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HEALTH AND SAFETY CODE - HSC

DIVISION 31. HOUSING AND HOME FINANCE [50000 - 54913] (*Division 31 repealed and added by Stats. 1977, Ch. 610.*)

PART 1. STATE HOUSING POLICY AND GENERAL PROVISIONS [50000 - 50300] (*Part 1 added by Stats. 1977, Ch. 610.*)

CHAPTER 3.6. Low-Income Housing Credit [50199.4 - 50199.25] (*Chapter 3.6 added by Stats. 1987, Ch. 658, Sec. 3.*)

50199.4. The Legislature hereby finds and declares all of the following:

- (a) The federal Tax Reform Act of 1986 (Public Law 99-514) and subsequent amendments to the Internal Revenue Code, including, but not limited to, the federal Revenue Reconciliation Act of 1989, establishes a low-income housing tax credit to stimulate the production and rehabilitation of shelter for lower income individuals and families.
- (b) The federal law allows credit of approximately 9 percent each year over a 10-year or 15-year period for expenses for new construction and rehabilitation of each qualifying low-income unit. A credit of approximately 4 percent each year over a 10-year or 15-year period is provided for the expenses of the acquisition of an existing building generally not placed in service within the last 10 years, and the construction and rehabilitation of each qualifying low-income unit financed with tax-exempt bonds or certain other federal subsidies.
- (c) The federal law limits the low-income housing tax credits that can be annually allocated by each state. This credit authorization is to be allocated by the state housing credit agency. Not less than 10 percent of that amount is required to be set aside for projects involving nonprofit organizations.
- (d) Federal law requires a plan for allocation of credit among projects, including selection criteria to be used to determine housing priorities that are appropriate to local conditions.
- (e) Federal law requires that the credit dollar amount allocated to a project not exceed the amount necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period. This analysis shall include a determination of the reasonableness of developmental and operational costs.
- (f) The credit agency is required to perform certain other functions under federal tax law to ensure the availability of the credits and to ensure compliance with federal tax law.
- (g) It is necessary to designate the state housing credit agency and to establish an allocation system for the low-income housing credit.

(*Added by renumbering Section 50199.6 by Stats. 1994, Ch. 1164, Sec. 24. Effective January 1, 1995. Conditionally inoperative as provided in Section 50199.18.*)

50199.5. The Legislature hereby finds and declares all of the following:

- (a) Section 42 of the Internal Revenue Code has been modified by the federal Revenue Reconciliation Act of 1989 to require that the housing credit agency establish a qualified allocation plan which sets forth selection criteria to be used to determine housing priorities that are appropriate to local conditions, and which gives preference in allocating housing credit dollar amounts to projects serving the lowest income tenants and projects obligated to serve low-income tenants for the longest periods.
- (b) The qualified allocation plan shall encompass and incorporate the criteria and requirements set forth in Section 50199.14.
- (c) Certain provisions of the California Tax Credit should be modified to conform to the changes to the federal low-income housing tax credit.
- (d) The Tax Credit Allocation Committee should, to the extent possible, allocate the California low-income housing tax credit using the same criteria and requirements used in allocating the federal tax credit.
- (e) The public interest is best served by the dissemination of information regarding the low-income housing tax credit program to all areas of the state, with special efforts in rural areas, to ensure greater knowledge and participation in the program.

(Added by renumbering Section 50199.7 by Stats. 1994, Ch. 1164, Sec. 25. Effective January 1, 1995. Conditionally inoperative as provided in Section 50199.18.)

50199.6. (a) This chapter is enacted to implement the low-income housing tax credit established by Section 42 of the Internal Revenue Code (26 U.S.C. Sec. 42) as it may be amended from time to time.

(b) To the extent that any provision of this chapter is held to be inconsistent with, or repugnant to, federal law, the provision shall be given effect in accordance with its terms to the greatest extent possible and consistent with the federal law and inconsistency shall have no effect on the remaining provisions of this chapter.

(Added by renumbering Section 50199.8 by Stats. 1994, Ch. 1164, Sec. 26. Effective January 1, 1995. Conditionally inoperative as provided in Section 50199.18.)

50199.7. As used in this chapter:

(a) "Committee" means the Mortgage Bond and Tax Credit Allocation Committee, which is renamed the California Tax Credit Allocation Committee. All references to "committee" shall mean the California Tax Credit Allocation Committee.

(b) "Household" has the same meaning as defined in Section 7602 of Title 25 of the California Code of Regulations.

(c) "Housing credit" means the tax credit for low-income rental housing provided under Section 42 of the federal Internal Revenue Code (26 U.S.C. Sec. 42).

(d) "Housing credit applicant" means any owner, sponsor, or developer of a qualifying low-income building or project who applies to the committee for either of the following:

(1) An allocation of a portion of the current state housing credit ceiling.

(2) A reservation of a portion of the anticipated state housing credit ceiling of a subsequent year.

(e) "Housing credit ceiling" means the amount specified in Section 42(h)(3)(C) of the federal Internal Revenue Code (26 U.S.C. Sec. 42(h)(3)(C)).

(f) "Qualified low-income building" or "project" has the meaning specified in Section 42(c)(2) of the federal Internal Revenue Code (26 U.S.C. Sec. 42(c)(2)).

(g) "Agricultural worker" or "farmworker" shall have the same meaning as specified in subdivision (b) of Section 1140.4 of the Labor Code.

(h) (1) Before January 1, 2018, "farmworker housing" means housing for agricultural workers that is available to, and occupied by, only farmworkers and their households. The committee may permit an owner to temporarily house nonfarmworkers 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.

(2) On and after January 1, 2018, "farmworker housing" means 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 nonfarmworkers 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.

(Amended by Stats. 2017, Ch. 372, Sec. 2. (AB 571) Effective September 29, 2017. Conditionally inoperative as provided in Section 50199.18.)

50199.8. The committee is composed of the Governor, or in the Governor's absence, the Director of Finance, the Controller, the Treasurer, the Director of Housing and Community Development, and the Executive Director of the California Housing Finance Agency. Two representatives of local government, one representative of the counties appointed by the Senate Rules Committee, and one representative of the cities appointed by the Speaker of the Assembly shall serve as ex officio, nonvoting members. The Treasurer shall be the chairperson of the committee. The members of the committee shall serve without compensation. A majority of voting members shall be empowered to act for the committee. The committee may employ an executive director to carry out its duties under this chapter. The committee may, by resolution, delegate to one or more of its members, its executive director, or any other official or employee of the committee any powers and duties that it may deem proper, including, but not limited to, the power to enter into contracts on behalf of the committee.

(Amended by Stats. 2019, Ch. 159, Sec. 9. (AB 101) Effective July 31, 2019. Conditionally inoperative as provided in Section 50199.18.)

50199.9. (a) The committee shall establish and charge fees which it determines are reasonably sufficient to cover all of the costs of the committee in carrying out its responsibilities under this chapter. The Tax Credit Allocation Fee Account is hereby established in the State Treasury. The fees shall be deposited by the committee in the Tax Credit Allocation Fee Account and shall be available, upon appropriation by the Legislature, to the committee for the purpose of covering all of those costs, except that fees may be

shared, in an amount determined by the committee, with any state or local agency that assists the committee in performing its duties.

(b) Funds deposited in the Tax Credit Allocation Fee Account are continuously appropriated without regard to fiscal year for purposes of sharing with state and local agencies pursuant to subdivision (a).

(c) Until the time that sufficient fee revenue is received by the committee, the committee may borrow any money as may be required for the purpose of meeting necessary expenses of the operation of the committee, not to exceed the amount appropriated. Any loan made to the committee pursuant to this subdivision shall be repayable solely from moneys appropriated to the committee from the Tax Credit Allocation Fee Account and shall not constitute a general obligation for which the faith and credit of the state are pledged.

(d) There shall be established a subaccount within the Tax Credit Allocation Fee Account named the Occupancy Compliance Monitoring Account.

(e) Fees collected for the purpose of paying the costs of monitoring projects with allocations of tax credits for compliance with federal and state law, as required by Section 42(m) of the federal Internal Revenue Code, and Section 50199.15, shall be deposited in the Occupancy Compliance Monitoring Account to be used solely for this purpose. Any performance deposits forfeited to the committee shall be deposited in the Occupancy Compliance Monitoring Account.

(f) Notwithstanding any other law, the Controller may use the fees deposited in the accounts established by this section for daily cash flow loans to the General Fund or the General Cash Revolving Fund, as provided in Sections 16310 and 16381 of the Government Code.

(Amended by Stats. 2010, Ch. 719, Sec. 45. (SB 856) Effective October 19, 2010. Conditionally inoperative as provided in Section 50199.18.)

50199.10. (a) For purposes of allocating low-income housing credits, the committee is hereby designated as this state's only housing credit agency for purposes of Section 42(h) of the federal Internal Revenue Code (26 U.S.C. Sec. 42(h)). The committee shall annually determine and shall allocate the state ceiling in accordance with this chapter and in conformity with federal law. The committee shall determine the housing credit ceiling as soon as possible following the effective date of this chapter and thereafter following the commencement of each calendar year. The committee shall undertake any and all responsibilities of housing credit agencies under Section 42 of Title 26 of the United States Code, including entering into regulatory agreements relating to projects that are granted awards.

(b) The committee shall develop and provide application forms for use by housing credit applicants. The committee shall adopt uniform procedures for submission and review of applications of housing credit applicants, including fees to defray the committee's costs in administering this chapter. In the committee's discretion, the fees shall be charged to a housing credit applicant as a condition of submitting an application or as a condition of receiving an allocation or reservation of the state's current or anticipated housing credit ceiling, or both.

(c) In addition to allocating the current housing credit ceiling, the committee may reserve a portion of the state's anticipated housing credit ceiling for a subsequent year for a housing credit applicant.

(d) As a condition to making an allocation of the housing credit ceiling or a reservation of the anticipated housing credit ceiling for a subsequent year, the committee may require the housing credit applicant receiving the allocation or reservation to deposit with the committee an amount of money as a good-faith undertaking. The committee shall adopt policies for determining when deposits will be required, prescribing procedures for return of deposits, and specifying the circumstances under which the deposits will be forfeited in whole or in part for failure to timely utilize the allocation or reservation provided to the housing credit applicant.

(e) (1) The committee may make any allocation or reservation of the state's housing credit ceiling to a housing credit applicant subject to terms and conditions in furtherance of the purposes of this part. The committee may condition an allocation or reservation on the execution of a contract between the housing credit applicant and the committee requiring the housing credit applicant to comply with all the terms of Section 42 of the federal Internal Revenue Code, any applicable state laws, and any additional requirements the committee deems necessary or appropriate to serve the purposes of this chapter, and providing for legal action to obtain specific performance or monetary damages for breach of contract.

(2) No allocations or reservations shall be made pursuant to this subdivision with respect to projects that do not meet the requirements of the qualified allocation plan, and no allocations or reservations shall be made in amounts that do not meet the requirements of paragraph (2) of subsection (m) of Section 42 of Title 26 of the United States Code.

(3) (A) With respect to an allocation or reservation, the committee 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, the committee 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, which shall be defined by the committee, 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. A property owner may appeal a fine to the committee.

(B) By resolution at a public general committee meeting, the committee shall adopt and may revise the schedule of fines, which shall include specific violations of the terms and conditions, the regulatory agreement, other agreements, or program regulations and fine amounts subject to the criteria in subparagraph (A).

(C) All fines received by the committee shall be deposited in the Housing Rehabilitation Loan Fund established in Section 50661.

(D) If a fine assessed against a property owner is not paid within six months from the date when the fine was initially assessed by the committee and after reasonable notice has been provided to the property owner, the committee may record a lien against the property. Consistent with Sections 1214 and 1215 of the Civil Code, a lien created pursuant to this paragraph shall not be superior to any lien recorded prior to the recording of this lien.

(Amended by Stats. 2016, Ch. 611, Sec. 1. (AB 1920) Effective January 1, 2017. Conditionally inoperative as provided in Section 50199.18.)

50199.11. The committee may also contract with other entities, including the department and the agency, to aid in the processing and review of applications.

(Repealed and added by Stats. 1990, Ch. 166, Sec. 7. Effective June 22, 1990. Conditionally inoperative as provided in Section 50199.18.)

50199.12. The committee shall adopt and supply forms for eliciting information for purposes of this chapter from housing credit applicants. Housing credit applicants shall provide the committee with any information requested by the committee in performing its duties and responsibilities under this chapter.

(Amended by Stats. 1994, Ch. 1164, Sec. 29. Effective January 1, 1995. Conditionally inoperative as provided in Section 50199.18.)

50199.13. Except as specified in the application and as approved by the committee at initial reservation, no allocation or reservation of the housing credit ceiling under this chapter may be transferred by the housing credit applicant, unless the specific, written approval of the committee is obtained prior to the proposed transfer. Any transfer of an allocation or reservation shall be in writing and shall be subject to terms and conditions established by the committee.

(Amended by Stats. 1994, Ch. 1164, Sec. 30. Effective January 1, 1995. Conditionally inoperative as provided in Section 50199.18.)

50199.14. (a) The committee shall allocate the housing credit on a regular basis consisting of two or more periods in each calendar year during which applications may be filed and considered. The committee shall establish application filing deadlines, the maximum percentage of federal and state low-income housing tax credit ceiling that may be allocated by the committee in that period, and the approximate date on which allocations shall be made. If the enactment of federal or state law, or the adoption of rules or regulations, or other similar events prevent the use of two allocation periods, the committee may reduce the number of periods and adjust the filing deadlines, maximum percentage of credit allocated, and the allocation dates.

(b) The committee shall adopt a qualified allocation plan, as provided in paragraph (1) of subsection (m) of Section 42 of Title 26 of the United States Code. In adopting this plan, the committee shall comply with the provisions of subparagraphs (B) and (C) of paragraph (1) of subsection (m) of Section 42 of Title 26 of the United States Code.

(c) In order to promote the provision of affordable low-income housing within and throughout the state, the committee shall allocate housing credits in accordance with the qualified allocation plan and regulations, which shall include the following provisions:

(1) All housing credit applicants shall demonstrate at the time the application is filed with the committee, that the project meets the following threshold requirements:

(A) The housing credit applicant shall demonstrate there is a need and demand for low-income housing in the community or region for which it is proposed.

(B) The project's proposed financing, including tax credit proceeds, shall be sufficient to complete the project and that the proposed operating income shall be adequate to operate the project for the extended use period.

(C) The project shall have enforceable financing commitments, either construction or permanent financing, for at least 50 percent of the total estimated financing of the project.

(D) The housing credit applicant shall have and maintain control of the site for the project.

(E) The housing sponsor shall demonstrate that the project complies with all applicable local land use and zoning ordinances.

(F) The housing credit applicant shall demonstrate that the project development team has the experience and the financial capacity to ensure project completion and operation for the extended use period.

(G) The housing credit applicant shall demonstrate the amount of tax credit that is necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the extended use period, taking into account operating expenses, supportable debt service, reserves, funds set aside for rental subsidies, and required equity, and a development fee that does not exceed a specified percentage of the eligible basis of the project prior to inclusion of the development fee in the basis, as determined by the committee.

(2) The committee shall give a preference to those projects satisfying all of the threshold requirements of paragraph (1) if:

(A) The project serves the lowest income tenants at rents affordable to those tenants; and

(B) The project is obligated to serve qualified tenants for the longest period.

(3) In addition to the provisions of paragraphs (1) and (2) of subdivision (c), the committee shall use the following criteria in allocating housing credits:

(A) Projects serving large families in which a substantial number, as defined by the committee, of all residential units are comprised of low-income units with three and more bedrooms.

(B) Projects providing single room occupancy units serving very low income tenants.

(C) Existing projects that are "at risk of conversion," as defined by paragraph (4) of subdivision (c) of Section 17058 of the Revenue and Taxation Code.

(D) Projects for which a public agency provides direct or indirect long-term financial support for at least 15 percent of the total project development costs or projects for which the owner's equity constitutes at least 30 percent of the total project development costs.

(E) Projects that provide tenant amenities not generally available to residents of low-income housing projects.

(d) For purposes of allocating credits pursuant to this section, the committee shall not give preference to any project by virtue of the date of submission of its application, except to break a tie when two or more of the projects have the same rating.

(e) The committee shall allocate credits to a project under this section prior to allocating credit to that project under Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code.

(f) The committee shall allocate credits to a project only if the housing sponsor enters into a regulatory agreement that provides for an "extended use period" as defined in subparagraph (D) of paragraph (6) of subsection (h) of Section 42 of the Internal Revenue Code, which shall terminate on the date specified in the regulatory agreement or the date the project is acquired in foreclosure, including any instrument in lieu of foreclosure, whichever occurs first, and subclause (II) of subparagraph (E) of clause (i) of paragraph (6) of subsection (h) of Section 42 shall not apply.

(Amended by Stats. 1994, Ch. 1164, Sec. 31. Effective January 1, 1995. Conditionally inoperative as provided in Section 50199.18.)

50199.15. (a) The committee shall annually submit to the Legislature by April 1 of each year a report specifying, with respect to its activities under this chapter during the previous calendar year, (1) the total amount of low-income housing credits allocated by the committee, (2) the total number of units assisted by the credit that are, or are to be, occupied by households whose income is 60 percent or less of area median gross income, (3) the amount of the credit allocated to each project, the other financing available to the project, and the number of units that are, or are to be, therein occupied by households whose income is 60 percent or less of area median gross income, and (4) sufficient information to identify the project.

(b) The committee shall also include in its annual report to the Legislature, an aggregation of the information which shall be submitted annually by housing sponsors for all projects which have received an allocation in previous years, specifying all of the following:

(1) Information sufficient to identify the project.

(2) The total number of units in the project.

(3) The total number of units assisted by the credit that are required to be occupied by households whose income is 60 percent or less of the area median gross income as a condition of receiving a tax credit.

(4) The total number of units assisted by the credit that are occupied by households whose income is 60 percent or less of the area median gross income.

(c) The committee shall also include in its annual report to the Legislature, any recommendations for improvement in the low-income housing tax credit.

(d) Commencing in the 2025 calendar year, the committee shall include in its annual report to the Legislature an aggregation of the information submitted by housing sponsors for all projects that have received an allocation on or after January 1, 2024, pursuant to the requirements of Section 50199.23.

(Amended by Stats. 2022, Ch. 316, Sec. 2. (AB 2873) Effective January 1, 2023. Conditionally inoperative as provided in Section 50199.18.)

50199.16. All acts and proceedings taken by the committee prior to the effective date of this chapter to allocate the housing credit ceiling for 1987 under the Governor's proclamation dated February 27, 1987, are hereby confirmed, validated, and declared legally effective.

(Added by Stats. 1987, Ch. 658, Sec. 3. Effective September 15, 1987. Conditionally inoperative as provided in Section 50199.18.)

50199.17. (a) The committee may adopt, amend, or repeal rules and regulations for the allocation of housing credits pursuant to this chapter and Sections 12206, 17053.14, 17058, 23608.2, 23608.3, and 23610.5 of the Revenue and Taxation Code without complying with the procedural requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, except as described in subdivision (b).

(b) The committee shall provide a notice of proposed action as described in Section 11346.5 of the Government Code. The notice of proposed action shall be provided to the public at least 21 days before the close of the public comment period, and the committee shall schedule at least one public hearing as described in Section 11346.8 of the Government Code before the close of the public comment period. The committee shall maintain a rulemaking file as described in Section 11347.3 of the Government Code. The final version of the regulations shall be accompanied by a final statement of reasons as described in subdivision (a) of Section 11346.9 of the Government Code.

(c) These rules and regulations shall be effective immediately upon adoption by the committee.

(d) The committee may also adopt, amend, or repeal emergency rules and regulations pursuant to this chapter and pursuant to Sections 12206, 17053.14, 17058, 23608.2, 23608.3, and 23610.5 of the Revenue and Taxation Code. The adoption, amendment, or repeal of these regulations shall be conclusively presumed to be necessary for the immediate preservation of the public peace, health, safety, or general welfare within the meaning or purposes of Section 11346.1 of the Government Code.

(Amended by Stats. 2000, Ch. 311, Sec. 1. Effective September 7, 2000. Conditionally inoperative as provided in Section 50199.18.)

50199.18. This chapter shall remain in effect as long as Section 42 of the Internal Revenue Code, relating to low-income housing credits, remains in effect. However, repeal of this chapter shall not invalidate or in any way affect the duration of any previously allocated low-income tax credits.

(Amended by Stats. 1999, Ch. 893, Sec. 1. Effective January 1, 2000. Note: Termination provision applies to Chapter 3.6, comprising Sections 50199.4 to 50199.23.)

50199.20. (a) Not less than 20 percent of the federal ceiling on low-income housing tax credits shall be set aside for allocation to rural areas as defined in Section 50199.21. Any amount of credit set aside for rural areas remaining after the ranking of credits in the final cycle of any calendar year shall be available for allocation to any eligible project.

(b) Up to 2 percent of the low-income housing tax credit available under this chapter and Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code may be set aside for small developments as determined by the committee. Any amount of credit set aside for small developments remaining after the ranking of projects in the final cycle of any calendar year shall be available for allocation to any eligible project.

(c) Not less than the amounts specified in clause (v) of subparagraph (B) of paragraph (1) and paragraph (4) of subdivision (g) of Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code shall be set aside to provide farmworker housing, as defined in subdivision (h) of Section 50199.7 of the Health and Safety Code.

(Amended by Stats. 2022, Ch. 638, Sec. 1. (AB 1654) Effective January 1, 2023. Conditionally inoperative as provided in Section 50199.18.)

50199.21. (a) "Rural area" for the purpose of this chapter and Sections 17058 and 23610.5 of the Revenue and Taxation Code, means an area that on January 1 of any calendar year satisfies any of the following criteria:

(1) The area is eligible for financing under a multifamily housing program pursuant to Section 3560.1(a)(1) of Title 7 of the Code of Federal Regulations as it read on January 1, 2023, or successor program, of the United States Department of Agriculture Rural Development.

(2) The area is located in a nonmetropolitan area as defined in Section 50090.

(3) The area is any of the following:

(A) An incorporated city having a population of 40,000 or fewer as identified in the most recent Report E-1 published by the Demographic Research Unit of the Department of Finance, provided that the area is not located within a census block designated as an urban area by the United States Census Bureau in the most recent decennial census.

(B) An unincorporated area that adjoins a city having a population of 40,000 or fewer, provided that the adjoining unincorporated area is not located within a census block designated as an urban area by the United States Census Bureau in the most recent decennial census.

(C) An unincorporated area that does not adjoin a city and is not located within a census block designated as an urban area by the United States Census Bureau in the most recent decennial census.

(b) The department shall assist in determinations of eligibility pursuant to paragraph (3) of subdivision (a) upon request. With respect to areas eligible under paragraphs (2) and (3) of subdivision (a), the committee may rely upon the recommendations made by the department. Any inconsistencies between areas eligible under subdivision (a) shall be resolved in favor of considering the area a rural area. Eligible and ineligible areas need not be established by regulation.

(Amended by Stats. 2024, Ch. 493, Sec. 2. (SB 1512) Effective January 1, 2025. Conditionally inoperative as provided in Section 50199.18.)

50199.22. (a) Upon being informed that information, supplied by a housing credit applicant, or any person acting on behalf of a housing credit applicant, pursuant to this chapter or Section 12206, 17058, or 23610.5 of the Revenue and Taxation Code, is false or is no longer true, upon finding that false information has been submitted or the information submitted is no longer true.

(b) Appropriate action, which the committee may pursue upon finding that false information or information that is no longer true is submitted in connection with a housing credit application, includes the following:

- (1) Requiring the submission of certified, notarized, or third-party documents in support of the application.
- (2) Rejecting the application.
- (3) Cancelling a reservation of housing credits.
- (4) Bringing a judicial action to enjoin the use of the federal housing credit and the state tax credit authorized by Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code.
- (5) Disqualifying the housing credit applicant, its principals, and any person acting on behalf of the housing credit applicant from filing applications with the committee for a one-year period.
- (6) Reporting promptly, in writing, to the Internal Revenue Service and the Franchise Tax Board, any noncompliance with federal and state requirements or misrepresentations the committee finds were made by the housing credit applicant or any person acting on behalf of a housing credit applicant, pursuant to subdivision (a).

(Amended by Stats. 1994, Ch. 1164, Sec. 36. Effective January 1, 1995. Conditionally inoperative as provided in Section 50199.18.)

50199.23. (a) For the purposes of this section, the following definitions apply:

- (1) "Control" means exercising the power to make policy decisions and active involvement in the day-to-day management of a business enterprise. Being an officer or director does not alone demonstrate active involvement.
- (2) "Disabled veteran business enterprise" has the same meaning as defined in Section 999 of the Military and Veterans Code.
- (3) "LGBT business enterprise" means a business enterprise that is at least 51-percent owned by a lesbian, gay, bisexual, or transgender person or persons; or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more lesbian, gay, bisexual, or transgender persons; and whose management and daily business operations are controlled by one or more of those individuals.
- (4) "Minority business enterprise" means a business enterprise that is at least 51-percent owned by a minority group or groups, or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more minority groups, and whose management and daily business operations are controlled by one or more of those individuals. The contracting utility shall presume that minority includes African Americans, Hispanic Americans, Native Americans, and Asian Pacific Americans.
- (5) "Women business enterprise" means a business enterprise that is at least 51-percent owned by a woman or women, or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more women, and whose management and daily business operations are controlled by one or more of those individuals.

(b) (1) Subject to subdivision (c), a housing sponsor that receives an allocation on or after January 1, 2024, shall annually submit a report to the committee, in a form that the committee shall require, and at the time that the committee shall annually designate.

(2) The reporting period shall cover all contract activities directly related to the development and construction of a housing project from the first day following receipt of the credit allocation 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.

(3) The report shall include all of the following:

(A) A detailed and verifiable plan for increasing procurement opportunities for women, minority, disabled veteran, and LGBT business enterprises in all categories used in the development and construction of the housing projects, including technology, goods, services, and construction.

(B) In the second year of reporting, short- and long-term diversity goals and timetables, but not quotas, related to contractor race and ethnicity, contractor gender, and contractor census-tract income distribution.

(C) In the third year of reporting, aggregate level data for contractors headquartered or having a primary location in low-income census tracts in the state.

(D) Proposed methods and strategies for increasing the diversity of suppliers and subcontractors engaged by housing sponsors and prime contractors, such as women, minority, disabled veteran, and LGBT business enterprises.

(E) Procurement data for the year and the aggregate data for each project funded in whole or in part with moneys raised by a credit allocated on or after January 1, 2024. The data shall include all of the following:

(i) The number and dollar amount of all contracts in all categories, and by each category of contract, that was issued during the year. The categories of contracts shall include technology, goods, services, and construction.

(ii) The number and dollar amount of all contracts in all categories, and by each category of contract, that was issued during the year to each business-owner group, including women business enterprises, minority business enterprises, disabled veteran business enterprises, and LGBT business enterprises.

(iii) The total number and dollar amount of contracts issued to subcontractors for each business-owner group, including women business enterprises, minority business enterprises, disabled veteran business enterprises, and LGBT business enterprises, by each category of contract.

(iv) The number and dollar amount of all contracts, including subcontracts, and by each category of contract issued during the year, for businesses headquartered or having a primary location in a low-income census tracts in the state.

(v) The number and dollar amount of all contracts in all categories, and by each category of contract, that were issued for a project funded in whole or in part through moneys raised by notice of allocation of a credit on or after January 1, 2024. This may include information on contracts related to the project that were issued prior to the credit allocation.

(vi) The number and dollar amount of all contracts in all categories, and in each category of contract, that were issued for a project specified in clause (v) to each business-owner group, including women business enterprises, minority business enterprises, disabled veteran business enterprises, and LGBT business enterprises.

(vii) The total number and dollar amount of contracts issued to subcontractors for each business-owner group specified in clause (vi) by each category of contract.

(viii) The number and dollar amount of all contracts, including subcontracts, for a project specified in clause (iv) for businesses headquartered or having a primary location in low-income census tracts in the state.

(4) Commencing in 2029, the goals established by the committee pursuant to paragraph (3) of subdivision (d) shall be incorporated into the annual reports. Housing sponsors may adopt higher goals for their own activities.

(c) (1) The requirement to develop a plan and submit a report pursuant to subdivision (b) applies to all housing sponsors that have completed five or more housing projects by January 1, 2023, or that have received an annual low-income housing tax credit allocation of one million dollars (\$1,000,000) or more. For housing sponsors that have not completed five or more housing projects by January 1, 2023, or have not received an annual low-income housing tax credit allocation of one million dollars (\$1,000,000) or more, the plan and reporting requirements shall begin in the year following the commencement of construction on their fifth housing project for which they have received public money or in the year following the receipt of an annual low-income housing tax credit allocation of one million dollars (\$1,000,000) or more, as applicable.

(2) It is the Legislature's intent that housing sponsors that are not required to adopt a supplier and contractor diversity plan, pursuant to this section, are encouraged to voluntarily adopt a plan and report on the outcomes of those plans for increasing

women, minority, disabled veteran, and LGBT business enterprise procurement in all categories of contracts, including technology, goods, services, and construction.

(d) (1) The committee shall develop guidelines, consistent with the requirements of this section, for housing sponsors that have received a credit allocation on or after January 1, 2024, except as provided in subdivision (c), to use in preparing detailed and verifiable supplier and contractor diversity plans required in subdivision (b).

(A) The guidelines shall include a requirement that women, minority, disabled veteran, and LGBT business enterprises be certified by a third party. The committee may align its certification policies with those used by the Public Utilities Commission in implementing Article 5 (commencing with Section 8281) of Chapter 7 of Division 4 the Public Utilities Code.

(B) When developing the reporting guidelines, the committee shall consider the reporting frameworks, forms, and definitions used in other supplier and contractor diversity programs in which housing sponsors may be reporting.

(C) The purpose of the guidelines is to encourage greater economic opportunity for women, minority, disabled veteran, and LGBT business enterprises.

(2) The committee shall annually consider the information and data from the reports submitted pursuant to this section and may modify the guidelines adopted pursuant to this subdivision.

(3) By March 1, 2028, the committee shall establish supplier and contractor participation goals for women, minority, disabled veteran, and LGBT business enterprises.

(4) The committee shall post the individual reports received from the housing sponsors, as required pursuant to subdivision (b), on the committee internet website.

(e) This section shall not limit or otherwise affect eligibility for any credit under, or the requirements for compliance with, Section 12206, 17058, or 23610.5 of the Revenue and Taxation Code.

(f) The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

(Amended by Stats. 2023, Ch. 131, Sec. 123. (AB 1754) Effective January 1, 2024. Conditionally inoperative as provided in Section 50199.18.)

50199.24. (a) (1) In the City and County of Los Angeles, where the federal Department of Housing and Urban Development has granted an authority, as defined in Section 34203, a waiver effective August 17, 2024, to allow household income verifications to occur after a lease contract is signed for unhoused populations seeking entry into projects pursuant to or in connection with Section 5.110 of Title 24 of the Code of Federal Regulations, if an owner or a management agent leases a subsidized unit to an unhoused person and subsequently learns and verifies that the unhoused person does not meet applicable income requirements, then the committee shall not take any negative actions against the owner or management agent if both of the following conditions are met:

(A) The owner or management agent has cured the noncompliance within 24 months of discovery of the violation.

(B) The local housing authority and continuum of care have developed and posted on their respective internet websites a plan describing how the local housing authority and continuum of care will coordinate with the owner or management agent to move tenants that do not meet applicable income requirements into affordable housing where the tenant is eligible for occupancy within 24 months of discovery of the violation. Income ineligible tenants shall retain their unhoused targeting eligibility.

(2) For purposes of this subdivision, "negative actions" include, but are not limited to, all of the following:

(A) Issuing negative points on a current or future application.

(B) Filing a Form 8823 with the Internal Revenue Service within six months of discovery of the violation.

(C) Imposing a financial penalty.

(b) If an agreement between the owner or management agent and the authority, the Department of Housing and Community Development, or the committee restricts a unit to a tenant earning no more than 30 percent of the area median income, the tenant shall be deemed to satisfy the income requirements of this program during the 24-month period described in paragraph (1) of subdivision (a) if all of the following conditions are met:

(1) The tenant experienced homelessness prior to moving into the unit. For purposes of this paragraph, "homelessness" has the same meaning as "homeless," as that term is defined in Section 578.3 of Title 24 of the Code of Federal Regulations.

(2) The tenant self-certified household income at no more than 30 percent of the area median income.

(3) A third-party verification shows that the tenant has household income of no more than 50 percent of the area median income, unless the tenant is otherwise eligible pursuant to federal income eligibility requirements.

(4) The tenant's income certification is fully verified in accordance with the program rules within 90 days of the date the tenant took possession of the unit.

(5) At least 50 percent of the assisted units restricted to 30 percent area median income are occupied by verified, income-eligible households.

(6) The issuing housing authority and continuum of care, in coordination with other public agencies, coordinate with an owner or a management agent and move a tenant found to have a household income of more than 50 percent of the area median income following third-party verification described in paragraph (3) within 24 months of discovery of the violation to an affordable housing unit for which the tenant is eligible without reliance upon the same waiver described in subdivision (a). Income ineligible tenants shall retain their unhoused targeting eligibility.

(c) (1) This section does not modify any other eligibility requirements attached to assistance provided by the Department of Housing and Community Development.

(2) Tenant self-certified date of birth shall be accepted so long as the agreement between the department and the owner does not impose age-based demographic targeting requirements.

(3) If the conditions described in subdivision (b) are met, absent any rent setting methodology from subsidy programs, a tenant whose adjusted income at move-in exceeded 30 percent area median income shall have an effective rent limit for their unit be redesignated to 50 percent of area median income or, if the tenant's verified income is higher than 50 percent of area median income, an effective rent limit for their unit be redesignated to an area median income level commensurate with the income level.

(4) Owner or management agents shall discontinue use of the waiver as described in subdivision (a) in the event that more than 50 percent of the assisted units restricted to 30 percent area median income are occupied by households with adjusted incomes at move-in over 30 percent area median income.

(d) This section shall become inoperative on July 31, 2025, or the final expiration date of a waiver as described in subdivision (a), whichever is later, and, as of January 1 of the following year, is repealed.

(Added by Stats. 2024, Ch. 491, Sec. 1. (SB 1500) Effective January 1, 2025. Conditionally inoperative on or after July 31, 2025, as prescribed by its own provisions. Conditionally repealed, by its own provisions.)

50199.25. (a) Under the state's authority to issue regulations to implement Section 42 of the Internal Revenue Code (26 U.S.C. Sec. 42 et seq.) and effect its purpose, the committee, on or before June 30, 2025, shall adopt regulations pursuant to Section 50199.17 limiting annual rent increases for tenants in properties that received an allocation of housing credits pursuant to this chapter or Section 12206, 17058, or 23610.5 of the Revenue and Taxation Code, prior to April 3, 2024, and that are subject to a regulatory agreement.

(b) On or before June 30, 2026, and annually thereafter, the committee shall assess the limit established pursuant to subdivision (a). The committee may adjust the limit if the committee deems it necessary based on the assessment.

(Added by Stats. 2024, Ch. 674, Sec. 3. (AB 846) Effective January 1, 2025.)