



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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DATE: June 16, 2020

TO: Property Owners and Management Agents of Low-Income Housing Tax Credit (LIHTC) Properties

FROM: CA Tax Credit Allocation Committee – Compliance Section

RE: UPDATED Compliance Workshops and Desk Audits

This memorandum serves as updated guidance from the California Tax Credit Allocation Committee (TCAC) to owners and property management agents of LIHTC properties in California on the following topics regarding the MEMOs published on March 13, 2020 and March 24, 2020:

1. Advanced and Basic Compliance Workshops
2. Desk Audits

ALL Compliance Workshops are now Virtual for 2020

On March 24, 2020, CTCAC published guidance that as a preventative measure in response to concerns and questions regarding the COVID-19 virus, the TCAC Compliance Section would be postponing the Basic and Advanced Compliance Workshops that were originally scheduled in March and early April 2020 to June 2020.

With the extended shelter in place requirements and a four phase re-opening schedule set in place by Governor Gavin Newsom, all large group gatherings of more than 50 people will not be allowed until, at minimum, the Fall of 2020. Per this requirement, TCAC has developed a Virtual Compliance Workshop Series that will take the place of the in-person workshops previously scheduled.

All registrations have been converted to the new dates and all registered attendees have been notified of the new Virtual Compliance Workshop dates. Each Virtual Compliance

Workshop has the same maximum capacity as the physical Compliance Workshops, so registration will not be opened for new registrants for any of the previous dates. Additional Virtual Basic Compliance Workshops will be added in September and October of 2020 to meet the needs of those who were unable to register for the Basic Workshops. Registration for the additional workshops will begin in August 2020.

The Virtual Compliance Workshops will follow a slightly different format than the physical workshops:

For the Virtual Advanced Compliance Workshops, there will be a one day workshop/webinar with two sessions – a morning and an afternoon. Each session will be 2.5 hours in length and will allow for time for questions.

For the Virtual Basic Compliance Workshops, each workshop will be completed over two days – 2 morning sessions and 1 afternoon session. Each session will be 2.5 hours in length and will allow time for questions.

If you were enrolled in either the Basic or Advanced Workshops, your registration was automatically moved to either a Virtual Advanced or a Virtual Basic workshop and an email was sent to the email address attached to your registration with the new date(s). If you are confirmed as registered for a workshop and have not received an email from TCAC notifying you of the change, please contact Pheng Moua at pheng.moua@treasurer.ca.gov

Compliance Monitoring – Desk Audits

On March 13, 2020 TCAC published guidance that due to feedback from Management companies and concerns from staff around the COVID-19 virus and the requirement for CTCAC staff to enter the units of people who may be ill or have been exposed to COVID-19, TCAC would be cancelling all travel and physical audits at properties for the period from March 16, 2020 through April 30, 2020 and conducting desk audits instead.

In May of 2020, TCAC started completing desk audits for selected management companies.

Starting July 1st, 2020, CTCAC will open the desk audit list to ALL properties noted on the [2020 Compliance Monitoring List](#).

As of the date of this Memo – the IRS has not given guidance on the forbearance of required compliance inspections for 2020. This means over 900 properties in California that were scheduled to be seen in 2020 are still required to be audited by the end of 2020. In order to meet this requirement while still meeting shelter in place requirements and ensuring the safety of our staff, owners, management agents, and the tenants in the units, completing desk audits is a necessary first step. Physical on-site inspections will continue to be postponed until the Fall of 2020, unless guidance is released indicating a later date.

TCAC understands that a desk audit format may be more challenging for some owners and management entities, but without forbearance from the IRS, we do not have the authority to completely cancel all inspections or delay them until 2021. We have tried to simplify the desk audit process and have successfully used this format for over 75 properties in May and June of 2020.

TCAC uses the following format for desk audits:

1. TCAC Staff will notify the owner and management contact of the property scheduled for desk audit.
2. TCAC Staff will request the pre-inspection documents returned within 1 week of the initial request (*Project Status Report (PSR), Rent Roll, Utility Allowance (U/A)*)
3. TCAC Staff will review the received documentation within 2 days of receiving the pre-inspection docs.
4. TCAC Staff will send the owner and management contact a list of **30%*** of the files that will need to be submitted.
5. The Files should be submitted to TCAC within 4 business days via a secure File Transfer System such as ShareFile, FTP Today, ExaVault, etc. Remote access via a log-in may also be permitted.
6. TCAC will review the normal 20% total sample from the files that are submitted, and may expand the sample to the full 30% of files received if patterns of noncompliance emerge (*existing TCAC protocol*).

Once the desk audit has been completed, the owner will receive a findings letter that will outline any issues that need to be corrected. During this period of “shelter in place” and “stay at home” orders, TCAC will be extending the owner’s response due dates from 30 days to 60 days. TCAC staff will schedule the physical inspection of the property when it has been determined that it is safe for staff to travel and enter units with reasonable precautions. The Inspection will not be considered closed until both parts (file and physical) have been completed.

**IRS regulations require that the owner not be informed of the units that are to be inspected until the day of the inspection. In order for TCAC staff to give a 4-day window for submitting the required files, additional files are required and TCAC staff will review the normal 20% sample from those submitted. The alternative is requiring the owner to submit all electronic files requested within a 24 hour period, which TCAC determined to be burdensome on owners and management agents that may be working remotely, have reduced hours in the office, or have limited scanning capabilities.*

The TCAC Compliance Section thanks you for your patience and understanding as we continually monitor the COVID-19 situation and work towards to meet our LIHTC obligations, while maintaining respect for the safety and health of TCAC staff, the staff of the owner and management companies we serve, and the tenants who reside in tax credit properties. As circumstances change, TCAC may provide additional guidance or change existing guidance to better reflect information provided by the Governor of California, The

Memorandum – March 20, 2020

COVID-19 Workshop and Desk Audit UPDATE

Center for Disease Control (CDC), State and Local Public Health Agencies. For any questions, please contact Elizabeth Gutierrez-Ramos at elizabeth.gutierrez@treasurer.ca.gov or Shannon Nardinelli at shannon.nardinelli@treasurer.ca.gov.