



# **Low-Income Housing Tax Credit (LIHTC) Program Guideline**

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## **2026**

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# PREFACE

This Guideline is for applicants requesting funding through the Low-Income Housing Tax Credit (LIHTC or “tax credit”) Program and serves as a supplement to the Qualified Allocation Plan (QAP). Applicants should be familiar with the existing laws and rules prescribed by the Internal Revenue Service (the IRS) in Section 42 of the Internal Revenue Code (the “Code” or IRC) and related regulations. Applicants are advised to review the documents specified in the Governing Authority section of the current QAP along with the Glossary of Terms and the on-demand webinar of the annual LIHTC Program Overview Session. If any statement(s) in these documents conflicts with the laws governing the LIHTC Program, those laws take precedence. The materials should not be relied upon solely or as a substitute for an applicant’s own tax or legal counsel or interpretation of laws relating to the LIHTC Program. Applicants are ultimately responsible for providing the information necessary for the determination of the development’s eligibility and compliance under the LIHTC Program.

## I. Background

[26 USC 42: Low-income housing credit](#) was enacted by Congress as part of the Tax Reform Act of 1986 to encourage new construction and rehabilitation of existing buildings as low-income rental housing for households with incomes at or below specified income levels. Since its inception, the LIHTC Program has helped construct and rehabilitate a significant portion of the nation’s affordable housing stock.

The LIHTC Program works as follows: The IRS allocates federal tax credits to state housing finance agencies who administer the LIHTC Program. CHFA is the LIHTC administrator and allocating agency for the State of Connecticut. CHFA awards tax credits to eligible developers of affordable housing developments through a structured application process. The developers use the equity capital generated from the sale of LIHTC to lower the debt burden on their tax credit properties, making it feasible to offer lower, more affordable rents. Investors purchase tax credits to lower their federal tax liability. Developers typically structure LIHTC developments as limited partnerships or limited liability companies providing ownership to the investors. This structure allows the investors to receive tax credit benefits and passive losses.

Under the IRC, state housing credit agencies must develop a QAP that is approved by the governmental unit having jurisdiction over the state; CHFA’s QAP is approved by the Governor.

Per the IRC, the QAP must have the following characteristics:

- A. Identifies the selection criteria to be used for determining housing priorities that are appropriate to local conditions. The selection criteria must include:
  1. project location,
  2. housing needs characteristics,
  3. project and sponsor characteristics,
  4. tenant populations with special needs,
  5. public housing waiting lists,
  6. tenant populations of individuals with children,

7. projects intended for eventual tenant ownership,
8. the energy efficiency of the project, and
9. the historic nature of the project.

B. Gives preference to projects serving the lowest income tenants, for the longest periods of time, located in qualified census tracts, and which will contribute to a concerted community revitalization or adopted municipal affordable housing plan.

Developers must commit to setting aside a certain percentage of units, deemed qualified units, that are affordable for households that earn at or below specific income levels. There are three Minimum Set-Aside (MSA) options, including 20/50 Set-aside, 40/60 Set-aside, and an Average Income Set-aside. Please refer to the LIHTC Glossary of Terms for definitions.

The QAP governs both the 9% and 4% LIHTC programs. The 9% LIHTC is awarded based on an annual competitive funding round. Currently, the 4% LIHTC is awarded through a non-competitive, ongoing, open-application process. Applicants are advised that the 4% LIHTCs may become subject to a Notice of Funding Availability (NOFA), which will be announced on CHFA's website if applicable.

The amount of tax credits awarded to a development may not exceed the amount CHFA deems necessary for the development's financial feasibility and its viability as an affordable housing development throughout the compliance period. All eligible financing sources are expected to be maximized to reduce the maximum tax credit allocation to any development.

## II. Preliminary Application and Pre-Application Conference

- A. All applicants will indicate their intent to submit an application for LIHTC by submitting a Preliminary Application in accordance with CHFA Procedures through the [Development Engagement Process](#) (DEP) by the date specified.
- B. The DEP information is published on a bi-annual basis, generally in the spring and in the fall. The DEP is used by those who will be seeking CHFA LIHTC – either 4% or 9% – with or without DOH assistance. Applicants will complete their Preliminary Applications through the DEP. CHFA will publish notice when a DEP is open. Interested parties are encouraged to subscribe to CHFA's email list for this and other important announcements.
- C. A Pre-Application Conference ("Conference") with CHFA staff will be scheduled within 30 days from the DEP due date, and can be scheduled anytime up to 45 days before an application due date for a funding round, as applicable. Department of Housing (DOH) staff will be included in the Conference.
- D. In addition to the Preliminary Application, topics to be discussed at the Conference may include:
  1. Any identity of interest between development team members
  2. The completeness of plans and specifications

3. Energy conservation measures and green building options, renewables (solar), owner-paid utilities, and high-speed broadband access for residents of the proposed development
4. Environmental concerns related to the site and/or existing building(s), if any
5. Planning and Zoning approval(s) and any noted conditions
6. Applicability of Federal Davis Bacon or State prevailing wage rates
7. The procurement process for all development team members
8. Details of contemplated hybrid developments (9% and 4%) if applicable
9. Levels of affordability
10. Anticipated timing, project schedule, and readiness to proceed

E. Applicants may submit a draft pro-forma including proposed development budget, rent mix, operating expenses, status of plans and specifications, or other items such as site control documentation, zoning, and environmental studies that are available at the time of the DEP. Refer to Section XIII below for additional information.

F. CHFA will not underwrite or score proposals for the Conference. Any feedback provided by CHFA or DOH staff is contingent upon actual submissions and may be subject to change based on published revisions to Procedures, Guidelines and/or the QAP. The Preliminary Application is not intended to be an application for funding and any Conference discussion or DEP response (whether written or verbal) or non-response, will not evidence a CHFA commitment for funding or approval of any kind and is non-binding on all future application reviews by CHFA.

### **III. Utilizing the Average Income Minimum Set-Aside (MSA)**

A. Use of the average income MSA is predicated on the following:

1. ability to demonstrate unit parity regarding bedroom size by Area Median Income (AMI) band, i.e., larger units cannot all be targeted to households in higher AMI bands;
2. AMI bands must be supported by a market study; and
3. all LIHTC rents should be at least 10% below market rents.

B. Compliance Considerations for Owners/Management Agents:

1. The deadline to meet the MSA remains the same. The owner must certify to CHFA that the Average Income MSA was satisfied on 12/31 of the second year the project was placed-in-service.
2. If two (2) or more Qualified Units become over income at the same time, the owner must make a reasonable effort to designate the next available market rate unit at the lower AMI

of the two units. Owners must document all decisions made with respect to the Next Available Unit Rule.

3. Owners must maintain unit parity throughout the compliance and extended use period with regards to bedroom size by income designation.

## IV. Eligibility and Application Submission

### A. Eligibility

Applicants are eligible to apply for 9% LIHTC, 4% LIHTC and Tax-Exempt Bonds (TEB), or hybrid 9% LIHTC and 4% LIHTC with TEB if they meet the CHFA requirements as described in CHFA's Program Eligibility Requirements: Delinquent and Non-Performing Applicants.

### B. Application Submission

Applicants will submit a complete LIHTC application package, which includes a completed current [Consolidated Application](#) (ConApp), all required attachments and third-party fees as may be required, along with an application fee as published on [CHFA's website](#).

#### For 9% LIHTC applications only:

1. Application due dates will be posted on CHFA's website as well as via other media.
2. Applications must be complete upon submission. Incomplete applications may mean a loss of points or a failure to meet application Basic Threshold Requirements criteria as cited in the QAP and the application can be rejected. CHFA will not process incomplete applications or applications submitted by ineligible applicants.
3. All Basic Threshold Requirement items set forth in the QAP must be secured by the applicant before the application deadline. Basic Threshold Requirement items obtained by the applicant and submitted after the application deadline will not be accepted.
4. CHFA may contact applicants for clarifying information to ensure a complete and thorough review. Applicants may not make material changes to the proposal or submitted materials in response to a clarification request. CHFA may provide deadlines by which clarification responses must be made.
5. In addition to the financial feasibility of a proposed application, adherence to state housing policy and requirements as described in the QAP, applicants for tax credits will be evaluated on past performance and compliance in transactions with CHFA, DOH, U.S. Department of Housing and Urban Development (HUD) and/or other government funding agencies. Items to be reviewed include but may not be limited to meeting timelines, deviation from proposed costs, executing proposals as submitted, funding program compliance including prior awards points-related commitments, and satisfactory operation of existing properties. CHFA may request information regarding an applicant's past performance from other government funding agencies or lenders. In such cases, CHFA shall request contact information from the applicant for other government funding agencies or lenders the applicant has worked with during the past three years

For all CHFA transactions:

1. Proposed developments are expected to be completed on time and on budget. A review of timelines may include:
  - a. Proposed dates listed in the ConApp as compared to actual dates provided at Carryover/42M letter issuance
  - b. Performance against dates in the construction contract and partnership agreement provided by the owner at initial closing
  - c. Data from construction observation reports
  - d. Milestones such as time from application to CHFA Board approval, from CHFA Board approval to initial close, from initial close to lease-up and final closing
2. Deviation from proposed costs may be measured as follows:
  - a. Budgeted costs proposed at initial closing versus the cost certification
  - b. Proposed hard costs versus actual construction contracts
3. Executing proposals as submitted may be measured by a review of material changes to awarded or approved submissions in areas included but not limited to:
  - a. Design integrity
  - b. Affordability mix
  - c. Construction cost change orders
4. Asset Management
  - a. Tax credit compliance may be verified based on reports from CHFA's Authorized Delegate
  - b. Compliance with requirements of other CHFA funding programs and/or funding programs administered by CHFA.
  - c. Satisfactory operation of existing properties.
5. CHFA may require change(s) to the Applicant's application submission and supporting documents in a manner that promotes CHFA's housing goals, specific market needs and/or program objectives. CHFA may make adjustment(s), with notification to the applicant, to carry out its housing goals.

CHFA may also take into consideration information discovered through its own due diligence, and any additional specific requirements described in the QAP or applicable NOFA. Please refer to the CHFA website for requirements noted in CHFA's [Board of Directors Policy Statements](#), [CHFA Procedures](#), and related Guidelines including the Multifamily Rental Housing Program Guideline, and the LIHTC Glossary of Terms.

### C. Application Contents

A complete application submission includes and/or addresses:

1. A credible financing plan, which at a minimum includes the following:
  - a. The total projected development cost, including any land acquisition cost.
  - b. Development costs for construction, soft costs, developer fees, land, customary capitalized reserves, and equity syndication. In deciding cost reasonableness, CHFA will use typical industry data and standards as may be appropriate based on the size, complexity, difficulty and location.
  - c. Balanced sources and uses of funds sufficient to complete the proposed development.
  - d. Identification of each financing source, including commitment letters that set out terms and conditions from the provider for each proposed financing source. Lack of funding commitments and/or letters of interest to support a credible financing plan will make an application ineligible.
  - e. A letter of interest from the potential LIHTC syndicator for the proposed development.
  - f. Deferred developer allowance/fee (DAF) amount may not exceed the lesser of fifty percent (50%) of the total paid DAF, or the amount that may be fully recovered by the mortgagor, without interest, from CHFA-approved annual distributions during the first fifteen (15) years of operations.
  - g. In the case of a proposed hybrid financing structure, an applicant must submit both the 9% LIHTC application and a concurrent 4% LIHTC application at the time the 9% LIHTC application is due. CHFA will undertake a preliminary review for acceptance of the 4% LIHTC application and its cohesiveness with the associated 9% LIHTC application. If the 9% LIHTC application is not successful, CHFA will not complete its review of the 4% application. Refer to the Hybrid Financing Structure Guidelines on [CHFA's website](#) for complete information.
2. The sponsor or general partner, either principal or entity, must have demonstrated experience in successful LIHTC development(s). An applicant with little or no experience in LIHTC development can use a Joint Venture partnership to gain skills and access to the LIHTC program. Such Joint Venture must include a partner, member, or other Joint Venture participant with a minimum of five years' LIHTC Program experience.
3. A qualified development team consists of the following team members:
  - a. Sponsor/Applicant/General Partner (including Joint Venture partnership): Three (3) years' relevant experience that includes meaningful participation in LIHTC development from origination through certification of the first year of Credits with evidence provided in the ConApp, and as determined by CHFA. In the case of a non-profit entity, the experience of its development leadership, the majority of its Board of Directors or its Development Consultant may be acceptable at CHFA's determination. In the case of a public housing authority, the experience of the majority of the Board of Commissioners or the experience of its executive director may be acceptable at

CHFA's determination. The housing authority may be considered the "sponsor" and its executive director its principal.

- b. Architect: Please see the [Construction Guideline: Project Planning & Technical Review](#).
- c. General Contractor: Please see the [Construction Guideline: Project Planning & Technical Review](#).
- d. Management Agent: Please see the [Management Agent Approval Requirements](#).

4. The sponsors and applicants of the developments must evidence commitment to undertake meaningful affirmative measures to ensure that the activity funded promotes regional economic, social and racial integration and the integration of persons with disabilities.
5. Each applicant pledging to include supportive housing units must specify at the time of application the number of supportive units in its development, the specific unit sizes (one bedroom, two bedroom, etc.) along with the demonstrated need for the population to be served and must adhere to the current [Supportive Housing Guideline](#) and the related quality assurance monitoring of such units.
6. Applicants and awardees may request a change in a development's qualified development team and such team member substitution is subject to review and approval by CHFA.
7. All features represented in the application must remain in the development. Examples include sustainability design measures, supportive housing, development team composition, deep income targeting and Developer Resources.

## **V. Appraisal and Market Study**

A market study is required for developments awarded LIHTC without CHFA-issued TEB or CHFA financing prior to the issuance of the 42(m) letter or the Carryover Allocation Agreement. CHFA may require an appraisal and/or modify its appraisal requirements. Applicants shall make full non-refundable payment in advance. Refer to the Underwriting Standards Summary section of the [Multifamily Rental Housing Program Guideline](#) for applicable fees and exceptions.

## **VI. Application and Tax Credit Servicing Fees**

### **A. Application Fees**

An application fee is due from all applicants. Non-Profit Organizations are provided a discounted application fee.

### **B. Third-party Fees**

Refer to the CHFA Multifamily Underwriting Standards Summary section of the [Multifamily Rental Housing Program Guideline](#) for applicable third-party fees, which include those for the appraisal, market study, environmental study analysis or other review as may be determined to be necessary to complete application requirements and CHFA's due diligence. Third-party

fees are payable in advance, with some exceptions on a case-by-case basis for Non-Profit Organizations.

C. Tax Credit Administration Fees

The LIHTC servicing fee is nonrefundable unless the development fails to place-in-service and the owner enters into an agreement with CHFA to return the LIHTC. CHFA may impose additional fees at any time for compliance monitoring or other purposes, to implement the requirements of the Code.

1. 9% LIHTC

Applicants must pay 25% of the LIHTC servicing fee to CHFA with the return of the letter indicating acknowledgement of the tax credit reservation. The balance of the fee must be paid prior to the final execution of the Carryover Allocation Agreement. CHFA may consider adjustments to this payment schedule, to be notated in the Reservation Letter and/or Carryover Allocation Agreement.

2. 4% LIHTC

Applicants must pay the LIHTC servicing fee at the earlier of the construction loan closing or the close of syndication, or prior to issuance of a final Extended Low-Income Housing Commitment (ELIHC). CHFA may consider adjustments to this payment schedule, however, will not issue Forms 8609 until the fee is paid in full.

## VII. Application Review and Processing

A. Credit Availability:

1. 9% LIHTC - Applicants may submit applications representing up to two (2) simultaneous phases of the same development in the same round. For those applications, the aggregate number of credits between the phases shall not exceed 20% of the credit ceiling. In addition, the phases must be independent of each other, so either should be able to proceed if the other is not awarded.
2. 4% LIHTC - All 4% LIHTC developments must satisfy the requirements for allocations under the QAP, CHFA Procedures, Policies, and the Code. If another governmental unit will issue the TEBs, CHFA will review the underwriting for the TEBs on behalf of the State of Connecticut's Office of Policy and Management to verify compliance with the CHFA Multifamily Underwriting Standards for the State Bond Commission. Underwriting Criteria:
3. CHFA will require proposals with high debt service coverages to increase loan amortizing amounts, increase deferred developer fee, or both.

B. Operating Budget:

1. Rent Restrictions

The proposed development must meet the minimum income, occupancy, and rent restriction requirements of the IRC. The applicable gross rent is associated with the fewest number of persons per household for the designated bedroom size. These gross rents include all utilities except for telephone, cable television, and internet charges. The

applicable utility allowance amount must be subtracted to arrive at the maximum net affordable rent. Refer to the [Maximum Affordable Gross Rent and Income Limits](#) on CHFA's website.

2. Income and Expense Assumptions

When reviewing the operating budget and the 15-year cash flow projections, CHFA will review the financing institution's assumptions for reasonableness and may seek additional information. Refer to the Multifamily Underwriting Standards Summary section of the [Multifamily Rental Housing Program Guideline](#) for income and expense assumptions.

C. Development Budget:

1. The CHFA operating reserve will be equal to at least six (6) months of total operating expenses, replacement reserves, real estate taxes and debt service. Additional reserves may be necessary to mitigate the operational risk or to fund possible short-term deficits.
2. Developer Allowance Fee (DAF) shall be based as indicated in CHFA's Procedures and the Multifamily Rental Housing Program Guideline.
3. Contractor's Profit, Overhead and General Requirements - CHFA will allow a range of acceptable general requirements, contractor's profit and overhead maximums depending upon the complexity of the construction of the development. For specific ranges refer to the Construction Guideline: Project Planning and Technical Review. CHFA will review construction cost line items for all developments.
4. CHFA will review the construction costs for overall reasonableness. CHFA will rely on various databases such as RSMeans® Building Construction Cost Data and CHFA's historical construction data, as well as evaluating developing labor and materials market conditions. CHFA will require an applicant to mitigate and reduce project cost increases from the application.
5. Acquisition costs in the development budget must be consistent with the site control documentation provided by the applicant. The purchase price included in the development budget may include ancillary assets such as reserves or equipment as outlined in the purchase agreement or site control documentation. The eligible basis amount will be limited to the as-is valuation of the real property (as recognized by CHFA) less an allowance for the land as established by the local tax assessor's appraised value of the land.
6. Housing or financing consultant fees will be paid from the proceeds of the DAF. Specialized Consultant fees may be paid out of the development budget.
7. Unless otherwise determined by CHFA, all LIHTC developments must provide construction observation reports as described in CHFA's current Construction Guidelines.
8. The costs of syndication shall not exceed a rate acceptable to CHFA based on fees as a percentage of syndication proceeds. Syndication costs include all direct and indirect costs incurred in securing syndication proceeds (i.e., syndicator legal costs). Syndicator required asset management fees may only be payable from available cash flow after

required debt service. Other additional CHFA funding sources may require priority cash flow payments prior to the payment of an asset management fee.

9. Up to 100% of the amount budgeted for construction contingency may be included as eligible basis as supported by the Letter of Attestation.

#### D. Subsidy Layering Review

CHFA will consider the combination of tax credits with other subsidies or federal, state and government programs when allocating credits. Additionally, CHFA will allocate credits in accordance with any federal law or procedures (i.e. HUD Revised Subsidy Layering Guidelines), where appropriate.

### **VIII. Application Approval and 9% LIHTC Application Reassessment**

- A. Applications that do not meet Basic Threshold Requirements as specified in the QAP will not be eligible for an award and the applicant will be notified at the time the determination is made. There is no appeal of the determination that Basic Threshold Requirements were not met.
- B. Following the CHFA Board of Director's adoption of resolutions confirming the 9% LIHTC ranking process, an applicant may request that CHFA reassess its decisions related to the acceptance, scoring or ranking of an application.

The request for reassessment must specifically identify in detail each issue that the applicant is challenging. The applicant's justification for the reassessment must be based on the documents filed with the original application. No changes from the original submission are permitted. No applicant may request a reassessment of the evaluation and scoring of another applicant's application.

If the request for reassessment relates to the amount of LIHTCs recommended to be allocated, CHFA will provide the applicant with the application underwriting.

1. The applicant will:
  - a. Notify the Chief Executive Officer-Executive Director by e-mail of its intent to request a reassessment within two weeks of CHFA's Board of Director's funding round approval.
  - b. Submit a formal written request for reassessment, which must be accompanied by a \$10,000 reassessment fee. The complete reassessment request must be submitted with applicable fees within 60 days of the initial request.
  - c. Meet all applicable deadlines and timeframes. If a reassessment results in the applicant receiving a 9% LIHTC award (or additional tax credits), the applicant is responsible for meeting all elements of its proposal within the specified timeframe.

2. CHFA shall:
  - a. Determine whether the reassessment request is consistent with the criteria as well as other aspect(s) of the QAP, policy objectives, Procedures, Guidelines and any administrative requirements of CHFA in place at the time of application.
  - b. Determine whether a change in the overall scoring is warranted and whether that change would have resulted in an award of tax credits.
  - c. Refund the reassessment fee if a change results in an allocation or forward commitment of 9% LIHTCs. A successful reassessment will not result in the cancellation of previously approved reservations.

## **IX. Tax Credit Reservation/Carryover Allocation Agreement – 9% LIHTC**

- A. Upon the approval of CHFA's Board of Directors, the applicant will receive a tax credit reservation setting forth the annual credit amount and, if applicable, any additional requirements or concerns referenced in the Board resolution for the reservation of LIHTCs that must be satisfied prior to the execution of a Carryover Allocation Agreement. This reservation must be executed by the applicant and submitted to CHFA with the appropriate Tax Credit Servicing Fee.
- B. Reservations must be closed no later than 18 months after the date of the reservation. CHFA may cancel a reservation if conditions have not been met and/or any assumptions in the application have changed materially and/or if the development will not meet its placed-in-service requirements.
- C. Carryover Allocation Agreement - LIHTC Allocations will be made by CHFA for developments placed-in-service during the year of the Tax Credit Reservation by providing an IRS Form(s) 8609 to the developer. When a 9% LIHTC applicant is not able to complete a development and place it in service by the end of the year in which a tax credit award is made, a Carryover Allocation Agreement will be issued to allow the applicant two (2) years to meet these requirements.
  1. Awardees must provide all required documentation by the end of November.
  2. To be eligible for a Carryover Allocation, the applicant must:
    - a. form its ownership entity;
    - b. maintain development financial feasibility as determined by CHFA;
    - c. have any material change accepted by CHFA;
    - d. provide all requested information as determined by CHFA; and
    - e. remit the balance of the Tax Credit Servicing Fee in accordance with the Reservation Letter.

## X. 4% LIHTC and 9% LIHTC Transactions

### A. Time Requirements

1. Developers that fail to adequately manage time requirements may be subject to a rescission of a LIHTC allocation.
2. In instances where there are unforeseen timing delays prior to closing or during construction, a developer may request a voluntary allocation return and re-allocation of 9% LIHTCs. CHFA will consider requests for re-allocation that are for extraordinary and uncontrollable circumstances only. Developers will outline the circumstances of project delays as well as identify and summarize their active steps taken: 1) to anticipate and prevent the delay from having occurred; and 2) to react to unforeseen events once they have occurred.
3. Delays during the legal due diligence and financial closing process are generally considered foreseeable. CHFA will not consider requests resulting from placed-in-service requirements imposed by an owner or equity provider that are more restrictive than those required in IRC §42. A voluntary return and re-allocation of LIHTCs that includes a material change from the originally awarded proposal may be subject to approval by the CHFA Board of Directors.
4. ELIHC - Subsequent to the time of allocation, all applicants/owners shall execute an ELIHC with CHFA and record it in a priority position on the land records. In the case of developments for which CHFA is providing a mortgage loan, the ELIHC shall be executed at the time of the initial loan closing. The ELIHC will include a provision requiring that all liens on the property be subordinate to the low-income use restrictions. The ELIHC sets forth the number of low-income and rent-restricted units in the development, the parameters defining a qualified tenant, the resale restrictions, the term that the units will remain qualified, the default and remedies governing the rent restricted units.

### B. Cost Certifications

Upon a development's completion, the owner must submit General Contractor's and Mortgagor's-LIHTC Cost Certifications documenting the actual total project cost. For additional information, refer to the [CHFA Cost Certification Preparation Guideline](#) on the CHFA website.

### C. Issuance of an 8609

CHFA will issue 8609(s) upon review and acceptance of the cost certifications. The amount of tax credits originally reserved will be reduced accordingly if the review of the certified costs shows the financing gap is less than the one originally projected. For 4% LIHTC, the final amount of tax credits may be greater than the original estimated amount warranted by a final underwriting review by CHFA . All outstanding fees must be received prior to the issuance of an 8609.

## **XI. Compliance Monitoring**

- A. The Authority's monitoring process is outlined in the Low-Income Housing Tax Credit Compliance Manual. All LIHTC developments are subject to review pursuant to CHFA's compliance monitoring procedures established in the QAP and all other applicable agreements, including Quality Assurance Monitoring as described in the [Supportive Housing Guideline](#), should the development include supportive housing units.
- B. Failure to comply with the compliance monitoring procedures is an event of default and treated as noncompliance and may result in the issuance of a Form 8823.
- C. Failure to provide supportive housing units or any other development feature for which points were awarded in a competitive round is an event of default and treated as noncompliance.

## **XII. Changes in Subsidy or Financial Assistance**

- A. In the event of the loss of project-based rental assistance during the 15-year compliance period, with the prior written approval of CHFA, units may revert to being occupied by individuals and families having an annual income not exceeding 60% AMI at such time.
- B. CHFA will consider changes that address the unique circumstance(s) of each development including the needs of the existing residents; local residential market conditions; the availability of alternative funding resources; and the financial and physical sustainability of the development.
- C. If an owner voluntarily elects to relinquish rental subsidies, then the owner and development remain bound to serve the households at the AMI bands pledged in the original application.
- D. CHFA will consider requests for compliance/regulatory modification if resources used to provide supportive services are no longer available. If the cost to provide supportive services is borne by the service provider and the resources to provide those services are no longer available, it is the owner's responsibility to seek replacement resources. CHFA will consider requests to modify or change the scope or the level of services provided to residents based on the degree of available resources only after every effort has been made to replace the provider and retain the level of services.
- E. Developments maintaining the cost of supportive services through the development's operating budget may also be eligible for compliance modification if operating costs outside of the control of the owner (for example, taxes, insurance, utilities, etc.) increase to the point of jeopardizing the financial sustainability of the overall development. CHFA will consider requests based on the needs of the development. Developments that agreed to establish a funding reserve or developer guarantee solely for the funding of the supportive services during the 15-year compliance period will not be eligible for compliance relief.
- F. The loss of rental assistance does not enable the owners to terminate supportive services to residents.