In each reservation cycle, fourteen percent (14%) of the rural set-aside shall be available for new construction projects which have a funding commitment from RHS of at least \$1,000,000 from either RHS's Section 514 Farm Labor Housing Loan Program, RHS's Section 515 Rural Rental Housing Loan Program, or a reservation from a Participating Jurisdiction or the State of California of at least \$1,000,000 in HOME or CDBG-DR funding.

All projects meeting the RHS, HOME, and CDBG-DR program apportionment eligibility requirements shall compete under the RHS, HOME, and CDBG-DR program apportionment. Projects that are unsuccessful under the apportionment shall then compete within the general rural set-aside described in subsection (c). Any amount reserved under this subsection for which RHS, HOME, or CDBG-DR funding does not become available in the calendar year in which the reservation is made, or any amount of Credit apportioned by this subsection and not reserved during a reservation cycle shall be available for applications qualified under the Rural set-aside.

- (2) Native American apportionment. In each reservation cycle starting in 2024 and each year thereafter, ten percent (10%) of the rural set-aside shall be available for applications proposing projects on land to be owned by a Tribe, whether the land is owned in fee or in trust, and in which occupancy will be legally limited to tribal households, except that up to 20% of Low-Income Units may serve non-tribal households if required by the HOME Program. Apportioned dollars shall be awarded to projects sponsored by Tribes using the scoring criteria in Section 10325(c), and achieving the minimum score established by CTCAC under Section 10305(h). In addition, the application shall receive the minimum points available for both general partner and management company experience under Section 10325(c)(1), except that the management company minimum scoring cannot be obtained through the point category for a housing tax credit certification examination.
- (d) "At-Risk" set-aside. After accounting for the second supplemental set-aside described in (g), five percent (5%) of the Federal Credit Ceiling for any calendar year, calculated as of February first of the calendar year, shall be set aside for projects that qualify and apply as an "At risk" housing type pursuant to subsection (h) below. Any proposed project that applies and is eligible under the Nonprofit set-aside but is not awarded credits from that set-aside shall be eligible to be considered under this At-Risk set-aside if the project meets the housing type requirements in Section 10325(g)(4).
 - (e) Special Needs set-aside. After accounting for the second supplemental set-aside described in (g), four percent (4%) of the Federal Credit Ceiling for any calendar year, calculated as of February first of the calendar year, shall be set aside for projects that qualify and apply as Special Needs. Any proposed Special Needs project that applies and is eligible under the Nonprofit set-aside, but is not awarded credits from that set-aside, shall be eligible to be considered under this Special Needs set-aside.

- (f) First supplemental set-aside. After accounting for the second supplemental set-aside described in (g), an amount equal to three percent (3%) of the Federal Credit Ceiling for any calendar year, calculated as of February first of the calendar year, shall be held back to fund overages that occur in the second funding round set-asides and/or in the Geographic Apportionments because of funding projects in excess of the amounts available to those Set Asides or Geographic Apportionments, the funding of large projects, such as HOPE VI projects, or other Waiting List or priority projects. In addition to this initial funding, returned Tax Credits and unused Tax Credits from Set Asides and Geographic Apportionments will be added to this Supplemental Set Aside, and used to fund projects at year end so as to avoid loss of access to National Pool credits.
- (g) Second supplemental set-aside. For each calendar year an amount of the Federal Credit Ceiling determined by the Executive Director, calculated as of February first of the calendar year, shall be held back to fund projects designated as DDA project pursuant to Section 10327(d)(3).
- (h) Housing types. To be eligible for Tax Credits, all applicants must select and compete in only one of the categories listed below, exclusive of the Acquisition and/or Rehabilitation and Large Family New Construction located in a Highest or High Resource Area housing types which are listed here solely for purposes of the tiebreaker in Section 10325(c)(9), and must meet the applicable "additional threshold requirements" of Section 10325(g), in addition to the Basic Threshold Requirements in 10325(f). The Committee will employ the tiebreaker at Section 10325(c)(9) in an effort to assure that no single housing type will exceed the following percentage goals where other housing type maximums are not yet reached:

Housing Type	Goal
Large Family	65%
Large Family New Construction receiving the tiebreaker increase for being located in census tracts, or census block groups as applicable, designated on the CTCAC/HCD Opportunity Area Map as Highest or High Resource Areas	30%
Special Needs	40%
Single Room Occupancy (SRO)	15%
At-Risk	15%
Seniors	20%
Rural Acquisition and/or Rehabilitation	30% of rural set-aside credits

For purposes of the Acquisition and/or Rehabilitation Housing Type goal within the Rural set aside, a project will be considered an acquisition and/or rehabilitation project if at least 50% of the units were previously residential dwelling units.

A large family new construction project that receives a tiebreaker increase in Section 10325(c)(9) for being located in a Highest or High Resource census tract shall count against both that housing type and the general Large Family housing type.

- (i) Geographic Apportionments. Annual apportionments of Federal and State Credit Ceiling shall be made in approximately the amounts shown below:

Geographic Area	Apportionments
City of Los Angeles	17.6%
Balance of Los Angeles County	17.2%
Central Valley Region (Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare Counties)	8.6%

San Diego County	8.6%
Inland Empire Region (San Bernardino, Riverside, Imperial Counties)	8.3%
East Bay Region (Alameda and Contra Costa Counties)	7.4%
Orange County	7.3%
South and West Bay Region (San Mateo, Santa Clara Counties)	6.0%
Capital Region (El Dorado, Placer, Sacramento, Sutter, Yuba, Yolo Counties)	5.7%
Central Coast Region (Monterey, San Luis Obispo, Santa Barbara, Santa Cruz, Ventura Counties)	5.2%
Northern Region (Butte, Marin, Napa, Shasta, Solano, and Sonoma Counties)	4.4%
San Francisco County	3.7%

- (j) Credit available for geographic apportionments. Geographic apportionments, as described in this Section, shall be determined prior to, and made available during each reservation cycle in the approximate percentages of the total Federal and State Credit Ceiling available pursuant to Subsection 10310(b), after CTCAC deducts the federal credits set aside in accordance with Section 10315(a) through (g) from the annual Credit Ceiling.

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10317. State Tax Credit Eligibility Requirements.

- (a) General. In accordance with the R & T Code Sections 12205, 12206, 17057.5, 17058, 23610.4 and 23610.5, there shall be allowed as a Credit against the "tax" (as defined by R & T Code Section 12201) a State Tax Credit for Federal Credit Ceiling projects pursuant to subsection (g)(1)(A) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code and Tax Exempt Bond Projects pursuant to subsection (g)(1)(B) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code in an amount equal to no more than 30 percent (30%) of the project's requested construction-related eligible basis. Except for State Farmworker Credits and projects meeting subparagraphs (A) through (D) in subsection (c)(4) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code, the maximum State Tax Credit award amount for a Tax Exempt Bond Project pursuant to subsection (g)(1)(A) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code, or basis described in paragraph (f) below, is 13 percent (13%) of that project's requested eligible basis. The maximum State Farmworker Credit award amount for a Tax-Exempt Bond Project, or basis described in paragraph (f) below, is 75 percent (75%) of that project's requested eligible basis. The maximum State Credit award for a project meeting subparagraphs (A) through (D) in subsection (c)(4) of 12206 of the Revenue and Taxation Code, or basis described in paragraph (f) below, is 95 percent (95%) of that project's requested eligible basis. Insufficient credits due to a low appraised value as described in Subparagraph (C) shall be evidenced as defined in Section 10322(h)(9)(A) of these Regulations: the sum of third-party debt encumbering the seller's property exceeds the appraised value. Substantial rehabilitation as described in Subparagraph (D) shall be evidenced by Section 10326(g)(7) of these Regulations. Award amounts shall be computed in accordance with IRC Section 42, except as otherwise provided in

applicable sections of the R & T Code. For purposes of calculating the final State Tax Credit amount on the Form(s) 3521A, the project's actual eligible basis may be used.

- (b) Allocation of Federal Tax Credits required. State Tax Credit recipients shall have first been awarded Federal Tax Credits, or shall qualify for Tax Credits under Section 42(h)(4)(b), as required under H & S Code Section 50199.14(e) and the R & T Code Section 12206(b)(1)(A). State Farmworker Credits are exempt from this requirement.
- (c) Limit on Credit amount.
 - (1) Except for applications described in paragraph (d) below, all credit ceiling applications may request State credits provided the project application is not requesting the federal 130% basis adjustment for purposes of calculating the federal credit award amount. Projects are eligible for State credits regardless of their location within a federal Qualified Census Tract (QCT) or a Difficult Development Area (DDA). Notwithstanding paragraph (d) below, applications for the Federal Credit established by the Further Consolidated Appropriations Act, 2020 or the Consolidated Appropriations Act, 2021 are not eligible for State Tax Credits.
 - (2) An applicant requesting state credits shall not reduce basis related to federal tax credits except to reduce requested basis to the project's threshold basis limit or the credit request to the amount available in the project's geographic region or the limits described in Section 10325(f)(9)(C). CTCAC shall revise the basis and credit request if the applicant fails to meet this requirement.
 - (3) In the event that reservations of state credits to credit ceiling applications exceed the amount of state credits available, CTCAC post-reservation shall designate applications for which there are insufficient state credits as difficult development area (DDA) projects pursuant to Section 10327(d)(3) and exchange state credits for federal credits in an amount that will yield equal equity based solely on the tax credit factors stated in the application and may exceed the maximum annual Federal Tax Credits in Section 10325(f)(9)(C).
 - (4) For projects applying for State Tax Credits in paragraph (j), the maximum request for any one project in any funding round shall not exceed Two Hundred Thousand (\$200,000) dollars per Tax Credit Unit. Farmworker Housing projects are exempt from this requirement.
- (d)
 - (1) Under authority granted by Revenue and Taxation Code Sections 12206(b)(2)(E)(ii), 17058(b)(2)(E)(ii), and 23610.5(b)(2)(E)(ii), applications for Special Needs projects with at least 50% of the Low-Income Units designated as special needs units and within a QCT or DDA may request the federal 130% basis boost and may also request State credits, provided that the applicant does not reduce basis related to federal tax credits except to reduce requested basis to the project's threshold basis limit or the credit request to the amount available in the project's geographic region or the limits described in Section 10325(f)(9)(C). CTCAC shall revise the basis and credit request if the application fails to meet this requirement. Under authority granted by Internal Revenue Code Section 42(d)(5)(B)(v), CTCAC designates Special Needs housing type applicants for credit ceiling credits as Difficult Development Area projects, regardless of their location within a federally designated QCT or DDA.
 - (2) Under authority granted by Revenue and Taxation Code Sections 12206(b)(2)(E)(iii), 17058(b)(2)(E)(iii), and 23610.5(b)(2)(E)(iii), applications for 4% federal tax credits plus State Farmworker Credits within a QCT or DDA may request the federal 130% basis boost and may also request State credits
 - (3) Under authority granted by Revenue and Taxation Code Sections 12206(b)(2)(E)(iii), 17058(b)(2)(E)(iii), and 23610.5(b)(2)(E)(iii), new construction applications for 4% federal tax credits plus State Credits pursuant to subsection (g)(1)(B) of Sections 12206, 17058,

and 23610.5 of the Revenue and Taxation Code within a QCT or DDA may request the federal 130% basis boost and may also request State credits.

- (4) Applications for the Federal Credit established by the Further Consolidated Appropriations Act, 2020 or the Consolidated Appropriations Act, 2021, including Special Needs projects described in this section (d), are not eligible for State Tax Credits.
- (e) State Tax Credit exchange. Applications for projects not possessing one of the allocation priorities described in subsection (d) may also include a request for State Tax Credits. During any reservation cycle and/or following any reservation or allocation of State Tax Credits to all applications meeting the above allocation priorities, remaining balances of State Tax Credits may be awarded to applicants having received a reservation of Federal Tax Credits during the same year, in exchange for the "equivalent" amount of Federal Tax Credits. Said exchanges shall be offered at the discretion of the Executive Director, who may consider and account for any fiscal or administrative impacts on the project or applicant pool when deciding to whom he/she will offer State Tax Credits.
- (f) Acquisition Tax Credits. State Tax Credits for acquisition basis are allowed only for projects meeting the definition of a project "at risk of conversion," pursuant to Section 42 and R & T Code Section 17058(c)(4).
- (g) Tax-Exempt Bond Financing.
 - (1) Projects financed under the tax-exempt bond financing provisions of Section 42(h)(4)(b) of the IRC, subsection (g)(1)(A) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code and Section 10326 of these regulations may apply for State Tax Credits if the following conditions are met:
 - (A) the project is comprised of 100% Tax Credit Units. Excepted from this rule are projects proposed for acquisition and rehabilitation that were developed under the HUD Section 236 or 202 programs, and are subject to those programs' use restrictions. Projects under those circumstances may propose a lesser percentage of Tax Credit Units to accommodate existing over-income residents who originally qualified under Section 236 or 202 income eligibility;
 - (B) one or more buildings is not eligible for the 130% basis adjustment, in which case the State Tax Credits shall be available only for the buildings not eligible for the 130% basis adjustment. This paragraph shall not apply to projects referenced in Section 10317(d);
 - (C) State Tax Credits will not be available to projects that have already received a reservation of 4% credit in the previous year; and
 - (2) For projects financed under the tax-exempt bond financing provisions of Section 42(h)(4)(b) of the IRC, subsection (g)(1)(B) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code and Section 10326 of these regulations applying for State Tax Credits. State Tax Credits will not be available to projects that have already received a reservation of 4% credit in a previous year.
- (h) State Farmworker Credit.
 - (1) Applicants may request State Farmworker Credits for eligible Farmworker Housing in combination with federal credits, or they may request State Farmworker Credits only. If seeking a federal Credit Ceiling reservation, applicants may apply only during competitive rounds as announced by CTCAC and shall compete under the provisions of Section 10325(c) et. seq. If requesting federal credits for use with tax exempt bond financing, or State Farmworker Credits only, applicants may apply over the counter and shall meet the threshold requirements for projects requesting 4% federal credits.

- (2) If more than one applicant is requesting nine percent (9%) federal credits in combination with State Farmworker Credits during a competitive round, CTCAC shall award available State Farmworker Credits to the highest scoring Farmworker Housing application that will receive a reservation of federal credits.
 - (3) If available State Farmworker Credits are inadequate to fully fund a pending request for eligible Farmworker Housing, CTCAC may reserve a forward commitment of subsequent year's State Farmworker Credits for that project alone.
- (i) State Tax Credit Allocations pursuant to subsection (g)(1)(A) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code to bond financed projects. The following parameters apply:
- (1) In calendar years where there are additional state tax credits available to bond financed projects, an amount equal to fifteen percent (15%) of the annual State Tax Credit authority will be available for acquisition and/or rehabilitation bond financed projects, with a ranking priority for projects meeting subparagraphs (A) through (D) in subsection (c)(4) of 12206 of the Revenue and Tax Code. In all other years, an amount equal to fifteen percent (15%) of the annual State Tax Credit authority will be available for bond financed projects of any construction type. CTCAC shall make reservations up to the 15% limit beginning with the first application review period of a calendar year for tax-exempt bond financed projects;
 - (2) The project will be competitively scored by CDLAC according to the CDLAC scoring and ranking system delineated in Section 5230 of the CDLAC Regulations. Notwithstanding the foregoing, existing tax credit projects must comply with the requirements of Section 10326(g)(8)(A);
 - (3) If the 15% set-aside has not been reserved prior to year end it may be used in a State Tax Credit exchange for projects that have received 9% Tax Credit reservations;
 - (4) The Committee may reserve an amount in excess of the 15% set-aside of State Tax Credits for the last funded tax-exempt bond financed project if that project requires more than the State Tax Credits remaining in this set aside if (1) fewer than half of the State Tax Credits annually available for the credit ceiling competition are reserved in the first competitive credit round, or (2) if State Credits remain available after funding of competitive projects in the second CTCAC funding round.
 - (5) Staff shall identify high-cost projects by comparing each scored project's total eligible basis against its total adjusted threshold basis limits, excluding any increase for deeper targeting pursuant to Section 10327(c)(5)(C). CTCAC shall calculate total eligible basis consistent with the method described in Section 10325(d), except that the amount of developer fee in basis that exceeds the project's deferral/contribution threshold described in Section 10327(c)(2)(B) shall be excluded. A project will be designated "high cost" if a project's total eligible basis exceeds its total adjusted threshold basis limit by 30%. Staff shall not recommend such project for credits. Any project may be subject to negative points if the project's total eligible basis at placed in service exceeds the revised total adjusted threshold basis limits for the year the project is placed in service (or the original total eligible threshold basis limit if higher) by 40%.
- (j) State Tax Credit Allocations pursuant to subsection (g)(1)(B) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code.
- (1) For calendar years beginning in 2021, an amount up to five hundred million dollars (\$500,000,000) in total State Tax Credit authority will be available (if authorized in the California Budget Act or related legislation) for new construction Tax Exempt Bond Projects, including retrofitting or repurposing of existing nonresidential structures that were converted

to residential use within the previous five years from the date of application subject to the requirements of the CDLAC regulations and the requirements of Section 10326 of these regulations. For calendar years 2024 to 2034 where any additional credits are available pursuant to subsection (g)(1)(B) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code, the lesser of five percent (5%) or \$25,000,000 shall be available to Farmworker Housing. Any credits pursuant to this clause that remain unallocated following the conclusion of a funding round shall roll over to the subsequent funding rounds in that calendar year with the exception that any credits that remain unallocated after the final funding round in that calendar year shall be added back to the aggregate amount of credits that may be allocated pursuant to this subparagraph. The approximate amount of State Tax Credits available in each reservation cycle shall be established by the Committee annually at a public meeting.

- (2) No later than the CDLAC bond issuance deadline, the applicant must submit to CTCAC building permits (a grading permit does not suffice to meet this requirement except that in the event that the city or county as a rule does not issue building permits prior to the completion of grading, a grading permit shall suffice; if the project is a design-build project in which the city or county does not issue building permits until designs are fully complete, the city or county shall have approved construction to begin) or the applicable tribal documents, and notice to proceed delivered to the contractor.
 - (3) Failure to submit said documents to CTCAC by the CDLAC bond issuance deadline shall result in rescission of the Tax Credit Reservation and may result in assessment of negative points.
- (k) All projects that have received state credits shall comply with the limitations on cash distributions required pursuant to Sections 12206(d), 17058(d), and 23610.5(d) of the Revenue and Taxation Code.
- (1) In the initial application, applicants requesting state credits shall make an election to sell ("certificate") or not sell all or any portion of the state credit, as allowed pursuant to Revenue and Taxation Code Sections 12206(o), 17058(q), and 23610.5(r). The applicant for a certificated credit shall be a non-profit entity and the state credit price shall not be less than eighty (80) cents per dollar of credit. The applicant may, only once, revoke an election to sell at any time before CTCAC issues the Form(s) 3521A for the project, at which the point the election shall become irrevocable.
 - (2) An applicant who elects to sell any portion of the state credit and a buyer who later resells any portion of the credit shall report to CTCAC within 10 days of the sale of the credit, in a form specified by CTCAC, all required information regarding the purchase and sale of the credit, including the social security or other taxpayer identification number of the party or parties to whom the credit has been sold, the face amount of the credit sold, and the amount of consideration received for the sale of the credit. At the request of the owner, CTCAC shall reissue the Form(s) 3521A in the name of the buyer.

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10320. Actions by the Committee.

- (a) Meetings. Except for reservations made pursuant to Section 10325(h) of these Regulations, Reservations of Tax Credits shall occur only at scheduled meetings of the Committee, which shall announce application-filing deadlines and the approximate dates of reservation meetings as early in the year as possible.

- (b) Approvals required by this Section 10320(b) shall not be unreasonably withheld if all of the following requirements, as applicable, are satisfied:
- (1) No allocation of the Federal or State Credits, or ownership of a Tax Credit project, may be transferred without prior written approval of the Executive Director. In the event that prior written approval is not obtained, the Executive Director may assess negative points pursuant to section 10325(c)(2)(M), in addition to other remedies. Subparagraphs (A) through (C) apply to all ownership or Tax Credit transfers requested after January 31, 2014. Subparagraphs (A) through (E) apply to all ownership or Tax Credit transfers requested after April 3, 2024:
 - (A) Any transfer of project ownership (including changes to any general partner, member, or equivalent responsible party), or allocation of Tax Credits shall be evidenced by a written agreement between the parties to the transfer, including agreements entered into by the transferee and the Committee.
 - (B) The entity replacing a party or acquiring ownership or Tax Credits shall be subject to a "qualifications review" by the Committee to determine if sufficient project development and management experience is present for owning and operating a Tax Credit project. Information regarding the names of the purchaser(s) or transferee(s), and detailed information describing the experience and financial capacity of said persons, shall be provided to the Committee. Any general partner change during the 15-year federal compliance and extended use period must be to a party earning equal capacity points pursuant to Section 10325(c)(1)(A) as the exiting general partner. At a minimum this must be three (3) projects in service more than three years, or the demonstrated training required under Section 10326(g)(5). Two of the three projects must be Low Income Housing Tax Credit projects in California. If the new general partner does not meet these experience requirements, then substitution of general partner shall not be permitted. The requirements of this paragraph apply to a change to any general partner, member, or equivalent responsible party where an exiting party meets the experience capacity and the remaining party does not have experience equal to the minimum stated above.
 - (C) The transferor shall deliver all tenant files, inspection records, financial statements, and reserve balances to the transferee prior to or concurrent with the transfer. Failure to deliver such records may subject the transferor to negative points or a fine.
 - (D) 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 amounts described in Section 10336(a).
 - (E) The transferee shall annually certify that they have not increased the rent for any low-income household in excess of the amounts described in Section 10336(a).
 - (2) In addition to any applicable requirements set forth in Section 10320(b)(1), all Transfer Events shall be subject to the prior written approval of the Executive Director. In the event that prior written approval is not obtained, the Executive Director may assess negative points pursuant to section 10325(c)(2)(M), in addition to other remedies. The following requirements apply to all Transfer Events for which approval is requested on or after October 21, 2015:
 - (A) Prior to a Transfer Event, the owner of the project shall submit to the Executive Director a Qualified Capital Needs Assessment. In the case of a Transfer Event in which a third-party lender is providing financing, the Qualified Capital Needs Assessment shall be commissioned by said third-party lender.

- (B) The entity which shall own the project subsequent to the Transfer Event (the "Post Transfer Owner") shall covenant to the Committee (the "Capital Needs Covenant") that the Post Transfer Owner (and any assignee thereof) shall:
 - (i) set aside at the closing of the Transfer Event adequate funds to perform the Short Term Work (the "Short Term Work Reserve Amount");
 - (ii) perform the Short Term Work within three (3) years from the date of the Transfer Event;
 - (iii) make deposits to reserves as are necessary to fund the Long Term Work, taking into account any balance in replacement reserve accounts upon the conclusion of the Transfer Event beyond those required by clause (i). Notwithstanding the foregoing, the Post Transfer Owner shall have no obligation to fund any reserve amount from annual operations to the extent that the funding of the reserve causes the project to have a debt service coverage ratio of less than 1.00 to 1.00. In calculating the debt service coverage ratio for the purposes herein, the property management fee shall not exceed the greater of (a) 7% the project's effective gross income, or (b) such amount approved by HUD or USDA, as applicable. Any property management fee in excess of these limitations shall be subordinate to the funding of the required reserves and shall not be considered when calculating the debt service coverage ratio; and complete the Long Term Work when required, or prior thereto, pursuant to the Qualified CNA.
- (C) The Executive Director may waive or modify the requirements of this Section 10320(b)(2)(A) and (B) if the owner can demonstrate that the Transfer Event will not produce, prior to any distributions of Net Project Equity to parties related to the sponsor, developer, limited partner(s) or general partner(s), sufficient Net Project Equity to fund all or any portion of the work contemplated by the Qualified CNA. There shall be a presumption that a Transfer Event has insufficient Net Project Equity (and the requirements of this Section 10320(b)(2)(A) and (B) shall be waived) if no Net Project Equity from the Transfer Event is distributed to parties related to the sponsor, developer, general partner(s) or limited partner(s) of the owner other than a distribution or a payment to the limited partner(s) of the selling entity in the amount equal to, or less than, all federal, state, and local taxes incurred by the limited partner(s) as a result of the Transfer Event.
- (3) The Capital Needs Covenant shall at all times be subordinate to any deed of trust given to any third party lender to a project. The owner of a project subject to a Capital Needs Covenant shall certify compliance with the terms of said Capital Needs Covenant to CTCAC annually for the term of the Capital Needs Covenant on a form to be developed by the Executive Director. Failure to comply with the terms of the Capital Needs Covenant may subject the owner to negative points and/or a ban on buying or receiving future properties.
- (4) If a project seeks to receive a new reservation of 9% or 4% tax credits concurrently with a Transfer Event or during the time that the project is subject to a Capital Needs Covenant, the following provisions shall apply in lieu of paragraph (2):
 - (A) The applicant shall submit a Qualified CNA. In cases in which a third-party lender is providing financing, the Qualified CNA shall be commissioned by said third-party lender.
 - (B) The rehabilitation scope of work shall include all of the Short Term Work. The applicant may receive eligible basis for the costs of the Short Term Work only if the

- applicant can demonstrate that the Short Term Work was funded by one of the following:
- (i) a credit from the seller of the project equal to the costs of Short Term Work.
 - (ii) a reduction in the purchase price of the project as compared to the purchase price of the project had the project not been subject to the Transfer Event requirement, as shown by an appraisal that calculates the impact of the Short Term Work requirement on value.
 - (iii) general partner equity.
 - (iv) developer fee contributed to the project (a deferred developer fee does not qualify).
- (C) After the Transfer Event giving rise to the covenant required pursuant to Section 10320(b)(2)(B) (the "Initial Transfer"), if the project will be subsequently transferred in connection with the closing of the new reservation of 9% or 4% credits (a "Subsequent Transfer"), any increase in acquisition price (if the Initial Transfer was a sale) or the project valuation (if the Initial Transfer was a refinancing) between the Initial Transfer and the Subsequent Transfer which is attributable to a reduction in the amount of annual deposits into the replacement reserve account from those required pursuant to Section 10320(b)(2)(B)(iii) because all or a portion of the Long Term Work will be performed in connection with the new reservation of 9% or 4% credits, must be evidenced in the form of (i) a seller carryback note or (ii) a general partner equity contribution.
- (D) Upon the closing of the syndication of the new 9% or 4% credits reserved for the project, any Capital Needs Covenant shall automatically terminate without any further action of the project owner and/or the Committee.
- (E) The Executive Director shall waive or modify the requirements of this Section 10320(b)(4) if the owner can demonstrate that the Transfer Event will not produce, prior to any distributions of Net Project Equity to parties related to the sponsor, developer, limited partner(s) or general partner(s), sufficient Net Project Equity to fund all or any portion of the work contemplated by the Qualified CNA. There shall be a presumption that a Transfer Event has insufficient Net Project Equity if no Net Project Equity from the Transfer Event is distributed to parties related to the sponsor, developer, general partner(s) or limited partner(s) of the owner other than a distribution or a payment to the limited partner(s) of the selling entity in the amount equal to, or less than, all federal, state, and local taxes incurred by the limited partner(s) as a result of the Transfer Event.
- (F) Sections 10320(b)(4)(B) and 10320(b)(4)(C) shall not be applicable to any project with an existing tax credit regulatory agreement with a remaining term of five (5) or less years.
- (5) No management company of an existing or new tax credit project shall be replaced without prior written approval of the Executive Director. In the event that prior written approval is not obtained, the Executive Director may assess negative points or a fine. With respect to 4% tax credit projects, management companies ineligible for at least two management company experience points pursuant to Section 10325(c)(1)(B) shall obtain training in project operations, on-site certification, Fair Housing Law, and manager certification in IRS Section 42 program requirements from CTCAC or a CTCAC-approved, nationally recognized entity. The out-going management company shall deliver all tenant files, inspection records, financial statements, and reserve balances to the in-coming management company prior to or concurrent with the transfer. Failure to deliver such records may subject the out-going management company to negative points or a fine.
- (6) Except for resyndication applications without a distribution of Net Project Equity, if a project seeks to receive a new reservation of 9% or 4% tax credits, any uncorrected Form(s) 8823

for life and safety violations (life-threatening and non-life threatening) and for Uniform Physical Condition Standards violations that are in existence at the time of the CTCAC application must be corrected by the project owner that received the Form(s) 8823. The resyndication application shall not include any costs to correct these Form(s) 8823.

- (7) An applicant seeking to (1) demolish or similarly alter any of the existing structures currently subject to CTCAC regulatory restrictions when seeking a new reservation of 9% and/or 4% tax credits; and/or (2) separate an existing project currently subject to CTCAC regulatory restrictions into multiple projects must request and receive prior written approval of the Executive Director. Projects that involve the demolition of existing residential units or separating an existing project must increase the unit count by (i) 25 or (ii) 50% of the existing demolished units, whichever is greater, unless, for existing SRO projects, waived by the Executive Director provided that the applicant demonstrates that full compliance would be impractical.
- (8) A project owner seeking to sell a portion of vacant or unused land must request and receive prior written approval of the Executive Director. The sales proceeds must either: 1) be contributed (not loaned) to a new multifamily affordable housing restricted project; or 2) reduce rents at the existing property by the aggregate amount of the proceeds. The project owner must request and receive prior written approval of the Executive Director.
- (c) CTCAC shall initially subordinate its regulatory contract to a permanent lender but thereafter shall not subordinate existing regulatory contracts to acquisition or refinancing debt, except in relation to new Deeds of Trust for rehabilitation loans, FHA-insured loans, restructured public loans, or as otherwise permitted by the Executive Director. At the request of the owner, CTCAC shall enter into a stand-still agreement permitting the acquisition or refinance lender 60 days to work with the owner to remedy a breach of the regulatory contract prior to CTCAC implementing any of the remedies in the regulatory contract, except that CTCAC shall not enter into a stand-still agreement related to a Transfer Event requested on or after October 21, 2015 unless the conditions of Section 10320(b)(2) have been satisfied. If CTCAC enters into a stand-still agreement related to a Transfer Event, Sections 10320(b)(2), (b)(3) and (b)(4) shall apply to the project.
- (d) False information. Upon being informed, or finding, that information supplied by an applicant, any person acting on behalf of an applicant, or any team member identified in the application, pursuant to these regulations, is false or no longer true, and the applicant has not notified CTCAC in writing, the Committee may take appropriate action as described in H & S Code Section 50199.22(b) and in section 10325(c)(2) of these regulations. Additionally the Executive Director may assess negative points to any or all members of the development team as described in Section 10322(h)(5).
- (e) CTCAC shall not enter into a qualified contract, as defined in IRC Section 42(h)(6)(F).

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10322. Application Requirements.

- (a) Separate Application. A separate application is required for each project.
- (b) Application forms. Applications shall be submitted on forms provided by the Committee. Applicants shall submit the most current Committee forms and supplementary materials in a manner, format, and number prescribed by the Committee.
- (c) Late application. Applications received after an application-filing deadline shall not be accepted.

- (d) Incomplete application. Determination of completeness, compliance with all Basic and Additional Thresholds, the scoring of the application, and any application submission requirements pursuant to these regulations and the application form shall be based on the documents contained in the application as of the final filing deadline except as provided in Section 10322(e). Applications not meeting all application information and submission requirements shall be considered incomplete, and shall be disqualified from receiving a reservation of Tax Credits during the cycle in which the application was determined incomplete. Disqualified applicants shall be notified in writing by the Committee of the basis for disqualification and may appeal the disqualification under Section 10330.
- (e) Application Omissions. No additional documents pertaining to: the Basic or Additional Threshold Requirements; scoring categories; and any application submission requirements pursuant to these regulations and the application form shall be accepted after the application-filing deadline unless the Executive Director, at their sole discretion, determines that the deficiency is an application omission of either a document existing as of the application-filing deadline, or a document certifying to a condition existing at the time of the application-filing deadline. Any submission of additional documents, including as part of an appeal for an application disqualified under Section 10322(d), shall include evidence demonstrating either the document existed as of the application-filing deadline, or the document certifies to a condition existing at the time of the application-filing deadline. It is within the Executive Director's discretion to request any clarifying information or material regarding the additional document(s).
- (f) Application changes. Notwithstanding Section 10322(e), no application changes are permitted except as allowed under Sections 10317(d), 10325(c)(6)(B), and 10327(a). Any changes made pursuant to those sections shall never increase the score or credit amount of the application as submitted, and may reduce the application's score and/or credit amount.
- (g) Applications not fully evaluated. Incomplete applications or others not expected to receive a reservation of Tax Credits due to relatively low scores, may or may not be fully evaluated by the Committee.
- (h) Standard application documents. The following documentation relevant to the proposed project is required to be submitted with all applications:
 - (1) Applicant's Statement. A completed and signed version of the CTCAC Applicant Statement signifying the responsibility of the applicant to:
 - (A) provide application related documentation to the Committee upon request;
 - (B) be familiar with and comply with Credit program statutes and regulations;
 - (C) hold the Committee and its employees harmless from program-related matters;
 - (D) acknowledge the potential for program modifications resulting from statutory or regulatory actions;
 - (E) acknowledge that Credit amounts reserved or allocated may be reduced in some cases when the terms and amounts of project sources and uses of funds are modified
 - (F) agree to comply with local, state, and federal laws, constitutions, codes, standards, rules, guidelines, and regulations, including, without limitation, those that pertain to accessibility, construction, health and safety, labor, fair housing, fair employment practices, affirmatively furthering fair housing, nondiscrimination, and equal opportunity, including the Fair Housing and Non-Discrimination Laws and Housing and Accessibility Requirements;

- (G) disclose any regulatory or investigative proceeding by a local, state, or federal agency relating to an alleged, pending, ongoing, or closed violation of fair housing or anti-discrimination laws and the status of the proceeding, as applicable;
 - (H) acknowledge that the Committee has recommended the applicant seek tax advice;
 - (I) acknowledge that the application will be evaluated according to Committee regulations, and that Credit is not an entitlement;
 - (J) acknowledge that continued compliance with program requirements is the responsibility of the applicant;
 - (K) acknowledge that information submitted to the Committee is subject to the Public Records Act;
 - (L) agree to enter with the Committee into a regulatory contract if Credit is allocated; and,
 - (M) acknowledge, under penalty of perjury, that all information provided to the Committee is true and correct, and that applicant has an affirmative duty to notify the Committee of changes causing information in the application or other submittals to become false.
- (2) The Application form. Completion of all applicable parts of Committee-provided application forms which shall include, but not be limited to:
- (A) General Application Information
 - (i) Credit amounts requested
 - (ii) minimum set-aside election
 - (iii) application stage selection
 - (iv) set-aside selection
 - (v) housing type
 - (B) Applicant Information
 - (i) applicant role in ownership
 - (ii) applicant legal status
 - (iii) developer type
 - (iv) contact person
 - (C) Development Team Information
 - (D) Subject Property Information
 - (E) Proposed Project Information
 - (i) project type
 - (ii) Credit type
 - (iii) building and unit types
 - (F) Land Use Approvals
 - (G) Development Timetable
 - (H) Identification and Commitment Status of Fund Sources
 - (I) Identification of Fund Uses
 - (J) Calculation of Eligible, Qualified and Requested Basis

- (K) Syndication Cost Description
 - (L) Determination of Credit Need and Maximum Credit Allowable
 - (M) Project Income Determination
 - (N) Restricted Residential Rent and Income Proposal
 - (O) Subsidy Information
 - (P) Operating Expense Information
 - (Q) Projected Cash Flow Calculation
 - (R) Basic Threshold Compliance Summary
 - (S) Additional Threshold Selection
 - (T) Tax-exempt Financing Information
 - (U) Market Study
- (3) Organizational documents. An organizational chart and a detailed plan describing the ownership role of the applicant throughout the low-income use period of the proposed project, and the California Secretary of State certificate for the project owner (if available). An executed limited partnership agreement may be submitted as documentation that the project ownership entity is formed. If the project owner is not yet formed, provide the certificate for the managing general partner or the parent company of the proposed project owner. A reservation of credit cannot be made to a to-be-formed entity.
- (4) Designated contact person. A contract between the applicant and the designated contact person for the applicant signifying the contact person's authority to represent and act on behalf of the applicant with respect to the Application. The Committee reserves its right to contact the applicant directly.
- (5) Identification of project participants. For purposes of this Section all of the following project participants, if applicable will be considered to be members of the Development Team. The application must contain the company name and contact person, address, telephone number, and fax number of each:
- (A) developer;
 - (B) general contractor;
 - (C) architect;
 - (D) attorney
 - (E) tax professional;
 - (F) Supportive Services coordinator, if applicable;
 - (G) property management company;
 - (H) consultant;
 - (I) market analyst and/or appraiser; and

(J) CNA consultant.

If any members of the Development Team have not yet been selected at the application filing deadline, each must be named and materials required above must be submitted at the 180 or 194 day deadline described in Section 10325(c)(7).

- (6) Identities of interest. Identification of any persons or entities (including affiliated entities) that plan to provide development or operational services to the proposed project in more than one capacity, and full disclosure of Related Parties, as defined.
- (7) Legal description. A legal description of the subject property.
- (8) Site Layout, Location, Unique Features and Surrounding Areas.
 - (A) A narrative description of the current use of the subject property;
 - (B) A narrative description of all adjacent property land uses, the surrounding neighborhood, and identification and proximity of services, including transportation
 - (C) Labeled photographs, or color copies of photographs of the subject property and all adjacent properties;
 - (D) A layout of the subject property, including the location and dimensions of existing buildings, utilities, and other pertinent features.
 - (E) A site or parcel map indicating the location of the subject property and showing exactly where the buildings comprising the Tax Credit Project will be situated. (If a subdivision is anticipated, the boundaries of the parcel for the proposed project must be clearly marked; and
 - (F) A description of any unique features of the site, noting those that may increase project costs or require environmental mitigation.
- (9) Appraisals. Appraisals are required for: 1) all rehabilitation applications except as noted in subsection (A), below, 2) all adaptive reuse applications, 3) all competitive applications, except for new construction projects that are on tribal trust land or that have submitted a third party purchase contract with, or evidence of a purchase from, an unrelated third party, 4) all applications seeking tiebreaker credit for donated or leased land, or land with a soft loan and 5) all new construction applications involving a land sale from a related party. For purposes of this paragraph only, a purchase contract or sale with a related party shall be deemed to be a purchase contract or sale with an unrelated party if the applicant demonstrates that the related party is acting solely as a pass-through entity and the tax credit partnership is only paying the acquisition price from the last arms-length transaction, plus any applicable and reasonable carrying costs. Appraisals shall not include the value of favorable financing.

Appraisals must be prepared by a California certified general appraiser having no identity of interest with the development's partner(s) or intended partner or general contractor, acceptable to the Committee, and include, at a minimum, the following:

- (i) the highest and best use of the proposed project as residential rental property, considering any on-going recorded rent restrictions;
- (ii) for rehabilitation applications, the Sales Comparison Approach and Income Approach valuation methodologies shall be used; for new construction applications, the Sales Comparison Approach shall be used; for adaptive

reuse applications, the Cost Approach valuation methodology shall be used for adaptive reuse of office buildings, retail buildings, and similar, and the Sales Comparison and Income Approaches may be used for hotels, motels, and similar;

- (iii) the appraiser's reconciled value, in cases that require multiple methodologies;
 - (iv) a value for the land of the subject property ("as if vacant");
 - (v) an on-site inspection; and
 - (vi) a purchase contract verifying the sales price of the subject property.
- (A) Rehabilitation applications. An "as-is" appraisal is required with a date of value that is within 120 days before or after the execution of: a purchase contract; for leased land, an executed development agreement negotiated between the landowner and the applicant or developer; an option agreement; any other site control document pursuant to Section 10325(f)(2); or the transfer of ownership by all the parties

For tax-exempt bond-funded properties receiving credits under Section 10326 only or in combination with State Tax Credits, the applicant may elect to forego the appraisal required pursuant to this section and use an acquisition value equal to the sum of the third-party debt encumbering the seller's property, which may increase during subsequent reviews to reflect the actual amount.

- (B) New construction applications. Projects for which an appraisal is required above shall provide an "as-is" appraisal with a date of value that is within either:
- (i) 120 days before or after the execution of a purchase contract; for leased land, an executed development agreement negotiated between the landowner and the applicant or developer; an option agreement; any other site control document pursuant to Section 10325(f)(2); the transfer of ownership by all the parties, or
 - (ii) one year of the application date if the latest purchase contract, development agreement, option agreement, or any other site control document pursuant to Section 10325(f)(2) was executed within that year.

An amendment to an agreement does not constitute any of the agreements listed in (i) or (ii) above.

- (C) Adaptive reuse applications. All adaptive reuse applications must submit an appraisal using an "as-is" appraisal date of value as stated in (B) above. For applications required to use the Cost Approach, the appraisal must consider the age, condition, and depreciated value of the existing building(s) when utilizing newly constructed "shell" sales comparisons and must include these calculations in the report.

For applications with existing project-based rental subsidy, the Income Approach shall not include post-rehabilitation contract rent(s). Rent(s) used in the Income Approach, if not the existing approved contract rent, must be supported by a rent comparable study or similar. For applications with existing affordability restrictions, the Income Approach must be based on the affordability restrictions and restricted rents encumbering the property (a "restricted value") unless all affordability restrictions will expire within five years.

CTCAC may contract with an appraisal reviewer who may review submitted appraisals. If it does so, CTCAC shall commission an appraisal review. If the appraisal review finds the submitted appraisal to be inappropriate, misleading, or inconsistent with the data reported and with other generally known information, then the reviewer shall develop their own opinion of value and CTCAC shall use the opinion of value established by the appraisal reviewer.

- (10) **Market Studies.** A full market study prepared or updated within 180 days of the filing deadline by an independent third-party having no identity of interest with the development's partners, intended partners, or any other member of the Development Team described in Subsection (5) above. The study must meet the current market study guidelines distributed by the Committee, and establish both need and demand for the proposed project. CTCAC shall publicly notice any changes to its market study guidelines and shall take public comment consistent with the comment period and hearing provisions of Health and Safety Code Section 50199.17. For scattered site projects, a market study may combine information for all sites into one report, provided that the market study has separate rent comparability matrices for each site. A new construction hybrid 9% and 4% tax credit development may combine information for both component projects into one report and, if not, shall reflect the other component project as a development in the planning or construction stages.

All market studies shall meet all of the requirements listed in the CTCAC Market Study Guidelines as listed on the CTCAC website. If the market study does not meet the guidelines, and support sufficient need and demand for the project, the application may be considered ineligible to receive Tax Credits and may be disqualified.

For acquisition/rehabilitation projects meeting all of the following criteria, a comprehensive market study as outlined in IRS Section 42(m)(1)(A)(iii) shall mean a written statement by a third-party market analyst certifying that the project meets these criteria:

- All of the buildings in the project are subject to existing federal or state rental assistance or operating subsidies, an existing CTCAC Regulatory Agreement, or an existing regulatory agreement with a federal, state, or local public entity.
 - The proposed tenant-paid rents and income targeting levels shall not increase by more than five percent (5%) (except that proposed rents and income targeting levels for units subject to a continuing state or federal project-based rental assistance contract may increase more and proposed rents and income targeting levels for resyndication projects shall be consistent with Section 10325(f)(11) or Section 10326(g)(8)).
 - The project shall have a vacancy rate of no more than ten percent (10%) for special needs units and non-special needs SRO units without a significant project-based public rental subsidy and five percent (5%) for all other units at the time of the tax credit application.
- (11) **Construction and design description.** A detailed narrative description of the proposed project construction and design, including how the design will serve the targeted population.
- (12) **Architectural drawings.** Preliminary drawings of the proposed project, including a site plan, building elevations, and unit floor plans (including square footage of each unit). The project architect shall certify that the design of the development will comply with building codes and the physical building requirements of all applicable Housing and Accessibility Requirements. In the case of rehabilitation projects proceeding without an architect, the entity performing the CNA shall note necessary fair housing improvements, and the applicant shall budget for and implement the related construction work. The site plan shall identify all areas or features proposed as project amenities, laundry facilities, recreation facilities and community space. Drawings shall be to a scale that clearly shows all

requested information. Blueprints need not be submitted. A project applying as a High-Rise Project must include the project architect certification in accordance with the High-Rise Project definition in Section 10302.

- (13) Placed-in-service schedule. A schedule of the projected placed-in-service date for each building.
- (14) Identification of local jurisdiction. The following information related to the local jurisdiction within which the proposed project is located:
 - (A) jurisdiction or tribe (e.g., City of Sacramento)
 - (B) chief executive officer or tribal chairperson and title (e.g., Susan Smith, City Manager)
 - (C) mailing address
 - (D) telephone number
 - (E) fax number
- (15) Sources and uses of funds. The sources and uses of funds description shall separately detail apportioned amounts for residential space and commercial space.
- (16) Financing plan. A detailed description of the financing plan, and proposed sources and uses of funds, to include construction, permanent, and bridge loan sources, and other fund sources, including rent or operating subsidies and reserves. The commitment status of all fund sources shall be described, and non-traditional financing arrangements shall be explained.
- (17) Eligible basis certification. A certification from a third party certified public accountant or tax attorney that project costs included in applicant's calculation of eligible basis are allowed by IRC Section 42, as amended, and are presented in accordance with standard accounting procedures. This must be delivered on the tax professional's corporate letterhead, in the prescribed CTCAC format and must include a statement that the Sources and Uses Budget was reviewed and that the accountant or attorney discussed the budget with the applicant as needed.
- (18) Use of tax benefits description. If the Tax Credits are not to be offered to investors, a detailed explanation of how the tax benefits will be used by the applicant.
- (19) Terms of syndication agreement. Written estimate(s) from syndicator(s) or financial consultants on their corporate letterhead and in the prescribed CTCAC format, of equity dollars expected to be raised for the proposed project, based on the amount of Tax Credits requested, including gross and net proceeds, pay-in schedules, syndication costs (including syndicator consulting fees), and an estimated net tax Credit factor, for both Federal and State Tax Credits if both are to be used or if State Tax Credits exchange points are requested. The syndicator shall not pay any fees or provide any other financial or other substantive benefit to a partnership developer unless all such fees or benefits are fully and completely disclosed to CTCAC in the Executed Letter of Intent.
- (20) Tax Credit certification. If the Tax Credits are not to be syndicated, a letter from a third party certified public accountant establishing the Tax Credit factor.
- (21) Utility allowance estimates. Current utility allowance estimates consistent with 26 CFR Section 1.42-10. The applicant must indicate which components of the utility allowance schedule apply to the project. For buildings that are using an energy consumption model utility allowance estimate, the estimate shall be calculated using the most recent version of

the California Utility Allowance Calculator (CUAC) developed by the California Energy Commission (CEC), and incorporated in the CEC's compliance program (CBECC). The CUAC estimate shall be signed by a California Association of Building Energy Consultants (CABEC) Certified Energy Analyst (CEA). Measures that are used in the CUAC that require field verification shall be verified by a certified HERS Rater, in accordance with current HERS regulations. Use of CUAC is limited to (i) new construction projects, (ii) rehabilitation projects applying for tax credits consistent with the requirements of Section 10325(f)(7)(A), and (iii) existing tax credit projects with new photovoltaics installed, which offsets tenants' electrical load, and which includes site installation verification by a qualified HERS Rater. Projects utilizing the CUAC are approved for use upon the field verifications being completed. For projects using the CUAC where the field verification has not been completed prior to occupancy, the project must use an approved utility allowance source per 26 CFR Section 1.42-10 until the field verification is completed. Owners shall provide the tenants with a 90 day notification prior to the effective date with an informative summary about the current utility allowance and the proposed CUAC allowances before the utility allowances can be used in determining the gross rent of rent-restricted units. For projects applying for tax credits, the CUAC with supporting documentation shall be submitted in the Placed-in-service application required in Section 10322(i). For existing tax credit projects not applying for tax credits, the CUAC with supporting documentation shall be submitted to CTCAC upon field verification completion for CTCAC approval.

- (22) Certification of subsidies. The applicant must certify as to the full extent of all Federal, State, and local subsidies which apply (or for which the taxpayer expects to apply) with respect to the proposed project. (IRC Section 42(m)(2)(C)(ii)) If rental assistance, operating subsidies or annuities are proposed, all related commitments that secure such funds must be provided. Tax-Exempt Bond Projects may receive a reservation of tax credits with the condition to provide the applicable subsidy commitment no later than the CDLAC bond issuance deadline. The source, monthly contract rent, annual amount (if applicable), term, number of units receiving assistance, and expiration date of each subsidy must be included.
- (23) Cash flow projection. A 15-year projection of project cash flow. Separate cash flow projections shall be provided for residential and commercial space. If a capitalized rent reserve is proposed to meet the underwriting requirements of Section 10327, it must be included in the cash flow projections. Use of a capitalized rent reserve is limited to Special Needs projects, projects applying under the Non-profit Homeless Assistance set-aside, HOPE VI projects, and Section 8 project based projects.
- (24) Self-scoring sheet as provided in the application.
- (25) Acquisition Tax Credits application. Applicants requesting acquisition Tax Credits shall provide:
 - (A) a chain of title report or, for tribal trust land, an attorney's opinion regarding chain of title; and
 - (B) if applicable, an applicant statement that the acquisition is exempt from, or a third-party tax attorney's opinion stating that the acquisition meets the requirements of IRC Section 42(d)(2)(B)(ii) as to the 10-year placed-in-service rule; or,
 - (C) if a waiver of the 10-year ownership rule is necessary, a letter from the appropriate Federal official that states that the proposed project qualifies for a waiver under IRC Section 42(d)(6).
- (26) Rehabilitation application. Applicants proposing rehabilitation of an existing structure shall provide:
 - (A) An independent, third-party appraisal prepared and submitted with the preliminary reservation application consistent with the guidelines in Section 10322(h)(9).

- (B) A CNA performed within 180 days prior to the application deadline (except as provided in Section 10322(h)(35)) that details the condition and remaining useful life of the building's major structural components, all necessary work to be undertaken and its associated costs, as well as the nature of the work, distinguishing between immediate and long-term repairs. The CNA shall also include a pre-rehabilitation 15-year reserve study, indicating anticipated dates and costs of future replacements of all current major building components. The CNA must be prepared by the project architect, as long as the project architect has no identity of interest with the developer, or by a qualified independent 3rd party who has no identity of interest with any of the members of the Development Team. An adaptive reuse application is not required to submit a CNA.
- (27) Acquisition of Occupied Housing application. Applicants proposing acquisition of occupied rental residential housing shall provide all existing income, rent and family size information for the current tenant population.
- (28) Tenant relocation plan. In addition to any other applicable relocation requirements, applicants proposing rehabilitation or demolition of occupied housing shall comply with the requirements of the California Relocation Assistance Law, California Government Code Section 7260 et seq, or, if the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 already applies to the project, pursuant to this federal law. Applicants shall provide an explanation of the relocation requirements that they are complying with, and a detailed relocation plan consistent with one of the above-listed relocation standards including an itemized relocation cost estimate that calculates the tenant relocation expenses required pursuant to the applicable California or federal relocation law. The relocation plan must also address the potential displacement of current tenants who do not meet the CTCAC income eligibility requirements or who will receive a rent increase exceeding five percent (5%). The relocation plan must include: a detailed description of proposed temporary onsite or offsite relocation and any corresponding relocation payments for tenants who meet CTCAC income eligibility requirements; an estimate of the number of current tenants who do not meet CTCAC income eligibility requirements or will receive a rent increase exceeding five percent (5%), how this estimate was determined, and the estimated relocation cost; and a detailed description of how the current tenants will be provided notice and information about the required relocation assistance, including copies of such noticing document(s).
- (29) Owner-occupied Housing application. Applicants proposing owner-occupied housing projects of four units or less, involving acquisition or rehabilitation, shall provide evidence from an appropriate official substantiating that the building is part of a development plan of action sponsored by a State or local government or a qualified nonprofit organization (IRC Section 42(i)(3)(E)).
- (30) Nonprofit Set-Aside application. Applicants requesting Tax Credits from the Nonprofit set-aside, as defined by IRC Section 42(h)(5), shall provide the following documentation with respect to each developer and general partner of the proposed owner:
- (A) IRS documentation of designation as a 501(c)(3) or 501(c)(4) corporation;
 - (B) proof that one of the exempt purposes of the corporation is to provide low-income housing;
 - (C) a detailed description of the nonprofit participation in the development and ongoing operations of the proposed project, as well as an agreement to provide CTCAC with annual certifications verifying continued involvement;

- (D) a third-party legal opinion verifying that the nonprofit organization is not affiliated with, controlled by, or party to interlocking directorates with any Related Party of a for-profit organization, and the basis for said determination; and,
 - (E) a third-party legal opinion certifying that the applicant is eligible for the Nonprofit Set-Aside pursuant to IRC Section 42(h)(5).
- (31) Rural Set-Aside application. Applicants requesting Tax Credits from the Rural set-aside, as defined by H & S Code Section 50199.21 and Section 10315(c) of these regulations, shall provide verification that the proposed project is located in an eligible rural area. Evidence that project is located in an area eligible for Section 515 financing from RHS may be in the form of a letter from RHS's national process branch.
- (32) RHS Section 514, 515, HOME or CDBG-DR program applications. Rural housing applicants requesting Tax Credits for projects financed by the RHS Section 514 or 515 program or from a HOME or CDBG-DR Participating Jurisdiction shall submit evidence from RHS, or the HOME or CDBG-DR Participating Jurisdiction that such funding has been committed, and such evidence shall meet the requirements of Section 10325(f)(8).
- (33) Community service facility. An applicant requesting basis for a community service facility shall submit a third-party tax attorney's opinion stating that the community service facility meets the requirements of IRC Section 42(d)(4)(C). CTCAC may use its discretion in determining whether the community service facility meets the qualifications.
- (34) Mixed housing types. An applicant proposing a project to include senior housing in combination with non-senior housing shall provide a third-party legal opinion stating that the project complies with Fair Housing Laws.
- (35) Reapplication documents. Notwithstanding the time sensitive document requirements, the Committee may permit the site control title report and the CNA of an unsuccessful application to be submitted, only once, in the reapplication cycle immediately following the unsuccessful application.
- (i) Placed-in-service application. Within one year of the last building placed-in-service date for new construction projects and within one year of the rehabilitation completion date for rehabilitation projects, the project owner shall submit the documents listed below. If conversion to permanent financing has not taken place, documents (2), (5), (6), (12) and (14) below shall be submitted within 60 days of the permanent financing conversion date. A regulatory agreement provided by CTCAC shall be executed and recorded in the County Recorder's Office for which the project is located and the compliance monitoring fee shall be submitted upon request from CTCAC as required by Section 10335. For projects subject to a lease rider pursuant to Section 10337(a)(4), a lease rider shall be executed and recorded in the County Recorder's Office for which the project is located. CTCAC shall determine if all conditions of the reservation have been met. Changes subsequent to the initial application, particularly changes to the financing plan and costs or changes to the services amenities, must be explained by the project owner in detail. If all conditions have been met, tax forms will be issued, reflecting an amount of Tax Credits not to exceed the maximum amount permitted by these regulations. The following must be submitted:
- (1) certificates of occupancy for each building in the project (or a certificate of completion for rehabilitation projects). If acquisition Tax Credits are requested, evidence of the placed-in-service date for acquisition purposes, and evidence that all rehabilitation is completed;
 - (2) an audited certification, prepared and signed by an independent Certified Public Accountant identified by name, under generally accepted auditing standards, with all disclosures and notes. The Certified Public Accountant (CPA) or accounting firm shall not have acted a manner that would impair independence as established by the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct Section 101 and the Securities and Exchange Commission (SEC) regulations 17 CFR Parts 210 and 240.

Examples of such impairing services, when performed for the final cost certification client, include bookkeeping or other services relating to the accounting records, financial information systems design and implementation, appraisal or evaluation services, actuarial services, internal audit outsourcing services, management functions or human resources, investment advisor, banking services, legal services, or expert services unrelated to the audit. Both the referenced SEC and AICPA rules shall apply to all public and private CPA firms providing the final audited cost certification. In order to perform audits of final cost certifications, the auditor must have a peer review of its accounting and auditing practice once every three years consistent with the AICPA Peer Review Program as required by the California Board of Accountancy for California licensed public accounting firms (including proprietors); and make the peer review report publicly available and submit a copy to CTCAC along with the final cost certification. If a peer review reflects systems deficiencies, CTCAC may require another CPA provide the final cost certification. This certification shall:

- (A) as identified by the certified public accountant, reflect all costs, in conformance with 26 CFR § 1.42-17, and expenditures for the project up to the funding of the permanent loan as well as all sources and amounts of all permanent funding. Projects developed with general contractors who are Related Parties to the developer must be audited to the subcontractor level;
 - (B) include a CTCAC provided Sources and Uses form reflecting actual total costs incurred up to the funding of the permanent loan;
 - (C) certify that the CPA has not performed any services, as defined by AICPA and SEC rules, that would impair independence; and
 - (D) certify permanent financing conversion date
- (3) an itemized breakdown of placed-in-service dates, shown separately for each building, on a Committee-provided form. If the placed-in service date(s) denoted are different from the date(s) on the certificate(s) of occupancy, a detailed explanation is required;
 - (4) photographs of the completed building(s);
 - (5) a request for issuance of IRS Form(s) 8609 and/or FTB Form(s) 3521A;
 - (6) a certification from the investor or syndicator of equity raised and syndication costs in a Committee-provided format;
 - (7) an updated application form;
 - (8) an owner-signed certification documenting the Supportive Services currently being provided to the residents, including identifying service provider(s), describing services provided, stating services dollar value, and stating services funding source(s) (cash or in-kind), with attached copies of contracts and MOUs for services;
 - (9) a copy of the project owner limited partnership agreement;
 - (10) a list of all amenities provided at the project site including any housing type requirements of Section 10325(h) committed to in the Tax Credit application, and color photographs of the amenities. If the list differs from that submitted at application, an explanation must be provided; housing type requirements must be completed. In addition, the project owner must provide a list of any project amenities not included in basis for which the property owner intends to charge an optional fee to residents;
 - (11) a description of any charges that may be paid by tenants in addition to rent, with an explanation of how such charges affect eligible basis;

- (12) if applicable, a certification from a third-party tax professional stating the percentage of aggregate basis (including land) financed by tax exempt bonds for projects that received Tax Credits under the provisions of Section 10326 of these regulations;
- (13) all applicable documentation required pursuant to the Compliance and Verification requirements of Sections 10325(c)(5), 10325(f)(7), 10326(g)(6) and 10327(c)(5)(B);
- (14) if seeking a reduction in the operating expenses used in the Committee's final underwriting pursuant to Section 10327(g)(1) of these regulations, the final operating expenses used by the lender and equity investor;
- (15) a certification from the project architect or, in the case of rehabilitation projects, from an architect retained for the purpose of this certification, that the design of the development is in compliance with all applicable Housing and Accessibility Requirements;
- (16) evidence that the project is in compliance with any points received under Section 10325(c)(8);
- (17) a current utility allowance estimate as required by 26 CFR Section 1.42-10(c) and Section 10322(h)(21) of these regulations. Measures that are used in the CUAC that require field verification shall be verified by a certified HERS rater, in accordance with current HERS regulations; and
- (18) for tribal trust land, the lease agreement between the Tribe and the project owner.
- (19) evidence that the subject property is within the control of the project owner in the form of an executed lease agreement, a current title report within 90 days of application except as provided in section 10322(h)(35) (or preliminary title report, but not title insurance or commitment to insure) showing the project owner holds fee title, a grant deed, or, for tribal trust land, a title status report or an attorney's opinion regarding chain of title and current title status.
- (20) evidence that the project is in compliance with the provisions of the CDLAC resolution, if applicable.
- (21) if the application includes a legal separation or subdivision of a building that is not a condominium plan:
 - (A) a legal opinion of how the legal separation meets the IRS definition of a building. The opinion must include a summary of the common area and building access ownership structure and any shared use agreements; and
 - (B) if the project owners are proposing any kind of proportionate cost where there is a single common area owner, a tax attorney must provide an opinion on how proportioning a cost and corresponding eligible basis to an entity that does not own the space is permissible under IRS LIHTC and/or tax law. The opinion must include an estimated cost breakdown and the methodology for how these shared area costs were proportioned and is subject to review and approved by CTCAC.
- (22) For multiphase projects proposing to share use of common areas and community space, a joint use agreement must be provided in the placed in service application. In addition, if there is any kind of proportionate cost for common area and community space to a project that does not own the area/space, a tax attorney must provide an opinion of how apportioning a cost and corresponding eligible basis to an entity that does not own the area/space is permissible under IRS LIHTC and/or tax law. The opinion must include an estimated cost breakdown and the methodology for how these shared area costs were apportioned and is subject to review and approval by CTCAC.

The Executive Director may waive any of the above submission requirements if not applicable to the project.

- (j) Revisions to 4% Reservations at Placed in Service. Proposals submitted under Section 10326 of these regulations do not require new applications for changes in costs or Tax Credits alone. Committee staff will adjust the Credit amount when the placed-in-service package is received and reviewed. Approval of the Executive Director is required for any change in unit mix or income targeting after reservation except for changes that result in deeper income targeting. It is the applicant's responsibility to notify CTCAC of any unit mix or income targeting change. Projects at placed-in-service that are requesting additional Tax Credits will be required to submit a fee equal to one percent (1%) of the increase from reservation in the annual federal tax credits allocated. This section shall apply to all projects for which CTCAC issues tax forms after December 31, 2017.
- (k) Unless the proposed project is a Special Needs development, or within ten (10) years of an expiring tax credit regulatory agreement, applicants for nine percent (9%) Low Income Housing Tax Credits to acquire and/or rehabilitate existing tax credit properties still regulated by an extended use agreement shall:
 - (1) certify that the property sales price is no more than the current debt balance secured by the property, and
 - (2) be prohibited from receiving any tax credits derived from acquisition basis.

All applicants for Low-Income Housing Tax Credits to acquire and/or rehabilitate existing tax credit properties still regulated by an extended use agreement shall use all funds in the applicant project's replacement reserve accounts for rehabilitating the property to the benefit of its residents, except that an applicant may use existing reserves to reasonably meet CTCAC's or another funder's minimum reserve account requirement.

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10323. The American Recovery and Reinvestment Act of 2009.

- (a) General. The American Recovery and Reinvestment Act of 2009 was administered by CTCAC under regulations adopted October 22, 2009. Awards made under those prior regulations remain bound by the terms of related executed funding agreements, and regulatory agreements.
- (b) Fees.
 - (1) No additional processing fees or performance deposits shall be collected from ARRA funding recipients beyond tax credit fees collected pursuant to Section 10335. Such tax credit fees must be paid by all ARRA fund recipients, including an allocation fee, even where an allocation of credits is not ultimately made. CTCAC may charge an ARRA funds recipient an asset management fee for such services. This fee may be in the form of an annual charge during the project's regulatory term, or may be charged at or about project completion. In the event CTCAC contracts out for asset management services, the contracted entity may charge the sponsor an asset management fee directly.
 - (2) Asset management fees shall be \$5,000 annually for projects of 30 units or fewer, and up to \$7,500 annually for projects of 31 to 75 units. Projects containing more than 75 units, will pay up to \$7,500 as a basic asset management fee annually, as well \$40 per unit of every unit over 75 units. Project owners may pay a one-time asset management fee equal to the total fee over the 15-year period, or a partial one-time upfront fee. If making a partial payment, the remaining annual payments shall be discounted accordingly to assure an

equal total payment to a pure annual payment schedule. Where another State or federal housing entity is a project funding source, project sponsors may propose a plan to CTCAC wherein that source shares asset management information with CTCAC. Sponsors may also propose a plan to CTCAC where a syndicator or investor providing professional asset management services to the project shares asset management information with CTCAC. If CTCAC determines that those asset management functions meet federal requirements, CTCAC may agree to accept that information and discount or forgo a fee altogether.

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10325. Application Selection Criteria - Credit Ceiling Applications.

- (a) General. All applications not requesting Federal Tax Credits under the requirements of IRC Section 42(h)(4)(b) and Section 10326 of these Regulations (for buildings financed by tax-exempt bonds) shall compete for reservations of Credit Ceiling amounts during designated reservation cycles. Further, projects that have pending applications for a private activity bond allocation or that have previously received private activity bond allocations that have not been returned as of the application filing deadline are ineligible to compete under the Credit Ceiling competition for Federal Tax Credits.
- (b) Authority. Selection criteria shall include those required by IRC Section 42(m), H & S Code Section 50199.14, and R & T Code Sections 12206, 17058, and 23610.5.
- (c) Credit Ceiling application competitions. Applications received in a reservation cycle, and competing for Federal and/or State Tax Credits, shall be scored and ranked according to the below-described criteria, except as modified by Section 10317(g) of these regulations. The Committee shall reserve the right to determine, on a case-by-case basis, under the unique circumstances of each funding round, and in consideration of the relative scores and ranking of the proposed projects, that a project's score is too low to warrant a reservation of Tax Credits. All point selection categories shall be met in the application submission through a presentation of conclusive, documented evidence to the Executive Director's satisfaction. Point scores shall be determined solely on the application as submitted, including any additional information submitted in compliance with these regulations. Further, a project's points will be based solely on the current year's scoring criteria and submissions, without respect to any prior year's score for the same projects.

Scattered Site Projects shall be scored proportionately in the site and service amenities category based upon (i) each site's score, and (ii) the percentage of units represented by each site, except that for scattered site projects of less than 20 Low-Income Units, service amenities shall be scored in the aggregate across all sites.

The number of awards received by individuals, entities, affiliates, and related entities is limited to no more than four (4) per competitive round. This limitation is applicable to a project applicant, developer, sponsor, owner, general partner, and to parent companies, principals of entities, and family members. For the purposes of this section, related or non-arm's length relationships are further defined as those having control or joint-control over an entity, having significant influence over an entity, or participating as key management of an entity. Related entity disclosure is required at the time of application. Furthermore, no application submitted by a sponsor may benefit competitively by the withdrawal of another, higher-ranked application submitted by the same sponsor or related parties as described above.

SCORING

- (1) General Partner/Management Company Characteristics.

No one general partner, party having any fiduciary responsibilities, or related parties will be awarded more than 15% of the Federal Credit Ceiling, calculated as of February first during any calendar year unless imposing this requirement would prevent allocation of all of the available Credit Ceiling.

(A) General partner experience. To receive points under this subsection for projects in existence for more than three years, a proposed general partner, or a key person within the proposed general partner organization, must meet the following conditions:

- (i) For projects in operation for more than three years, submit a certification from a third party certified public accountant that the projects for which it is requesting points have maintained a positive operating cash flow, from typical residential income alone (e.g. rents, rental subsidies, late fees, forfeited deposits, etc.) for the year in which each development's last financial statement has been prepared and have funded reserves in accordance with the partnership agreement and any applicable loan documents. To obtain points for projects previously owned by the proposed general partner, a similar certification must be submitted with respect to the last full year of ownership by the proposed general partner, along with verification of the number of years that the project was owned by that general partner. To obtain points for projects previously owned, the ending date of ownership or participation must be no more than 10 years from the application deadline. This certification must list the specific projects for which the points are being requested. The certification of the third party certified public accountant may be in the form of an agreed upon procedure report that includes funded reserves as of the report date, which shall be dated within 60 days of the application deadline, unless the general partner or key person has no current projects which are eligible for points in which case the report date shall be after the date from which the general partner or key person separated from the last eligible project. If the certification is prepared for a first-round application utilizing prepared financial statements of the previous calendar year, the certification may be submitted in a second round application, exceeding the 60 day requirement above. Where there is more than one general partner, experience points may not be aggregated; rather, points will be awarded based on the highest points for which 1 general partner is eligible.

Three to four projects in service more than three years, of which one shall be in service more than five years and two shall be California Low-Income Housing Tax Credit projects 5 points

Five or more projects in service more than three years, of which one shall be in service more than five years and two shall be California Low-Income Housing Tax Credit projects 7 points

For special needs housing type projects only applying through the Nonprofit set-aside or Special Needs set-aside only, points are available as described above or as follows:

Three Special Needs projects in service more than three years and one California Low-Income Housing Tax Credit project which may or may not be one of the three special needs projects 5 points

Four or more Special Needs projects in service more than three years and one California Low-Income Housing Tax Credit project which may or may not be one of the four special needs projects 7 points

- (ii) General partners with fewer than two (2) active California Low Income Housing Tax Credit projects in service more than three years, and general partners for projects applying through the Nonprofit or Special Needs set-aside with no active California Low Income Housing Tax Credit projects in service more than three years, shall contract with a bona-fide management company currently managing two (2) California Low Income Housing Tax Credit projects in service more than three years and which itself earns a minimum total of two (2) points at the time of application.
- (iii) Tribal applicants may contract with a developer who will not be a general partner and receive points commensurate with the developer's experience pursuant to clauses (i) and (ii). The contract shall be in effect at least until the issuance of 8609 tax forms. Tribal applicants exercising this option, including the option in the next paragraph, shall also contract for asset management for at least the term of the 15-year federal compliance period with an entity that has asset managed at least two Low-Income Housing Tax Credit projects for more than three years.

For purposes of this clause only, a developer may include an entity pre-approved by CTCAC that has developed but not owned the requisite number of projects described in (i) and that provides the certification from a third party certified public accountant described above for the projects for which experience points are requested. If the projects for which the entity requests experience points do not include two (2) active California Low Income Housing Tax Credit projects in service more than three years, the applicant shall contract with a bona-fide management company pursuant to clause (ii). For this purpose only, "develop" shall mean developing the project scope and timeline, securing financing, hiring or performing the services of a general contractor, and overseeing completion of construction and placement in service as well as asset managing the project for at least three years after placed in service. When seeking pre-approval the entity shall provide copies of contracts demonstrating that the standards have been met.

In applying for and receiving points in this category, applicants assure that the property shall be operated by a general partner in conformance with Section 10320(b).

- (B) Management Company experience. To receive points under this subsection, the property management company must meet the following conditions. To obtain points for projects previously managed, the ending date of the property management role must be no more than 10 years from the application deadline. In addition, the property management experience with a project shall not pre-date the project's placed-in-service date.

- (i) Six to 10 projects managed more than three years, of which two shall be California Low-Income Housing Tax Credit projects 2 points

11 or more projects managed more than three years, of which two shall be California Low-Income Housing Tax Credit projects 3 points

For special needs housing type projects only applying through the Nonprofit set-aside or Special Needs set-aside only, points are available as described above or as follows:

Two to three Special Needs projects managed more than three years and one California Low-Income Housing Tax Credit project which may or may not be one of the special needs projects 2 points

Four or more Special Needs projects managed more than three years and one California Low-Income Housing Tax Credit project which may or may not be one of the special needs projects 3 points

- (ii) Management companies managing less than two (2) active California Low-Income Housing Tax Credit projects for more than three years, and management companies for projects requesting points under the special needs categories of subparagraph (i) above and managing no active California Low-Income Housing Tax Credit projects for more than three years, shall contract with a bona-fide management company currently managing two (2) California Low Income Housing Tax Credit projects for more than three years and which itself earns a minimum combined total of two (2) points at the time of application.

When contracting with a California-experienced property management company under the terms of paragraph (A)(ii) or (B)(ii) above, the general partner or property co-management entity must obtain training in: CTCAC ownership/management, project operations, on-site certification training in federal Fair Housing Law, and manager certification in IRS Section 42 program requirements from a CTCAC-approved, nationally recognized entity. Additionally, the experienced property management agent or an equally experienced substitute, must remain for a period of at least three years from the placed-in-service date (or, for ownership transfers, three years from the sale or transfer date) to allow for at least one (1) CTCAC monitoring visit to ensure the project is in compliance with IRC Section 42. Thereafter, the experienced property manager may transfer responsibilities to the remaining general partner or property management firm following formal written approval from CTCAC. In applying for and receiving points in these categories, applicants assure that the property shall be owned and managed by entities with equivalent experience scores for the entire 15-year federal compliance and extended use period, pursuant to Section 10320(b). The experience must include at least two (2) Low Income Housing Tax Credit projects in California in service more than three years.

Points in subsections (A) and (B) above will be awarded in the highest applicable category and are not cumulative. For points to be awarded in subsection (B), an enforceable management agreement executed by both parties for the subject application must be submitted at the time of application. "Projects" as used in subsections (A) and (B) means multifamily rental affordable developments of over 10 affordable units that are subject to a recorded regulatory agreement, or, in the case of housing on tribal lands, where federal HUD funds have been utilized in affordable rental developments. General Partner and Management Company experience points may be given based on the experience of the principals involved, or on the experience of municipalities or other nonprofit entities that have experience but have formed single-asset entities for each project in which they have participated, notwithstanding that the entity itself would not otherwise be eligible for such points. For qualifying experience, "principal" is defined as an individual overseeing the day-to-day operations of affordable rental projects as senior management personnel of the General Partner or property management company.

- (2) Negative points. Negative points, up to a total of 10 for each project and/or each violation, may be given at the Executive Director's discretion for general partners, co-developers, management agents, consultants, guarantors, or any member or agent of the Development Team as described in Section 10322(h)(5). Notwithstanding the foregoing and (B) below, failure to meet the requirements of Section 10325(c)(7) shall result in rescission of the Tax Credit Reservation or negative points. Negative points may be assessed for items including, but not limited to:
 - (A) failure to utilize committed public subsidies identified in an application, unless it can be demonstrated to the satisfaction of the Executive Director that the circumstances were entirely outside of the applicant's control;

- (B) failure to utilize Tax Credits within program time guidelines unless it can be demonstrated to the satisfaction of the Executive Director that the circumstances were entirely outside of the applicant's control;
- (C) failure to submit the placed-in-service application by the deadline required in Section 10322(i);
- (D) removal or withdrawal under threat of removal as general partner from a housing tax credit partnership;
- (E) failure to provide physical amenities or services or any other item for which points were obtained (unless funding for a specific services program promised is no longer available);
- (F) failure to correct serious noncompliance after notice and cure period within an existing housing tax credit project in California;
- (G) serious, after a notice and cure period, or repeated failure to submit required compliance documentation for a housing Tax Credit project located anywhere;
- (H) failure to perform a tenant income recertification upon the first anniversary following the initial move-in certification for all one hundred percent (100%) tax credit properties, or failure to conduct ongoing annual income certifications in properties with non-tax-credit units;
- (I) material misrepresentation of any fact or requirement in an application;
- (J) failure of a building to continuously meet the terms, conditions, and requirements received at its certification as being suitable for occupancy in compliance with state or local law, unless it is demonstrated to the satisfaction of the Executive Director that the circumstances were entirely outside the control of the owner;
- (K) failure to submit a copy of the owner's completed 8609 showing the first year filing;
- (L) failure to promptly notify CTCAC of a property management change or changing to a management company of lesser experience contrary to Section 10325(c)(1)(B);
- (M) failure to properly notify CTCAC and obtain prior approval of Transfer Events, general partner changes, transfer of a Tax Credit project, or allocation of the Federal or State Credit;
- (N) certification of site amenities, distances or service amenities that were, in the Executive Director's sole discretion, inaccurate or misleading;
- (O) falsifying documentation of household income or any other materials to fraudulently represent compliance with IRC Section 42; or
- (P) failure of American Recovery and Reinvestment Act (ARRA) funded projects to comply with Section 42, CTCAC regulations, or other applicable program requirements;
- (Q) failure to provide required documentation of third-party verification of sustainable and energy efficient features.
- (R) failure to correct serious noncompliance, including incorrect rents or income qualification, incorrect utility allowance, or other overcharging of residents. In assigning negative points, CTCAC shall consider the most recent monitoring results for each of the parties' projects in the most recent three-year monitoring cycle.

CTCAC shall allow affected parties a reasonable period to correct serious noncompliance before assigning negative points. Negative points may be warranted when more than ten percent (10%) of the party's total portfolio has Level 3 deficiencies under the Uniform Physical Conditions Standards established by HUD. In addition, negative points may be warranted when more than ten percent (10%) of the tenant files most recently monitored resulted in findings of either household income above regulated income limits upon initial occupancy, or findings of gross rent exceeding the tax credit maximum limits.

- (S) the project's total eligible basis at placed in service exceeding the revised total adjusted threshold basis limits for the year the project is placed in service by 40%.
- (T) where CDLAC has determined that a person or entity is subject to negative points under its regulations, CTCAC will deduct an equal amount of points for an equal period of time from tax credit applications involving that person or entity or a Related Party.
- (U) failure to comply with a requirement of the regulatory agreement or of a covenant entered into 10320(b)(2)(B) or Section 10337(a)(3)(B).
- (V) submitting a check which CTCAC, after reasonable efforts to correct, cannot deposit.
- (W) Final decisions of any local, state, or federal regulatory or investigative body finding violations of the Housing and Accessibility Requirements or Fair Housing Laws.

Negative points given to general partners, co-developers, management agents, consultants, or any other member or agent of the Development Team may remain in effect for up to two calendar years, but in no event will they be in effect for less than one funding round. Furthermore, they may be assigned to one or more Development Team members, but do not necessarily apply to the entire Team. Negative points assigned by the Executive Director may be appealed to the Committee under appeal procedures enumerated in Section 10330.

- (3) Housing Needs. (Points will be awarded only in one category listed below except that acquisition and/or rehabilitation Scattered Site Projects may, at the applicant's election, be scored either in the aggregate or proportionately based upon (i) each site's score, and (ii) the percentage of units represented by each site.) The category selected hereunder (which shall be the category represented by the highest percentage of Low-Income Units in a proportionally scored project) shall also be the project category for purposes of the tie-breaker described in subsection 10325(c)(9) below.

Large Family Projects	10 points
Special Needs Projects	10 points
Seniors Projects	10 points
At-Risk Projects	10 points
SRO Projects	10 points

- (4) Amenities beyond those required as additional thresholds
 - (A) Site Amenities: Site amenities must be appropriate to the tenant population served. To receive points the amenity must be in place at the time of application except as specified in paragraphs 1, 5, and 8 below. In addition, an amenity to be operated by a public entity that is (i) being constructed within the project as part of the tax credit development, (ii) is receiving development funding for the amenity from the public entity, and (iii) has a proposed operations budget from the operating public entity, would be considered "in place" at the time of application. Distances must be measured using a standardized radius from the development site to the target

amenity, unless that line crosses a significant physical barrier or barriers. Such barriers include highways, railroad tracks, regional parks, golf courses, or any other feature that significantly disrupts the pedestrian walking pattern between the development site and the amenity. The radius line may be struck from the corner of development site nearest the target amenity, to the nearest corner of the target amenity site. However, a radius line shall not be struck from the end of an entry drive or on-site access road that extends from the central portion of the site itself by 250 feet or more. Rather, the line shall be struck from the nearest corner of the site's central portion. Where an amenity such as a grocery store resides within a larger shopping complex or commercial strip, the radius line must be measured to the amenity exterior wall, rather than the site boundary. The resulting distance shall be reduced in such instances by 250 feet to account for close-in parking.

No more than 15 points will be awarded in this category. For purposes of the Native American apportionment only, no points will be awarded in this category. However, projects that apply under the Native American apportionment that drop down to the rural set-aside will be scored in this category. Applicants must certify to the accuracy of their submissions and will be subject to negative points in the round in which an application is considered, as well as subsequent rounds, if the information submitted is found to be inaccurate. For each amenity, color photographs, a contact person and a contact telephone must be included in the application. The Committee may employ third parties to verify distances or may have staff verify them. Only one point award will be available in each of the subcategories (1-9) listed below, with exception of the transit pass option of subcategory 1. Amenities may include:

1. Transit Amenities

The project is located where there is a bus rapid transit station, light rail station, commuter rail station, ferry terminal, bus station, or public bus stop within 1/3 mile from the site with service at least every 30 minutes (or at least two departures during each peak period for a commuter rail station or ferry terminal) during the hours of 7-9 a.m. and 4-6 p.m., Monday through Friday, and the project's density will exceed 25 units per acre. 7 points

The site is within 1/3 mile of a bus rapid transit station, light rail station, commuter rail station, ferry terminal, bus station, or public bus stop with service at least every 30 minutes (or at least two departures during each peak period for a commuter rail station or ferry terminal) during the hours of 7-9 a.m. and 4-6 p.m., Monday through Friday. 6 points

The site is within 1/2 mile of a bus rapid transit station, light rail station, commuter rail station, ferry terminal, bus station, or public bus stop with service at least every 30 minutes (or at least two departures during each peak period for a commuter rail station or ferry terminal) during the hours of 7-9 a.m. and 4-6 p.m., Monday through Friday. 5 points

The site is located within 1/3 mile of a bus rapid transit station, light rail station, commuter rail station, ferry terminal, bus station, or public bus stop. (For Rural set-aside projects, full points may be awarded where van or dial-a-ride service is provided to tenants, if costs of obtaining and maintaining the van and its service are included in the budget and the operating schedule is either on demand by tenants or a regular schedule is provided) 4 points

The site is located within 1/2 mile of a bus rapid transit station, light rail station, commuter rail station, ferry terminal, bus station, or public bus stop. 3 points

In addition to meeting one of the point categories described above, the applicant commits to provide to residents free transit passes or discounted passes priced

at no more than half of retail cost. Passes shall be made available to each Low-Income Unit at the time a Low-Income Unit is leased to the tenant and shall be made available for at least 15 years. These points are not available for projects with van service. These points are only available to Rural set-aside projects with dial-a-ride service for free or discounted dial-a-ride passes.

At least one pass per Low-Income Unit	3 points
At least one pass per each 2 Low-Income Units	2 points

“Light rail station” or “commuter rail station” or “ferry terminal” includes a planned rail station or ferry terminal whose construction is programmed into a Regional or State Transportation Improvement Program to be completed within one year of the scheduled completion and occupancy of the proposed residential development.

A private bus or transit system providing service to residents may be substituted for a public system if it (a) meets the relevant headway and distance criteria, and (b) if service is provided free to the residents. Such private systems must receive approval from the CTCAC Executive Director prior to the application deadline. Multiple bus lines may be aggregated for the above points, only if multiple lines from the designated stop travel to an employment center. Such aggregation must be demonstrated to, and receive prior approval from, the CTCAC Executive Director in order to receive competitive points.

2. The site is within 1/2 mile of a public park or a community center accessible to the general public (1 mile for Rural set-aside projects). A public park shall not include 1) school grounds unless there is a bona fide, formal joint use agreement between the jurisdiction responsible for the parks/recreational facilities and the school district or private school providing availability to the general public of the school grounds and/or facilities, 2) greenbelts or pocket parks, or 3) open space preserves or biking parkways unless there is a trailhead or designated access point within the specified distance. 3 points

or within 3/4 mile (1.5 miles for Rural set-aside projects)	2 points
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3. The site is within 1/2 mile of a book-lending public library that also allows for inter-branch lending (when in a multi-branch system) (1 mile for Rural set-aside projects) 3 point

or within 1 mile (2 miles for Rural set-aside projects)	2 points
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4. The site is within 1/2 mile of a full-scale grocery store/supermarket of at least 25,000 gross interior square feet where staples, fresh meat, and fresh produce are sold (1 mile for Rural set-aside projects). A large multi-purpose store containing a grocery section may garner these points if the application contains the requisite interior measurements of the grocery section of that multipurpose store. The “grocery section” of a large multipurpose store is defined as the portion of the store that sells fresh meat, produce, dairy, baked goods, packaged food products, delicatessen, canned goods, baby foods, frozen foods, sundries, and beverages. 5 points

or within 1 mile (2 miles for Rural set-aside projects)	4 points
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or within 1.5 miles (3 miles for Rural set-aside projects)	3 points
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The site is within 1/4 mile of a neighborhood market of 5,000 gross interior square feet or more where staples, fresh meat, and fresh produce are sold (1/2 mile for Rural Set-aside projects). A large multi-purpose store containing a grocery portion may garner these points if the application contains interior

measurements of the grocery section of that multi-purpose store. The “grocery section” of a large multipurpose store is defined as the portion of the store primarily devoted to food stuffs that sells fresh meat, produce, dairy, baked goods, packaged food products, delicatessen, canned goods, baby foods, frozen foods, sundries, and beverages. 4 points

or within 1/2 mile (1 mile for Rural Set-aside projects) 3 points

The site is within 1/2 mile of a weekly farmers’ market on the list of Certified Farmers’ Markets maintained by the California Department of Food and Agriculture and operating at least 5 months in a calendar year 2 points

or within 1 mile 1 point

5. The site is within (1) mile of adult education campus of a school district, or community college (an additional 1/2 mile for Rural set-aside projects) 3 points

For a development wherein at least 25 percent (25%) of the Low-Income Units (or, for Special Needs housing type, at least 25% of the Large Family Low-Income Units) shall be three-bedroom or larger units, the site is within 1/4 mile of a public elementary school; 1/2 mile of a public middle school; or one (1) mile of a public high school, (an additional 1/2 mile for each public school type for Rural set-aside projects) and that the site is within the attendance area of that school or campus. 3 points

or within an additional 1/2 mile for each public-school type (an additional 1 mile for Rural set-aside projects) 2 points

Public schools demonstrated, at the time of application, to be under construction and to be completed and available to the residents prior to the housing development completion are considered in place at the time of application for purposes of this scoring factor.

6. For a Senior Development, the site is within 1/2 mile of a daily operated senior center or a facility offering daily services specifically designed for seniors (not on the development site) (1 mile for Rural set-aside projects) 3 points

or within 3/4 mile (1.5 miles for Rural set-aside projects) 2 points

7. For a Special Needs development, the site is located within 1/2 mile of a facility that operates to serve the population living in the development 3 points

or within 1 mile 2 points

8. The site is within 1/2 mile (for Rural set-aside projects, 1 mile) of a qualifying medical clinic with a physician, physician’s assistant, or nurse practitioner onsite for a minimum of 40 hours each week, or hospital (not merely a private doctor’s office). A qualifying medical clinic must accept Medi-Cal payments, or Medicare payments for Senior Projects, or Health Care for the Homeless for projects housing homeless populations, or have an equally comprehensive subsidy program for low-income patients. 3 points

The site is within 1 mile (for Rural set-aside projects, 1.5 miles) of a qualifying medical clinic with a physician, physician’s assistant, or nurse practitioner onsite for a minimum of 40 hours each week, or hospital 2 points

A hospital demonstrated at the time of application to be under construction and to be completed and available to the residents prior to the housing development

completion is considered in place at the time of application for purposes of this scoring factor.

9. The site is within 1/2 mile of a pharmacy (for Rural projects, 1 mile) 2 points
or within 1 mile (2 miles for Rural projects) 1 point
10. High speed internet service, with a minimum average download speed of 25 megabits/second must be made available to each Low-Income Unit for a minimum of 15 years, free of charge to the tenants, and available within 6 months of the project's placed-in-service date. Documentation of internet availability must be included in the application. If internet is selected as an option in the application it must be provided even if it is not needed for points.
2 points (3 points for Rural projects)
11. The project is a new construction Large Family housing type project, except for an inclusionary project as defined in Section 10325(c)(9)(C), and the site is located in a census tract, or census block group as applicable, designated on the CTCAC/HCD Opportunity Area Map as Highest or High Resource:
8 points

An application for a large family new construction project located in a High or Highest Resource area shall disclose whether or not the project includes any Low-Income Units that satisfy the obligations of an affordable housing ordinance or development agreement with the jurisdiction in which the project will be built and, if so, the number of such units and whether the contractual obligations derive solely from the Low-Income Units themselves.

An applicant may choose to utilize the census tract, or census block group as applicable, resource designation from the CTCAC/HCD Opportunity Maps in effect when the initial site control was obtained up to seven calendar years prior to the application.

- (B) Projects that provide high-quality services designed to improve the quality of life for tenants are eligible to receive points for service amenities. Services must be appropriate to meet the needs of the tenant population served and designed to generate positive changes in the lives of tenants, such as by increasing tenant knowledge of and access to available services, helping tenants maintain stability and prevent eviction, building life skills, increasing household income and assets, increasing health and well-being, or improving the educational success of children and youth.

Except as provided below, in order to receive points in this category, physical space for service amenities must be available when the development is placed-in-service. Services space must be located inside the project and provide sufficient square footage, accessibility and privacy to accommodate the proposed services. Evidence that adequate physical space for services will be provided must be documented within the application.

The amenities must be available within six months of the project's placed-in-service date. Applicants must commit that services shall be provided for a period of 15 years.

All services must be of a regular and ongoing nature and provided to tenants free of charge (except for day care services or any charges required by law). Services must be provided on-site except that projects may use off-site services within 1/2 mile of the development (1½ miles for Rural set-aside projects) provided that they

have a written agreement with the service provider enabling the development's tenants to use the services free of charge (except for day care and any charges required by law) and that demonstrate that provision of on-site services would be duplicative.

No more than 10 points will be awarded in this category. The number of hours per year for a full time-equivalent (FTE) will be calculated as follows: 1) the number of bedrooms multiplied by 2080 = FTE numerator; 2) FTE numerator divided by base number of bedrooms = number of required hours per year (up to a maximum of 2,080 hours).

For Large Family, Senior, and At-Risk Projects or for the non-Special Needs units in a Special Needs Project with less than 75% Special Needs units, amenities may include, but are not limited to:

1. Service Coordinator. Responsibilities must include, but are not limited to: (a) providing tenants with information about available services in the community, (b) assisting tenants to access services through referral and advocacy, and (c) organizing community-building and/or other enrichment activities for tenants (such as holiday events, tenant council, etc.).

Minimum ratio of one Full Time Equivalent (FTE) Service Coordinator to 600 bedrooms. 5 points

2. Other Services Specialist. Must provide individualized assistance, counseling and/or advocacy to tenants, such as to assist them to access education, secure employment, secure benefits, gain skills or improve health and wellness. Includes, but is not limited to: Vocational/Employment Counselor, ADL or Supported Living Specialist, Substance Abuse or Mental Health Counselor, Peer Counselor, Domestic Violence Counselor.

Minimum ratio of one FTE Services Specialist to 600 bedrooms. 5 points

3. Instructor-led adult educational, health and wellness, or skill building classes. Includes, but is not limited to: Financial literacy, computer training, home-buyer education, GED classes, and resume building classes, ESL, nutrition class, exercise class, health information/awareness, art class, parenting class, on-site food cultivation and preparation classes, and smoking cessation classes. Drop-in computer labs, monitoring or technical assistance shall not qualify.

84 hours of instruction per year (42 for small developments) 7 points

60 hours of instruction per year (30 for small developments) 5 points

4. Health and wellness services and programs. Such services and programs shall provide individualized support to tenants (not group classes) and need not be provided by licensed individuals or organizations. Includes, but is not limited to visiting nurses programs, intergenerational visiting programs, or senior companion programs. The application must describe in detail the services to be provided.

100 hours of services per year for each 100 bedrooms 5 points

60 hours of services per year for each 100 bedrooms 3 points

5. Licensed childcare. Shall be available 20 hours or more per week, Monday through Friday, to residents of the development. (Only for large family projects or other projects in which at least 25% of Low-Income Units are three bedrooms or larger). 5 points

6. After school program for school age children. Includes, but is not limited to tutoring, mentoring, homework club, art and recreational activities. (Only for large family projects or other projects in which at least 25% of Low-Income Units are three bedrooms or larger).

10 hours per week, offered weekdays throughout school year 5 points

6 hours per week, offered weekdays throughout school year 3 points

For Special Needs Projects with 75% or more Special Needs units, for the Special Needs units in a Special Needs Project with less than 75% Special Needs units, or SRO Projects, amenities may include, but are not limited to:

7. Case Manager. Responsibilities must include (but are not limited to) working with tenants to develop and implement an individualized service plan, goal plan or independent living plan.

Ratio of one FTE case manager to 100 bedrooms 5 points

8. Service Coordinator or Other Services Specialist. Service coordinator responsibilities shall include, but are not limited to: (a) providing tenants with information about available services in the community, (b) assisting tenants to access services through referral and advocacy, and (c) organizing community-building and/or other enrichment activities for tenants (such as holiday events, tenant council, etc.). Other services specialist must provide individualized assistance, counseling and/or advocacy to tenants, such as to assist them to access education, secure employment, secure benefits, gain skills or improve health and wellness. Includes, but is not limited to: Vocational/Employment Counselor, ADL or Supported Living Specialist, Substance Abuse or Mental Health Counselor, Peer Counselor, Domestic Violence Counselor.

Ratio of one FTE service coordinator or specialist to 360 bedrooms 5 points

9. Adult educational, health and wellness, or skill building classes. Includes, but is not limited to: Financial literacy, computer training, home-buyer education, GED classes, and resume building classes, ESL, nutrition class, exercise class, health information/awareness, art class, parenting class, on-site food cultivation and preparation classes, and smoking cessation classes.

84 hours of instruction per year (42 for small developments) 5 points

10. Health or behavioral health services provided by appropriately-licensed organization or individual. Includes but is not limited to: health clinic, adult day health center, medication management services, mental health services and treatment, substance abuse services and treatment. 5 points

11. Licensed childcare. Shall be available 20 hours or more per week, Monday through Friday, to residents of the development. (Only for large family projects or other projects in which at least 25% of Low-Income Units are three bedrooms or larger). 5 points

12. After school program for school age children. Includes, but is not limited to tutoring, mentoring, homework club, art and recreational activities. (Only for large family projects or other projects in which at least 25% of Low-Income Units are three bedrooms or larger).

10 hours per week, offered weekdays throughout school year

5 points

Special needs projects with less than 75% special needs units shall be scored proportionately in the service amenity category based upon (i) the services provided to special needs and non-special needs units, respectively; and (ii) the percentage of units represented by special needs and non-special needs units, respectively. Proportionate scoring means for a project to score the maximum 10 points, nonspecial needs units and special needs units must independently score 10 points for service amenities. For special needs projects with less than 75% special needs units that provide the same service amenity for the special needs and non-special needs tenants, the applicant must select the amenity from 1-6 and from 7-12 in the application form. Special needs projects with 75% or more but less than 100% special needs units shall demonstrate that all tenants will receive an appropriate level of services.

Items 1 through 12 are mutually exclusive: one proposed service may not receive points under two different categories, except in the case of proportionately-scored scored services pursuant to the previous paragraph.

Documentation must be provided for each category of services for which the applicant is claiming service amenities points and must state the name and address of the organization or entity that will provide the services; describe the services to be provided and the number of hours services will be provided; and name the project to which the services are being committed.

Documentation shall take the form of a contract for services, Memorandum of Understanding (MOU), or commitment letter on agency letterhead.

For projects claiming points for items 1, 2, 7, or 8, a position description must be provided. Services delivered by the on-site Property Manager or other property management staff will not be eligible for points under any category (items 1 through 12).

The application's Service Amenity Sources and Uses Budget page must clearly describe all anticipated income and expenses associated with the services program(s) and must align with the services commitments provided (i.e. contracts, MOUs, letters, etc.). Applications shall receive points for services only if the proposed services budget adequately accounts for the level of service. The budgeted amount must be reasonably expected to cover the costs of the proposed level of service. If project operating income will fund service amenities, the application's Service Amenities Sources and Uses Budget must be consistent with the application's fifteen year pro forma. Services costs contained in the project's pro forma operating budget do not count towards meeting CTCAC's minimum operating expenses required by Section 10327(g)(1).

All organizations providing services for which the project is claiming points must document that they have at least 24 months of experience providing services to the project's target population. Experience of individuals may not be substituted for organizational experience.

(5) Reserved.

(6) Lowest Income in accordance with the table below Maximum 52 points

- (A) The “Percent of AMI” category may be used only once. For instance, 50% of Low-Income Units at 50% of AMI cannot be used twice for 100% at 50% and receive 50 points, nor can 50% of Low-Income Units at 50% of AMI for 25 points and 40% of Low-Income Units at 50% of AMI be used for an additional 20 points. However, the “Percent of Low-Income Units” may be used multiple times. For example, 50% of Low-Income Units at 50% of AMI for 25 points may be combined with another 50% of Low-Income Units at 45% of AMI to achieve the maximum points. All projects must score at least 45 points in this category to be eligible for 9% Tax Credits.

Only projects competing in the Rural set aside may use the 55% of AMI column.

Projects electing the average income federal set-aside must choose targeting in 10% increments of AMI (i.e. 20% AMI, 30% AMI, 40% AMI, etc.).

Lowest Income Points Table (maximum 50 points):

Percent of AMI								
		55%	50%	45%	40%	35%	30%	20%
	50%		25.0*	37.5				
	45%		22.5*	33.8				
Percent of	40%	10.0*	20.0	30.0				
Low-Income	35%	8.8*	17.5	26.3	35.0		50.0	
Units	30%	7.5*	15.0	22.5	30.0	37.5	45.0	
	25%	6.3*	12.5	18.8	25.0	31.3	37.5	50.0
	20%	5.0*	10.0	15.0	20.0	25.0	30.0	40.0
	15%	3.8*	7.5	11.3	15.0	18.8	22.5	30.0
	10%	2.5*	5.0	7.5	10.0	12.5	15.0	20.0

*Available to Rural set-aside projects only

- (B) A project that agrees to have at least ten percent (10%) of its Low-Income Units available for tenants with incomes no greater than thirty percent (30%) of area median, and to restrict the rents on those units accordingly, will receive two points in addition to other points received under this subsection. The 30% units must be spread across the various bedroom-count units, starting with the largest bedroom-count units (e.g. four bedroom units), and working down to the smaller bedroom-count units, assuring that at least 10% of the larger units are proposed at 30% of AMI. So long as the applicant meets the 10% standard project-wide, the 10% standard need not be met among all of the smaller units. The CTCAC Executive Director may correct applicant errors in carrying out this largest-to-smallest unit protocol. (These points may be obtained by using the 30% section of the matrix.)

All projects, except those applying under section 10326 of these regulations, will be subject to the minimum low income percentages chosen for a period of 55 years (50 years for projects located on tribal trust land), unless they receive Federal Tax Credits only and are intended for eventual tenant homeownership, in which case they must submit, at application, evidence of a financially feasible program, incorporating, among other items, an exit strategy, home ownership counseling, funds to be set aside to assist tenants in the purchase of units, and a plan for conversion of the facility to home ownership at the end of the initial 15 year compliance period. In such a case, the regulatory agreement will contain provisions for the enforcement of such covenants.

- (7) Readiness to Proceed. 10 points will be available to projects that document enforceable financing commitment(s) as defined in Section 10325(f)(3) for all construction financing and demonstrate construction can commence within 180 days or 194 days of the Credit Reservation as assigned by the Executive Director and documented by the requirements below.

No later than the assigned deadline, CTCAC must receive:

- (A) a completed updated application form along with a detailed explanation of any changes from the initial application,
- (B) an executed construction contract,
- (C) recorded deeds of trust for all construction financing (unless a project's location on tribal trust land precludes this), binding commitments for permanent financing, binding commitments for any other financing required to complete project construction,
- (D) a limited partnership agreement executed by the general partner and the investor providing the equity,
- (E) an updated CTCAC Attachment 16,
- (F) issuance of building permits (a grading permit does not suffice to meet this requirement except that in the event that the city or county as a rule does not issue building permits prior to the completion of grading, a grading permit shall suffice; if the project is a design-build project in which the city or county does not issue building permits until designs are fully complete, the city or county shall have approved construction to begin) or the applicable tribal documents, and
- (G) notice to proceed delivered to the contractor.

The Executive Director shall either rescind the Tax Credit Reservation, assess negative points, or both for failure to meet the assigned due date.

If no construction lender is involved, evidence must be submitted no later than the assigned due date, after the Reservation is made that the equity partner has been admitted to the ownership entity, and that an initial disbursement of funds has occurred. CTCAC shall conduct a financial feasibility and cost reasonableness analysis upon receiving submitted Readiness documentation.

In the event of a federally declared emergency by the President of the United States, a state declared emergency by the Governor of the State of California, or similar event determined by the Committee, and at the sole discretion of the Executive Director, extensions may be granted.

- (8) Miscellaneous Federal and State Policies Maximum 2 points
- (A) Credit Substitution. For applicants who agree to both 1) exchange Federal Tax Credits for State Tax Credits pursuant to Section 10317(e) and 2) exchange State Tax Credits for Federal Tax Credits pursuant to Section 10317(c). 2 points

Applicants receiving these points agree to make the exchange in a manner that yields equal equity based solely on the tax credit factors stated in the application.
 - (B) Enhanced Accessibility and Visitability. Project design incorporates accessibility provisions of the Housing and Building Accessibility Requirements and the

principles of Universal Design in at least half of the project's Low-Income Units, including:

- Accessible routes of travel to the dwelling units with accessible 34" minimum clear-opening-width entry, and 34" clear width for all doors on an accessible path.
- Interior doors with lever hardware and 42" minimum width hallways.
Fully accessible bathrooms complying with CBC 11B. In addition, a 30"x48" clearance parallel to and centered on the bathroom vanity.
- Accessible kitchens with 30"x48" clearance parallel to and centered on the front of all major appliances and fixtures (refrigerator, oven, dishwasher and sink)
- Accessible primary bedroom size shall be at least 120 square feet (excluding the closet), shall accommodate a queen size bed, shall provide 36" in clearance around three sides of the bed, and shall provide required accessible clearances, free of all furnishings, at bedroom and closet doors. The primary bedroom closet shall be on an accessible path.
- Wiring for audio and visual doorbells required by UFAS shall be installed.
- Closets and balconies shall be located on an accessible route.
- These units shall, to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout the project consistent with 24 CFR Section 8.26.
- Applicant must commit to obtaining certification from a CAsp or architect with demonstrated experience meeting federal accessibility requirements. 2 points

- (C) Smoke Free Residence. The proposed project commits to having at least one nonsmoking building and incorporating the prohibition into the lease agreement for the affected units. If the proposed project contains only one building, the proposed project shall commit to prohibiting smoking in designated contiguous units and incorporating the prohibition into the lease agreement for the affected units.

2 points

- (D) Historic Preservation. The project proposes to use Historic Tax Credits 1 point

- (E) Revitalization Area Project. The project is located within one of the following: a Qualified Census Tract (QCT), a census tract in which at least 50% of the households have an income of less than 60% of the AMI, or a federal Promise Zone. Additionally, the development must contribute to a concerted community revitalization plan as demonstrated by a letter from a local government official. The letter must delineate the various community revitalization efforts, funds committed or expended in the previous five years, and how the project would contribute to the community's revitalization.

2 points

- (F) Eventual Tenant Ownership. The project proposes to make Tax Credit Units available for eventual tenant ownership and provides the information described in Section 10325(c)(6) of these regulations.

1 point

- (G) Utilizing Excess State-Owned Land: Projects located on land designated as excess state land pursuant to Executive Order N-06-19.

2 points

(9) Tie Breakers

If multiple applications receive the same score, the following tie breakers shall be employed:

For applications for projects within single-jurisdiction regional competitions only (the City and County of San Francisco and the City of Los Angeles geographic apportionments), the first tiebreaker shall be the presence within the submitted application of a formal letter of

support for the project from either the San Francisco Mayor's Office of Housing or the Los Angeles Housing Department respectively. Within those cities, and for all other applications statewide, the subsequent tiebreakers shall be as follows:

First, if an application's housing type goal has been met in the current funding round in the percentages listed in section 10315, then the application will be skipped (unless the application to be skipped is the highest ranked in the set-aside, Native American apportionment, or geographic region) if there is another application with the same score and with a housing type goal that has not been met in the current funding round in the percentages listed in section 10315; and

Second, the highest of the sum of the following:

- (A) Leveraged soft resources, as described below, defraying residential costs to total residential project development costs. Except where a third-party funding commitment is explicitly defraying non-residential costs only, leveraged soft resources shall be discounted by the proportion of the project that is non-residential. Leveraged soft resources shall be demonstrated through documentation including but not limited to funding award letters, committed land donations, or documented project-specific local fee waivers.

Leveraged soft resources shall include all of the following:

- (i) Public funds. "Public funds" include federal, tribal, state, or local government funds, including the outstanding principal balances of prior existing public debt or subsidized debt that has been or will be assumed in the course of an acquisition/rehabilitation transaction, except that outstanding principal balances for projects subject to an existing CTCAC regulatory agreement shall not be considered public funds if such loans were funded less than 30 years prior to the application deadline. Outstanding principal balances shall not include any accrued interest on assumed loans even where the original interest has been or is being recast as principal under a new loan agreement. Public funds shall include assumed principal balances only upon documented approval of the loan assumption or other required procedure by the public agency holding the promissory note.

In addition, public funds include funds already awarded under the Affordable Housing Program of the Federal Home Loan Bank (AHP), waivers resulting in quantifiable cost savings that are not required by federal or state law, local government fee reductions established in ordinance and not required by federal or state law that are available only to rental affordable housing for lower-income households and affordable ownership housing for moderate income households, or the value of land and improvements donated or leased by a public entity or donated as part of an affordable housing ordinance, development agreement or legally enforceable mandate that is negotiated between a public entity and an unrelated private developer. The value of land leased by a public entity shall be discounted by the sum of up-front lease pre-payments and all mandatory lease payments in excess of \$100 per year over the term of the lease, exclusive of residual receipt payments. For new construction applications, only the vacant land value may be counted for tiebreaker credit. The value of improvements to be demolished does not qualify as a leveraged soft resource. Private loans that are guaranteed by a public entity (for example, RHS Section 538 guaranteed financing) shall not be counted as public funds, unless the loans have a designated repayment commitment from a public source other than rental or operating subsidies, such as the HUD Title VI Loan Guarantee Program involving

Native American Housing Assistance and Self Determination Act (NAHASDA) funds. Land and building values, including for land donated or leased by a public entity or donated as part of an affordable housing ordinance, development agreement or legally enforceable mandate, must be supported by an independent, third-party appraisal consistent with the guidelines in Section 10322(h)(9). The appraised value is not to include off-site improvements. For Tribal apportionment applications, donated land value and land-purchase funding shall not be eligible. However, unsuccessful Tribal apportionment applicants subsequently competing within the rural set-aside or tribal applicants competing in a geographic region shall have such donated land value and land-purchase funding counted competitively as public funding if the land value is established in accordance with the requirements of this paragraph.

Loans must be “soft” loans, having terms (or remaining terms) of at least 15 years, and below market interest rates and interest accruals, and are either fully deferred or require only residual receipts payments for at least the first fifteen years of their terms. Qualified soft loans may have annual fees that reasonably defray compliance monitoring and asset management costs associated with the project. The maximum below-market interest rate allowed for tiebreaker purposes shall be the greater of four percent (4%) simple, or the Applicable Federal Rate if compounding. RHS Section 514 or 515 financing shall be considered soft debt in spite of a debt service requirement. Further, there shall be conclusive evidence presented that any new public funds have been firmly committed to the proposed project and require no further approvals, and that there has been no consideration other than the proposed housing given by anyone connected to the project, for the funds or the donated or leased land. Seller carryback financing and any portion of a loan from a public seller or related party that is less than or equal to sale proceeds due the seller, except for a public land loan to a new construction project that is not replacing affordable housing within the footprint of the original development, shall be excluded for purposes of the tiebreaker. Projects that include both new construction and rehabilitation or affordable housing replacement shall have the land loan value prorated based on units.

Public contributions of off-site costs shall not be counted competitively, unless (1) documented as a waived fee pursuant to a nexus study and relevant State Government Code provisions regulating such fees or (2) the off-sites must be developed by the sponsor as a condition of local approval and those off-sites consist solely of utility connections, and curbs, gutters, and sidewalks immediately bordering the property. Public funds shall be reduced for tie breaker scoring purposes by an amount equal to the off-sites not meeting the requirements noted in this paragraph.

The capitalized value of rent differentials attributable to public rent or public operating subsidies shall be considered public funds based upon CTCAC underwriting standards. Standards shall include a 15-year loan term; an interest rate established annually by CTCAC based upon a spread over 10-year Treasury Bill rates; a 1.15 to 1 debt service coverage ratio; and a five percent (5%) vacancy rate. In addition, the rental income differential for subsidized units shall be established by subtracting tax credit rental income at 40 percent (40%) AMI levels (30% AMI for units subject to the 40% average AMI requirement of Section 10325(g)(3)(A)) from the committed contract rent income documented by the subsidy source or, in the case of a USDA rental subsidy only, the higher of 60% AMI rents or the committed contract USDA Basic rents. The committed contract rent income for units with existing project-based Section 8 rental subsidy shall be documented by the current monthly contract rent in place at the time of the

application or by contract rent committed to and approved by the subsidy source (HUD); rent from a rent comparable study or post-rehabilitation rent shall not be permitted. The rent differential for projects with public operating subsidies shall equal the annual subsidy amount in year 1, provided the subsidy will be of a similar amount in succeeding years, or the aggregate subsidy amount of the contract divided by the number of years in the contract if the contract does not specify an annual subsidy amount.

- (ii) soft loans that meet the criteria described in subparagraph (i) (except that terms shall be of at least 55 years), or grants, from unrelated non-public parties that are not covered by subparagraph (i) and that do not represent financing available through the National Mortgage Settlement Affordable Rental Housing Consumer Relief programs. The party providing the soft loans or grants shall not be a partner or proposed partner in the limited partnership (unless the partner has no ownership interest and only the right to complete construction) and shall not receive any benefit or funds from a related party to the project. The application shall include (1) a certification from an independent Certified Public Accountant (CPA) or independent tax attorney that the leveraged soft resource(s) is from an unrelated non-public entity(ies), that the unrelated non-public entity(ies) shall not receive any benefit or funds from a related party to the project, and that the leveraged soft resource(s) is available and not committed to any other project or use; and (2) a narrative from the applicant regarding the nature and source of the leveraged soft resource(s) and the conditions under which it was given. Seller carryback financing and any portion of a loan from a non-public seller or related party that is less than or equal to sale proceeds due the seller shall be excluded for purposes of the tiebreaker.
- (iii) the value of donated land and improvements that are not covered by subparagraph (i), that meet the criteria described in subparagraph (i), and that are contributed by an unrelated entity (unless otherwise approved by the Executive Director), so long as the contributed asset has been held by the entity for at least five years prior to the application due date, except for the value of donated land and improvements in the case of a rehabilitation project subject to an existing regulatory agreement with CTCAC or a federal, state, or local public entity or with greater than 25% of the units receiving project-based rental assistance unless the land and improvements are wholly donated. For a case in which the donor is a non-profit organization acting solely as a pass-through entity, the Executive Director may in advance of the application date approve an exception to the five-year hold rule provided that the donor to the non-profit organization held the contributed asset for at least five years and that both the original donor and non-profit donor meet the requirements of, and are included in the certifications required by, this paragraph. The party providing the donation shall not be a partner or proposed partner in the limited partnership (unless the partner has no ownership interest and only the right to complete construction) and shall not receive any benefit from a related party to the project. In addition, the land shall not have been owned previously by a related party or a partner or proposed partner (unless the partner has no ownership interest and only the right to complete construction). The application shall include a certification from an independent Certified Public Accountant (CPA) or independent tax attorney that the donation is from an unrelated entity and that the unrelated entity shall not receive any benefit from a related party to the project. For new construction applications, only the vacant land value may be counted for tiebreaker credit. The value of improvements to be demolished does not qualify as a leveraged soft resource.

- (iv) For purposes of this section, a related party shall mean a member of the development team or a Related Party, as defined in Section 10302, to a member of the development team.
- (v) For 4% credit applications, recycled private activity bonds (whether they be used for construction or permanent financing or both) shall be considered leveraged soft resources so long as the loan terms are consistent with market standards.

Permanent funding sources for this tiebreaker shall not include equity commitments related to the Low-Income Housing Tax Credits.

Land donations include land leased for a de minimis annual lease payment. CTCAC may contract with an appraisal reviewer and, if it does so, shall commission an appraisal review for donated land and improvements if a reduction of 15% to the submitted appraisal value would change an award outcome. If the appraisal review finds the submitted appraisal to be inappropriate, misleading, or inconsistent with the data reported and with other generally known information, then the reviewer shall develop their own opinion of value and CTCAC shall use the opinion of value established by the appraisal reviewer for calculating the tiebreaker only.

The numerator of projects of 50 or more newly constructed or adaptive reuse Tax Credit Units shall be multiplied by a size factor equal to seventy five percent plus the total number of newly constructed or adaptively reused Tax Credit Units divided by 200 ($75\% + (\text{total new construction/adaptive reuse units}/200)$). The size factor calculation shall be limited to no more than 150 Tax Credit Units.

In the case of a new construction Hybrid 9% and 4% tax credit development which meets all of the following conditions, the calculation of the size factor for the 9% application shall include all of the Tax Credit Units in the 4% application up to the limit described above, the leveraged soft resources ratio calculated pursuant to this subparagraph (A) shall utilize the combined amount of leveraged soft resources defraying residential costs and the combined total residential project development costs from both the 9% and 4% applications, and the ratio calculated pursuant to subparagraph (B) shall also utilize the combined total residential project development costs from both the 9% and 4% applications:

- (i) the 4% application shall have been submitted to CTCAC and CDLAC by the 9% application deadline;
- (ii) the 4% and 9% projects are simultaneous phases, as defined in Section 10327(c)(2)(C);
- (iii) the 4% application is eligible for maximum points under Sections 10325(c)(3), (4)(B), (5), and (6), except that 1) the 4% application may be eligible for maximum points in the lowest income category in combination with the 9% project, and 2) the 4% application may be eligible for maximum housing type points in combination with the 9% project. Under each exception, the 9% project shall also be scored in the corresponding point category in combination with the 4% project; and
- (iv) developers shall defer or contribute as equity to the project any amount of combined 4% and 9% developer fees in cost that are in excess of the limit pursuant to Section 10327(c)(2)(A) plus \$20,000 per unit for each Tax Credit Unit in excess of 100, using (a) the combined Tax Credit Units of the 9% and 4% components, (b) the combined eligible basis of the 9% and 4% components, and (c) the high-cost test factor calculated using the eligible basis and threshold basis limits for the 9% component.

In the event that the 4% component of a Hybrid project that receives an increase to its size factor pursuant to this paragraph is not placed in service within six months of the 9% component, both applicants may be subject to negative points.

If the project's paid purchase price exceeds appraised value, the leveraged soft resources amount shall be discounted by the overage, unless the Executive Director has granted a waiver pursuant to Section 10327(c)(6).

- (B) One (1) minus the ratio of requested unadjusted eligible basis to total residential project development costs, with the resulting figure divided by two.
- (C) Except as provided below, a new construction Large Family housing type project (excluding a Special Needs project with non-special needs Low-Income Units meeting Large Family housing type requirements) shall receive a higher resource area bonus as follows based on the designation of the project's location on the CTCAC/HCD Opportunity Area Map:

The project is non-rural and the project's census tract is a Highest Resource area
20 percentage points

The project is non-rural and the project's census tract is a High Resource area
10 percentage points

The project is rural and project's census tract or census block group as applicable is a Highest Resource area
10 percentage points

The project is rural and the project's census tract or census block group as applicable is a High Resource area
5 percentage points

This bonus shall not apply to projects once the housing type goal for Large Family New Construction receiving the tiebreaker increase has been met in a round or within the Rural set aside in a round as described in Section 10315(h) and Section 10325(c)(9).

This bonus shall not apply to projects competing in the Native American apportionment, unless such projects fall into the rural set-aside competition. In addition, this bonus shall not apply to a project supported by affordable housing ordinances, which for purposes of this subparagraph shall mean a project in which any of the Low-Income Units satisfy the obligations of any affordable housing ordinance, development agreement or legally enforceable mandate negotiated between a public entity and private developer, unless the obligations derive solely from the Low-Income Units themselves or unless the project includes at least 40 Low-Income Units that are not counted towards the obligations of the affordable housing ordinance, development agreement, or legally enforceable mandate. An application for a large family new construction project located in a High or Highest Resource area shall disclose whether or not the project includes any Low-Income Units which satisfy the obligations of an affordable housing ordinance, development agreement or legally enforceable mandate and, if so, the number of such units and whether the affordable obligations derive solely from the Low-Income Units themselves.

An applicant may choose to utilize the census tract, or census block group as applicable, resource designation from the CTCAC/HCD Opportunity Maps in effect when the initial site control was obtained up to seven calendar years prior to the application.

- (D) For Rural set aside projects applying in counties where no tax credit applications have been received within five years of the application filing date, the tiebreaker shall be increased by five percentage points.

The resulting tiebreaker score must not have decreased following award or negative points may be awarded.

- (d) Application selection for evaluation. Except where CTCAC staff determines a project to be high cost, staff shall score and rank projects as described below. Staff shall identify high-cost projects by comparing each scored project's total eligible basis against its total adjusted threshold basis limits. CTCAC shall calculate total eligible basis by using all project costs listed within the application unless those costs are not includable in basis under federal law as demonstrated by the shaded cells in the application sources and uses budget itself or by a letter from the development team's third-party tax professional. A project will be designated "high cost" if a project's total eligible basis exceeds its total adjusted threshold basis limit by 30%. Staff shall not recommend such project for credits. Any project that receives a reservation on or after January 1, 2016 may be subject to negative points if the project's total eligible basis at placed in service exceeds the revised total adjusted threshold basis limit by 40%. For purposes of calculating the high-cost test at placed in service, CTCAC shall use the higher of the unadjusted threshold basis limit from application or the year the project places in services.

Following the scoring and ranking of project applications in accordance with the above criteria, subject to conditions described in these regulations, reservations of Tax Credits shall be made for those applications of highest rank in the following manner.

- (1) Set-aside application selection. Beginning with the top-ranked application from the Nonprofit set-aside, followed by the Rural set-aside (funding the RHS, HOME, and CDBG-DR program apportionment first, and the Native American apportionment second), the At-Risk set-aside, and the Special Needs set-aside, the highest scoring applications will have Tax Credits reserved. Credit amounts to be reserved in the set-asides will be established at the exact percentages set forth in section 10315, with the exception of the Federal Credit amount established by the Further Consolidated Appropriations Act, 2020 and the Consolidated Appropriations Act, 2021. If the last project funded in a set-aside requires more than the credits remaining in that set-aside, such overages in the first funding round will be subtracted from that set-aside in determining the amount available in the set-aside for the second funding round. If Credits are not reserved in the first round, they will be added to second round amounts in the same Set Aside. If more Tax Credits are reserved to the last project in a set-aside than are available in that set-aside during the second funding round, the overage will be taken from the Supplemental Set-Aside if there are sufficient funds. If not, the award will be counted against the amounts available from the geographic area in which the project is located. Any unused credits from any Set-Asides will be transferred to the Supplemental Set-Aside and used for Waiting List projects after the second round. Tax Credits reserved in all set-asides shall be counted within the housing type goals.

- (A) For an application to receive a reservation within a set-aside, or within a rural set-aside apportionment, there shall be at least one dollar of Credit not yet reserved in the set-aside or apportionment.
- (B) Set-aside applications requesting State tax credits shall be funded, even when State credits for that year have been exhausted. The necessary State credits shall be reserved from the subsequent year's aggregate annual State credit allotment.
- (C) Except for projects competing in the rural set-aside, which shall not be eligible to compete in geographic area, unless the projects are located within a Geographic Region and no other projects have been funded within the Project's region during

the year in question, after a set-aside is reserved, all remaining applications competing within the set-aside shall compete in the Geographic Region.

Federal Credit established by the FCAA application selection. Applications for projects located in the counties designated as qualified 2017 and 2018 California disaster areas by the FCAA, FCAA Federal Credit shall only be reserved for (1) new construction projects also including projects that involve the demolition or rehabilitation of existing residential units that increase the unit count by (i) 25 or (ii) 50% of the existing units, whichever is greater, and adaptive re-use of non-residential structures, or (2) reconstruction or rehabilitation of an existing project located within a FCAA disaster area fire perimeter, as designated by CAL FIRE and available on the CTCAC website <https://www.treasurer.ca.gov/ctcac/>, and directly damaged by the fire, and that apply for the FCAA Federal Credit. Applications shall meet all program eligibility requirements unless stated otherwise below, and located in the following counties: Butte, Lake, Los Angeles, Mendocino, Napa, Nevada, Orange, San Diego, Santa Barbara, Shasta, Sonoma, Ventura, and Yuba.

Applications for projects applying for FCAA Federal Credit shall be competitively scored within the county apportionment under the system delineated in Sections 10325(c)(1) through (3), (4)(B), and (6). In the cases where applications receive the same score, the following tiebreakers shall be employed: First, a formal letter of support for the specific project from the Local Reviewing Agency (LRA) outlining how the project will contribute to the community's recovery efforts submitted in the application or received by CTCAC no later than 14 days following the application filing deadline; Second, the application with the greatest number of proposed Tax Credit Units per annual Federal Tax Credit amount requested; and Third, the application with the greatest number of proposed bedrooms within the proposed Tax Credit Units.

For projects located within a FCAA disaster area fire perimeter, as designated by CAL FIRE and available on the CTCAC website <https://www.treasurer.ca.gov/ctcac/>, applying for FCAA Federal Credit in the 2020 funding round, local approvals and zoning requirements of Section 10325(f)(4) must be evidenced to CTCAC no later than June 1, 2021. Failure to do so shall result in rescission of the Tax Credit Reservation on June 2, 2021. The deadline in this paragraph may be extended if the Executive Director finds, in their sole discretion, a project merits additional time due to delays directly caused by fire, war, or act of God. In considering a request, the Executive Director may consider, among other things, the length of the delay and the circumstances relating to the delay.

The deferred-payment financing commitment requirements of Section 10325(f)(8) are modified for FCAA Federal Credit applications with 2017 and 2018 HCD Community Development Block Grant – Disaster Recovery (CDBG-DR) Multifamily financing as follows: a letter from an HCD identified jurisdiction stating the intent to commit a portion of that jurisdiction's HCD allocation. The letter must provide the dollar amount and the estimated date which the jurisdiction will provide CTCAC a written commitment in compliance with the requirements of Section 10325(f)(8). Projects must receive these CDBG-DR funds prior to the CTCAC placed-in service application deadline.

FCAA Federal Credit shall be made available starting in the 2020 second funding round in the amounts shown below:

ANNUAL FEDERAL TAX CREDIT BASE + LOST UNIT ALLOCATION	COUNTY
\$40,087,453	Butte
\$16,365,940	Sonoma

\$5,630,499	Los Angeles
\$5,421,263	Shasta
\$4,975,965	Ventura
\$4,109,511	Napa
\$3,342,311	Mendocino
\$3,259,153	Lake
\$2,886,283	Yuba
\$2,816,537	San Diego
\$2,583,158	Santa Barbara
\$2,580,476	Nevada
\$2,561,698	Orange
\$2,000,000	Supplemental
\$98,620,247	TOTAL

The funding order shall be followed by funding the highest scoring application, if any, in each of the 13 counties. After each county has had the opportunity to fund one project, CTCAC shall award the second highest scoring project in each county, if any, and continue cycling through the counties, filling each county's apportionment.

For an application to receive a FCAA Federal Credit reservation, there shall be at least one dollar of Credit not yet reserved in the county allocation so long as the county's last award does not cause the county's aggregate award amount to exceed 105 percent (105%) of the amount originally available for that county. FCAA Federal Credit allocated in excess of the county's allocation by the application of the 105% rule described above will be deducted from the Supplemental allocation. If the last application requires credits in excess of 105% of the county's allocation, that application will not be funded. If all FCAA Federal Credit in a funding round has been awarded, all remaining FCAA applications shall compete in the applicable set-aside or geographic region, provided the application meets the requirements of the set-aside or geographic region, and the requirements of Section 10325.

At the conclusion of the funding round, if less than 10% of the total FCAA Federal Credit remains, all unallocated FCAA Federal Credit within the county allocations will be combined and available to remaining projects requesting FCAA Federal Credits, and which meet the threshold and underwriting requirements through a waiting list. The award selection will be made from the waiting list to the counties in the order listed above. Within each county, the award selection will start with the highest-ranking project located within a FCAA disaster area fire perimeter, as designated by CAL FIRE and available on the CTCAC website <https://www.treasurer.ca.gov/ctcac/> first and continue within that county in rank order until no eligible applications remain. Subsequent to the above selection ranking, any unused FCAA Federal Credit shall be designated for projects where at least fifty percent (50%) of the Low-Income Units within the project are designated for homeless households as described in Sections 10315(b)(1) through (4) starting with the highest-ranking project pursuant to Section 10325(c) without regard to the set aside or geographic region for which the application applied.

All projects awarded FCAA Federal Credit in 2020 may return their allocation to the Committee without assessment of negative points if the formal written notification from the

applicant of the return is received by the Committee no later than September 1, 2021. Any returned credits following September 1, 2021 will be made available to projects from the FCAA Federal Credit waiting list as previously stated. Any new application received for a project on the waiting list shall result in that project's removal from the waiting list.

The FCAA Federal Credit amount shall not be counted towards the set asides of Section 10315, the housing type goals of Section 10315(h), or the geographic apportionments of Section 10315(i). Applications for FCAA Federal Credit shall not be counted towards the four (4) awards limit of Section 10325(c). Notwithstanding Section 10325(f)(9)(C), the maximum annual Federal Tax Credits available for award to any one project in any funding round applying for FCAA Federal Credit shall not exceed Five Million Dollars (\$5,000,000). Applications for FCAA Federal Credit are not eligible for State Tax Credits.

Federal Credit established by the CAA application selection. Applications for projects located in the counties designated as qualified 2020 California disaster areas by the CAA, CAA Federal Credit shall only be reserved for (1) new construction projects also including projects that involve the demolition or rehabilitation of existing residential units that increase the unit count by (i) 25 or (ii) 50% of the existing units, whichever is greater, and adaptive re-use of nonresidential structures, or (2) reconstruction or rehabilitation of an existing project located within a CAA or FCAA disaster area fire perimeter, as designated by CAL FIRE and available on the CTCAC website <https://www.treasurer.ca.gov/ctcac/>, and directly damaged by the fire, and that apply for the CAA Federal Credit. Applications shall meet all program eligibility requirements unless stated otherwise below, and located in the following counties: Butte, Fresno, Lake, Lassen, Los Angeles, Madera, Mendocino, Monterey, Napa, San Bernardino, San Diego, San Mateo, Santa Clara, Santa Cruz, Shasta, Siskiyou, Solano, Sonoma, Stanislaus, Trinity, Tulare, and Yolo.

Applications for projects applying for CAA Federal Credit shall be competitively scored within the county/regional apportionment under the system delineated in Sections 10325(c)(1) through (8). At the sole discretion of the Executive Director, an extension of up to 90 days may be granted to the 180/194-day readiness deadline. In the cases where applications receive the same score, the following tiebreakers shall be employed: First, projects located within a CAA or FCAA disaster area fire perimeter, as designated by CAL FIRE and available on the CTCAC website <https://www.treasurer.ca.gov/ctcac/>, and not opposed or strongly opposed by the Local Reviewing Agency (LRA); Second, the presence of an enforceable financing commitment to the specific project of at least \$1,000,000 from HCD and assuming a 4% tax credit financing structure such that the Federal Tax Credit request divided by the total eligible basis does not exceed 7.5%; and Third, the application with the greatest number of proposed bedroom-adjusted Tax Credit Units per annual Federal Tax Credit amount requested. To calculate the bedroom-adjusted units, each Tax Credit Unit will be multiplied by the adjustment factor for units of that bedroom count. A project's adjusted units shall be the sum of each of these products. The adjustment factors shall be:

- .9 for a studio unit.
- 1 for a one-bedroom unit.
- 1.25 for a two-bedroom unit.
- 1.5 for a three-bedroom unit up to no more than 30% of the total units, then such additional units shall be counted as 2-bedroom units.
- 1.75 for a four-bedroom or larger unit up to no more than 10% of the total units, then such additional units shall be counted as 2-bedroom units.

The deferred-payment financing commitment requirements of Section 10325(f)(8) are modified for CAA Federal Credit applications with HCD Community Development Block Grant – Disaster Recovery (CDBG-DR) Multifamily financing as follows: a letter from an HCD identified jurisdiction stating the intent to commit a portion of that jurisdiction's HCD allocation. The letter must provide the dollar amount and the estimated date which the jurisdiction will provide CTCAC a written commitment in compliance with the requirements

of Section 10325(f)(8). Projects must receive these CDBG-DR funds prior to the CTCAC placed-in service application deadline. CAA Federal Credit shall be made available starting in the 2021 second funding round in the amounts shown below:

ANNUAL FEDERAL TAX CREDIT BASE + LOST UNIT ALLOCATION	COUNTY/ REGION
\$17,261,698	Butte County
\$12,058,293	Santa Cruz County
\$9,395,477	Napa County
\$8,714,494	North Region (San Mateo, Santa Clara, Shasta, Solano, Stanislaus, and Yolo Counties)
\$8,609,728	Fresno County
\$8,408,925	Sonoma County
\$7,553,332	South Region (Madera, Monterey, Los Angeles, San Bernardino, San Diego, and Tulare Counties)
\$6,741,391	Rural (Lake, Lassen, Mendocino, Siskiyou, and Trinity Counties)
\$2,000,000	Supplemental
\$80,743,338	TOTAL

The funding order shall start with applications selected in rank order within each county/region in the order above. For an application to receive a CAA Federal Credit reservation, there shall be at least one dollar of Credit not yet reserved in the county/region allocation so long as the county/region's last award does not cause the county/region aggregate award amount to exceed 105 percent (105%) of the amount originally available for that county/region. CAA Federal Credit allocated in excess of the county/region's allocation by the application of the 105% rule described above will be deducted from the Supplemental allocation. If the last application selected requires credits in excess of 105% of the county/region's allocation, that application will not be funded. Any CAA Federal Credit remaining in a county/region apportionment at the end of a funding round will be available in the subsequent round. For the final funding round of 2022 for CAA Federal Credits, if the aggregate amount of Federal Credit requested does not exceed the amount available, the 105% county limit above shall not apply. If all CAA Federal Credit in a funding round has been awarded, all remaining CAA applications shall compete in the applicable set-aside or geographic region, provided the application meets the requirements of the set-aside or geographic region, and the requirements of Section 10325.

At the conclusion of the funding round, if less than 10% of the total CAA Federal Credit remains, all unallocated CAA Federal Credit within the county/region allocations will be combined and available to remaining projects requesting CAA Federal Credits, and which meet the threshold and underwriting requirements through a waiting list. The award selection will be made from the waiting list to the counties in order number of lost homes highest to lowest. Within each county, the award selection will start with the highest-ranking project located within a CAA or FCAA disaster area fire perimeter, as designated by CAL FIRE and available on the CTCAC website <https://www.treasurer.ca.gov/ctcac/> first and continue within that county in rank order until no eligible applications remain.

The CAA Federal Credit amount shall not be counted towards the set asides of Section 10315, the housing type goals of Section 10315(h), or the geographic apportionments of Section 10315(i). Applications for CAA Federal Credit shall not be counted towards the four (4) awards limit of Section 10325(c). Notwithstanding Section 10325(f)(9)(C), the maximum annual Federal Tax Credits available for award to any one project in any funding round applying for CAA Federal Credit shall not exceed Four Million Dollars (\$4,000,000). Applications for CAA Federal Credit are not eligible for State Tax Credits.

- (2) Geographic Areas selection. Tax Credits remaining following reservations to all set-asides shall be reserved to projects within the geographic areas, beginning with the geographic area having the smallest apportionment, and proceeding upward according to size in the first funding round and in reverse order in the second funding round. The funding order shall be followed by funding the highest scoring application, if any, in each of the regions. After each region has had the opportunity to fund one project, CTCAC shall award the second highest scoring project in each region, if any, and continue cycling through the regions, filling each geographic area's apportionment. Projects will be funded in order of their rank so long as the region's aggregate award amount does not exceed 125 percent (125%) of the amount originally available for that region in that funding round. Credits allocated in excess of the Geographic Apportionments by the application of the 125% rule described above will be drawn from the second-round apportionments during the first round, and from the Supplemental Set Aside during the second round. However, all Credits drawn from the Supplemental Set Aside will be deducted from the Apportionment in the subsequent round.

When the highest-ranking project or next highest-ranking project(s) do not meet the 125% rule then the Committee shall skip over that project to fund a project requesting a smaller credit award that does not exceed the 125% requirement. However, no project may be funded by this skipping process unless it (a) has a point score equal to that of the first project skipped, and (b) has a final tiebreaker score equal to at least 75% of the first skipped project's final tiebreaker score.

To the extent that there is a positive balance remaining in a geographic area after a funding round, such amount will be added to the amount available in that geographic area in the subsequent funding round. Similarly, to the extent that there is a deficit in a geographic area after a funding round, such amount will be subtracted from the funds available for reservation in the next funding round. Any unused credit from the geographic areas in the second funding round will be added back into the Supplemental Set-Aside. Tax credits reserved in all geographic areas shall be counted within the housing type goals.

- (e) Application Evaluation. To receive a reservation of Tax Credits, applications selected pursuant to subsection (d) of this Section, shall be evaluated, pursuant to IRC Section 42, H & S Code Sections 50199.4 through 50199.22, R & T Code Sections 12206, 17058, and 23610.5, and these regulations to determine if; eligible, by meeting all program eligibility requirements; complete, which includes meeting all basic threshold and additional threshold requirements; and financially feasible. In scoring and evaluating project applications, the Executive Director shall have the discretion to interpret the intent of these regulations and to score and evaluate applications accordingly. Applicants understand that there is no "right" to receive Tax Credits under these regulations. The Committee shall make available to the general public a written explanation for any allocation of Tax Credits that is not made in accordance with the established priorities and selection criteria of these Regulations.
- (f) Basic Thresholds. No application is complete without meeting the following basic threshold requirements at the time the application is filed and to the Executive Director's satisfaction:
 - (1) Housing need and demand. Applicants shall provide evidence that the type of housing proposed, including proposed rent levels, is needed and affordable to the targeted population within the community in which it is located, with evidence including a market study that meets the current market study guidelines distributed by the Committee. Market studies will be assessed thoroughly. Meeting the requirements of subsection (B) below is

essential, but because other elements of the market study will also be considered, meeting those requirements in subsection (B) will not in itself show adequate need and demand for a proposed project or ensure approval of a given project. Evidence shall be conclusive and include the most recent documentation available (prepared or updated within 180 days of the application date). Evidence of housing need and demand shall include, but is not limited to:

- (A) evidence of public housing waiting lists, by bedroom size and tenant type, if available, from the local housing authority; and
 - (B) except as provided in Section 10322(h)(10), a market study as described in Section 10322(h)(10) of these regulations, which provides evidence that:
 - (i) The proposed tenant paid rents for each affordable unit type in the proposed development will be at least ten percent (10%) below the weighted average rent for the same unit types in comparable market rate rental properties;
 - (ii) Except for special needs rehabilitation projects in which at least 90% of the total units are SRO units, the proposed unit value ratio stated as dollars per square foot (\$/s.f.) will be no more than the weighted average unit value ratios for comparable market rate units;
 - (iii) In rural areas without sufficient three- and four-bedroom market rate rental comparables, the market study must show that in comparison to three- and four-bedroom market rate single family homes, the affordable rents will be at least 20% below the rents for single family homes and the \$/s.f. ratio will not exceed that of the single family homes; and
 - (iv) The demand for the proposed project's units must appear strong enough to reach stabilized occupancy – 90% occupancy for Special Needs projects and 95% for all other projects – within six months of being placed in service for projects of 150 units or less, and within 12 months for projects of more than 150 units and senior projects.
- (2) Demonstrated site control. Applicants shall provide evidence that the subject property is within the control of the applicant.
- (A) Site control may be evidenced by:
 - (i) a current title report (within 90 days of application except as provided in Section 10322(h)(35) (or preliminary title report, but not title insurance or commitment to insure) showing the applicant holds fee title or, for tribal trust land, a title status report or an attorney's opinion regarding chain of title and current title status;
 - (ii) an executed lease agreement or lease option for the length of time the project will be regulated under this program connecting the applicant and the owner of the subject property;
 - (iii) an executed disposition and development agreement connecting the applicant and a public agency; or,
 - (iv) a valid, current, enforceable contingent purchase and sale agreement or option agreement connecting the applicant and the owner of the subject property. Evidence must be provided at the time of the application that all extensions and other conditions necessary to keep the agreement current through the application filing deadline have been executed.

- (B) A current title report (within 90 days of application except as provided in Section 10322(h)(35) (or preliminary title report, but not title insurance or commitment to insure) or for tribal trust land a title status report or an attorney's opinion regarding chain of title and current title status, shall be submitted with all applications for purposes of this threshold requirement.
 - (C) The Executive Director may determine, in her/his sole discretion, that site control has been demonstrated where a local agency has demonstrated its intention to acquire the site, or portion of the site, through eminent domain proceedings.
- (3) Enforceable financing commitment. Applicants shall provide evidence of enforceable financing commitments for at least fifty percent (50%) of the acquisition and construction financing, or at least fifty percent (50%) of the permanent financing, of the proposed project's estimated total acquisition and construction or total permanent financing requirements. An "enforceable financing commitment" must:
- (A) be in writing, stating rate and terms, and in the form of a loan, grant or an approval of the assignment/assumption of existing debt by the mortgagee;
 - (B) be subject only to conditions within the control of the applicant, but for obtaining other financing sources including an award of Tax Credits;
 - (C) have a term of at least fifteen (15) years if it is permanent financing;
 - (D) demonstrate feasibility for fifteen (15) years at the underwriting interest rate, if it is a variable or adjustable interest rate permanent loan; and,
 - (E) be executed by a lender other than a mortgage broker, the applicant, or an entity with an identity of interest with the applicant, unless the applicant is a lending institution actively and regularly engaged in residential lending; and
 - (F) be accepted in writing by the proposed mortgagor or grantee, if private financing.

Substitution of such funds after a Reservation of Tax Credits may be permitted only when the source of funding is similar to that of the original funding, for example, use of a bank loan to substitute for another bank loan, or public funds for other public funds. General Partner loans or developer loans must be accompanied by documented proof of funds being available at the time of application. In addition, General Partner or developer loans to the project are unique and may not be substituted for or foregone if committed to within the application. After a Reservation of Tax Credits an applicant may substitute Affordable Housing Program (AHP) funds provided pursuant to a program of the Federal Home Loan Bank for any other source.

Projects awarded under a Nonprofit set-aside homeless assistance priority or a Rural set-aside RHS, HOME, or CDBG-DR apportionment pursuant to a funding commitment may not substitute other funds for this commitment after application to CTCAC. Failure to retain the funding may result in an award of negative points.

For projects using FHA-insured debt, the submission of a letter from a Multifamily Accelerated Processing (MAP) lender stating that they have underwritten the project and that it meets the requirements for submittal of a multifamily accelerated processing firm commitment application to HUD.

- (4) Local approvals and Zoning.
- (A) Applicants shall provide evidence, at the time the application is filed, that the project as proposed is zoned for the intended use and has obtained all applicable local land use approvals which allow the discretion of local elected officials to be applied,

except that an appeal period may run 30 days beyond that application due date.. When the appeal period, if any, is concluded, the applicant must provide proof that either no appeals were filed, or that any appeals filed during that time were resolved within that 30-day period and the project is ready to proceed.

- (B) For purposes of this subdivision, "local land use approvals" includes, but is not limited to, general plan amendments, rezonings, and conditional use permits and does not include design review, initial environmental study assessments, variances, and development agreements.
 - (C) Documentation required to meet the evidentiary burden under subdivision (A) must describe the local approval process, the applicable approvals, and whether each required approval is "by right," ministerial, or discretionary. In lieu of a local land use approval, projects that qualify for "by right" or ministerial approval may submit confirmation of a development's eligibility for such approval from HCD's Housing Accountability Unit or a third-party attorney letter that explains how the project complies with the applicable requirements.
 - (D) The Committee may require, as evidence to meet this requirement, submission of a Committee-provided form letter to be signed by an appropriate local government planning official of the applicable local jurisdiction, including acknowledgment of any zoning or land use approvals pursuant to a state streamlined approval requirement.
 - (E) Rehabilitation projects not requiring land use approvals are exempt from the requirements above.
- (5) Financial feasibility. Applicants shall provide the financing plan for the proposed project and shall demonstrate the proposed project is financially feasible and viable as a qualified low income housing project throughout the extended use period. A fifteen-year pro forma of all revenue and expense projections, starting as of the planned placed in service date for new construction projects, and as of the rehabilitation completion date for acquisition/rehabilitation projects, is required. The financial feasibility analysis shall use all underwriting criteria specified in Section 10327 of these regulations.
- (6) Sponsor characteristics. Applicants shall provide evidence that proposed project participants, as a Development Team, possess all of the knowledge, skills, experience and financial capacity to successfully develop, own and operate the proposed project. The Committee may conduct an investigation into an applicant's background that it deems necessary, in its sole discretion, and may determine if any of the evidence provided shall disqualify the applicant from participating in the Credit programs, or if additional Development Team members need be added to appropriately perform all program requirements.
- (7) Minimum construction standards. For preliminary reservation applications, applicants shall provide a statement that the following minimum specifications will be incorporated into the project design for all new construction and rehabilitation projects. In addition, a statement shall commit the property owner to at least maintaining the applicable Building Energy Efficiency Standards (Energy Code, California Code of Regulations, Title 24) adopted by the California Energy Commission (CEC) as well as maintaining the installed energy efficiency and sustainability features' quality when replacing each of the following listed systems or materials:
- (A) Energy Efficiency. All rehabilitated buildings, both competitive and non-competitive, shall meet one of the following:
 - (i) Achieve at least a 10% post-rehabilitation improvement over existing conditions energy efficiency achieved for the project as a whole, except that

Scattered Site applications shall also document at least a 5% post-rehabilitation improvement over existing conditions energy efficiency achieved for each site. In the case of projects in which energy efficiency improvements have been completed within five years prior to the application date or since the last tax credit award pursuant to a public or regulated utility program or other governmental program that established existing conditions of the systems being replaced using a HERS Rater, the applicant may include the existing conditions of those systems prior to the improvements.

- (ii) At least 2 out of 3 residential end uses (cooking, space heating, and water heating) are electrified, or the building(s) is electric ready as defined in Section 160.9 of the 2022 Building Energy Efficiency Standards.
- (B) Landscaping. If landscaping is to be provided or replaced, a variety of plant and tree species that require low water use shall be provided in sufficient quantities based on landscaping practices in the general market area and low maintenance needs. Projects shall follow the requirements of the state Model Water Efficient Landscape Ordinance (<http://www.water.ca.gov/wateruseefficiency/landscapeordinance/>) unless a local landscape ordinance has been determined to be at least as stringent as the current model ordinance.
- (C) Roofs. Newly installed roofing shall carry a three-year subcontractor guarantee and at least a 20-year manufacturer's warranty.
- (D) Exterior doors. If exterior doors are to be provided or replaced, insulated or solid core, flush, paint or stain grade exterior doors shall be made of metal clad, hardwood faces, or fiberglass faces, with a standard one-year guarantee and all six sides primed.
- (E) Appliances. All Low-Income Units shall provide a refrigerator. All non-SRO Low-Income Units shall provide a range (stovetop and oven), and all SRO Low-Income Units shall include a cooking facility (i.e. a cooktop or microwave). The Executive Director may waive the appliance requirement for SRO units if the project includes a tenant common area kitchen facility. As applicable, appliances provided or replaced within Low-Income Units and/or in on-site community facilities shall be ENERGY STAR rated, unless waived by the Executive Director.
- (F) Window coverings. Window coverings shall be provided and may include fire retardant drapes or blind.
- (G) Water heater. If water heaters are to be provided or replaced, for Low-Income Units with individual tank-type water heaters, minimum capacities are to be 28 gallons for one- and two-bedroom units and 38 gallons for three-bedroom units or larger.
- (H) Floor coverings. If floor coverings are to be provided or replaced, a hard, water resistant, cleanable surface shall be required for all kitchen and bath areas. Any carpet provided or replaced shall comply with HUD/FHA UM44D.
- (I) All fiberglass-based insulation provided or replaced shall meet the Greenguard Gold Certification (http://greenguard.org/en/CertificationPrograms/CertificationPrograms_childrenSchools.aspx).
- (J) On-Site Manager's Unit.
 - (i) An on-site manager's unit is required for projects with 16 or more Low-Income and Market-Rate Units. Projects with at least 161 Low-Income and

Market-Rate Units shall provide a second on-site manager's unit for either another on-site manager or other maintenance personnel, and there shall be one additional on-site manager's unit for either another on-site manager or other maintenance personnel for each 80 Low-Income and Market-Rate Units beyond 161 units, up to a maximum of four on-site manager's units.

- (ii) Scattered site projects totaling 16 or more Low-Income and Market-Rate Units must have at least one on-site manager's unit for the entire project, and at least one manager's unit at each site where that site's building(s) consist of 16 or more Low-Income and Market-Rate Units. Scattered sites within 100 yards of each other shall be treated as a single site for purposes of this paragraph.
 - (iii) If an applicant or project owner proposes using a Low-Income Unit to meet the requirements of subdivision (f)(7)(J), the owner must comply with the Resident Manager's Unit requirements set forth in CTCAC's Compliance Manual, available on CTCAC's website (<https://www.treasurer.ca.gov/ctcac/compliance/manual.asp>) and incorporated herein by reference.
 - (iv) At the Executive Director's discretion and upon approval by the Executive Director, in lieu of providing an on-site manager, a project may meet the on-site manager unit requirements of subdivision (f)(7)(J)(i)-(ii) by providing tenants with equivalent access to management services. For example, a project may commit to employ an equivalent number of on-site full-time property management staff (at least one of whom is a property manager) and provide an equivalent number of desk or security staff who are not tenants and are capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property's fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. CTCAC reserves the right to require that one or more on-site managers' units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained. Nothing herein relieves the applicant from complying with any other local, state, or federal laws regarding on-site manager units.
- (K) Accessible Housing Unit(s). All projects shall comply with the Housing and Building Accessibility Requirements in addition to the following, unless otherwise specified:
- (i) All new construction projects must provide a minimum of fifteen percent (15%) of the Low-Income Units as Housing Units with Mobility Features, and a minimum of ten percent (10%) of the Low-Income Units as Housing Units with Hearing/Vision Features.
 - (ii) Rehabilitation projects shall provide a minimum of ten percent (10%) of the Low-Income Units as Housing Units with Mobility Features, and four percent (4%) as Housing Units with Hearing/Vision Features. At least one of each common area facility type and amenity, paths of travel between accessible units and such facilities and amenities, the building entry and public right of way, and the leasing office or area shall also be made accessible utilizing the Housing and Accessibility Requirements and CBC Chapter 11B as a design standard. In all other respects, applicable building code will apply. Projects with other federal, state, or local funding sources may be required

to meet additional accessibility requirements. The Executive Director may approve a partial or full waiver to the requirements for the number of Accessible Housing Units exceeding those required by the ADA, Section 504, and CBC Ch. 11B provided both of the following are met:

- (a) The exemption does not pertain to any accessibility features required by applicable building codes, the CBC Chapter 11B, or federal law. The CBC Ch. 11B and federal law minimums are calculated on all units in the project, not just restricted units, and
 - (b) The Applicant and its architect demonstrate that full compliance with subsection (f)(7)(K)(ii) would be impractical or create an undue financial and administrative burden. Accessibility must be provided to the maximum extent feasible and the waiver must be obtained in advance.
- (iii) Accessible Housing Units shall, to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout the project and be available in a sufficient range of sizes and amenities so that an individual with disabilities' choice of living arrangements is comparable to that of other persons eligible for housing assistance under the same project consistent with 24 CFR Section 8.26.
- (L) Waiver. If a rehabilitation applicant does not propose to meet any of the requirements of subdivisions (f)(7)(A) through (I), its CNA must show why the requirements not being met are either unnecessary or excessively expensive. All waivers must be approved in advance by the Executive Director.
- (M) Compliance and Verification. The following are required with an Applicant's placed-in-service application:
 - (i) For compliance with subdivision (f)(7)(A), applicants with rehabilitation projects, with the exception of applicants developing a project in accordance with the minimum requirements of LEED, PHIUS, Passive House, Living Building Challenge, National Green Building Standard ICC / ASRAE – 700 silver or higher rating, or GreenPoint Rated Program, must submit a certification of compliance from a California Association of Building Energy Consultants (CABEC) Certified Energy Analyst (CEA) or a third-party certified HERS Rater, as applicable.
 - (ii) For compliance with subdivisions (f)(7)(B) through (I) applicants shall submit LEED, PHIUS, Passive House, Living Building Challenge, National Green Building Standard ICC / ASRAE – 700 silver or higher rating, or GreenPoint Rated Program certification or third-party certification confirming compliance from one of the following: a certified HERS Rater, a certified GreenPoint rater, a US Green Building Council certification, or the project architect.
 - (iii) For compliance with subdivision (f)(7)(K), the project architect shall provide third party documentation confirming compliance by a CASp or by an architect with demonstrated experience meeting federal accessibility standards.
 - (iv) Failure to produce appropriate and acceptable third-party documentation in support of information required in (i) through (iii) may result in negative points.

- (8) Deferred-payment financing, residual receipts payment financing, grants and subsidies. Notwithstanding any other application requirement, Applicants shall provide evidence that all deferred-payment financing, residual receipts payment financing, grants and subsidies shown in the application are “committed” at the time of application.
- (A) Evidence provided shall signify the form of the commitment, the loan, grant or subsidy amount, the length of the commitment, conditions of participation, and express authorization from the governing body, or an official expressly authorized to act on behalf of said governing body, committing the funds, as well as the applicant's acceptance in the case of privately committed loans.
 - (B) Commitments shall be final and not preliminary, and only subject to conditions within the control of the applicant, with one exception, the attainment of other financing sources including an award of Tax Credits.
 - (C) Fund commitments shall be from funds within the control of the entity providing the commitment at the time of application.
 - (D) Substantiating evidence of the value of local fee waivers, exemptions or land write-downs is required.
 - (E) Substitution or an increase of such funds after a Reservation of Tax Credits may be permitted only when the source of funding is similar to the original funding, for example, private loan to substitute for private loan, public funds for public funds. AHP funds may be substituted for any funding source after a Reservation of Tax Credits if an AHP commitment is obtained after the CTCAC application due date.
 - (F) A project is exempt from the provisions of this subsection if it has funds anticipated and publicly published with provisional awardee names but not yet officially awarded in the capacity required above with the following entities that administer multifamily financing programs: HCD; Strategic Growth Council (SGC); Affordable Housing Program (AHP) provided pursuant to a program of the Federal Home Loan Bank; United States Department of Agriculture (USDA) Rural Housing Service (RHS) Section 514, 515 or 538 programs; the HUD; a Reservation of HOME or CDBG-DR funds from the applicable participating jurisdiction.
- (9) Project size and credit amount limitations. Project size limitations shall apply to all applications filed, pursuant to this Section.
- (A) Rural set-aside applications shall be limited to a maximum of one-hundred (100) Low-Income Units.

Rehabilitation proposals are excepted from this limitation. The Executive Director may grant a waiver if she or he determines that the rural community is unusual in size or proximity to a nearby urban center, and that exceptional demand exists within the market area.
 - (B) The total “units” in one or more separate applications, filed by Related Parties, proposing projects within one-fourth (1/4) mile of one another, filed at any time within a twelve (12) month period, shall, for purposes of this subsection be subject to the above project size limitations, except when specifically waived by the Executive Director in unusual circumstances such as HOPE VI or large neighborhood redevelopment proposals pursuant to a specific neighborhood plan. HOPE VI and other large projects will generally be directed towards the tax-exempt bond program

- (C) The maximum annual Federal Tax Credits available for award to any one project in any funding round shall not exceed Two Million Five Hundred Thousand (\$2,500,000) Dollars.
- (10) Projects applying for competitive Tax Credits and involving rehabilitation of existing buildings shall be required to complete, at a minimum, the higher of \$40,000 in hard construction costs per unit or 20% of the adjusted basis of the building pursuant to IRC Section 42(e)(3)(A)(ii)(I).
- (11)
 - (A) Existing tax credit projects applying for a new reservation of tax credits for acquisition and/or rehabilitation (i.e., resyndication) shall maintain the rents and income targeting levels in the existing regulatory contract for the duration of the new regulatory contract. If the project has exhibited negative cash flow for at least each of the last three years or within the next five years will lose a rental or operating subsidy that was factored into the project's initial feasibility, the Executive Director may alter this requirement, provided that the new rents and income targeting levels shall be as low as possible to maintain project feasibility. In addition, the Executive Director may approve a reduction in the number of units for purposes of unrestricting a manager's unit, adding or increasing service or community space, or for adding bathrooms and kitchens to SRO units, provided that the existing rent and income targeting remain proportional.
 - (B) If the regulatory agreement for an existing tax credit project applying for a new reservation of tax credits for acquisition and/or rehabilitation (i.e., resyndication) contains a requirement to provide service amenities, even if that requirement has expired, the project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. A project obtaining maximum CTCAC points for services shall be deemed to have met this requirement. If the project has exhibited cash flow of less than \$20,000 for at least each of the last three years, will have no hard debt and fail to break even in year 15 with services, or within the next five years will lose a rental or operating subsidy that was factored into the project's initial feasibility, the Executive Director may alter this requirement, provided that the service expenditures shall be the maximum that project feasibility allows.
 - (C) For existing tax credit projects applying for a new reservation of tax credits for acquisition and/or rehabilitation (i.e., resyndication), the pre-rehabilitation reserve study in the CNA shall demonstrate a rehabilitation need of at least \$5,000 per unit over the first three years. Projects for which the Executive Director has waived the requirements of Section 10320(b)(4) and projects with ten years or less remaining on the CTCAC regulatory agreement are exempt from this requirement.
 - (D) Existing tax credit projects applying for a new reservation of tax credits for acquisition and/or rehabilitation (i.e., resyndication) shall not have any uncorrected compliance violations relating to over-income tenants or rent overcharges and shall not have any unpaid fines pursuant to Section 10337(f).
- (12) CTCAC shall not accept an application from any party that is disqualified from applying to CDLAC.
- (13) A project that includes Low-Income Units targeted at greater than 60% AMI shall have average targeting that does not exceed 50% AMI.

A project with a tax credit reservation dated prior to, or a submitted application pending as of, March 26, 2018 may, with the discretionary approval of the Executive Director, revise its targeting prior to the recordation of the regulatory agreement to include Low-Income Units targeted at greater than 60% AMI only to accommodate existing over-income tenants, provided that the average targeting does not exceed 50% AMI.

A project including Low-Income Units targeted at greater than 60% AMI shall make the "Yes" election on line 8b of the IRS Form 8609.

- (g) Additional Threshold Requirements. To qualify for Tax Credits as a Housing Type as described in Section 10315(h), to receive points as a housing type, or to be considered a "complete" application, the application shall meet the following additional threshold requirements. A scattered site more than 1 mile from the nearest other site shall meet the requirements related to common areas, play/recreational facilities, and laundry facilities independently.
- (1) Large Family projects. To be considered large family housing, the application shall meet the following additional threshold requirements.
- (A) At least twenty-five percent (25%) of the Low-Income Units in the project shall be three-bedroom or larger units, and for projects that receive land use entitlements on or after January 1, 2016 at least an additional twenty-five percent (25%) of the Low-Income Units in the project shall be two-bedroom or larger units, except that for projects qualifying for and applying under the At-risk set-aside, the Executive Director may grant a waiver from this requirement if the applicant shows that it would be cost prohibitive to comply;
 - (B) One-bedroom Low-Income Units must include at least 450 square feet and two-bedroom Low-Income Units must include at least 700 square feet of living space. Three-bedroom Low-Income Units shall include at least 900 square feet of living space and four-bedroom Low-Income Units shall include at least 1,100 square feet of living space, unless these restrictions conflict with the requirements of another governmental agency to which the project is subject to approval. These limits may be waived for rehabilitation projects, at the discretion of the Executive Director prior to the application submission. Bedrooms shall be large enough to accommodate two persons each and living areas shall be adequately sized to accommodate families based on two persons per bedroom;
 - (C) Four-bedroom and larger Low-Income Units shall have a minimum of two full bathrooms;
 - (D) The project shall provide play/recreational facilities suitable and available to all tenants, including children of all ages, except for small developments of 20 units or fewer. Play/recreational area for children ages 2-12 years shall be outdoors, and the minimum square footage is 600 square feet and must include an accessible entrance point. For projects with more than 100 total units this square footage shall be increased by 5 square feet for each additional unit. Outdoor play/recreational space must be equipped with reasonable play equipment for the size of the project, and the surface must be natural or synthetic protective material. The outdoor play area of an onsite day care center may qualify as a play area for children 2-12 years for purposes of this section if it is available to children when the day care center is not open. The application must demonstrate the availability of play or recreational facilities suitable for children ages 13-17. Square footage of a community building cannot be included for the play/recreational area for children ages 13-17 unless that square footage is accessible to minors at all times between 6 a.m. and 10 p.m. except when the area is reserved for service amenities or special events.

Rehabilitation projects with existing outdoor play/recreational facilities may request a waiver of the minimum square footage requirement if outdoor play/recreational facilities of a reasonable size and type currently exist onsite. An existing project without outdoor play/recreational facilities may request a waiver from this requirement if the site is classified as a non-conforming use under its respective current zoning designation and the addition of the new facilities would trigger an entitlement process. The written waiver must be approved prior to the application submission.

This requirement shall be waived if suitable outdoor play/recreational facilities described above are readily accessible and located within ¼ mile of the project as measured by a walkable path;

- (E) For projects exceeding 20 units, the project shall provide an appropriately sized common areas. For purposes of this part, common areas shall include all interior amenity space, such as the rental office, community room, service space, computer labs, and gym, but shall not include laundry rooms or manager living units.
 - (i) Common areas shall meet the following minimum size requirement:
 - (a) 600 square feet for projects of 21 to 30 total units.
 - (b) 1,000 square feet for projects of 31 to 60 total units.
 - (c) 1,400 square feet for projects of 61 to 100 total units.
 - (d) 1,800 square feet for projects over 100 total units
 - (ii) The Executive Director may waive the requirements of Subsection 10325(g)(1)(E)(i) for rehabilitation projects with existing common area prior to the application submission. An existing project without common area may request a waiver from this requirement if the site is classified as a non-conforming use under its respective current zoning designation and the addition of the new facilities would trigger an entitlement process;
 - (F) A public agency shall provide direct or indirect long-term financial support for at least fifteen percent (15%) of the total project development costs, or the owner's equity (includes syndication proceeds) shall constitute at least thirty percent (30%) of the total project development costs;
 - (G) Adequate laundry facilities shall be available on the project premises, with at least one washing machine and one clothes dryer (washer and dryer) for every 10 units. This requirement shall be reduced by 25% for projects where all units have hook-ups for washers and dryers. If tenants are required to pay to use central laundry facilities, washers and dryers must be excluded from eligible basis. If no centralized laundry facilities are provided, washers and dryers shall be provided in each of the project's units;
 - (H) Dishwashers shall be provided in all Low-Income Units except for studio and SRO units. A waiver for one and two bedroom units in rehabilitation projects may be granted at the sole discretion of the Executive Director due to planning or financial impracticality;
 - (I) Projects are subject to a minimum low-income use period of 55 years (50 years for projects located on tribal trust land).
- (2) Senior projects. To be considered senior housing, the application shall meet the following additional threshold requirements;
- (A) All units shall be restricted to households eligible under applicable provisions of California Civil Code Section 51.3 and the federal Fair Housing Act, and further be subject to Fair Housing Laws with respect to senior housing;
 - (B) All new construction projects must provide a minimum of 50 percent (50%) of all Low-Income Units as Housing Units with Mobility Features. All rehabilitation projects

must provide a minimum of 25 percent (25%) of all Low-Income Units as Housing Units with Mobility Features.

- (C) The Executive Director may approve a partial or full waiver to the requirements for the number of Accessible Housing Units exceeding those requirement by the ADA, Section 504, or CBC Ch. 11B provided:
 - (i) the exemption does not pertain to any accessibility features required by the Housing and Building Accessibility Requirements, including the required minimum five percent (5%) Units with mobility features. The CBC Ch. 11B and federal law minimums are calculated on all units in the project, not just restricted units, and
 - (ii) Consistent with subsection Section 10325(f)(7)(M)(iii), the Applicant and its architect demonstrate that full compliance with subdivision (g)(2)(B) would be impractical or create an undue financial and administrative burden. Accessibility must be provided to the maximum extent feasible and the waiver must be obtained in advance.
- (D) Access to all common areas and housing units within each building shall be provided without the required use of stairs, either by means of an elevator or sloped walking ramps, consistent with the senior housing requirements of California Civil Code, sections 51.2-51.4 (Unruh Act) and Government Code, section 12955.9.
- (E) No more than twenty percent (20%) of the Low-Income Units in the project shall be larger than one-bedroom units, unless waived by the Executive Director, when supported by a full market study;
- (F) One-bedroom Low-Income Units must include at least 450 square feet and two-bedroom Low-Income Units must include at least 700 square feet of living space. These limits may be waived for rehabilitation projects, at the discretion of the Executive Director, prior to application submission;
- (G) Emergency call systems shall only be required in units intended for occupancy by frail elderly populations requiring assistance with activities of daily living. When required, they shall provide 24-hour monitoring, unless an alternative monitoring system is approved by the Executive Director;
- (H) For projects exceeding 20 units, common areas shall be provided on site, or within approximately one-quarter mile of the subject property and shall include all interior amenity space, such as the rental office, community room, service space, computer labs, and gym, but shall not include laundry rooms or manager living units.
 - (i) Common areas shall meet the following minimum size requirement:
 - (a) 600 square feet for projects comprised of 21 to 30 total units.
 - (b) 1,000 square feet for projects of 31 to 60 total units.
 - (c) 1,400 square feet for projects of 61 to 100 total units.
 - (d) 1,800 square feet for projects over 100 total units.
 - (ii) The Executive Director may waive the requirement of Subsection (g)(2)(H)(i) for rehabilitation projects with existing common area;
- (I) A public agency shall provide direct or indirect long-term financial support for at least fifteen percent (15%) of the total project development costs, or the owner's equity

(includes syndication proceeds) shall constitute at least thirty percent (30%) of the total project development costs;

- (J) Adequate laundry facilities shall be available on the project premises, with at least one washing machine and one clothes dryer (washer and dryer) for every 15 units. This requirement shall be reduced by 25% for projects where all units have hook-ups for washers and dryers. If tenants are required to pay to use of central laundry facilities, washers and dryers must be excluded from eligible basis. If no centralized laundry facilities are provided, washers and dryers shall be provided in each of the project's units;
 - (K) Projects are subject to a minimum low-income use period of 55 years (50 years for projects located on tribal trust land).
- (3) Special Needs projects. To be considered Special Needs, the greater of 15 Low-Income Units or 25% of the Low-Income Units in the project shall serve Special Needs Population(s). The 15 Low-Income Unit minimum shall not apply to projects with committed HUD Section 811 funding. For any development with less than 75% of the Low-Income Units serving Special Needs Population(s), the non-Special Needs units shall either: (i) meet the Large Family, Senior, or SRO housing type requirements; or (ii) consist of at least 20% one-bedroom units and at least 10% larger than one-bedroom units. Special Needs applications shall also meet the following:
- (A) Average targeted income for the Special Needs units of no more than forty percent (40%) of AMI and consistent with points requested in Section 10325(c)(6);
 - (B) The units/building configurations (including community space) shall meet the specific needs of the population, including kitchen needs for SRO units without full kitchens;
 - (C) If the project does not have a public rental or operating subsidy committed for all Special Needs units, the applicant shall explain, using the market study for support, how rent for tenants living in unsubsidized units will not exceed 30% of the tenants' incomes;
 - (D) A public agency shall provide direct or indirect long-term financial support for at least fifteen percent (15%) of the total project development costs, or the owner's equity (includes syndication proceeds) shall constitute at least thirty percent (30%) of the total project development costs;
 - (E) Adequate laundry facilities shall be available on the project premises, with at least one washing machine and one clothes dryer (washer and dryer) for every 15 units. This requirement shall be reduced by 25% for projects where all units have hook-ups for washers and dryers. If tenants are required to pay to use central laundry facilities, washers and dryers must be excluded from eligible basis. If no centralized laundry facilities are provided, washers and dryers shall be provided in each of the project's units;
 - (F) Projects are subject to a minimum low-income use period of 55 years (50 years for projects located on tribal trust land);
 - (G) One-bedroom Low-Income Units must include at least 450 square feet, and two-bedroom Low-Income Units must include at least 700 square feet of living space. Three-bedroom Low-Income Units shall include at least 900 square feet of living space. These bedroom and size requirements may be waived for rehabilitation projects or for projects that received entitlements prior to January 1, 2016 at the discretion of the Executive Director;

- (H) SRO units (as defined in Section 10302) are efficiency units that may include a complete private bath and kitchen but generally do not have a separate bedroom, unless the configuration of an already existing building being proposed to be used for an SRO dictates otherwise. The minimum size for SRO Low-Income Units shall be 200 square feet, and the size shall not exceed 500 square feet. These bedroom and size requirements may be waived for rehabilitation projects or for projects that received entitlements prior to January 1, 2016 at the discretion of the Executive Director. A project that includes SRO units without complete private baths shall provide at least one bath for every eight SRO units;
- (I) A preliminary supportive service plan addressing the needs of the target Special Needs Population served is required and shall include:
 - (i) A description of the specific population to be served;
 - (ii) A description of the specific service needs of the population and the specific services to be provided;
 - (iii) Identification of the organization(s) that will provide services and a signed contract, memorandum of understanding, or commitment letters from the proposed service provider(s);
 - (iv) A description of how the services support resident stability and any other service plan objectives;
 - (v) A preliminary budget describing anticipated income (all funding sources) and expenses associated with the services program; and
 - (vi) Other information deemed necessary by the Executive Director, whom determines whether the plan is adequate to qualify the project as a special needs project.
- (J) If the project will be operated as senior housing pursuant to Fair Housing Laws, and the project shall comply with the requirements of Section 10325(g)(2)(B)-(D).
- (K) Special Needs projects must follow tenant screening, property management, and service delivery practices in accordance with Housing First.
- (4) At-risk projects. To be considered At-risk housing, the application shall meet the requirements of R & T Code subsection 17058(c)(64), except as further defined in subsection (B)(i) below, as well as the following additional threshold requirements, and other requirements as outlined in this subsection:
 - (A) Projects are subject to a minimum low-income use period of 55 years (50 years for projects located on tribal trust land); and
 - (B) Project application eligibility criteria include:
 - (i) before applying for Tax Credits, the project must meet the At-risk eligibility requirements under the terms of applicable federal and state law as verified by a third party legal opinion, except that a project that has been acquired by a qualified nonprofit organization within the past five years of the date of application with interim financing in order to preserve its affordability and that meets all other requirements of this section, shall be eligible to be considered an "at-risk" project under these regulations. A project application will not qualify in this category unless it is determined by the Committee that the project is at-risk of losing affordability on at least 50% of the restricted units due to market or other conditions. Excluding any restrictions recorded

pursuant to paragraph (2) of subdivision (e) of section 65863.11 or section 65863.13 of the Government Code, a project will not be deemed at-risk of losing affordability if the project is subject to a rent restriction with a remaining term of at least five years that restricts incomes and rents on the restricted units to an average no greater than 60% of AMI;

- (ii) the project, as verified by a third-party legal opinion unless the exception in B(i) above applies, must currently possess or have had within the past five years from the date of application, either:
 - (a) federal mortgage insurance, a federal loan guarantee, federal project-based rental assistance, or, have its mortgage held by a federal agency, or be owned by a federal agency; or
 - (b) loans or grants program administered by HCD; or
 - (c) be currently subject to, or have been subject to, within five years preceding the application deadline, the later of Federal or State Housing Tax Credit restrictions whose compliance period is expiring or has expired within the last five years and at least 50% of whose units are not subject to any other rental restrictions beyond the term of the Tax Credit restrictions; or
 - (d) be currently subject to, or have been subject to, within five years preceding the application deadline, CDLAC bond regulatory agreement restrictions whose compliance period is expiring or has expired within the last five years and at least 50% of whose units are not subject to any other rental restrictions beyond the term of the CDLAC restrictions;
- (iii) as of the date of application filing, the applicant shall have sought available federal incentives to continue the project as low-income housing, including, direct loans, loan forgiveness, grants, rental subsidies, renewal of existing rental subsidy contracts, etc.;
- (iv) subsidy contract expiration, mortgage prepayment eligibility, or the expiration of Housing Tax Credit restrictions, as verified by a third party legal opinion, shall occur no later than five calendar years after the year in which the application is filed, except in cases where a qualified nonprofit organization acquired the property within the terms of (i) above and would otherwise meet this condition but for: 1) long-term use restrictions imposed by public agencies as a condition of their acquisition financing; or 2) HAP contract renewals secured by the qualified nonprofit organization for the maximum term available subsequent to acquisition;
- (v) the applicant agrees to renew all project based rental subsidies (such as Section 8 HAP or Section 521 rental assistance contracts) for the maximum term available and shall seek additional renewals throughout the project's useful life, if applicable;
- (vi) at least seventy percent (70%) of project tenants shall, at the time of application, have incomes at or below sixty percent (60%) of AMI;
- (vii) the gap between total development costs (excluding developer fee), and all loans and grants to the project (excluding Tax Credit proceeds) must be greater than fifteen percent (15%) of total development costs; and,

- (viii) a public agency shall provide direct or indirect long-term financial support of at least fifteen percent (15%) of the total project development costs, or the owner's equity (includes syndication proceeds) shall constitute at least thirty percent (30%) of the total project development cost.
- (5) SRO projects. To be considered Single Room Occupancy (SRO) housing, the application shall meet the following additional threshold requirements:
 - (A) Average targeted income is no more than forty percent (40%) of the AMI and consistent with points requested in Section 10325(c)(6);
 - (B) At least 90% of all units shall be SRO units (as defined Section 10302). SRO units are efficiency or studio units that may include a complete private bath and kitchen but generally do not have a separate bedroom, unless the configuration of an already existing building being proposed to be used for an SRO dictates otherwise. The minimum size for SRO units shall be 200 square feet, and the size shall not exceed 500 square feet. These bedroom size requirements may be waived for rehabilitation projects, at the discretion of the Executive Director;
 - (C) At least one bath shall be provided for every eight units;
 - (D) If the project does not have a public rental or operating subsidy committed for all SRO units, the applicant shall explain, using the market study for support, how rent for tenants living in unsubsidized units will not exceed 30% of the tenants' incomes;
 - (E) The project configuration, including community space and kitchen facilities, shall meet the needs of the population, and comply with Section 10325(f)(7)(E);
 - (F) A public agency shall provide direct or indirect long-term financial support for at least fifteen percent (15%) of the total project development costs, or the owner's equity (includes syndication proceeds) shall constitute at least thirty percent (30%) of the total development cost;
 - (G) Adequate laundry facilities shall be available on the project premises, with at least one washing machine and one clothes dryer (washer and dryer) for every 15 units. This requirement shall be reduced by 25% for projects where all units have hook-ups for washers and dryers. If tenants are required to pay to use central laundry facilities, washers and dryers must be excluded from eligible basis. If no centralized laundry facilities are provided, washers and dryers shall be provided in each of the project's units;
 - (H) Projects are subject to a minimum low-income use period of 55 years (50 years for projects located on tribal trust land);
 - (I) A ten percent (10%) vacancy rate shall be used unless otherwise approved by the Executive Director. Justification of a lower rate shall be included;
 - (J) New construction projects for seniors shall not qualify as SRO housing.
- (h) Waiting List. At the conclusion of the last reservation cycle of any calendar year, and at no other time, the Committee may establish a Waiting List of pending applications in anticipation of utilizing any Tax Credits that may be returned to the Committee, and/or that have not been allocated to projects with the Set-Asides or Geographic Regions for which they were intended. The Waiting List shall expire at midnight on December 31 of the year the list is established. During periods without a waiting list, complete credit awards returned by successful geographic apportionment competitors shall be returned to the apportionment of origin.

Staff shall score, rank and evaluate applications on the Waiting List and make selections from the Waiting List as follows:

- (1) If Credits are fully returned from projects originally funded under Set-Asides or Geographic Apportionments, applications qualifying under the same Set-Aside or Geographic Region will be selected in the order of their ranking. With respect to such a Set-Aside, one or more projects shall receive a reservation until all Credits in a Set-Aside are reserved. With respect to such Geographic Regions in which credits remain available, projects will be funded in order of their rank so long as the region's last award does not cause the region's aggregate award amount to exceed 125 percent (125%) of the amount originally available for that region in that funding round. When the next highest-ranking project does not meet the 125% rule, the Committee shall not fund a project requesting a smaller credit award.
 - (2) Next, Waiting List projects in Set Asides or Geographic Apportionments that are not yet fully subscribed will be selected from the Waiting List for reservations. These will be selected first from the Set Asides in order of their funding sequence, and then from the Geographic Apportionments in the order of the highest to the lowest percentage by which each Apportionment is undersubscribed. (This will be calculated by dividing the unreserved Tax Credits in the apportionment by the total Apportionment.)
 - (3) Finally, after all Set-Asides and Geographic Apportionments for the current year have been achieved, or if no further projects are available for such reservations, the unallocated Tax Credits will be used for projects selected from the Waiting List, in the order of their score and tie breaker performance ranking, without regard to Set-Aside or Geographic Region. All Waiting List project reservations, except for Rural projects, will be counted toward the projects' Geographic Apportionments.
 - (4) If there are not sufficient federal Tax Credits to fully fund the next ranked application on the Waiting List, a reservation of all remaining federal Tax Credits and a binding commitment of the following year federal Tax Credits may be made to that application.
- (i) Carry forward of Tax Credits. Pursuant to Federal and state statutes, the Committee may carry forward any unused Tax Credits or Tax Credits returned to the Committee for allocation in the next calendar year.

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10326. Application Selection Criteria - Tax-Exempt Bond Applications.

- (a) General. All applications requesting Federal Tax Credits under the requirements of IRC Section 42(h)(4) for buildings and land, the aggregate basis (including land) of which is financed at least fifty percent (50%) by tax-exempt bonds, shall be eligible to apply under this Section for a reservation and allocation of Federal Tax Credits. Those projects requesting State Tax Credits pursuant to subsection (g)(1)(A) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code will also be subject to the applicable requirements of Section 10317. All applicants requesting Tax Credits for projects financed with tax-exempt bonds shall apply simultaneously to the CDLAC and CTCAC and shall use the CDLAC-CTCAC Joint Application. Applications will be eligible for a reservation of tax credits only if receiving a bond allocation pursuant to a joint application.
- (b) Applicable criteria. Selection criteria for applications reviewed under this Section shall include those required by IRC Section 42(m), this Section 10326, and Sections 10300, 10302, 10305, 10320, 10322, 10327, 10328(e), 10330, 10335, and 10337 of these regulations. Other sections of these regulations shall not apply. The first funding round shall be the first application review period of a calendar year for tax-exempt bond financed projects.

- (1) Subject to conditions described in these Regulations, reservations of Federal and State Tax Credits shall be made for those applications that receive a bond allocation from CDLAC until the established State Tax Credit allocation amount is exhausted. If the last application requires more State Tax Credits than remain for the calendar year, that application will not be funded, and the remaining credits will be either funded through the Waiting List or carried forward into the next calendar year. If there is not sufficient State Tax Credits to allocate to applications recommended for tax-exempt bonds by CDLAC, the State Tax Credits will be allocated based on ranking within the CDLAC pools and set asides in the following order:
 - (A) Black, Indigenous, or Other People of Color (BIPOC) Project Pool;
 - (B) Rural Project Pool;
 - (C) New Construction Pool, Homeless Projects Set Aside;
 - (D) New Construction Pool, ELI/VLI Project Set Aside;
 - (E) New Construction Pool, Mixed-Income Project Set Aside; and
 - (F) All remaining New Construction Pool Projects
- (2) For State Tax Credits pursuant to Section 10317(j) of these Regulations, an amount up to \$200,000,000 in a calendar year may be allocated for housing financed by CalHFA's Mixed-Income Program (MIP) that also receives a bond allocation from CDLAC. Applications with financing by CalHFA (MIP) will be accepted in any funding round. The amount allocated for CalHFA MIP may be reduced upon agreement of the Executive Directors of CalHFA and CTCAC.

At the conclusion of the final funding round of a calendar year, the Committee may establish a Waiting List of pending applications in anticipation of utilizing any State Tax Credits that may be returned to the Committee, and/or that have not been allocated to projects for which they were intended. The Waiting List shall expire on December 31 of the year the list is established.

- (c) Application review period. The Committee may require up to sixty (60) days to review an application, and an additional thirty (30) days to consider the application for a reservation of Tax Credits. Applicants must deliver applications no less than ninety (90) days prior to the CTCAC Committee meeting in which they wish to obtain a decision. Applications not expected to receive a bond allocation from CDLAC due to relatively low CDLAC scores may or may not be fully evaluated by the CTCAC.

Applications requesting State Tax Credits allocated pursuant to subsections (g)(1)(A) and (B) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code and not in compliance with the application completeness requirements of Sections 10322(d) and (e) of these Regulations shall be considered incomplete and shall be disqualified from receiving a reservation of Tax Credits during the cycle in which the application was determined incomplete.

- (d) Issuer determination of Credit. The issuer of the bonds may determine the Federal Tax Credit amount, with said determination verified by the Committee and submitted with the application. The issuer may request the Committee determine the Credit amount by including such request in the application.
- (e) Additional application requirements. Applications submitted pursuant to this Section shall provide the following additional information:
 - (1) the name, phone number and contact person of the bond issuer; and,
 - (2) verification provided by the bond issuer of the availability of the bond financing, the actual or estimated bond issuance date, and the actual or estimated percentage of aggregate basis (including land) financed or to be financed by the bonds, and a certification provided

by a third-party tax professional as to the expected or actual aggregate basis (including land) financed by the proceeds of tax-exempt bonds;

- (3) the name, phone number and contact person of any entity providing credit enhancement and the type of enhancement provided.
- (f) Application evaluation. To receive a reservation of Tax Credits, applications submitted under this Section shall be evaluated, pursuant to IRC Section 42, H & S Code Sections 50199.4 through 50199.22, R & T Code Sections 12206, 17058, and 23610.5, and these regulations to determine if: eligible, by meeting all program eligibility requirements; complete, which includes meeting all basic threshold requirements; and financially feasible.
- (g) Basic thresholds. An application shall be determined to be complete by demonstration of meeting the following basic threshold requirements. All basic thresholds shall be met at the time the application is filed through a presentation of conclusive, documented evidence to the Executive Director's satisfaction. Further, in order to be eligible to be considered for Tax Credits under these regulations, the general partner(s) and management companies must not have any significant outstanding noncompliance matters relating to the tenant files or physical conditions at any Tax Credit properties in California, and any application submitted by an applicant with significant outstanding compliance matters will not be considered until the Committee has received evidence satisfactory to it that those matters have been resolved.
 - (1) Housing need and demand. Applicants shall provide evidence that the type of housing proposed, including proposed rent levels, is needed and affordable to the targeted population within the community in which it is located as set forth in Section 10325(f)(1).
 - (2) Demonstrated site control. Applicants shall provide evidence that the subject property is, and will remain within the control of the applicant from the time of application submission as set forth in Section 10325(f)(2).
 - (3) Local approvals and Zoning. Applicants shall adhere to the local approvals and zoning requirements set forth in Section 10325(f)(4).
 - (4) Financial feasibility. Applicants shall provide the financing plan for the proposed project consistent with Section 10325(f)(5).
 - (5) Sponsor characteristics. Applicants shall provide evidence that as a Development Team, proposed project participants possess the knowledge, skills, experience and financial capacity to successfully develop, own and operate the proposed project. The Committee shall, in its sole discretion, determine if any of the evidence provided shall disqualify the applicant from participating in the Tax Credit Programs, or if additional Development Team members need be added to appropriately perform all program requirements. General partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(1)(A) and (B) shall be required to complete training as prescribed by CTCAC per Section 10325(c)(1) prior to a project's placing in service. The minimum scoring standards referenced herein shall not be obtained through the two (2) point category of "a housing tax credit certification examination of a nationally recognized housing tax credit compliance entity on a list maintained by the Committee to satisfy minimum management company experience requirements for an incoming management agent" established at Section 10325(c)(1). Applicants need not submit the third-party public accountant certification that the projects have maintained a positive operating cash flow.

The State Tax Credit allocation pursuant to subsection (g)(1)(B) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code received by individuals, entities, affiliates, and related entities is limited to no more than thirty-three percent (33%) of any amount established per application review period as described in Section 10326(c) of these Regulations. This limitation is applicable to a project applicant, developer, sponsor, owner,

general partner, and to parent companies, principals of entities, and family members. For the purposes of this section, related or non-arm's length relationships are further defined as those having control or joint control over an entity, having significant influence over an entity, or participating as key management of an entity. Related entity disclosure is required at the time of application. This 33% limit is not applicable for reservations of State Tax Credits made after the month of May in each calendar year.

- (6) Minimum construction standards. Applicants shall adhere to minimum construction standards as set forth in Section 10325(f)(7).
- (7) Minimum Rehabilitation Project Costs. Projects involving rehabilitation of existing buildings shall be required to complete, at a minimum, the higher of:
 - (A) \$15,000 in hard construction costs per unit; or
 - (B) 20% of the adjusted basis of the building pursuant to IRC Section 42(e)(3)(A)(ii)(I).
- (8)
 - (A) Existing tax credit projects applying for additional tax credits for acquisition and/or rehabilitation (i.e., resyndication) shall maintain the rents and income targeting levels in the existing regulatory contract for the duration of the new regulatory contract. If the project has exhibited negative cash flow for at least each of the last three years or within the next five years will lose a rental or operating subsidy that was factored into the project's initial feasibility, the Executive Director may alter this requirement, provided that the new rents and income targeting levels shall be as low as possible to maintain project feasibility. In addition, the Executive Director may approve a reduction in the number of units for purposes of unrestricting a manager's unit, adding or increasing service or community space, or for adding bathrooms and kitchens to SRO units, provided that the existing rent and income targeting remain proportional.
 - (B) If the regulatory agreement for an existing tax credit project applying for a new reservation of tax credits for acquisition and/or rehabilitation (i.e., resyndication) contains a requirement to provide service amenities, even if that requirement has expired, the project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. A project obtaining maximum CDLAC points for services shall be deemed to have met this requirement. If the project has exhibited cash flow of less than \$20,000 for at least each of the last three years, has no hard debt and fails to break even in year 15 with services, or within the next five years will lose a rental or operation subsidy that was factored into the project's initial feasibility, the Executive Director may alter this requirement, provided that the service expenditures shall be the maximum that project feasibility allows.
 - (C) For existing tax credit projects applying for a new reservation of tax credits for acquisition and/or rehabilitation (i.e., resyndication), the pre-rehabilitation reserve study in the CNA shall demonstrate a rehabilitation need of at least \$5,000 per unit over the first three years. Projects for which the Executive Director has waived the requirements of Section 10320(b)(4) and projects with ten years or less remaining on the CTCAC regulatory agreement are exempt from this requirement.
- (9) A non-competitive project that includes Low-Income Units targeted at greater than 60% AMI shall have average targeting that does not exceed 60% AMI. A competitive project that includes Low-Income Units targeted at greater than 60% AMI shall have average targeting that does not exceed 50% AMI. Projects electing the average income federal set-aside must choose targeting in 10% increments of AMI (i.e. 20% AMI, 30% AMI, 40% AMI, etc.).

A project with a tax credit reservation dated prior to, or a submitted application pending as of, March 26, 2018 may, with the discretionary approval of the Executive Director, revise its targeting prior to the recordation of the regulatory agreement to include Low-Income Units

targeted at greater than 60% AMI only to increase the number of Low-Income Units or to accommodate existing over-income tenants, provided that the average targeting does not exceed 60% AMI for non-competitive projects or 50% AMI for competitive projects.

A project including Low-Income Units targeted at greater than 60% AMI shall make the "Yes" election on line 8b of the IRS Form 8609.

- (h) Reserved.
- (i) Tax-exempt bond reservations. Reservations of Tax Credits shall be subject to conditions as described in this Section and applicable statutes. Reservations of Tax Credits shall be conditioned upon the Committee's receipt of the reservation fee described in Section 10335 and an executed reservation letter bearing the applicant's signature accepting the reservation within twenty (20) calendar days of the Committee's notice to the applicant of the reservation, except that Hybrid projects and simultaneous phased projects as defined in Section 10327(c)(2)(C) shall submit the acceptance of the reservation for the first application within five (5) business days of the Committee's notice to the applicant of the reservation for the corresponding second application.
- (j) Additional conditions on reservations. The following additional conditions shall apply to reservations of Tax Credits pursuant to this Section:
 - (1) Bonds issued. Bonds shall be issued within the time limit specified by CDLAC, if applicable; and,
 - (2) Projects shall maintain at least 10% of the total Low-Income Units at rents affordable to tenants earning 50% or less of the AMI and shall maintain a minimum 30 year affordability period.
 - (3) Projects proposing the rehabilitation of existing structures shall provide CTCAC with an updated development timetable by December 31 of the year following the year the project received its reservation of Tax Credits.
 - (i) The report shall include the actual placed-in-service date or the anticipated placed-in-service date for the last building in the project and the date the project achieved full occupancy. The report shall detail the causes for any change from the original date.
 - (ii) Projects proposing new construction shall provide CTCAC with an updated development timetable by December 31 of the second year following the year the project received its reservation of Tax Credits. The update shall include the actual placed-in-service date for the last building in the project and the date that the project achieved full occupancy; or the date the project is anticipated to achieve full occupancy.

Other conditions, including cancellation, disqualification and other sanctions imposed by the Committee in furtherance of the purposes of the Credit programs.

 - (4) Projects intended for eventual tenant homeownership must submit, at application, evidence of a financially feasible program, incorporating, among other items, an exit strategy, home ownership counseling, funds to be set aside to assist tenants in the purchase of units, and a plan for conversion of the facility to home ownership at the end of the initial 15-year compliance period. In such a case, the regulatory agreement will contain provisions for the enforcement of such covenants.
- (k) Placed-in-service. Upon completion of construction of the proposed project, the applicant shall submit documentation required by Section 10322(i).

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10327. Financial Feasibility and Determination of Credit Amounts.

- (a) General. Applicants shall demonstrate that the proposed project is financially feasible as a qualified low-income housing project. Development and operational costs shall be reasonable and within limits established by the Committee, and the Committee may adjust these costs and any corresponding basis at any time prior to issuance of tax forms. Approved sources of funds shall be sufficient to cover approved uses of funds, except that initial application errors resulting in a shortage of sources up to the higher of \$100,000 or 50% of the contingency line item shall be deemed covered by the contingency line item. If it is determined that sources of funds are insufficient, an application shall be deemed not to have met basic threshold requirements and shall be considered incomplete. Following its initial and subsequent feasibility determinations, the Committee may determine a lesser amount of Tax Credits for which the proposed project is eligible, pursuant to the requirements herein, and may rescind a reservation or allocation of Tax Credits in the event that the maximum amount of Tax Credits achievable is insufficient for financial feasibility.
- (b) Limitation on determination. A Committee determination of financial feasibility in no way warrants to any applicant, investor, lender or others that the proposed project is, in fact, feasible.
- (c) Reasonable cost determination. IRC Section 42(m) requires that the housing Credit dollar amount allocated to a project not exceed the amount the housing Credit agency determines is necessary for the financial feasibility of the project. The following standards shall apply:
 - (1) Builder overhead, profit and general requirements. An overall cost limitation of fourteen percent (14%) of the cost of construction shall apply to builder overhead, profit, and general requirements, excluding builder's general liability insurance. For purposes of builder overhead and profit, the cost of construction includes offsite improvements, demolition and site work, structures, prevailing wages, and general requirements. For purposes of general requirements, the cost of construction includes offsite improvements, demolition and site work, structures, and prevailing wages. Project developers shall not enter into fixed-price contracts that do not account for these restrictions and shall disclose any payments for services from the builder to the developer.
 - (2) Developer Fee.
 - (A) The maximum developer fee that may be included in project costs and eligible basis for 9% competitive credit new construction, rehabilitation only, or adaptive reuse applications applying under Section 10325 of these regulations is the lesser of 15% of the project's unadjusted eligible basis and 15% of the basis for non-residential costs included in the project allocated on a pro rata basis or two million five hundred thousand dollars (\$2,500,000). The maximum developer fee that may be included in project costs and eligible basis for a 9% competitive credit acquisition/rehabilitation application is the lesser of 15% of the project's unadjusted eligible construction related basis plus 5% of the project's unadjusted eligible acquisition basis and 15% for the basis for non-residential costs included in the project allocated on a pro rata basis or two million five hundred thousand dollars (\$2,500,000).

Notwithstanding the paragraph above, for projects which restrict for Special Needs Population(s) the greater of 1) 15 Low-Income Units or 2) 25% of the Low-Income Units, the maximum developer fee that may be included in project costs and eligible basis for 9% competitive credit new construction, rehabilitation only, or adaptive reuse applications applying under Section 10325 of these regulations is the lesser of 15% of the project's unadjusted eligible basis and 15% of the basis for non-residential costs included in the project allocated on a pro rata basis or two million

eight hundred thousand dollars (\$2,800,000). The maximum developer fee that may be included in project costs and eligible basis for a 9% competitive credit acquisition/rehabilitation application is the lesser of 15% of the project's unadjusted eligible construction related basis plus 5% of the project's unadjusted eligible acquisition basis and 15% for the basis for non-residential costs included in the project allocated on a pro rata basis or two million eight hundred thousand dollars (\$2,800,000).

(B) For 4% credit applications applying under Section 10326 of these regulations, the maximum developer fee that may be included in project costs and eligible basis shall be as follows:

(i) For new construction, rehabilitation only, or adaptive reuse projects, the maximum developer fee is the sum of 15% of the project's unadjusted eligible basis and 15% of the basis for non-residential costs included in the project allocated on a pro rata basis.

All developer fees in excess of the greater of the following shall be deferred or contributed as equity to the project:

- 15% of the project's unadjusted eligible basis, up to two million five hundred thousand dollars (\$2,500,000); or
- one million dollars (\$1,000,000) plus 5% of the project's unadjusted eligible basis in excess of six million six hundred sixty six thousand six hundred sixty seven dollars (\$6,666,667).

Notwithstanding the paragraph above, for projects which restrict for Special Needs Population(s) the greater of 1) 15 Low-Income Units or 2) 25% of the Low-Income Units, all developer fees in excess of the greater of the following shall be deferred or contributed as equity to the project:

- 15% of eligible basis, up to two million eight hundred thousand dollars (\$2,800,000); or
- one million dollars (\$1,000,000) plus 7% of eligible basis in excess of six million six hundred sixty six thousand six hundred sixty seven dollars (\$6,666,667).

(ii) For acquisition/rehabilitation projects, the maximum developer fee is 15% of the unadjusted eligible construction related basis and 5% of the unadjusted eligible acquisition basis and 15% of the basis for non-residential costs included in the project allocated on a pro rata basis. 15% of the project's unadjusted eligible acquisition basis will be permitted for at-risk developments meeting the requirements of section 10325(g)(4) or for other acquisition/rehabilitation projects, except for existing tax credit projects applying for a new reservation of tax credits for acquisition (i.e. resyndication), whose hard construction costs per unit in rehabilitation expenditures are at least \$50,000 or where the development will restrict at least 30% of its Low Income Units for those with incomes no greater than 50% of area median and restrict rents concomitantly.

All developer fees in excess of the greater of the following shall be deferred or contributed as equity to the project:

- 15% of the project's unadjusted eligible construction related basis plus 5% of the project's unadjusted eligible acquisition basis, up to two million five hundred thousand dollars (\$2,500,000); provided however, and subject to the \$2,500,000 limitation in the aggregate, 15% of the project's unadjusted eligible acquisition basis will be permitted for at-risk developments meeting

the requirements of section 10325(g)(4) or for other acquisition/rehabilitation projects, except for existing tax credit projects applying for a new reservation of tax credits for acquisition (i.e. resyndication), whose hard construction costs per unit in rehabilitation expenditures are at least \$50,000 or where the development will restrict at least 30% of its Low Income Units for those with incomes no greater than 50% of area median and restrict rents concomitantly; or

- one million dollars (\$1,000,000) plus 5% of the project's unadjusted eligible basis in excess of six million six hundred sixty-six thousand six hundred sixty seven dollars (\$6,666,667).

Notwithstanding the paragraph above, for projects which restrict for Special Needs Population(s) the greater of 1) 15 Low-Income Units or 2) 25% of the Low-Income Units, all developer fees in excess of the greater of the following shall be deferred or contributed as equity to the project:

- 15% of the project's unadjusted eligible construction related basis plus 5% of the project's unadjusted eligible acquisition basis, up to two million eight hundred thousand dollars (\$2,800,000); provided however, and subject to the \$2,800,000 limitation in the aggregate, 15% of the project's unadjusted eligible acquisition basis will be permitted for at-risk developments meeting the requirements of section 10325(g)(4) or for other acquisition/rehabilitation projects, except for existing tax credit projects applying for a new reservation of tax credits for acquisition (i.e. resyndication), whose hard construction costs per unit in rehabilitation expenditures are at least \$50,000 or where the development will restrict at least 30% of its Low Income Units for those with incomes no greater than 50% of area median and restrict rents concomitantly; or
- one million dollars (\$1,000,000) plus 7% of the project's unadjusted eligible basis in excess of six million six hundred sixty-six thousand six hundred sixty seven dollars (\$6,666,667).

- (iii) Notwithstanding (i) and (ii), effective through December 31, 2028, any developer fee in excess of \$6,000,000 shall be deferred or contributed as equity to the project. Prior to December 31, 2028, the Committee shall meet to discuss the application of any developer fee in excess of \$6,000,000.

- (C) For purposes of this subsection, the unadjusted eligible basis is determined without consideration of the developer fee. With exception of 4% projects with a 2016 or later reservation, the developer fee in cost and in basis shall not be increased once established by a reservation of Tax Credits but may be decreased in the event of a modification in basis. Once established by a reservation of Tax Credits, the developer fee in cost and in basis for a 4% project with a 2016 or later reservation may increase or decrease in the event of modification in basis, and in the cases it is increased, any increase above the maximum developer fee established at reservation shall be additionally deferred or contributed as equity to the project. The maximum developer fees above apply to projects developed as multiple simultaneous phases using the same credit type: (2)(A) applies to all simultaneous phases using all 9% credits and (2)(B) above applies to all simultaneous phases using all 4% credits. Only when the immediately preceding phase of an all 9% credit phased project equals or exceeds 150 units or when any other phased project is using both credit types shall the provision of (2)(A) and (2)(B) apply to each phase independently. For purposes of this limitation, unless waived by the Executive Director, "simultaneous" refers to projects consisting of a single building, or projects on the same parcel or on parcels within ¼ mile of each other and with construction start dates within six months of each other, or completion dates that are within six months of each other.

- (D) Deferred fees and costs. Deferral of project development costs shall not exceed an amount equal to seven-and-one-half percent (7.5%) of the unadjusted eligible basis of the proposed project prior to addition of the developer fee. Unless expressly required by a State or local public funding source, in no case may the applicant propose deferring project development costs in excess of half (50%) of the proposed developer fee. Tax-exempt bond projects shall not be subject to this limitation.

Deferred developer fee notes and/or agreements must be included in the placed-in-service application and the interest rates of such notes shall not exceed eight percent (8%).

- (E) Black, Indigenous, or Other People of Color (BIPOC). For projects that qualify for general partner experience pursuant to Section 5230(f)(1)(B) of the CDLAC Regulations, the 15% of project's unadjusted eligible construction related basis stated in Section 10327(c)(2)(B) shall be increased to 20% of the project's unadjusted eligible construction related basis and the two million five hundred thousand (\$2,500,000) dollars in subsection (c)(2)(B) above, is increased to three million (\$3,000,000) dollars.
- (3) Syndication expenses. A cost limitation on syndication expenses, excluding bridge loan costs, shall be twenty percent (20%) of the gross syndication proceeds, if the sale of Tax Credits is through a public offering or private Securities and Commission Regulation D offering, and ten percent (10%) of the gross syndication proceeds, if the sale is through a private offering. The Executive Director may allow exceptions to the above limitation, in amounts not to exceed twenty-four percent (24%) for public offerings and private Securities and Exchange Commission Regulation D offerings, and fifteen percent (15%) for private offerings, should the following circumstances be present: smaller than average project size; complex financing structure due to multiple sources; complex land lease or ownership structure; higher than average investor yield requirements, due to higher than average investor risk; and, little or no anticipated project cash allowing lower-than-market investor returns. Syndication costs cannot be included as a cost or included in eligible basis.
- (4) Net syndication proceeds. The Executive Director shall evaluate the net syndication proceeds to ensure that project sources do not exceed uses and that the sale of Tax Credits generates proceeds equivalent to amounts paid in comparable syndication raises. The Executive Director shall determine the minimum tax credit factor to be used in all initial applications prior to the beginning of a funding cycle for projects applying under Section 10325 for both Federal and State Tax Credits. The minimum tax credit factor for initial applications made under Section 10326 shall be adjusted annually based on current market conditions.
- (5) Threshold Basis Limits. At application, the Committee shall limit the unadjusted eligible basis amount, used for calculating the maximum amount of Tax Credits to amounts published on its website in effect at the time of application and in accordance with the Threshold Basis Limit definition in Section 10302 of these regulations. At placed in service, the Committee shall limit the unadjusted eligible basis amount to the higher of the amount published on its website in effect at the time of application or in effect for the year the project places in service.

Exceptions to limits.

- (A) Increases in the threshold basis limits shall be permitted as follows for projects applying under Section 10325 or 10326 of these regulations.

A twenty percent (20%) increase to limits for a development that is paid for in whole or in part out of public funds and is subject to a legal requirement for the payment of state or federal prevailing wages on the entire project or financed in part by a labor-affiliated organization that requires the employment of construction workers who are

paid at least state or federal prevailing wages. An additional five percent (5%) increase to the unadjusted eligible basis shall be available for projects that certify that they are subject to a project labor agreement within the meaning of Section 2500(b)(1) of the Public Contract Code that requires the employment of construction workers who are paid at least state or federal prevailing wages or that they will use a skilled and trained workforce, as defined in Section 25536.7 of the Health and Safety Code, to perform all onsite work within an apprenticeable occupation in the building and construction trades. All applicants under this paragraph shall certify that contractors and subcontractors will comply with Section 1725.5 of the Labor Code, if applicable;

A ten percent (10%) increase to the limits for a new construction development where parking is required to be provided beneath the residential units (but not “tuck under” parking) or through construction of an on-site parking structure of two or more levels;

A two percent (2%) increase to the limits where a day care center is part of the development;

A two percent (2%) increase to the limits where 100% of the Low-Income Units are for special needs populations;

A ten percent (10%) increase to the limits for a development wherein at least 95% of the project’s upper floor units are serviced by an elevator.

A fifteen percent (15%) increase to the limits for a development wherein at least 95% of the building(s) is constructed as Type I as defined in the California Building Code, in which case, the Type III increase below (10%) shall not be allowed.

A ten percent (10%) increase to the limits for a development wherein at least 95% of the building(s) is constructed as (1) a Type III as defined in the California Building Code, or (2) a Type III/Type I combination, in which case, the Type I increase above (15%) shall not be allowed.

With the exception of the prevailing wage increase, the Local Impact Fee increase, and the special needs increase, in order to receive the basis limit increases by the corresponding percentage(s) listed above, a certification signed by the project architect shall be provided within the initial and placed-in-service application confirming that item(s) listed above will be or have been incorporated into the project design, respectively.

- (B) A further increase of up to twenty percent (20%) in the Threshold Basis Limits will be permitted for projects applying under Section 10325 or Section 10326 of these regulations that include one or more of the following energy efficiency/resource conservation/indoor air quality items:

- (1) All electric. Twenty percent (20%)
- (2) For rehabilitation projects, electric ready as defined in Section 160.9 of the 2022 Building Energy Efficiency Standards. Fifteen percent (15%)
- (3) Project shall have onsite renewable generation estimated to produce 50 percent (50%) or more of annual tenant electricity use. If the combined available roof area of the project structures, including carports, is insufficient for provision of 50% of annual electricity use, then the project shall have onsite renewable generation based on at least 90 percent (90%) of the available solar accessible roof area. Available solar accessible area is defined as roof area less north facing roof area for sloped roofs, equipment, solar thermal hot water and required local or state fire department set-backs

and access routes. A project not availing itself of the 90% roof area exception may also receive an increase under paragraph (2) only if the renewable generation used to calculate each basis increase does not overlap. Five percent (5%)

- (4) Project shall have onsite renewable generation estimated to produce 75 percent (75%) or more of annual common area electricity use. If the combined available roof area of the project structures, including carports, is insufficient for provision of 75% of annual electricity use, then the project shall have onsite renewable generation based on at least 90 percent (90%) of the available solar accessible roof area. Available solar accessible area is defined as roof area less north facing roof area for sloped roofs, equipment, solar thermal hot water and required local or state fire department set-backs and access routes. A project not availing itself of the 90% roof area exception may also receive an increase under paragraph (1) only if the renewable generation used to calculate each basis increase does not overlap. Two percent (2%)
- (5) Newly constructed project buildings shall be 15% more energy efficient than the applicable Building Energy Efficiency Standards (Energy Code, California Code of Regulations, Title 24) for energy efficiency alone (not counting solar). Four percent (4%)
- (6) Rehabilitated project buildings shall have eighty percent (80%) decrease in estimated TDV energy use (or improvement in energy efficiency) post rehabilitation as demonstrated using the appropriate performance module of CEC approved software. Four percent (4%)
- (7) Irrigate only with reclaimed water, greywater, or rainwater (excepting water used for Community Gardens) or irrigate with reclaimed water, grey water, or rainwater in an amount that annually equals or exceeds 20,000 gallons or 300 gallons per unit, whichever is less. One percent (1%)
- (8) Community Gardens of at least 60 square feet per unit. Permanent site improvements that provide a viable growing space within the project including solar access, fencing, watering systems, secure storage space for tools, and pedestrian access. One percent (1%)
- (9) Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms (where no VOC adhesives or backing is also used). One percent (1%)
- (10) Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all interior floor space other than units (where no VOC adhesives or backing is also used). Two percent (2%)
- (11) For new construction projects, meet all requirements of the U.S. Environmental Protection Agency Indoor Air Plus Program. Two percent (2%)

Compliance and Verification: For placed-in-service applications, in order to receive the increase to the basis limit, the application shall contain a certification from a HERS, GreenPoint, NGBS Green Verifier, PHIUS, Passive House, or Living Building Challenge Rater, or from a LEED for Homes Green Rater verifying that item(s) listed above have been incorporated into the project, except that items (7) through (10) may be verified by the project architect. For items (3) through (6), the applicant must

submit a certification from a third-party certified HERS Rater with the original application and the placed-in-service application. For item (7), the Rater, architect, landscape architect, or water system engineer shall certify that reclaimed water, greywater, or rainwater systems have been installed and are functioning to supply sufficient irrigation to the property to meet the standards under normal conditions. Failure to incorporate the features, or to submit the appropriate documentation may result in a reduction in credits awarded and/or an award of negative points.

- (C) Additionally, for projects applying under Section 10326 of these regulations, an increase of one percent (1%) in the threshold basis limits shall be available for every 1% of the project's Low-Income and Market Rate Units that will be income and rent restricted at or below 50 percent (50%) but above thirty-five percent (35%) of AMI. An increase of two percent (2%) shall be available for every 1% of the project's Low-Income and Market Rate Units that will be restricted at or below 35% of AMI. In addition, the applicant must agree to maintain the affordability period of the project for 55 years (50 years for projects located on tribal trust land).
- (D) Projects requiring seismic upgrading of existing structures, and/or projects requiring on-site toxic or other environmental mitigation may be permitted an increase in basis limit equal to the lesser of the amount of costs associated with the seismic upgrading or one-site environmental mitigation or 15% of the project's unadjusted eligible basis to the extent that the project architect or seismic engineer certifies in the application to the costs associated with such work.
- (E) An increase equal to any Local Development Impact Fees as defined in Section 10302 of these regulations if the fees are documented in the application submission by the entities charging such fees.
- (F) In a county that has an unadjusted 9% threshold basis limit for a 2-bedroom unit equal to or less than \$500,000, a ten percent (10%) increase to the project's threshold basis limit for a development located in a census tract, or census block group as applicable, designated on the CTCAC/HCD Opportunity Area Map as Highest or High Resource.

An applicant may choose to utilize the census tract, or census block group as applicable, resource designation from the CTCAC/HCD Opportunity Maps in effect when the initial site control was obtained up to seven calendar years prior to the application.

- (6) Acquisition costs. All applications must include the cost of land and improvements in the Sources and Uses budget, except that (i) competitive projects with donated land and/or improvements shall include the appraised value of the donated land and improvements that is not nominal, and (ii) projects on tribal trust land need only provide an improvement cost or value. If the acquisition for a new construction project involves a Related Party, the applicant shall disclose the relationship at the time of initial application.

Once established in the initial application, the acquisition cost of a new construction site shall not increase except as provided below for land and improvements donated or leased. Except as allowed pursuant to Section 10322(h)(9)(A) or by a waiver pursuant to this section below for projects basing cost on assumed debt, neither the purchase price nor the basis associated with existing improvements, if any, shall increase during all subsequent reviews including the placed-in-service review.

If land or land and improvements (real property) are donated to the general partner or member of the project owner and if approved by CTCAC in advance, the general partner or member may sell the real property to the project for an amount equal to the donated value established in the application provided that: there must be a seller carryback loan for the full amount of the sale, the loan must be "soft," having a term of at least 15 years, a below

market interest rate and interest accrual, and be either fully deferred or require only residual receipts payments for the loan term. Alternatively, the value may be a capital contribution of a general partner or member. Once established in the initial application, the donated value of the real property shall not increase.

If land or land and improvements (real property) are donated or are leased for a mandatory lease payment of \$100 per year or less, and if approved by CTCAC in advance, the donation value established in the application may be a capital contribution of a general partner or member. Once established in the initial application, the donated value of the real property/lease shall not increase.

- (A) New Construction. The cost of land acquired through a third-party transaction with an unrelated party shall be evidenced by a sales agreement, purchase contract, or escrow closing statement. The value of land acquired from a Related Party shall be underwritten using the lesser of the current purchase price or appraised value pursuant to Section 10322(h)(9). If the purchase price exceeds appraised value, the applicant shall, within the shortfall calculation section of the basis and credits page of the application only, reduce the project cost and the soft permanent financing by the overage. For all other purposes, the project cost shall include the overage.

The value of donated land, including land donated as part of an inclusionary housing ordinance, must be evidenced by an appraisal pursuant to Section 10322(h)(9).

- (B) Rehabilitation. Except as noted below, the applicant shall provide a sales agreement or purchase contract in addition to the appraisal. The value of land and improvements shall be underwritten using the lesser amount of the purchase price or the "as is" appraised value of the subject property (as defined in Section 10322(h)(9)) and its existing improvements without consideration of the future use of the property as rent restricted housing except if the property has existing long term rent restrictions that affect the as-is value of the property. The land value shall be based upon an "as if vacant" value as determined by the appraisal methodology described in Section 10322(h)(9) of these regulations. If the purchase price is less than the appraised value, the savings shall be prorated between the land and improvements based on the ratio in the appraisal. If the purchase price exceeds appraised value, the applicant shall (i) limit improvements acquisition basis to the amount supported by the appraisal and (ii) within the shortfall calculation section of the basis and credits page of the application only, reduce the project cost and the soft permanent financing, exclusive of any developer fee that must be deferred or contributed pursuant to Section 10327(c)(2)(B), by the overage. For all other purposes, the project cost shall include the overage.

The Executive Director may approve a waiver to underwrite the project with a purchase price in excess of the appraised value where (i) a local governmental entity is purchasing, or providing funds for the purchase of land for more than its appraised value in designated revitalization area when the local governmental entity has determined that the higher cost is justified, or (ii) the purchase price does not exceed the sum of third-party debt encumbering the property that will be assumed or paid off.

For tax-exempt bond-funded properties receiving credits under Section 10326 only or in combination with State Tax Credits and exercising the option to forgo an appraisal pursuant to Section 10322(h)(9)(A), no sales agreement or purchase contract is required, and CTCAC shall approve a reasonable proration of land and improvement value consistent with similar projects in the market area.

- (7) Reserve accounts. All reserve accounts shall be used to maintain the property (which does not include repayment of loans) and/or benefit its residents, and shall remain with the project except as provided in subparagraph (B) below and except when a public lender funds rent subsidy and/or service reserves and requires repayment of unused rent subsidy and/or

service reserves. If ownership of a project is transferred, the reserve accounts may be purchased by the purchaser(s) or transferee(s) for an amount equal to the reserve account(s) balance(s).

- (A) The minimum replacement reserve deposit for projects shall be three hundred dollars (\$300) per unit per year, or for new construction or senior projects, two hundred fifty dollars (\$250) per unit per year. The on-going funding of the replacement reserve in this amount shall be a requirement of the regulatory agreement during the term of the agreement, and the owner shall maintain these reserves in a segregated account. Funds in the replacement reserve shall only be used for capital improvements or repairs.
 - (B) An operating reserve shall be funded in an amount equal to three months of estimated operating expenses and debt service under stabilized occupancy. Additional funding will be required only if withdrawals result in a reduction of the operating reserve account balance to 50% or less of the originally funded amount. An equal, verified operating reserve requirement of any other debt or equity source may be used as a substitute, and the reserve may be released following achievement of a minimum annual debt service ratio of 1.15 for three consecutive years following stabilized occupancy only to pay deferred developer fee. The Committee shall allow operating reserve amounts in excess of industry norms to be considered "reasonable costs," for purposes of this subsection, only for homeless assistance projects under the Non-Profit Set-Aside, as described in Section 10315(b), Special Needs projects, HOPE VI projects, or project-based Section 8 projects. The original Sources and Uses budget and the final cost certification shall demonstrate the initial and subsequent funding of the operating reserves.
- (8) Applicant resources. If the applicant intends to finance part or all of the project from its own resources or a Related Party's resources (other than deferred fees), the applicant shall be required to prove, to the Executive Director's satisfaction, that such resources are available and committed solely for this purpose, including an audited certification from a third party certified public accountant that applicant has sufficient funds to successfully accomplish the financing. Public entities are exempt from this requirement.
- (9) Self-syndication. If the applicant or a Related Party intends to be the sole or primary tax credit investor in a project, the project shall be underwritten using a tax credit factor (i.e., price) of \$1 for each dollar of federal tax credit and \$.79 dollars for each dollar of State Tax Credit, unless the applicant proposes a higher value.
- (d) Determination of eligible and qualified basis. The Committee shall provide forms to assist applicants in determining basis. The Committee shall rely on certification from an independent, qualified Certified Public Accountant for determination of basis; however, the Committee retains the right to disallow any basis it determines ineligible or inappropriate.
- (1) High-Cost Area adjustment to eligible basis. Proposed projects located in a qualified census tract or difficult development area, as defined in IRC Section 42(d)(5)(c)(iii), may qualify for a thirty percent (30%) increase to eligible basis, subject to Section 42, applicable California statutes and these regulations. Pursuant to Authority granted by IRC §42(d)(5)(B)(v), CTCAC designates credit ceiling applications relating to sites that have lost their difficult development area or qualified census tract status within the previous 12 months as a difficult development area (DDA).
 - (2) Pursuant to Authority granted by IRC §42(d)(5)(B)(v), CTCAC designates credit ceiling applications proposing a project meeting the Special Needs housing type threshold requirements at Section 10325(g)(3) as a difficult development area (DDA).

- (3) Pursuant to authority granted by IRC §42(d)(5)(B)(v), CTCAC designates credit ceiling applications seeking state credits for which there are insufficient state credits as a difficult development area (DDA).
- (4) Pursuant to authority granted by IRC §42(d)(5)(B)(v), CTCAC designates credit ceiling applications for Federal Credit established by the Further Consolidated Appropriations Act, 2020 or the Consolidated Appropriations Act, 2021 as a difficult development area (DDA).
- (e) Determination of Credit amounts. The applicant shall determine, and the Committee shall verify, the maximum allowable Tax Credits and the minimum Tax Credits necessary for financial feasibility, subject to all conditions of this Section. For purposes of determining the amount of Tax Credits, the project's qualified basis shall be multiplied by an applicable Credit percentage established by the Executive Director, prior to each funding cycle. The percentage shall be determined taking into account recently published monthly Credit percentages.
- (f) Determination of feasibility. To be considered feasible, a proposed project shall exhibit positive cash flow after debt service for a 15-year minimum term beginning at stabilized occupancy, or in the case of acquisition/rehabilitation projects, at the completion of rehabilitation. "Cash flow after debt service" is defined as gross income (including (1) all rental income generated by proposed initial rent levels contained within the project application and (2) committed federal, state, and local rental subsidies; excluding income generated by tenant-based rental subsidies) minus vacancy, operating expenses, property taxes, service and site amenity expenses, operating and replacement reserves and must pay debt service (not including residual receipts debt payments). Expenses that do not continue through all 15 years of the pro forma shall be excluded from the evaluation of feasibility as well as from the minimum debt service coverage ratio and cash flow parameters pursuant to Section 10327(g)(6). For applications that qualify for a reservation of Tax Credits: (1) from the Nonprofit set-aside homeless assistance apportionment, (2) with special needs units comprising at least 25% of the low-income units, or (3) with an average targeted affordability of 40% of AMI or less, capitalized operating reserves in excess of the 3-month minimum amount may be added to gross income for purposes of determining "cash flow after debt service." In addition, applications with a committed capitalized operating subsidy reserve from HCD, CalHFA, or another public entity approved by the Executive Director may add withdrawals from this reserve to gross income for purposes of determining "cash flow after debt service."
- (g) Underwriting criteria. The following underwriting criteria shall be employed by the Committee in a pro forma analysis of proposed project cash flow to determine the minimum Tax Credits necessary for financial feasibility and the maximum allowable Tax Credits. The Committee shall allow initial applicants to correct cash flow shortages or overages up to the higher of \$25,000 or 0.5% of gross income at placed in service. In addition, if the operating expenses are below the published amount pursuant to subparagraph (1), the CTCAC Executive Director may correct the error by increasing the operating expenses to the published amount, provided the increase maintains compliance with all other feasibility and underwriting criteria.
 - (1) The 15-year pro forma revenue and expense projection calculations shall utilize a two-and-one-half percent (2.5%) increase in gross income, a three-and-one-half percent (3.5%) increase in operating expenses (excluding operating and replacement reserves set at prescribed amounts), and a two percent (2%) increase in property taxes.
 - (A) Where a private conventional lender and project equity partner use a 2% gross income and 3% operating expense increase underwriting assumption, CTCAC shall accept this methodology as well.
 - (B) For projects with a HUD rental subsidy that will receive a subsidy layering review from CTCAC, CTCAC shall accept 2% gross income, 3% operating expense increase, and 7% vacancy underwriting assumptions.

For purposes of the pro forma projections only, the application form Subsidy Contract Calculation may utilize post-rehabilitation rental subsidy contract rent assumptions when applicable.

Minimum operating expenses shall include expenses of all manager units and market rate units and must be at least equal to the minimum operating expense standards published by the Committee staff annually. The published minimums shall be established based upon periodic calculations of operating expense averages annually reported to CTCAC by existing tax credit property operators. The minimums shall be displayed by region, and project type (including large family, senior, and Special Needs), and shall be calculated at the reported average or at some level discounted from the reported average. The Executive Director may, in his/her sole discretion, utilize operating expenses up to 15% less than required in this subsection for underwriting when the equity investor and the permanent lender are in place and provide evidence that they have agreed to such lesser operating expenses. These minimum operating expenses do not include property taxes, replacement reserves, depreciation or amortization expense, compliance monitoring or lender fees, or the costs of any site or service amenities.

Special needs projects that are less than 100% special needs shall prorate the operating expense minimums, using the special needs operating expenses for the special needs units, and the other applicable operating expense minimums for the remainder of the units.

- (2) Property tax expense minimums shall be one percent (1%) of total replacement cost, unless:
 - (A) the verified tax rate is higher or lower;
 - (B) the proposed sponsorship of the applicant includes an identified 501(c)(3) corporate general partner which will pursue a property tax exemption; or
 - (C) the proposed sponsorship of the applicant includes a Tribe or tribally-designated housing entity.
- (3) Vacancy and collection loss rates shall be ten percent (10%) for special needs units and non-special needs SRO units without a significant project-based public rental subsidy, unless waived by the Executive Director based on vacancy data in the market area for the population to be served. Vacancy and collection loss rates shall be between five and ten percent (5-10%) for special needs units and non-special needs SRO units with a significant project-based public rental subsidy. Vacancy and collection loss rates shall be five percent (5%) for all other units.
- (4) Loan terms, including interest rate, length of term, and debt service coverage, shall be evidenced as achievable and supported in the application, or applicant shall be subject to the prevailing loan terms of a lender selected by the Committee.
- (5) Variable interest rate permanent loans shall be considered at the underwriting interest rate, or, alternatively, at the permanent lender's underwriting rate upon submission of a letter from the lender indicating the rate used by it to underwrite the loan. All permanent loan commitments with variable interest rates must demonstrate that a "ceiling" rate is included in the loan commitment or loan documentation. If not, the permanent loan will not be accepted by CTCAC as a funding source.
- (6) Minimum and Maximum Debt Service Coverage. An initial debt service coverage ratio equal to at least 1.15 to 1 in at least one of the project's first three years is required, except for FHA/HUD projects, RHS projects or projects financed with hard debt by the California Housing Finance Agency. Debt service does not include residual receipts debt payments. Except for projects in which less than 50% of the units are Tax Credit Units or where a higher first year ratio is necessary to meet the requirements of subsection 10327(f) (under such an exception the year-15 cash flow shall be no more than the greater of 1) two percent

(2%) of the year-15 gross income or 2) the lesser of \$500 per unit or \$25,000 total), "cash flow after debt service" shall be limited to the higher of twenty-five percent (25%) of the anticipated annual must pay debt service payment or eight percent (8%) of gross income, during each of the first three years of project operation. Gross income includes rental income generated by proposed initial rent levels contained with the project application.

9% credit applications without a HUD subsidy layering review: A pro forma statement utilizing CTCAC underwriting requirements and submitted to CTCAC at initial application; application at 180 days or 194 days pursuant to Section 10328(c); and placed in service application review must demonstrate that this limitation is not exceeded during the first three years of the project's operation.

All other applications: A pro forma statement utilizing CTCAC underwriting requirements and submitted to CTCAC at initial application; application at 180 days or 194 days pursuant to Section 10328(c); and if applicable, application at subsidy layering review must demonstrate that this limitation is not exceeded during the first three years of the project's operation. For these applications, effective November 1, 2019 CTCAC underwriting requirements for placed in service applications currently under review pursuant to Section 10322(i) are eliminated.

- (7) The income from the residential portion of a project shall not be used to support any negative cash flow of a commercial portion. Alternatively, the commercial income shall not support the residential portion. Applicants must provide an analysis of the anticipated commercial income and expenses. At placed in service, an applicant with commercial space shall provide a written communication from the hard lender specifying the portion of the loan that is underwritten with commercial income and, if greater than zero, the corresponding annual commercial debt service payments.
- (8) Existing tax credit projects applying for a new reservation of tax credits for acquisition and/or rehabilitation (i.e., resyndication) that are subject to the hold harmless rent provisions of the federal Housing and Economic Recovery Act of 2008 (HERA) at application may, at the request of the applicant, be underwritten at the hold harmless rent limits to the extent that they do not exceed the elected federal set-aside current tax credit rent limits, except that the application of the rent adjuster shall be delayed for a number of years equal to the percentage difference between the hold harmless rent limits and the current tax credit rent limits, with the result divided by 2.5 and rounded to the nearest year. The new regulatory agreement shall reflect the current tax credit rent limits, but the project may continue to charge hold harmless HERA rents for units targeted below the elected federal set-aside (i.e., 40% of units at 60% AMI or 20% of units at 50% AMI) provided that the hold harmless rents do not exceed the rent level for the applicable elected federal set-aside and only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10328. Conditions on Credit Reservations.

- (a) General. All reservations of Tax Credits shall be conditioned upon:
 - (1) timely project completion;
 - (2) receipt of amounts of Tax Credits no greater than necessary for financial feasibility and viability as a qualified low-income housing project throughout the extended use period;
 - (3) income targets as proposed in the application; and,

- (4) the rent increase limit rules in Section 10336(a).
- (b) Preliminary reservations. Preliminary reservations of Tax Credits shall be subject to conditions as described in this subsection and applicable statutes. Reservations of Tax Credits shall be conditioned upon the Committee's receipt of the performance deposit described in Section 10335 and an executed reservation letter bearing the applicant's signature accepting the reservation within twenty (20) calendar days of the Committee's notice to the applicant of the preliminary reservation, except that Hybrid projects and simultaneous phased projects as defined in Section 10327(c)(2)(C) shall submit the acceptance of the reservation for the first application within five (5) business days of the Committee's notice to the applicant of the reservation for the corresponding second application. However, should the 20-day period for returning the executed reservation letter continue past December 15 of any year, an applicant may be required to execute and return the reservation letter in less than twenty (20) days in order that the reservation be effective. Failure to comply with any shortened period would invalidate the reservation offer and permit the Committee to offer a reservation to the next eligible project.
- (c) Except for those applying under section 10326 of these regulations, applicants receiving a Credit reservation but who did not receive maximum points in the Readiness to Proceed point category shall provide the Committee with a completed updated application form no later than 180 days or 194 days, as applicable, following Credit reservation and start construction no later than 12 months following Credit reservation. Failure to start construction within 12 months following Credit reservation may result in rescission of Credit reservation.

Upon receipt of the updated application form, the Committee shall conduct a financial feasibility and cost reasonableness analysis for the proposed project and determine if all conditions of the preliminary reservation have been satisfied. Substantive changes to the approved application, in particular, changes to the financing plan or costs, need to be explained by the applicant in detail, and may cause the project to be reconsidered by the Committee.

- (d) Carryover Allocations. Except for those applying under section 10326 of these regulations, applicants receiving a Credit reservation shall satisfy either the Placed-in-service requirements pursuant to subsection 10322(i) or carryover allocation requirements in the year the reservation is made, pursuant to IRC Section 42(h)(1)(E) and these regulations, as detailed below. An application for a carryover allocation must be submitted no later than 20 days following the Credit reservation date, together with the applicable allocation fee, and all required documentation, except that the time for meeting the "10% test" and submitting related documentation, and owning the land, will be no later than twelve (12) months after the date of the carryover allocation. An application for a carryover allocation and allocation fee for the first application of a Hybrid project or a simultaneous phased project as defined in Section 10327(c)(2)(C) shall be submitted within five (5) business days of the Committee's notice to the applicant of the reservation for the corresponding second application.
- (1) Additional documentation and analysis. The Executive Director may request, and the holder of a Credit reservation shall provide, additional documentation required for processing a carryover allocation.
- (2) In addition to the requirements of the Internal Revenue Code, to receive a carryover allocation an applicant shall provide evidence that applicant has maintained site control from the time of the initial application and, if the land is not already owned, will continue to maintain site control until the time for submitting evidence of the land's purchase.
- (3) Certification. The Committee shall require a certification from an applicant that has received a reservation, that the facts in the application continue to be true before a carryover allocation is made.
- (e) Placed-in-service. The applicant shall submit documentation required by Section 10322(i).

- (f) Additional Conditions to Reservations and Allocations of Tax Credits. Additional conditions, including cancellation, disqualification and other sanctions may be imposed by the Committee in furtherance of the purposes of the Tax Credits programs, including any remedial actions imposed on Tax Credit recipients under sections 14052 and 14053 of title 2 of the California Code of Regulations.
- (g) Reservation Exchange. A project with a reservation of Federal Credit pursuant to Section 10325 and a carryover allocation pursuant to Section 10328(d) and IRC Code § 42(h)(1)(E) that meets any of the following criteria may elect to return all of the Federal Credit in exchange for a new reservation and allocation of Federal Credits. The reservation and carryover allocation of the Federal Credits returned pursuant to this subdivision shall be deemed cancelled by mutual consent pursuant to a written agreement executed by the Committee and the applicant specifying the returned credit amount and the effective date on which the credits are deemed returned. The Committee shall concurrently issue a new reservation of Federal Credits to the project in the amount of the Federal Credits returned by the project to the Committee.
 - (1) A High-Rise Project that returns all of the Federal Credit only during January of the calendar year immediately following the calendar year in which the initial reservation and carryover allocation were made.
 - (2) A project that prior to the placed-in-service deadline merits additional time to place in service when development was significantly delayed during construction due to physical damage to the development directly caused by a disaster, including but not limited to, fires, floods, or earthquakes. In considering a request the Executive Director may consider at their sole discretion, among other things, the extent of the damage, the length of the delay, the time remaining until the project's placed in service deadline, and the circumstances causing the physical damage.
 - (3) A project reserved Federal credit established by the Further Consolidated Appropriations Act, 2020 or the Consolidated Appropriations Act, 2021 that returns all of the Federal Credit only during January of the calendar year immediately following the calendar year in which the initial reservation and carryover allocation were made.
 - (4) A Waiting List project that returns all of the Federal Credit only during the calendar year immediately following the calendar year in which the initial reservation and carryover allocation were made.
 - (5) Notwithstanding paragraph (4), a Waiting List project that returns all of the Federal Credit prior to December 31, 2023, immediately following when the initial reservation and carryover allocation were made.
 - (6) A project reserved and allocated Federal Credit that returns all of the Federal Credit due to circumstances beyond the applicant's control and subject to the prior written approval of the Executive Director at their sole discretion.
- (h) CTCAC may contract with accountants and contractors or construction engineers to review the accuracy and reasonableness of a subset of final cost certifications submitted each year. The owner of a project selected for review and the accountant who prepared the final cost certification for such a project shall provide all requested information and generally facilitate the review.

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10330. Appeals.

- (a) Availability. An applicant shall not appeal the Committee staff evaluation of another applicant's application. An appeal may only be filed under the following circumstances:
- (1) determination of the application point score;
 - (2) disqualification from participation in the program under Section 10325(c);
 - (3) disqualification of an incomplete application under Section 10322;
 - (4) qualification for "additional threshold requirements," pursuant to Section 10325(g);
 - (5) determination of the Credit amount under Section 10327;
 - (6) forfeiture of a performance deposit under Section 10335(e);
 - (7) negative points assigned by the Executive Director under Section 10325(c)(2); and
 - (8) A fine imposed under Section 10337(f).
- (b) (1) Procedure for application appeals. An appeal related to an application must be submitted in writing and received by CTCAC staff no later than five (5) calendar days following the transmittal date of the staff's point or disqualification letter. The appeal shall identify the applicant's grounds for the appeal and be based upon previously submitted application materials except as permitted under Section 10322(e).

Staff will respond in writing to the appeal letter within five (5) calendar days after receipt of the appeal letter. If the applicant wishes to appeal the staff response, the applicant may appeal in writing to the Executive Director no later than five (5) calendar days following the transmittal date of the staff response letter. The Executive Director will respond in writing within ten (10) calendar days after receipt of the appeal letter. If the applicant wishes to appeal the Executive Director's decision, a final appeal may be submitted to the Committee no more than five (5) calendar days following the transmittal date of the Executive Director's letter. An appeal to the Committee must be accompanied by a five hundred dollar (\$500) non-refundable fee payment payable to CTCAC. No Committee appeals will be addressed without this payment. The appeal review shall be based upon the existing documentation submitted by the applicant when the application was filed, except as provided under Section 10322(e). Any appeal or response due on a weekend or holiday shall be deemed to be due on the following business day.

- (2) Procedure for negative point or fine appeals. An appeal related to negative points or a fine must be submitted in writing and received by the Executive Director no later than fourteen (14) calendar days following the transmittal of a negative point or fine letter, unless the Executive Director grants an extension which shall not exceed fourteen (14) additional days. The appeal shall identify specifically the appellant's ground for the appeal. The Executive Director will respond in writing no more than ten (10) calendar days after receipt of the appeal, unless the appellant requests an extension to accommodate a meeting with the Executive Director. If the appellant wishes to appeal the Executive Director's decision, a final appeal may be submitted to the Committee no more than seven (7) calendar days following the date of receipt of the Executive Director's letter. An appeal to the Committee must be accompanied by a five hundred dollar (\$500) non-refundable fee payment payable to CTCAC. No Committee appeals will be addressed without this payment.

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10335. Fees and Performance Deposit.

- (a) Application fee.
- (1) Every applicant for non-competitive tax credits shall be required to pay an application filing fee of \$1,500. Scattered site applications and resyndication applications shall be required to pay an application filing fee of \$1,700. This fee shall be paid to the Committee and shall be submitted with the application. This fee is not refundable.
 - (2) Every applicant for competitive tax credits shall be required to pay an application filing fee of \$2,500, except for projects with sites within the jurisdictions of multiple Local Reviewing Agencies (LRA) for which applicants shall be required to pay an additional \$1,000 application fee for each additional LRA. This fee shall be paid to the Committee and shall be submitted with the application. This fee is not refundable. Applicants reapplying in the same calendar year for an essentially similar project on the same project site shall be required to pay an additional \$1,500 filing fee to be considered in a subsequent funding round, regardless of whether any amendments are made to the re-filed application. At the request of the applicant and upon payment of the applicable fee by the application filing deadline, applications remaining on file will be considered as is, or as amended, as of the date of a reservation cycle deadline. It is the sole responsibility of the applicant to amend its application prior to the reservation cycle deadline to meet all application requirements of these regulations, and to submit a "complete" application in accordance with Section 10322. \$1,000 of the initial application filing fee shall be provided to each official LRA which completes a project evaluation for the Committee. A LRA may waive its portion of the application filing fee. Such waiver shall be evidenced by written confirmation from the LRA, included with the application.
- (b) Allocation fee. Every applicant who receives a reservation of Tax Credits, except tax-exempt bond project applicants, shall be required to pay an allocation fee equal to four percent (4%) of the dollar amount of the first year's Federal Credit amount reserved. Reservations of Tax Credits shall be conditioned upon the Committee's receipt of the required fee paid to the Committee prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. This fee is not refundable.
- (c) Appeal fee. Any applicant submitting an appeal to the Committee shall pay a fee of five hundred dollars (\$500) to CTCAC. The fee must accompany the appeal letter to the Committee.
- (d) Reservation fee. Tax-exempt bond project applicants receiving Credit reservations shall be required to pay a reservation fee equal to one percent (1%) of the annual Federal Tax Credit reserved. Reservations of Tax Credits shall be conditioned upon the Committee's receipt of the required fee within twenty (20) days of issuance of a tax-exempt bond reservation, except that Hybrid projects and simultaneous phased projects as defined in Section 10327(c)(2)(C) shall submit the reservation fee for the first application within five (5) business days of the Committee's notice to the applicant of the reservation for the corresponding second application, or prior to the issuance of tax forms, whichever is first.
- (e) Performance deposit. Each applicant receiving a preliminary reservation of Federal, or Federal and State (including State Farmworker), Tax Credits shall submit a performance deposit equal to four percent (4%) of the first year's Federal Credit amount reserved, but not to exceed \$100,000, including applicants with a reservation of credit on or after October 14, 2020. Notwithstanding the other provisions of this subsection, an applicant requesting Federal Tax Credits not subject to the Federal housing Credit Ceiling and requesting State Tax Credits or State Farmworker Tax Credits, shall be required to submit a performance deposit in an amount equal to two percent (2%) of the first year's State Credit amount reserved for the project, but not to exceed \$100,000. Notwithstanding the other provisions of this Section, an applicant requesting only Federal Tax Credits not subject to the Federal Credit Ceiling, shall not be required to submit a performance deposit.

- (1) Timing and form of payment. The performance deposit shall be paid to the Committee within twenty (20) calendar days of the Committee's notice to the applicant of a preliminary reservation, except that Hybrid projects and simultaneous phased projects as defined in Section 10327(c)(2)(C) shall submit the performance deposit for the first application within five (5) business days of the Committee's notice to the applicant of the reservation for the corresponding second application.
 - (2) Returned Tax Credits. If Tax Credits are returned after a reservation has been accepted, the performance deposit is not refundable, with the following exceptions. Projects unable to proceed due to a natural disaster, a lawsuit, or similar extraordinary circumstance that prohibits project development may be eligible for a refund. Requests to refund a deposit shall be submitted in writing for Committee consideration. Amounts not refunded are forfeited to the Committee. All forfeited funds shall be deposited in the occupancy compliance monitoring account to be used to help cover the costs of performing the responsibilities described in Section 10337.
 - (3) Refund or forfeiture. To receive a full refund of the performance deposit, the applicant shall do all of the following: place the project in service under the time limits permitted by law; qualify the project as a low-income housing project as described in Section 42; meet all the conditions under which the reservation of Tax Credits was made; certify to the Committee that the Tax Credits allocated will be claimed; and, execute a regulatory agreement for the project. If the Committee cancels a Credit because of misrepresentation by the applicant either before or after an allocation is made, the performance deposit is not refundable. If the project is completed, but does not become a qualified low-income housing project, the performance deposit is not refundable.
 - (4) Appeals. An applicant may appeal the forfeiture of a performance deposit, by submitting in writing, a statement as to why the deposit should be refunded. The appeal shall be received by the Committee not later than seven (7) calendar days after the date of mailing by the Committee of the action from which the appeal is to be taken. The Executive Director shall review the appeal, make a recommendation to the Committee, and submit the appeal to the Committee for a decision.
- (f) Compliance monitoring fee. The Committee shall charge a \$700 per low-income unit fee to cover the costs associated with compliance monitoring throughout the extended-use period. Generally, payment of the fee shall be made prior to the issuance of Federal and/or State tax forms. Assessment of a lesser fee, and any alternative timing for payment of the fee, may be approved at the sole discretion of the Executive Director and shall only be considered where convincing proof of financial hardship to the owner is provided. Nothing in this subsection shall preclude the Committee from charging an additional fee to cover the costs of any compliance monitoring required, but an additional fee shall not be required prior to the end of the initial 15 year compliance period.
- (g) Tax form revision fee. An owner who requests an amendment to 8609 or 3521A tax forms, including a request that occurs after CTCAC completes the drafting of these forms, shall pay a fee of \$1000 unless the Executive Director determines that the amendment is necessary due to a CTCAC error.

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10336. Laws, Rules, Guidelines, and Regulations for Tenants of Low-Income Units.

(a) Rent Increase Limit.

- (1) Gross rents for a low-income household shall not increase in any 12-month period more than the lesser of five percent 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 or ten 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, except as follows:

- (A) to increase the rent up to 30 percent of the monthly income of the household occupying the unit.
 - (B) for projects with terminated project-based rental assistance or operating subsidy as described in Section 10337(a)(3)(B); or
 - (C) 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
- (2) The Executive Director may grant a waiver to exceed the limit prescribed in subdivision (a)(1) if the waiver is consistent with the CTCAC Rent Increase Limit Waiver Memorandum, available on the CTCAC website and incorporated herein by reference, and the owner shows that the proposed rent increase is necessary to ensure financial stability or fiscal integrity of the property and does not unreasonably impact the tenants. A waiver denial is subject to the appeals process in Section 10330.
 - (3) In the notice required to be provided to tenants under Civil Code section 827, owners shall provide sufficient information explaining why the rent increase does not exceed programmatic maximum rents and the requirements of subdivision (a)(1) or (a)(2), if applicable. The explanation shall be in plain and accessible language and include the name, telephone number, and email address for a representative who can answer the tenant's questions about the rent increase.
 - (4) On or before June 30, 2026, and annually thereafter, the Executive Director shall assess the limit established pursuant to subdivision (a) and may make a recommendation to the Committee to adjust the limit based on the assessment.
 - (5) The requirements of this subdivision shall apply to all properties subject to a CTCAC regulatory agreement except that the requirements of this subdivision shall apply to properties that received an allocation of tax credits prior to April 3, 2024, starting January 1, 2025.
 - (6) Failure to comply with the provisions of this subdivision may result in the assessment of negative points under Section 10325(c)(2)(R) and fines under Section 10337(f)
- (b) All projects shall adopt the following policies and procedures in furtherance of the Fair Housing Laws and Housing and Accessibility Requirements in compliance with Section 10322(h)(1)(F) and submit them to CTCAC upon request:
 - (1) To the furthest extent applicable and subject to federal preemption, owners, property managers, and service providers must comply with all relevant laws, including, without limitation, the Fair Housing Laws, the Housing and Accessibility Requirements, and Housing First.
 - (2) The owners, property managers, and service providers, as applicable, must do the following:
 - (A) Adopt a written nondiscrimination policy requiring that no person shall, on the grounds of race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, age, medical condition, genetic information, citizenship, primary language, immigration status (except where explicitly prohibited by federal law),

criminal history, arbitrary characteristics, and all other classes of individuals protected from discrimination under federal or state Fair Housing Laws, individuals perceived to be a member of any protected class, individuals having a record of membership in a protected class, or any individual or person associated with any protected class be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity benefiting in whole or in part from Tax Credits.

- (B) Adopt a written tenant selection policy in clear, intelligible, and unambiguous language that complies with state and federal law, include the Fair Housing Laws, and is consistent with any Housing Type requirements, including Housing First.
 - (i) All new and existing projects with Accessible Housing Units shall adopt a process to market information about Accessible Housing Units to eligible individuals with disabilities and take reasonable nondiscriminatory steps to maximize use of Accessible Units by eligible individuals with disabilities requiring accessibility features. When an Accessible Housing Unit becomes vacant, the owner or property manager shall offer the unit:
 - (a) First, to a current occupant of another unit of the same project, or comparable projects under common control, having a disability requiring the accessibility features of the vacant unit and occupying a unit not having such features, or if no such occupant exists, then
 - (b) Second, to an eligible qualified applicant on the waiting list having a disability requiring the accessibility features of the vacant unit.
 - (c) If no applicant meeting the criteria in subsections (a) or (b) is available, the Accessible Housing Unit may be offered to a tenant or applicant who does not need the unit's accessibility features.
 - (d) When offering an Accessible Housing Unit to an applicant not having a disability requiring the accessibility features of the unit, the owner or manager shall require the applicant to agree to move to a non-accessible unit when a comparable unit is available. This agreement shall be incorporated in the lease or a lease addendum.
 - (ii) To the extent possible, projects where one or more of the Low-Income Units is restricted to occupancy by Chronically Homeless or Homeless must fill vacancies for such units with local CES referrals of people experiencing Homelessness or At-Risk of Homelessness. Where the CES system is not operational, referrals shall be through another similar system compliant consistent with WIC Section 8255, subdivision (b)(3).
 - (a) If the local CES system fails to refer a tenant within 30 days of written notification of a vacancy, units may be occupied by tenants referred from other sources consistent with WIC Section 8255, subdivision (b)(3).
 - (b) Where the local office of the U.S. Department of Veterans Affairs is not participating in a CES, vacancies may be filled with those Veterans who are referred directly by that local office.
 - (c) If acuity (the severity of presenting issues) is used as the basis for selecting tenants, it must be measured using the VI-SPDAT or some other standardized assessment tool approved by the Executive Director.

- (C) Adopt and implement a written policy for providing reasonable accommodations, reasonable modifications, and auxiliary aids and services for effective communication with residents and applicants with disabilities. All project owners must provide notice in plain language and accessible formats to tenants in units with adaptable features of their ability to request conversion of the adaptable features to make their unit more accessible.
- (D) Develop and implement an affirmative fair housing marketing plan consistent with HUD's equal opportunity regulations at 24 CFR part 200, subpart M.
- (E) Where applicable, ensure individuals are not denied assistance, evicted, or have their assistance terminated because of their status as survivors of domestic violence, dating violence, sexual assault, or stalking, or for being affiliated with a victim, pursuant to 34 USC Section 12491. Owners and managers have an obligation to inform such prospective and existing tenants of the rights and protections available to them under federal law by providing them with a Notice of Occupancy Rights Form HUD-5380 and VAWA Self-Certification Form HUD-5382. Notice must be given at the time an applicant is denied housing, at the time an applicant is admitted to housing, or when a tenant is notified of eviction or termination. Owners and managers are also required to comply with additional protections afforded to survivors under state law pursuant to Civil Code Section 1946.7 (early lease termination without penalty) and Civil Code Sections 1941.5 and 1941.6.
- (F) Adopt a policy allowing service animals as of right, reasonable accommodations for assistance under FEHA, and tenants to own or otherwise maintain one or more common household pets pursuant to the Pet Friendly Housing Act of 2017. (HSC § 50466).
- (G) Unless required by another federal, state, or local program, adopt a tenant grievance and appeal procedure to resolve grievance filed by tenants and appeals of adverse actions taken by owners or managers regarding tenant occupancy of a Low-Income Unit, and prospective tenants' applications for occupancy.
 - (i) The grievance and appeal procedure shall be subject to CTCAC review upon request and, at a minimum, shall include:
 - (a) A requirement for the delivery to each tenant and applicant of a written copy of the appeal and grievance procedure;
 - (b) Procedures for informal dispute resolution;
 - (c) A right to a hearing before an impartial body, which shall consist of one or more persons with the power to render a final decision on the appeal or grievance; and
 - (d) Procedures for the conduct of an appeal or grievance hearing and the appointment of an impartial body.
 - (ii) Neither use of, nor participation in any of the appeal and grievance procedures shall constitute a waiver of or affect the rights of the tenant, prospective tenant, or Owner to a trial de novo or judicial review in any judicial proceeding which may thereafter be brought in the matter or the rights to file a judicial or administrative complaint under applicable Fair Housing Laws.
- (H) Provide meaningful language access to Limited English Proficiency (LEP) tenants that, at a minimum, includes a written language access plan providing for the

translation of notices concerning tenants' rights and the provision of interpretive services to facilitate communication between LEP tenants and Owners.

Note: Authority cited: Section 50199.17 and 50199.25, Health and Safety Code.

Reference: Sections 827 and 1947.12, Civil Code; Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21 and 50199.22, Health and Safety Code.

Section 10337. Compliance.

- (a) Regulatory Agreement. All recipients of Tax Credits, whether Federal only, or both Federal and State, are required to execute a regulatory agreement, as a condition to the Committee's making an allocation, which will be recorded against the property for which the Tax Credits are allocated, and, if applicable, will reflect all scoring criteria proposed by the applicant in the competition for Federal and/or State housing Credit Ceiling.
 - (1) For all projects receiving a reservation of competitive 9% federal tax credits on or after January 1, 2016 for which all general partners will be Qualified Nonprofit Organizations, the partnership agreement shall include a Right of First Refusal ("ROFR") for one or more of the nonprofit general partners to purchase the project after the end of the 15-year federal compliance period. The price to purchase the project under this ROFR shall be the minimum price allowed under IRC Section 42(i) plus any amounts required to be paid to the tax credit investors that remain unpaid for approved Asset Management Fees and required payments under the limited partnership agreement for tax credit adjusters that remain outstanding at the time of the sale. The applicant shall demonstrate compliance with this requirement prior to the issuance of the 8609 forms.
 - (2) For all projects receiving a reservation of 4% and 9% federal tax credits on or after January 1, 2016, the regulatory agreement shall require written approval of the Executive Director for any Transfer Event.
 - (3) Where a Project is receiving renewable project-based rental assistance or operating subsidy:
 - (A) the owner shall in good faith apply for and accept all renewals available;
 - (B) if the project-based rental assistance or operating subsidy is terminated through no fault of the owner, the property owner shall notify CTCAC in writing immediately and shall make every effort to find alternative subsidies or financing structures that would maintain the deeper income targeting contained in the recorded CTCAC regulatory agreement. Upon documenting to CTCAC's satisfaction unsuccessful efforts to identify and obtain alternative resources, the owner may increase rents and income targeting for Low-Income Units above the levels allowed by the recorded regulatory agreement up to the federally-permitted maximum. Rents shall be raised only to the extent required for Financial Feasibility, as determined by CTCAC. Where possible, remedies shall include skewing rents higher on portions of the project in order to preserve affordability for units regulated by CTCAC at extremely low income targeting. Any necessary rent increases shall be phased in as gradually as possible, consistent with maintaining the project's Financial Feasibility. If housing Special Needs populations, the property owner shall attempt to minimize disruption to existing households, and transition to non-Special Needs households only as necessary and upon vacancy whenever possible.
 - (4) All projects that receive a reservation of Tax Credits on or after January 1, 2017 and that involve a leasehold interest shall, in addition to the regulatory agreement, execute a lease rider which shall be recorded in the County Recorder's Office for which the project is located.

(b) Responsibility of owner.

- (1) Compliance. All compliance requirements monitored by the Committee shall be the responsibility of the project owner. Project owners are required to annually certify tenant incomes in conformance with IRS regulation §1.42-5(c)(3) unless the project is a 100 percent (100%) tax credit property exempted under IRC Section 142(d)(3)(A). Owners of a 100% tax credit property must perform a first annual income recertification in addition to the required initial move-in certification. After initial move-in certification and first annual recertification, owners of 100% tax credit properties may discontinue obtaining income verifications. Owners of 100% tax credit properties must continue to check for full-time student status of all households during the entire tenancy of the households and throughout the initial compliance period, and continue recordkeeping in accordance with paragraph (1) of this subsection. These requirements continue if the tax credit property is sold, transferred, or under new management. Any failure by the owner to respond to compliance reports and certification requirements will be considered an act of noncompliance and shall be reported to the IRS if reasonable attempts by the Committee to obtain the information are unsuccessful.
- (2) Homeless youth and federal student rule. After the 15-year federal compliance period has lapsed, units in a special needs project designated at reservation for homeless youth may be occupied entirely by full-time students who are not dependents of another individual.
- (3) Prohibition against requiring tenants to participate in services. All new and existing Tax Credit projects are prohibited from requiring tenants to participate in services, unless the tenant occupies a unit assisted with a federal source that requires tenant participation in services.

(c) Compliance monitoring procedure. As required by Section 42(m), allocating agencies are to follow a compliance monitoring procedure to monitor all Credit projects for compliance with provisions of Section 42. Compliance with Section 42 is the sole responsibility of the owner of the building for which the Credit is allowable. The Committee's obligation to monitor projects for compliance with the requirements of Section 42 does not place liability on the Committee for any owner's noncompliance, nor does it relieve the owner of its responsibility to comply with Section 42. In addition to the requirements set forth in CTCAC's Compliance Manual, available on CTCAC's website (<https://www.treasurer.ca.gov/ctcac/compliance/manual.asp>) and incorporated herein by reference, owners must comply with the following:

- (1) Record keeping. The owner of a Credit project is required to keep records for each qualified low income building in the project for each year in the compliance period showing: the total number of residential rental units in the building (including the number of bedrooms, and unit size in square feet); the percentage of Low-Income and Market Rate Units in the building that are Low-Income Units; the rent charged for each Low-Income Unit; a current utility allowance as specified in 26 CFR Section 142.10(c) and Section 10322(h)(21) of these regulations (for buildings using an energy consumption model utility allowance, that allowance must be calculated using the most recent version of the CUAC); the number of household members in each Low-Income Unit; notation of any vacant Low-Income Units; move-in dates for all Low-Income Units; low-income tenants' (i.e., household) income; documentation to support each low-income household's income certification; the eligible basis and qualified basis of the building at the end of the first year of the Credit period; and, the character and use of any nonresidential portion of the building included in the building's eligible basis.

Upon request, scattered site projects shall make these records available for inspection by CTCAC staff at a single location.

- (2) Record Retention. For each qualified low-income building in the project, and for each year of the compliance period, owners and the Committee are required to retain records of the information described above in "record keeping requirements."

- (A) Owners shall retain documents according to the following schedule:
 - (i) for at least six years following the due date (with extensions) for filing the Federal income tax return for that year (for each year except the first year of the Credit period); and,
 - (ii) for the first year of the Credit period, at least six years following the due date (with extensions) for filing the Federal income tax return for the last year of the compliance period of the building.
 - (iii) for local health, safety, or building code violation reports or notices issued by a state or local governmental entity, until the Committee has inspected the reports or notices and completes the tenant file and unit inspections, and the violation has been corrected. This subsection shall take effect beginning January 1, 2001.
- (B) The Committee shall retain records of noncompliance, or failure to certify, for at least six years beyond the Committee's filing of the respective IRS noncompliance Form 8823. Should the Committee require submission of copies of tenant certifications and records, it shall retain them for three years from the end of the calendar year it receives them. Should it instead review tenant files at the management office of the subject project, it shall retain its review notes and any other pertinent information for the same three-year period. The Committee shall retain all other project documentation for the same three-year period.
- (3) Certification requirements. Under penalty of perjury, a Credit project owner is required to annually, during each year of the compliance period, meet the certification requirements of U.S. Treasury Regulations 26 CFR 1.42-5(c), (including certifications that no finding of discrimination under the Fair Housing Act, 42 USC 3601 occurred for the project), that the buildings and low income units in the project were suitable for occupancy taking into account local health, safety, and building codes, that no violation reports were issued for any building or low income unit in the property by the responsible state or local government unit, that the owner did not refuse to lease a unit to an applicant because the applicant had a section 8 voucher or certificate, and that except for transitional or single room occupancy housing, all low income units in the project were used on a nontransient basis. The following must also be certified to by the owner:
 - (A) the project met all terms and conditions recorded in its Regulatory Agreement, if applicable;
 - (B) the applicable fraction (as defined in IRC Section 42(c)(1)(B)) met all requirements of the Credit allocation as specified on IRS Form(s) 8609 (Low-Income Housing Credit Allocation Certification.);
 - (C) no change in ownership of the project has occurred during the reporting period;
 - (D) the project has not been notified by the IRS that it is no longer a "qualified low-income housing project" within the meaning of Section 42 of the IRC;
 - (E) no additional tax-exempt bond funds or other Federal grants or loans with interest rates below the applicable Federal rate have been used in the Project since it was placed-in-service; and,
 - (F) report the number of units that were occupied by Credit eligible households during the reporting period.

- (G) the services specified in the Regulatory Agreement were provided to the tenants during the reporting period.
 - (H) if the project is subject to a cash flow limitation in its Regulatory Agreement, that the limitation has been met.
 - (I) the project complied with local, state, and federal laws, constitutions, codes, standards, rules, guidelines, and regulations, including, without limitation, those that pertain to accessibility, construction, health and safety, labor, fair housing, fair employment practices, affirmatively furthering fair housing, nondiscrimination, and equal opportunity and is not the subject of any regulatory or investigative proceeding by a local, state, or federal agency relating to an alleged, pending, ongoing, or closed violation of the Fair Housing Laws.
- (4) Status report, file and on site physical inspection. The Committee or its agent will conduct file and on site physical inspections for all projects no later than the end of the second calendar year following the year the last building in the project is placed-in-service, and once every three years thereafter. These physical inspections will be conducted for all buildings and common areas in each project, and for at least 20% of the low-income units in each project. The tenant file reviews will also be for at least 20% of the low-income units in each project, but may be conducted on site or off site. Each year the Committee shall select projects for which site inspections will be conducted. The projects shall be selected using guidelines established by the Executive Director for such purpose, while the units and tenant records to be inspected shall be randomly selected. Advance notice shall not be given of the Committee's selection process, or of which tenant records will be inspected at selected projects; however, an owner shall be given reasonable notice prior to a project inspection.
- (A) A Notice of Intent to Conduct Compliance Inspection and a Project Status Report (PSR) form will be delivered to the project owner within a reasonable period before an inspection is scheduled to occur. The completed PSR form shall be submitted to the Committee by the owner prior to the compliance inspection. The Committee will review the information submitted on the PSR for compliance with income, rent and other requirements prior to performing the tenant file inspection.
 - (B) Each project undergoing a file inspection will be subject to a physical inspection to assure compliance with local health, safety, and building codes or with HUD's uniform physical condition standards. Owners shall be notified of the inspection results.
 - (C) The Committee may perform its status report, file inspection procedures and physical inspection on Credit projects even if other governmental agencies also monitor those projects. The Committee's reliance on other review findings may alter the extent of the review, solely at the Committee's discretion and as allowed by IRS regulations. The Committee may rely on reports of site visits prepared by lenders or other governmental agencies, at its sole discretion. The Committee shall, whenever possible, coordinate its procedures with those of other agencies, lenders and investors.
- (5) Notification of noncompliance. The Committee shall notify owners in writing if the owner is required to submit documents/information related to either the physical or tenant file inspection. If the Committee does not receive the information requested, is not permitted or otherwise is unable to conduct the inspections or discovers noncompliance with Section 42 as a result of its review, the owner shall be notified in writing before any notice is sent to the IRS.
- (6) Correction period. It is the intention of the Committee that owners be given every reasonable opportunity to correct any noncompliance. Owners shall be allowed an

opportunity to supply missing tenant file documents or to correct other noncompliance within a correction period no longer than ninety (90) days from the date of written notice by the Committee to the owner, unless the violation constitutes an immediate health or safety issue, in which case, the correction should be made immediately. With good cause, the Committee may grant up to a six-month extension of the correction period upon receipt of a written justification from the owner.

- (7) IRS and FTB notification. All instances of noncompliance, whether corrected or not, shall be reported by the Committee to the IRS. This shall be done within forty-five (45) days following the termination of a correction period allowed by the Committee, pertaining to IRS Form 8823.
- (d) Change in ownership and property management. It is the project owner's responsibility to comply with the requirements of Section 10320(b) and to inform the Committee of any change in the project owner's mailing address.
 - (1) Any property management change during the 15-year federal compliance and extended use period must be to a party earning equal capacity points pursuant to Section 10325(c)(1)(A) as the exiting property management company. At a minimum this must be six (6) projects in service more than three years, or the demonstrated training required under Section 10326(g)(5). Two of the six projects must be Low Income Housing Tax Credit projects in California. If the new property management company does not meet these experience requirements, then substitution of property management shall not be permitted.
- (e) First year's 8609. Project owners shall be required to submit a copy of the executed first year's filing of IRS Form 8609 (Low-Income Housing Credit Allocation Certification) for inclusion in the Committee's permanent project records.
- (f)
 - (1) CTCAC may establish a schedule of fines for violations of the terms and conditions, the regulatory agreement, other agreements, or program regulations. In developing the schedule of fines, CTCAC shall establish the fines for violations in an amount up to five hundred dollars (\$500) per violation or double the amount of the financial gain because of the violation, whichever is greater. Except for serious violations, a first-time property owner violator shall be given at least 30 days to correct the violation before a fine is imposed. A violation that has occurred for some time prior to discovery is one violation, but fines may be a recurring amount if the violation is not corrected within a reasonable period of time thereafter, as determined by the Committee.
 - (2) CTCAC shall adopt and may revise the schedule of fines by resolution at a public general Committee meeting.
 - (3) A person or entity subject to a fine may appeal the fine to the Executive Director and, thereafter, to the Committee pursuant to Section 10330(b)(2).
 - (4) The Executive Director may approve a payment plan for any fines.
 - (5) If a fine assessed against a property owner is not paid within six months from the date when the fine was initially assessed and after reasonable notice has been provided to the property owner, the Committee may record a lien against the property. If the violation(s) for which the fine(s) is assessed is not corrected within 90 days of the assessed fine, the Committee may record a lien against the property.
 - (6) Reoccurring or repeated noncompliance – CTCAC shall issue fines of up to \$500 per instance of repeated or reoccurring noncompliance violations noted in separate monitoring cycles. CTCAC defines repeated or reoccurring violations as 25% or more instances of the current monitoring inspection having the same noncompliance issues as found in the previous monitoring cycle.

Areas of repeated or reoccurring noncompliance include (but are not limited to):

- (A) Repeated Uniform Physical Conditions Standards (UPCS) Health and Safety Violations and Common Area Violations
 - (B) Reoccurring patterns of units no turn-key ready and advertised within 60 days of unit vacancy date
 - (C) Reoccurring patterns of missing or the incorrect use of required CTCAC forms
 - (D) Reoccurring misuse of Utility Allowance methods
 - (E) Reoccurring patterns of over-income households
 - (F) Reoccurring patterns of over-charged rents
 - (G) Reoccurring patterns of incomplete or missing re-certifications
 - (H) Service Amenities not provided within Federal Compliance periods
- (g) Housing Supplier Diversity Reporting. A housing sponsor that receives a tax credit reservation on or after January 1, 2024, shall annually submit a report to CTCAC, in a form that CTCAC shall require, and at the time that CTCAC shall annually designate. The reporting period shall cover all contract activities directly related to the development and construction of a housing project from the first day following the credit reservation date with an option for the housing sponsor to include prior contracting activities. The final report shall cover the year that the project is placed in service. The report shall include information, as required in Section 50199.23 of the Health and Safety Code and as outlined in the CTCAC Housing Supplier Diversity Reporting Guidelines: Completing the Housing Supplier Diversity Annual Report.

Note: Authority cited: Section 50199.17, Health and Safety Code.

Reference: Sections 12206, 17058 and 23610.5, Revenue and Taxation Code; and Sections 50199.4, 50199.5, 50199.6, 50199.7, 50199.8, 50199.9, 50199.10, 50199.11, 50199.12, 50199.13, 50199.14, 50199.15, 50199.16, 50199.17, 50199.18, 50199.20, 50199.21, 50199.22 and 50199.23 Health and Safety Code.

EXHIBIT F



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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Director of HCD

TIENA JOHNSON HALL
Executive Director of CalHFA

EXECUTIVE DIRECTOR
MARINA WIAINT

DATE: August 1, 2024

TO: Owners of Low-Income Housing Tax Credit (LIHTC) Projects

FROM: California Tax Credit Allocation Committee (CTCAC)

RE: Rent Increase Limit Update

This Memorandum (Memo) serves as an update to the change in the cost of living measured by the April Consumer Price Index (CPI) information which is published by either using the U.S. Bureau of Labor Statistics or the California Department of Industrial Relations. The determination is dependent on the area or county in which the project is located. The new figures below are effective August 1st, 2024 – July 31st, 2025. The current five percent plus the percentage increase in the cost of living per county are as follows:

Area	Maximum Increase through 7/31/25
Los Angeles Area: - Los Angeles County - Orange County	8.9%
Riverside Area: - Riverside County - San Bernardino County	9.3%
San Diego Area: San Diego County	8.6%
San Francisco Area: - Alameda County - Contra Costa County - Marin County - San Francisco County - San Mateo County	8.8%
All Other Counties	8.8%

The percentages above will be updated as soon as they are released by the agencies referenced above.

For more information on the Rent Increase Limit, please refer to the original memo located at: https://www.treasurer.ca.gov/ctcac/2024/supplemental/2024/rent_increase_old.pdf

If you have any questions regarding the rent increase limit policy, please contact the following staff by phone at 916-654-6340 or by email at:

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elizabeth.gutierrez@treasurer.ca.gov

Mayra Lozano, Compliance – Section Chief
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EXHIBIT G

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October 31, 2024

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Los Angeles, CA 90005

Re: 716 Yale Street, Los Angeles, CA 90012 ("Yale Terrace")

Mr. Fang,

This office represents Yale Terrace. We are in receipt of your letters dated September 30, 2024 and October 25, 2024 as well as your email addressed to my partner Heesok Park dated October 18, 2024.¹

Before we substantively respond to your letter, Yale Terrace is a Low Income Housing Tax Credit housing project. It is a highly regulated and monitored by both the California Tax Credit Allocation Committee, as well as the Los Angeles Housing Department. Therefore, any Rent Increases are confirmed prior to issuance of Rent Increase Notices, and any alleged language barriers would have been addressed.

Be aware that from 2020 to 2023, Yale Terrace did not raise rent even though it was EXEMPT from rent increase limitations in an effort help the Tenants despite the fact that operating expenses, labor, and insurance have been dramatically increasing.

The following are the response to your Letter.

¹ We are extremely offended and do not appreciate your baseless and unfounded threats of reporting Mr. Park to the State Bar. As a member of the bar and an associate of Public Counsel, your letter reflects poorly on members of the Bar and Public Counsel.

The Scheduled Rent Increases are Within the Limits Set by the Los Angeles Housing Department

In your October 25, 2024 letter, you state that the allowable maximum rent for Yale Terrace is governed by Los Angeles Housing Department 2024 Rent Schedule – CRA-HCD Schedule (HCD Post-1991). This is incorrect. The correct rent schedule is the Los Angeles Housing Department 2024 Rent Schedule – CFA-HUD. The applicable rent schedule is enclosed for your reference.

If you apply the correct Rent Schedule, the scheduled rent increases for Yale Terrace Apartments are all within the maximum allowed rent levels published by the Los Angeles Housing Department.

Additionally, be aware that the Los Angeles Housing Department hires Urban Futures Bond Administration, Inc. (“Urban Futures”) to audit the rent rolls to confirm that the rent being charged to the tenant is correct.² Since the applicable Rent Schedule for Yale Terrace is published by the Los Angeles Housing Department, Penal Code section 396 and the Los Angeles Municipal Code section 165.09 are not applicable.

Please review the aforementioned and let me know if you have any questions. After you reach the conclusion that the Rent Increases are lawful and the amounts are correct, we demand that you notify the Tenants, and we request a copy of the Notification, advising the Tenants that the Rent Increases are correct.

Very Truly Yours,

/s/ S. Young Lim

S. YOUNG LIM

Enclosure

² Out of an abundance of caution, we confirmed again with Adele Carrasco of Urban Futures that Los Angeles Housing Department 2024 Rent Schedule – CFA-HUD is the correct Rent Schedule to be applied to Yale Terrace.

EXHIBIT H

From: lamar.sorel@lacity.org on behalf of LAHD OccupancyMonitoring
To: [Raymond Fang](#)
Cc: [Brittanya Murillo](#); [Lamar Sorel](#); [Magdalena Zakaryan](#); [Elaine Zhong](#); 24-0164800@publiccounsel.legalserver.org; [Faizah Malik](#); [Jonathan Jager](#)
Subject: Re: Ongoing Violation of CRA Affordability Covenant
Date: Friday, January 24, 2025 11:23:39 AM

Good morning Raymond,

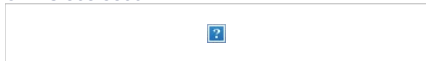
I hope you are well during these challenging times. I instructed the property manager for Yale Terrace to do the following:

1. To follow the terms of the 2021 Amended and Restated Agreement.
2. To rescind all rent increases to the affected tenants as our Rent Increase Policy prohibits rent increases in years where there is not an increase in the Area Median Income for their agreement type.
3. To adjust the tenants' rents in accordance to the most recent applicable CRA-HCD rent and income schedule.
4. To provide a plan to Occupancy Monitoring on how they plan to implement my instructions.

Best,

Occupancy Monitoring

Housing Development Bureau
Los Angeles Housing Department
E: lahd.occmonitor@lacity.org
O: 213.808.8806



On Wed, Jan 22, 2025 at 4:32 PM Raymond Fang <rfang@publiccounsel.org> wrote:

Dear LAHD,

I confirmed with Attorney Elaine Zhong last week that the City Attorney's office agrees with Public Counsel's position that the Yale Terrace rent increases are invalid under the terms of the 2021 CRA covenant. These increases will take effect in a little over a week. Will LAHD take action to ensure the landlord rescinds the illegal rent increases prior to February 1, 2025?

Best,

Raymond

Raymond Fang (he/him)

Attorney & Skadden Fellow | Community Development Project



Public Counsel

610 S. Ardmore Ave. | Los Angeles, CA 90005

Ph: (213) 201-4733 | Fax: (213) 201-4721

rfang@publiccounsel.org | publiccounsel.org

From: Raymond Fang
Sent: Monday, January 13, 2025 4:08 PM
To: 'LAHD OccupancyMonitoring' <lahd.occmonitor@lacity.org>
Cc: 'Brittanya Murillo' <brittanya.murillo@lacity.org>; 'Lamar Sorel' <lamar.sorel@lacity.org>; 'Magdalena Zakaryan' <magdalena.zakaryan@lacity.org>; 'Elaine Zhong' <elaine.zhong@lacity.org>
Subject: RE: Ongoing Violation of CRA Affordability Covenant

Dear LAHD,

I hope you are staying safe in the fires.

As February rent is due in a few weeks, I wanted to follow up on this. Tenants are starting to wonder how much rent they need to pay in February. Can you please confirm whether your office will contact the landlord prior to February to ensure compliance with Section 2(c)(2) of the 2021 CRA covenant?

Thanks,

Raymond

Raymond Fang (he/him)

Attorney & Skadden Fellow | Community Development Project



Public Counsel

610 S. Ardmore Ave. | Los Angeles, CA 90005

Ph: (213) 201-4733 | Fax: (213) 201-4721

rfang@publiccounsel.org | publiccounsel.org

From: Raymond Fang

Sent: Thursday, January 2, 2025 10:03 AM

To: 'LAHD OccupancyMonitoring' <lahd.occmonitor@lacity.org>

Cc: Brittany Murillo <brittanya.murillo@lacity.org>; Lamar Sorel <lamar.sorel@lacity.org>; Magdalena Zakaryan <magdalina.zakaryan@lacity.org>; Elaine Zhong <elaine.zhong@lacity.org>

Subject: RE: Ongoing Violation of CRA Affordability Covenant

Dear LAHD,

Thank you for your response. I appreciate your confirming that the applicable rent and income schedule is CRA-HCD. Because of UFBA's incorrect advice, the landlord is currently under the mistaken impression that the applicable rent and income schedule is CRA-HUD. I have already explained this the landlord's attorneys several times, so I would appreciate your office's assistance in ensuring compliance.

I would also emphasize that Section 2(c)(2) of the 2021 CRA covenant provides:

"No qualified tenant in the Eligible Household shall have an annual rent increase in excess of the percentage increase in the county median income for the applicable year in which the rent increase is being considered, nor shall there be an accumulation of rental increases from year to year for those years in which the Owner chooses not to increase rents by the percentage allowed herein;"

According to your office's 2024 CRA-HCD (Post-1991) rent schedule, the AMI change for 2024 is 0%, so the rent increase limit should be 0%. The proposed 9.9% rent increase effective February 1 still violates the CRA covenant. I have explained this to the owner's attorneys several times to no avail. I would appreciate if your office would ensure the landlord complies with the covenant.

Best,

Raymond

From: brittanya.murillo@lacity.org <brittanya.murillo@lacity.org> **On Behalf Of** LAHD OccupancyMonitoring

Sent: Monday, December 30, 2024 5:12 PM

To: Raymond Fang <rfang@publiccounsel.org>

Cc: Brittany Murillo <brittanya.murillo@lacity.org>; Lamar Sorel <lamar.sorel@lacity.org>; Magdalena Zakaryan <magdalina.zakaryan@lacity.org>; Elaine Zhong <elaine.zhong@lacity.org>

Subject: Re: Ongoing Violation of CRA Affordability Covenant

Thank you for sharing this information. The 2021 CRA agreement is being monitored. As you know, the applicable income and rent schedule is CRA-HCD.

We are working with the owner to ensure that the property is complying with the requirements of the agreement. We may be re-verifying all tenant income and rents, and if necessary, require corrections going forward.

Occupancy Monitoring

Housing Development Bureau
Los Angeles Housing Department
E: lahd.occmonitor@lacity.org
O: 213.808.8806



On Mon, Dec 16, 2024 at 9:54 AM Raymond Fang <rfang@publiccounsel.org> wrote:

LAHD,

Tenants at Yale Terrace informed us that the landlord delivered notices to them last Friday (12/13) informing tenants that they are rescinding the 16.4% rent increase and would be issuing refunds of any overpayments. The notice also stated that the landlord would be issuing a new rent increase of 9.9%, effective February 1. While we are glad that the landlord of this property has rescinded the 16.4% rent increase, we are concerned that the new 9.9% increase is still too high – both under the terms of the CRA/LA covenant (which limits rent increases to annual AMI change), and under the terms of [the new CTCAC regulation 10336 effective January 1, 2025, that sets a rent increase limit to all LIHTC properties in California](#). In LA County, that limit is 8.9%.

Please advise as to any updates you have on your investigation.

Best,

Raymond

From: brittanya.murillo@lacity.org <brittanya.murillo@lacity.org> On Behalf Of LAHD OccupancyMonitoring

Sent: Tuesday, December 3, 2024 5:36 PM

To: Raymond Fang <rfang@publiccounsel.org>

Cc: Daniel Huynh <daniel.huynh@lacity.org>; Brittanya Murillo <brittanya.murillo@lacity.org>; Lamar Sorel <lamar.sorel@lacity.org>; Faizah Malik <fmalik@publiccounsel.org>;
Magdalena Zakaryan <magdalena.zakaryan@lacity.org>

Subject: Re: Ongoing Violation of CRA Affordability Covenant

Mr. Fang,

Your inquiry is important. We will have additional information soon. Thank you for your patience.

Occupancy Monitoring

Housing Development Bureau
Los Angeles Housing Department
E: lahd.occmonitor@lacity.org
O: 213.808.8806



On Mon, Dec 2, 2024 at 9:59 AM Raymond Fang <rfang@publiccounsel.org> wrote:

Ms. Murrillo,

As December rent is now due for these tenants, please advise as to whether you have any updates on your investigation. Landlord/management continues to argue that the rent increase is legal, despite clear covenant language to the contrary.

Best,

Raymond

From: brittanya.murillo@lacity.org <brittanya.murillo@lacity.org> On Behalf Of LAHD OccupancyMonitoring

Sent: Friday, November 15, 2024 8:00 AM

To: Raymond Fang <rfang@publiccounsel.org>
Cc: Brittanya Murillo <brittanya.murillo@lacity.org>; Lamar Sorel <lamar.sorel@lacity.org>; Faizah Malik <fmalik@publiccounsel.org>
Subject: Re: Ongoing Violation of CRA Affordability Covenant

Mr. Fang,

Thank you for reaching out. We appreciate your patience. We have not completed our review. We will contact you when we have more information.

Occupancy Monitoring

Housing Development Bureau
Los Angeles Housing Department
E: lahd.occmonitor@lacity.org
O: 213.808.8806



----- Forwarded message -----

From: Raymond Fang <rfang@publiccounsel.org>
Date: Thu, Nov 14, 2024 at 3:33 PM
Subject: RE: Ongoing Violation of CRA Affordability Covenant
To: Daniel Huynh <daniel.huynh@lacity.org>
Cc: Magdalena Zakaryan <magdalina.zakaryan@lacity.org>, Brittanya Murillo <brittanya.murillo@lacity.org>, anna.ortega@lacity.org <anna.ortega@lacity.org>, Faizah Malik <fmalik@publiccounsel.org>, 24-0164800@publiccounsel.legalserver.org <24-0164800@publiccounsel.legalserver.org>

Hi Daniel,

As we're nearing the end of the week, I wanted to check in again on this - any updates would be much appreciated, especially as November and (soon) December rent is coming due, and tenants are still getting conflicting information from their landlord/management about how much rent is due. Thanks!

Best,

Raymond

From: Raymond Fang
Sent: Tuesday, November 12, 2024 9:03 AM
To: 'Daniel Huynh' <daniel.huynh@lacity.org>
Cc: Magdalena Zakaryan <magdalina.zakaryan@lacity.org>; Brittanya Murillo <brittanya.murillo@lacity.org>; anna.ortega@lacity.org; Faizah Malik <fmalik@publiccounsel.org>; 24-0164800@publiccounsel.legalserver.org
Subject: RE: Ongoing Violation of CRA Affordability Covenant

Hi Daniel,

Okay, thanks for the timeline update.

Best,

Raymond

From: Daniel Huynh <daniel.huynh@lacity.org>
Sent: Friday, November 8, 2024 4:01 PM
To: Raymond Fang <rfang@publiccounsel.org>
Cc: Magdalena Zakaryan <magdalina.zakaryan@lacity.org>; Brittanya Murillo <brittanya.murillo@lacity.org>; anna.ortega@lacity.org; Faizah Malik <fmalik@publiccounsel.org>; 24-0164800@publiccounsel.legalserver.org
Subject: Re: Ongoing Violation of CRA Affordability Covenant

Hi Raymond,

I want to respond back to you to give you an update. My team, led by Brittanya Murrillo is investigating and will need some more time to look into this matter.

I expect the LAHD team to reach back out to you next week.

Daniel Huynh

Assistant General Manager

he/him

Housing Development Bureau
Los Angeles Housing Department
E: daniel.huynh@lacity.org
P: 213-808-8901



On Tue, Nov 5, 2024 at 2:54 PM Raymond Fang <rfang@publiccounsel.org> wrote:

If it helps, the landlord told me he spoke with Adele Carrasco at UFBA.

From: Raymond Fang

Sent: Tuesday, November 5, 2024 2:49 PM

To: 'Daniel Huynh' <daniel.huynh@lacity.org>; Magdalena Zakaryan <magdalina.zakaryan@lacity.org>; Brittanya Murillo <brittanya.murillo@lacity.org>

Cc: anna.ortega@lacity.org; Faizah Malik <fmalik@publiccounsel.org>; 24-0164800@publiccounsel.legalserver.org

Subject: RE: Ongoing Violation of CRA Affordability Covenant

Daniel,

Thanks so much! I appreciate it. Please keep me posted.

Best,

Raymond

From: Daniel Huynh <daniel.huynh@lacity.org>

Sent: Tuesday, November 5, 2024 2:45 PM

To: Raymond Fang <rfang@publiccounsel.org>; Magdalena Zakaryan <magdalina.zakaryan@lacity.org>; Brittanya Murillo <brittanya.murillo@lacity.org>

Cc: anna.ortega@lacity.org; Faizah Malik <fmalik@publiccounsel.org>; 24-0164800@publiccounsel.legalserver.org

Subject: Re: Ongoing Violation of CRA Affordability Covenant

Raymond,

Thank you for your email. My team will be reaching out to Urban Futures, specifically Brittanya Murrillo and her team. I am not so sure Urban Futures would have provided this advice but we will investigate.

Please give us time to navigate this matter and we will get back to you as soon as we can.

Daniel Huynh

Assistant General Manager

he/him

Housing Development Bureau
Los Angeles Housing Department
E: daniel.huynh@lacity.org
P: 213-808-8901



On Tue, Nov 5, 2024 at 2:39 PM Raymond Fang <rfang@publiccounsel.org> wrote:

Dear Anna and Daniel,

My name is Raymond Fang and I am an attorney at Public Counsel. I am advising low income tenants at a 55-unit LIHTC property in Chinatown located at 716 Yale Street, Los Angeles, CA 90012. It has come to our attention that LAHD's compliance partner, Urban Futures Bond Administration, is improperly advising landlords on CRA affordability covenant compliance. The CRA covenant recorded against the 716 Yale property limits rent increases to annual change in AMI, and does not allow landlords to "bank" years in which they did not increase the rent. The current year-on-year AMI change is 0%, so the rent increase limit is 0%. However, the landlord of 716 Yale is attempting to increase the rent by 16.4%, effective this past November 1, 2024. When we discussed this with the landlord through demand letters and phone calls, he told us that UFBA told him he could increase the rents up to the maximum limit in the applicable rent schedule. This advice is plainly incorrect and in violation of the CRA covenant.

Additionally, we believe UFBA is misadvising the landlord as to the proper rent limit. Based on covenant language, we believe that the CRA-HCD (Post 1991) rent schedule applies to the property, while UFBA has advised the landlord that the CRA-HUD rent schedule applies to the property. Regardless of which rent schedule applies, the proposed increased rental amount for our client far exceeds the rent limits imposed by either rent schedule.

We are very concerned about this situation, not only for our clients but for the thousands of other tenants subject to CRA covenants in the City for which UFBA may be providing improper advice. Please advise ASAP as to whether you will reach out to the UFBA about this error – or who the best LAHD contact would be.

Sincerely,

Raymond

P.S. I'm attaching the covenant for your reference.

Raymond Fang (he/him)

Attorney & Skadden Fellow | Community Development Project



Public Counsel

610 S. Ardmore Ave. | Los Angeles, CA 90005

Ph: (213) 201-4733 | Fax: (213) 201-4721

rfang@publiccounsel.org | publiccounsel.org

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EXHIBIT I

From: Erin Pak - Kheir
To: Lozano, Mayra
Cc: Gutierrez, Elizabeth; pinkal@triumphresidential.com; Raymond Fang
Subject: RE: CA-2005-050 Yale Terrace Apartments - Rent increase of 9.9% violates the CTCAC rent cap policy
Date: Thursday, January 30, 2025 1:34:35 PM

Hi. We're acknowledging receipt of the email. Thank you for the details.

Erin Pak
Kheir Clinic

***My workday may look different from yours. Please do not feel obligated to respond outside of your working hours.*

From: Lozano, Mayra <Mayra.Lozano@treasurer.ca.gov>
Sent: Thursday, January 30, 2025 1:16 PM
To: erinpak@lakheir.org
Cc: Gutierrez, Elizabeth <Elizabeth.Gutierrez@treasurer.ca.gov>; pinkal@triumphresidential.com; Raymond Fang <rfang@publiccounsel.org>
Subject: CA-2005-050 Yale Terrace Apartments - Rent increase of 9.9% violates the CTCAC rent cap policy

Good afternoon Erin,

I hope this finds you well.

It has come to our agency's attention that the residents at Yale Terrace Apartments have been given a 9.9% rent increase effective 02/01/25, with notices to residents sent out on 12/13, after the release of the proposed TCAC regulations posted to our website on 12/11.

After further review and consulting with our legal team, since the notices to residents were sent after the posting of CTCAC's proposed regulations on 12/11, (effective 01/01/2025) the owner must adhere to the new rent cap policy for existing tax credit projects, if the increases will take effect after 01/01/2025.

In LA County, rent cap limit is 8.9%. Please rescind the notices to align with the current rent cap for the county.

I have attached the following links for reference:

<https://clicktime.cloud.postoffice.net/clicktime.php?U=https://www.treasurer.ca.gov/ctcac/programreg/December-11-2024-Regulations-FINAL-APPROVED-Clean-Version.pdf&E=rfang%40publiccounsel.org&X=XID675dadVIH9054Xd1&T=PBCL&HV=U,E,X,T&H=874c862fa7ec401df4734407c7c5d4ed85803878>
https://clicktime.cloud.postoffice.net/clicktime.php?U=https://www.treasurer.ca.gov/ctcac/2024/supplemental/2024/rent_increase.pdf&E=rfang%40publiccounsel.org&X=XID675dadVIH9054Xd1&T=PBCL&HV=U,E,X,T&H=12d20e9f2bf0796872058dc7545362d3124f30

If you have any questions or like to further discuss, please feel free to let us know to set up a time.

Thank you,

Mayra

Mayra Lozano,
Section Chief, Compliance Section
The California Tax Credit Allocation Committee
901 P Street, Suite 213A
Sacramento, CA 95814
mlozano@treasurer.ca.gov
916-653-0173

