Connecticut Housing Finance Authority

Housing Tax Credit Contribution (HTCC) Program Guidelines

2024

I. GENERAL INFORMATION

A. Introduction

The Housing Tax Credit Contribution (HTCC) Program is a Housing Program contained in Section 8-395 of the Connecticut General Statutes, as amended. The HTCC Program provides funds through tax credit vouchers for Business Firms making contributions to Affordable Housing Programs developed, sponsored, or managed by Nonprofit Corporations that benefit Very Low-, Low- and Moderate-Income households. The total amount of tax credits available annually is $10 million. The law requires annual allocation set-asides of $1 million for Workforce Housing and $2 million for Permanent Supportive Housing. The remaining balance is ascribed to a general class. The Connecticut Housing Finance Authority (CHFA) administers the HTCC Program.[1]

B. Eligible Applicants

To be eligible to apply for HTCC funding, an applicant must be:

- a Nonprofit Corporation or a Community Development Financial Institution (CDFI);
- eligible in accordance with the program eligibility requirements described in CHFA's Board Policy Statement "Program Eligibility Requirements: Delinquent or Non-Performing Applicants" and in compliance with any other applicable CHFA Board Policy Statements;
- in compliance with the requirements of the HTCC Program for any prior awards the applicant has received; and
- able to provide evidence of the applicant's general administrative capability to build or rehabilitate and to undertake the project for which it has applied in a timely fashion if awarded tax credits.

II. APPLICATION PROCESS

A. Notification of Funds Availability (NOFA)

HTCC funds are generally available once a year and are awarded through a competitive process. A NOFA will be published on CHFA's website that will contain information related to the application due date and time, as well as any anticipated Overview Sessions prior to the HTCC funding round. All applications must be submitted by the due date and time for the round. No opportunities to submit applications are available once the due date and time have passed.

B. Affordable Housing Programs Eligible for Use of HTCC Funds

- Affordable Housing Developments, including:
  - General class,
  - Workforce Housing*,
  - Workforce Housing Development Project**, and
  - Supportive Housing (rental only)
- Revolving Loan Funds, including:
  - Affordable Housing (general class), and
  - Workforce Housing*

** Units funded from the Workforce Housing set-aside must be sold and/or rented to low- and moderate-income wage or salaried workers in the municipalities where they work. CHFA is not able to grant waivers to this requirement and will reclaim funds that are not able to meet this objective.*

***See CGS Section 8-395, as amended effective June 1, 2024*

C. Applicant Threshold Requirements

The following are threshold requirements when applying for HTCC funding and are subject to CHFA's sole discretion. Please refer to the Exhibit Checklist of the Consolidated Application for a complete list of threshold requirements.

- Evidence of existence as a Nonprofit Corporation, including its Internal Revenue Service determination letter and a Certificate of Legal Existence for the current year (meaning the year in which the application is due), issued by the Office of the Secretary of the State of Connecticut.

- Evidence that the applicant has been established for a minimum period of three (3) years. Tax returns or annual audited financial statements are acceptable as evidence. CHFA may consider exceptions when the Nonprofit Corporation is formed and controlled by a Housing Authority.

- Evidence that the Nonprofit Corporation will have an ownership interest in the Housing Program when partnering with a for-profit entity. For homeownership development, the Nonprofit Corporation will have site control during the development stage prior to transfer of the property to the new homeowner (ground lease is acceptable too). For LIHTC projects, the Nonprofit Corporation must be a part of the ownership structure of the partnership.

- Evidence from the Nonprofit Corporation's Board of Directors authorizing the submission of the application.

- Evidence of the general administrative capacity of the Nonprofit Corporation to develop, sponsor or manage the proposed Housing Program, including descriptions of the Nonprofit Corporation's past housing development(s) and the role of the Nonprofit Corporation. Include the organizational structure of the applicant and any co-sponsor as evidenced by organizational documents and an organization chart. Applicant and co-sponsor relationship should be clearly outlined and identified in the application.

- Evidence that the applicant will meet timing benchmarks, with due consideration to other contemplated housing funding applications awarded through competitive processes, by demonstrating the ability to:

  - ➢ Commence the proposed Housing Program within six (6) months of funding receipt; or

  - ➢ Continue the Housing Program within four (4) months of funding receipt if the Housing Program has been previously funded or committed; and

  - ➢ Complete the proposed Housing Program, including all development activities within three (3) years of the Date of Approval.

- An applicant must demonstrate that it will meet timing benchmarks by providing its certified statement accompanied by a detailed calendar/Housing Program schedule. Evidence that the HTCC proposed uses in the development budget are eligible (staff salaries, operating and overhead costs, commercial contingency and commercial costs are not eligible).

- Evidence that the Qualified Development Team, Phase I/II Environmental Assessment and Hazardous Materials Report submission requirements are satisfied.

- If an application includes funding from other DOH/CHFA Programs or Financing, the criteria and requirements must be met for those resources in addition to HTCC criteria. It is also the applicants' responsibility to ensure that the Development Budgets are consistent across programs.

- Gap financing requests for projects that already have a CHFA or DOH commitment in place will be considered and evaluated based on certain parameters. For 9% LIHTCs, a Reservation Letter is considered evidence of a firm commitment. For 4% LIHTCs, a firm commitment for tax-exempt bonds must be in place to be considered a firm commitment. These requests will be considered in the following situations:

  - ➢ Unavoidable and unforeseeable cost increases after issuance of a funding commitment and contractor bidding; and/or

  - ➢ Necessary increased costs arising from unforeseen conditions during construction.

All gap financing requests must demonstrate that the contingency balance cannot absorb the additional costs and the deferred developer fee is maxed out. Use of HTCC funds will not be considered as a substitute source for 1) a pledge of Developer Cash Equity or 2) a Deferred Developer Fee after an initial financial closing or receipt of an award of LIHTCs.

Costs associated with betterments to the project, even if the improvements were removed during a value engineering exercise, are not considered financing gaps. Restoration of previously removed value engineered items will not be accepted without a compelling reason and at the sole discretion of CHFA.

The applicant may be required to provide documentation confirming the increase in costs via change orders and/or contractor’s estimate. Applications that are seeking gap financing for projects that already have a commitment of resources from DOH/CHFA, particularly if balanced sources and uses was a requirement at the time of the commitment (e.g., 9% LIHTC Reservation, CHFA Financing Commitment), can anticipate a higher level of scrutiny. Gap financing requests will be evaluated by and in consultation with CHFA underwriting staff, technical services staff and leadership to determine need and eligibility. In addition to the HTCC application materials, CHFA may rely on project information and circumstances known that relate to existing DOH/CHFA commitments. Final determination for eligibility for HTCC gap financing requests is at the sole discretion of CHFA.

- Please note that HTCC funds may not be used for unforeseen costs arising from errors and omissions in the plans and specs or errors by the General Contractor or design/construction team.

- Group Home sponsors may need to contact their primary funder based on a consideration of existing terms prior to requesting additional funds.

- Evidence of site control if applying as an Affordable Housing Development. An applicant may demonstrate site control by submitting an executed lease, deed, executed option/sales contract, or ground lease as applicable.

- Evidence that the Project can maintain a minimum 1.0 Debt Service Coverage Ratio for at least ten years. The use of reserves to meet this criteria is acceptable.

- Evidence of Project Feasibility/Readiness to Proceed for Affordable Housing or Workforce Housing Revolving Loan Fund applicants is documentation that the applicant:

  - has been established for a minimum period of three (3) years with ongoing programs to provide affordable housing opportunities;

  - has established a marketing plan for the target borrowers;

  - can provide its Certificate of Incorporation and the original date of formation, along with any other sources of funds supporting the Revolving Loan Fund for its Housing Program;

- can provide copies of all documents to be utilized in the administration of the fund(s); and

- is able to demonstrate that the uncommitted balances of previous HTCC revolving loan awarded funds do not exceed $750,000 at the date of application. Executed commitment letter(s) that include loan rate and terms, or loan document(s) constitute a commitment. Committed funds do not count towards the $750,000 limitation.

- To align with state policy and CHFA Multifamily development financing practices, new development activities located in a floodplain are not eligible. Applicants are urged to make an early determination as to whether any part of the project is located in a 100- or 500-year floodplain as it may impact eligibility. Visit the FEMA Flood Map Service Center to determine if the property is located in a floodplain.

D. Limits on Funding

No applicant may receive more than $500,000 in HTCC funding per year. Further, no one Affordable Housing Development may receive more than $500,000 per year or $1.5 million in total over three (3) consecutive funding years. Should the applicant be applying for funds in a consecutive funding year for a Housing Program that it received funds for the previous year, a written explanation describing cost increases, the unavailability of previously committed funding sources or other circumstances deemed by CHFA to be reasonably unanticipated must be submitted with the application justifying the need for additional HTCC funds.

E. Application Submission

All applications for HTCC funding must be submitted through an electronic application platform provided by CHFA (SharePoint) and utilizing the CHFA/DOH Consolidated Application (ConApp) provided in the SharePoint site. A separate SharePoint website must be requested for each funding round application to be submitted.

F. Application Requirements

In addition to the threshold requirements, each applicant will furnish the following for review:

- A description of the Housing Program, including the total number of households to be served, as well as the number of households to be served with incomes described in terms of AMI bands, i.e.,

  - ≤25% AMI (Extremely Low-Income)

  - >25 and ≤ 50% AMI (Very Low-Income)

  - >50% and ≤ 80% AMI (Low-Income) and

  - >80% and ≤ 100% AMI (Moderate-Income)

Gross rents (rents charged plus utilities paid by the tenant) must be affordable pursuant to the current HUD Maximum Gross Rent and Income Limits for the designated area, or gross mortgage payment (principal, interest, taxes and insurance paid by the homeowner) must be affordable. If a committed source of funds (for example, DOH funds or funds from a local municipality) are part of the transaction, the rent and income limit schedule required by such funding source must be submitted.

- Project financing plan, including development budget, rental income projections and operating budget. Eligible predevelopment costs may be included in the development budget. Eligible pre-development costs are expenses that are necessary before the construction stage of a project begins and may include items such as architectural design plans and specifications, environmental studies, cost to acquire the site (if acquisition and related fees do not exceed appraised value), appraisals, and market studies. Administrative costs are not an eligible predevelopment expense. Overhead, profit, and general requirements shall not exceed the percentages set forth in CHFA's Procedures.

- Evidence of financial commitments:

  - Loans – evidence in the form of a letter of commitment from the lending institution. The letter should clearly outline the accepted terms and conditions.

  - Grants – evidence in the form of a letter of commitment stating the grant amount or a copy of the check.

  - Energy Rebates – evidence in the form of a countersigned application from the utility company will be considered a financial commitment.

  - Deferred Developer Fee – will only be considered a firm commitment if a fully executed partnership or operating agreement is provided.

  - Sponsor Equity – evidence in the form of a copy of cancelled check(s) or a certified letter from a certified public accountant (CPA) dated within three (3) months of the application due date stating that the funds are available and allocated for the development; a Board resolution which clearly states the terms and conditions of the loan or grant; OR a bank statement along with a certified letter from the Applicant stating the funds are allocated for the development. Applicants should submit a letter from a CPA to evidence net assets. Pages from audited financial statements are not acceptable. Ownership equity in land or buildings purchased by the applicant/sponsor specifically for the Housing Program (which equity is not offset by any remediation or other predevelopment costs), will be considered sponsor equity if it is evidenced by an as-is appraisal or settlement statement that is no older than 12 months from the application due date. Land or building owned by the applicant/sponsor not part of the Housing Program will not be considered sponsor equity.

- Reserves – evidence in the form of third-party verification from the entity that holds/releases the reserve funds which clearly states the reserves will be used for the project applying for HTCC funds and the amount which is available for use. If the reserves are held by CHFA, evidence that CHFA has authorized the use of reserve funds for this purpose must be provided. If the reserves are held by the applicant, provide a Board resolution which clearly states the reserves may be used for the HTCC project.

- LIHTC Commitments – For 9% LIHTCs, a Reservation Letter is considered evidence of a firm commitment. For 4% LIHTCs, a firm commitment for tax-exempt bonds must be in place to be considered a firm commitment.

- Evidence of Leveraged Funds for Revolving Loan Funds (RLFs):

    - Prior HTCC awarded funds will no longer be considered leverage for RLF applications.

    - Only funds that the applicant has access to will be considered leveraged funds for this purpose (e.g., an approved Line of Credit, funds in a Money Market account designated for this purpose, Sponsor Cash/Equity).

    - For each leveraged source listed, the applicant must also provide evidence of the recent balance of available funds (within 90 days of the application deadline) such as a bank statement or certified letter from a CPA dated within three (3) months of the application due date stating that the funds are available and allocated for the project.

    - Leveraged funds should complement or supplement the proposed HTCC RLF Program.

- Priority Funding Area – is used to determine the Housing Program location in an urban area. Applicants are advised to access the interactive Locational Guide Map and enter the address of the Housing Program to determine priority funding area criteria. If an applicant does not agree with the criteria on the interactive map, additional information must be submitted that clearly demonstrates how the project meets the specific criteria in question.

- In the case of any RLF, a detailed description of the fund including, but not limited to, uses, approval processes, loan committee/approval process, loan servicing and marketing strategy shall be provided. Key elements of such description should include the anticipated location of proposed homes, approximate amounts of loans, interest rates and terms of loans, maximum income of eligible borrowers in terms of AMI, and marketing strategy, along with evidence of housing need as demonstrated by a market study. Revolving loan fund applicants must also demonstrate the capacity to maintain the loan fund i.e., describe the infrastructure and ability to service the loan fund and describe staff on hand to carry out operations of the loan fund. Documents (templates) to be utilized in the administration of the revolving loan fund must be included.

- If applying for HTCC funding under a set-aside for Permanent Supportive Housing, include evidence that:

  - The ***applicant*** is itself a Qualified Service Provider as listed and defined in the most current Supportive Housing Guideline and the program service plan shall be provided. Applicants shall refer to the most current Supportive Housing Guideline, as amended at times, for additional information and the list of Qualified Service Providers.

  - Applicants applying for a Housing Program that contains Permanent Supportive Housing units, whether or not under the Permanent Supportive Housing set-aside, are advised that the Housing Program (should it be awarded HTCC funds) will be subject to quality assurance monitoring by CHFA's designee or agent. Complete information is contained in the Supportive Housing Guideline.

- Evidence must be provided by an applicant applying for HTCC funding under a set-aside for Workforce Housing:

  - (1) as to the extent to which funds are to be used to establish a program of assistance to individuals to purchase or rent Workforce Housing, including the extent to which the Workforce Housing Program would reduce the commuting distance of participants; (2) the degree to which the Nonprofit Corporation has the administrative capability to administer such program of assistance to individuals. The applicant shall provide evidence supporting individual assistance that may include rent concessions, security deposit concessions, rent reductions, childcare provided at no- or low-cost onsite, dependent care credit against rent or other benefit to be directly provided by the applicant to tenant(s). Evidence of reduction in commuting distance shall be incorporated into the applicant's rental application, and prospective tenants shall provide distance from previous residence to workplace and new residence to workplace. Applicant will be required to report outcomes of this effort with submission of the quarterly report and/or closeout report (as required), and (3) for Workforce Housing projects committing to a Low- Income Service Period, a deed or land use restriction preserving the units for Workforce Housing for the duration is required at application (proposed format) and closeout (recorded document).

  - An Acceptable Workforce Housing Marketing Strategy. For both Workforce Housing-Homeownership opportunities and Workforce Housing-Rental opportunities, a detailed description of the Housing Program must be provided which includes targeted geographic locations and a marketing strategy for the contemplated borrowers or renters and the proximity to the municipality where they work. An acceptable Workforce Marketing Strategy is a long-term, forward-looking approach and an overall plan devised by the developer/owner/sponsor or its marketing consultant that is specific to the Housing Program with the fundamental goal of understanding the needs and wants of customers. Such marketing strategy shall also describe how assistance is to be provided for such individuals for the Workforce Housing proposed and include the proximity to the municipality where they work.

III. APPLICATION REVIEW

A timely filed application submitted by an eligible applicant will be reviewed for consistency with the statute, CHFA's Procedures, Policies, Guidelines and NOFA requirements, as applicable. Applications must be complete at the time of submission. There may be a clarification period during which time CHFA, at its discretion, may ask applicants for clarifications or additional information.

A self-scoring sheet is contained within the ConApp. Portions of the sheet are automatically generated with the completion of the ConApp; however, the applicant must complete certain areas of the sheet to determine their self-score. Prior to the end of the review period, CHFA may contact applicants to discuss the scoring.

CHFA reserves the right to request additional information as may be deemed appropriate for the complete review of the application, including items requiring clarification, related to self-scoring, and/or clarification on projects or units that have been previously awarded or benefited from HTCC funds.

A. Application Rating & Ranking

Applications will be rated and ranked on the following primary categories of:

- Project Feasibility and Readiness to Proceed
- Affordability
- Applicant Capacity/Goals Accomplished
- Livability Initiatives
- Compliance

Information submitted in the HTCC application will be evaluated and ranked by standards that are further described in the ConApp. (See applicable Points Calculation Worksheet in the ConApp.) The top-ranking Housing Programs will receive a tentative tax credit reservation provided a financing need exists. If an application under a set-aside does not score highly enough to earn a reservation because that set-aside is oversubscribed, it will be ranked in the general class. If a portion of the set-aside remains unallocated, the remaining balance will be contributed to the pool of general class applicants.

B. Tie Breaker Policy

In the event that two Housing Program applications receive equal point rankings, CHFA shall use the following tie-breaker preferences, in the following order:

1. Project Feasibility and Readiness to Proceed
2. Affordability
3. Applicant Capacity/Goals Accomplished
4. Livability Initiatives
5. Compliance

C. Awards

CHFA shall publish the results of the rating and ranking of the Housing Program applications on its website serving as notice of tentative tax credit reservations. It is the obligation of the awardee to obtain a Business Firm commitment to purchase the tax credits within a specific time frame from date of notice as described in the Procedures. If an applicant is unable to do so within sixty (60) days, the tentative tax credit reservation is withdrawn and CHFA may award the next eligible applicant.

IV. COMPLIANCE

The critical components of maintaining HTCC Program compliance are outlined below and described in detail further in this section.

1. **Obtain necessary project approvals.** It is the responsibility of the Nonprofit Corporation to obtain any approvals necessary to carry out the project once awarded HTCC funds. This includes, but is not limited to, approvals for demolition, building, zoning changes, or any other municipal approval.

2. **Maintain a segregated bank account and accurate accounting records.** The Nonprofit Corporation shall maintain a segregated bank account for proceeds or contributions received for which a tax credit voucher(s) has been issued, shall provide CHFA with proof that the HTCC funds have been deposited in the segregated bank account as soon as the funds are in the account, and shall maintain complete and accurate accounting and records for the funds.

   For Affordable Housing and Workforce Housing Revolving Loan Funds, the Nonprofit Corporation must maintain records of account balances, loan activity, fund maintenance, and compliance with CHFA's requirements. It shall furnish CHFA with financial statements and other reports relating to the operation of the Housing Program in such detail and at such times as may be required.

3. **Make good faith efforts to market the Housing Program.** The Nonprofit Corporation must make active, good faith efforts to market its Housing Program and carry out the objectives of the Housing Program as described in its HTCC application. It will furnish CHFA with marketing materials and other documents relating to the marketing of the Housing Program in such detail and at such times as may be required.

4. **Meet the required Housing Program Timeframes.** Housing Programs shall be scheduled for completion not more than three (3) years from the Date of Approval. The anticipated date of completion shall be documented in the project schedule submitted with the application.

   RLF: In the case of revolving loan funds, 100% of the HTCC funds must be loaned out within three (3) years of the fund's inception (which is the date that funds are received from the Business Firm).

5. **Submit timely, accurate and complete Quarterly and Closeout Report materials.** Avoid noncompliance and the assessment of penalties by being on time with required submissions.

6. **Seek approval for Housing Program changes and modifications.** It is the expectation that the Nonprofit Corporation complete the Housing Program as presented in their application within the required time period. If a Nonprofit Corporation is considering a change to a Housing Program or seeks guidance regarding the magnitude of a change, it is advised to contact CHFA at the earliest opportunity.

7. **Participation in CHFA monitoring activities.** CHFA may, upon notification, visit the Nonprofit Corporation to inspect records related to the Housing Program. In addition, CHFA shall conduct scheduled Housing Program site visits, which will require applicant participation. Recipients are advised to review the HTCC Procedures, information, Guidelines, and Policies published on CHFA's website to ensure that compliance requirements are fully understood.

8. **Avoid penalties and noncompliance designations.** Failure to be compliant with HTCC requirements may impact participation in future CHFA funding rounds per the Eligibility Policy.

A. Housing Program Timeframes

Housing Programs shall be scheduled for completion not more than three (3) years from the Date of Approval. All required closeout documents shall be submitted no later than three (3) years and ninety (90) days from the Date of Approval. The anticipated date of completion shall be documented in the project schedule submitted with the application. All HTCC funds must be exhausted within the three-year timeframe.

RLF: In the case of Revolving Loan Funds, the Nonprofit Corporation must loan out 100% of its HTCC funds within three (3) years of the HTCC investment, which is the date that funds are received from the Business Firm (or December 31st of the calendar year of the award, whichever is sooner). The Revolving Loan Fund must remain open a minimum of three (3) years and may remain open longer, but all HTCC funds must be exhausted within the three-year time frame. If the HTCC funds are exhausted prior to the three-year time frame, the Nonprofit Corporation must keep the HTCC award open for the required timeframe and continue to provide quarterly reports that indicate the amount, if any, of revolved funds that have been receipted back into the segregated account and loan for eligible uses.

B. Quarterly Reporting Requirements

Approved Housing Programs must submit quarterly progress reports evidencing compliance with the submitted Housing Program and project schedule in accordance with the due dates described below. At any time, CHFA may request, and the Nonprofit Corporation must provide, additional information or reporting related to the Housing Program, in addition to the required quarterly reporting.

The Nonprofit Corporation must submit bank statements, associated invoices and other information and reports relating to the operation of the program as a component of the required quarterly progress reporting to CHFA.

For Affordable Housing Developments, submitted quarterly reports shall be accompanied by disbursement/accounting summaries of the Housing Program’s segregated account, an updated development budget, applicable invoices, and progress photos taken at properties. Documentation should match the information provided on the submitted quarterly reports.

RLF: For Revolving Loan Funds, reporting requirements mean a quarterly compilation of the Fund(s) for a period of three (3) years from the Date of Approval. As part of this three-year reporting requirement, the Nonprofit Corporation must report on the status of the Revolving Loan Fund activity and borrower eligibility. All relevant loan documents that back up the use of the HTCC funds must be provided with final closeout.

Workforce Housing Developments quarterly reporting must include evidence of the how the HTCC funds were used to support individual assistance (i.e., rent concessions, security deposit concessions, rent reductions, childcare provided at no- or low-cost onsite, dependent care credit against rent or other benefit to be directly provided by the applicant to tenant(s)). In addition, the quarterly report submission must include evidence that the workforce housing tenant(s) works in the municipality of the development.

If permits weren’t provided in the original application, they must be submitted once attained, if applicable.

If a project is not proceeding as scheduled, CHFA will request documentation be provided to evidence that efforts are being made to move the project forward. CHFA staff may request copies of building permits, updated zoning letters, copies of contracts, etc. to ensure work is being done on the project.

Timely, ongoing reporting is required. Failure to submit timely quarterly progress reports may impact future eligibility and/or maximum scoring in future HTCC application rounds, through penalties related to delinquency or continued noncompliance (refer to Section IV. E. Penalties and Noncompliance).

Any deviation from the project as presented in the original application (such as scope of construction, unit count, income targeting, budget revisions or modifications, changes in the allocation of HTCC funds, etc.) requires CHFA's prior written consent.

The first quarterly report is due April 15th (for quarter ending March 31st) of the year following the award. Subsequent due dates are July 15th, October 15th, and January 15th for the quarters ending June 30th, September 30th, and December 31st, respectively. All quarterly reports and back-up documentation must be uploaded to the secure HTCC dropbox system via the link on the CHFA website. This will ensure proper and timely tracking. Your quarterly report will not be tracked if you do not submit it to the secure dropbox.

One report must be submitted per project number. However, if you have multiple awards for one project, please make sure you clearly note both project numbers on the report.

C. Closeout Reporting Requirements

Housing Programs must demonstrate final completion by submitting a signed certificate of completion form, along with certificate(s) of occupancy (CO), temporary certificate(s) of occupancy (TCO) or a letter from the local municipal building official indicating that a CO/TCO has been issued and is valid for the Housing Program as of the date of project completion.

RLF: Revolving Loan Fund(s) must demonstrate final completion by submitting a certificate of completion, prepared by a CPA, and copies of all relevant loan documents that backup the use of the HTCC funds.

Once substantial completion of 95% has been reached, preparation of the closeout documents may begin and be sent to CHFA.

HTCC applicants must submit documentation to close out their HTCC award even if they have achieved final closing with CHFA for other funding.

Applicants must certify that all scoring criteria have been met **and that all HTCC funds were used as intended, or in accordance with CHFA-approved changes in scope as reported in previous Quarterly Reports,** in order to closeout the project. If applicants fail to meet the scoring criteria in their original application, **or any previously undisclosed project deviations are discovered,** the Nonprofit Corporation will be considered in HTCC Program noncompliance.

If a CO/TCO is not available for the originally proposed property(ies), a letter from the applicant must be provided, subject to CHFA's review and approval, explaining the extenuating circumstances which will result in a deviation from the Housing Program. Such deviation may result in the ineligibility of the Nonprofit Corporation to apply for two (2) consecutive application years.

CHFA may grant extensions for closeout past the three-year timeframe. All requests are at CHFA's sole discretion and points may still be deducted from future funding rounds for failure to comply with the closeout timeframe. Closeout extensions that are one year or more from the original closeout date may result in ineligibility of the Nonprofit Corporation to apply for two (2) consecutive application years.

D. Housing Program Changes

Changes to a funded Housing Program may be considered with prior written consent by CHFA. If a Nonprofit Corporation is considering a change to a Housing Program or seeks guidance regarding the magnitude of a change, it is advised to contact CHFA at the earliest opportunity. If a Housing Program change involves the removal of a unit(s) that was a part of the original scope of work previously approved during the round, CHFA reserves the right to require the applicant to return to CHFA the portion of the HTCC funds attributable to the modification. Nonprofit Corporations are dissuaded from making a request that includes the replacement or swap of a unit(s) or building(s) that was not a part of the original proposal.

If a Nonprofit Corporation wishes to make a change to a Housing Program plan or budget, such revision requests should be submitted in writing to CHFA. Written approval shall be required from CHFA prior to the change being made.

E. Penalties and Noncompliance

Failure to be compliant with HTCC requirements may impact participation in any future CHFA funding rounds per the Eligibility Policy.

Reporting and delinquent closeout noncompliance may also impact eligibility for other CHFA funding rounds. Additionally, non-responsiveness to requests for reports or information may lead CHFA to assess penalties and/or reclaim the remaining funds and redistribute them to another Housing Program.

If the Nonprofit Corporation does not comply with requirements of the HTCC Program, CHFA at its sole discretion shall reserve the right to require the funds be transferred from the Nonprofit Corporation's account to CHFA to be held in escrow and disbursed by CHFA.

RLF: All HTCC funds must be exhausted within the three-year timeframe or CHFA may reclaim the funds and redistribute them to another Housing Program.

If a project is not completed within three (3) years from the Date of Approval, this will be considered an event of noncompliance.

Please note the following penalties related to noncompliance:

Submitting delinquent quarterly reports in one (1) instance	Warning will be issued; warnings expire after three years.
Submitting delinquent quarterly reports in two (2) instances	Twenty (20) points will be deducted from subsequent HTCC applications for a period of two (2) consecutive funding years. After the second instance of a delinquent quarterly report, CHFA will notify the Nonprofit Corporation that a 20-point deduction will be assessed on the submission of an HTCC application for the next two (2)

	consecutive funding rounds.
Submitting delinquent quarterly reports in three (3) instances	Thirty (30) points will be deducted from subsequent HTCC applications for a period of two (2) consecutive funding years. After the third instance of a delinquent quarterly report, CHFA will notify the Nonprofit Corporation that a 30-point deduction will be assessed on the submission of an HTCC application for the next two (2) consecutive funding rounds.
Submitting delinquent quarterly reports in four (4) instances	The Nonprofit Corporation will be considered in HTCC Program noncompliance and will be unable to apply for the HTCC Program for two (2) consecutive funding rounds. After the fourth instance of a delinquent quarterly report, CHFA will notify the Nonprofit Corporation that they will be ineligible to apply to the HTCC Program for the next two (2) consecutive funding rounds.
Submission of report(s) and back-up materials reveal that the HTCC funds were used for an ineligible expense related to the Housing Program.	Ten (10) points will be deducted from subsequent applications for a period of two (2) consecutive funding rounds. CHFA may require the Nonprofit Corporation to reimburse the HTCC account for the ineligible expenses and/or escrow the remaining HTCC unexpended funds with CHFA (CHFA will disburse funds based on eligible expenses for the project).
Failure to submit the required occupancy documentation and closeout certificate within ninety (90) days of project completion	The Nonprofit Corporation will be considered in HTCC Program noncompliance and will be unable to apply for the HTCC Program for two (2) consecutive funding rounds. The Nonprofit Corporation will be notified accordingly.
Failure to proceed with the Housing Program in accordance with the project schedule or demonstrate that completion occurred within three (3) years from the Date of Approval; or lapse in fiduciary responsibility (i.e., co-mingling funds, switching properties, etc.)	Remaining funds contributed by Business Firms may be reclaimed by CHFA, and the Nonprofit Corporation will be ineligible to apply under the HTCC Program for a period of two (2) consecutive funding rounds. The Nonprofit Corporation will be notified accordingly.

Penalties and events of noncompliance are assessed to the Nonprofit Corporation (not to the individual project).

V. BUSINESS FIRM INVESTOR INFORMATION

An applicant awarded state tax credits under the HTCC Program is obligated to seek an investor Business Firm that wishes to invest in affordable housing by purchasing the tax credits. The tax credit vouchers provided under the HTCC Program reduce the investor Business Firm’s Connecticut corporate taxes. The amount of tax credits is equal to the Business Firm’s contribution, making the HTCC Program a dollar-for-dollar tax credit program. Other than limits established by law, there is no limit to the amount that any one Business Firm may contribute to HTCC recipients in the aggregate; however, each Nonprofit Corporation may receive no more than $500,000 in total contributions in a particular funding round.

A. Business Firm Eligibility

To be eligible to participate in this program, a Business Firm shall submit an endorsed Certificate of Incorporation and a Certificate of Existence for the current year issued by the Office of the Secretary of the State of Connecticut.

B. Application Process for Business Firms

In order for a Business Firm to receive a reservation of credits, it must commit in writing to contribute to an eligible Housing Program to be developed by a Nonprofit Corporation. A tax credit voucher will be provided to the Business Firm by CHFA upon verification that the tax credits have been purchased and a contribution made.

Applications for Business Firm contributions shall be filed annually with CHFA. Applications for tax credit vouchers shall be made on forms prescribed and furnished by CHFA. As part of the application approval process, the Business Firm is required to furnish the following:

- A list of the Housing Program(s) to which the Business Firm intends to make contribution(s); and

- The amount of the contribution to be made to each Housing Program.

C. Issuance of Tax Credit Vouchers

Upon the Business Firm's submission of a notarized receipt from the Nonprofit Corporation of the contribution made to the approved Housing Program and evidence that the funds are in a segregated account, CHFA will issue a tax credit voucher.

- Tax credits shall be processed in accordance with policies established by the Department of Revenue Services.

- If a Business Firm is contributing to one or more Housing Programs, the application shall be submitted as a single application.

D. Carryforwards and Carrybacks

The Business Firm's tax credit must be claimed on the tax return of the Income Year during which the Contribution to the Nonprofit Corporation was made. Any tax credit not used in the period during which the contribution was made may be carried forward or back for the five (5) immediately succeeding or preceding Income Years until the full credit has been utilized.

VI. DISCLAIMER

Applicants are ultimately responsible for providing the information necessary for determining applicant and project eligibility, as well as compliance under the HTCC Program. Applicants shall carefully abide by the terms and requirements of all applicable Policies, Procedures and Guidelines of CHFA, as well as any specific requirements described in CHFA's NOFA. In addition, no CHFA document shall be relied upon exclusively or as a substitute for the advice of an applicant's tax or legal counsel. If any statement on the CHFA website conflicts with the laws governing the program, the laws take precedence. All eligibility requirements and submission materials are subject to CHFA's sole discretion.

VII. DEFINITIONS

"Affordable Housing Development" (see "Housing Program")

"Area Median Income (AMI)" means the area median income adjusted for Family size, as determined yearly by the United States Department of Housing and Urban Development (HUD). The median divides income distribution into two equal parts: one-half of the cases falling below the median income and one-half above the median income. HUD uses the median income for Families in metropolitan and non-metropolitan areas to calculate income limits for eligibility in a variety of housing programs. HUD estimates the median Family income for an area in the current year and adjusts that amount for different Family sizes so that Family incomes may be expressed as a percentage of the area median income.

"Business Firm" means any business entity as defined in C.G.S. Section 8-395(a).

Community Development Financial Institution (CDFI) means a specialized financial institution incorporated within the state as a Nonprofit Corporation tax-exempt financial institution, designated and certified by the CDFI Fund, a bureau of the United States Department of the Treasury.

"Certificate of Existence" means a document that shows conclusive evidence that a corporation is in good standing in the state in which the corporation originally registered. In Connecticut, this certificate is issued by the Secretary of the State's office.

"Certificate of Incorporation" means a legal document filed with the Secretary of the State of Connecticut, as defined in Section 33-1002 of the Connecticut General Statutes, as may be amended from time to time, that states the entity's name and address, its purposes, the distribution of its stock (if any), its members names and address, etc.

"Contribution" means cash payment.

"Date of Approval" means date on the reservation letter or in the case of Revolving Loan Funds, the date of the fund's inception.

"Eligible Expenses" as the term applies to Revolving Loan Funds relates to the acquisition of housing located in Connecticut that is occupied by Extremely Low-, Very Low-, Low- and Moderate-Income Families for more than one hundred eighty-three (183) days per calendar year and which has a purchase price that is not greater than the sales price limits set yearly by CHFA. Eligible Expenses may include, but are not limited to:

- Down payment assistance for no greater than 25% of the cost of home purchase;
- Mortgage interest rate buy downs;
- Reasonable and customary closing costs; and
- Rehabilitation costs.

"Extremely Low-Income" for the HTCC Program means low-income Families whose income does not exceed 25% AMI.

"Family" means a household consisting of one or more persons.

"Housing Program" means a plan or program to:

- build, acquire, and/or rehabilitate, housing to provide decent, safe and sanitary homes for Extremely Low-, Very Low-, Low- and Moderate-Income Families, referred to as Affordable Housing Development; or
- capitalize a Revolving Loan Fund to provide low-cost loans for housing construction, repair or rehabilitation to provide decent, safe and sanitary homes for Extremely Low-, Very Low-, Low- and Moderate-Income Families or Workforce Housing referred to as "Revolving Loan Fund" or "RLF".

"Income Year" means the Business Firm's Income Year, as defined in C.G.S. Section 12-213(a)(5).

"Locational Guide Map" means the interactive map provided by the State of Connecticut Office of Policy and Management in conjunction with its published 2018-2023 Connecticut Conservation and Development Policies Plan designed to identify the existing criteria for priority funding areas by specific address or location.

"Nonprofit Corporation" means a Nonprofit Corporation incorporated pursuant to Chapter 602 of the C.G.S. having as one if its purposes the construction, rehabilitation, ownership or operation of housing and having articles of incorporation approved by CHFA in accordance with regulations adopted pursuant to C.G.S. Section 8-79a or 8-84.

"Percentage Complete" means the estimated percent of the Housing Program that is completed. Percentage Complete is not solely based on the percentage of HTCC funds expended to date.

"Qualified Service Providers" means a community-based, nonprofit service provider organization experienced in the provision of supportive housing and homeless services that has received extensive Connecticut Department of Mental Health and Addiction Services or Department of Developmental Services training and is currently receiving funds from the state under contract in good standing. Refer to the Supportive Housing Guideline on CHFA's website.

"Quality Assurance Program" means a program that applies to all Permanent Supportive Housing projects funded by the State and/or CHFA that includes regularly scheduled monitoring activities and site visits during which the monitoring agency will review service-related activities and record-keeping.

"Revolving Loan Fund" or "RLF" (see "Housing Program")

"Supportive Housing Guideline" means the informational document that provides a description and an outline for the service program plan and details the criteria by which Permanent Supportive Housing is defined. Additionally, it describes the Quality Assurance Program and provides a list of Qualified Service Providers.

"Very Low-, Low- and Moderate-Income Families" means Families whose total household income does not exceed 50%, 80% and 100% of Area Median Income, respectively, as defined by HUD.

"Workforce Housing" means affordable housing for low- and moderate- income wage or salaried workers in the municipalities where they work.

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[1] If you need further assistance understanding the HTCC Program and how it might benefit your Housing Program, you are encouraged to visit our website: https://www.chfaorg/developers/tax-credit-program/htcc/.