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APPROVAL OF THE GOVERNOR REGARDING

2014 LOW-INCOME HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN

WHEREAS, the Connecticut Housing Finance Authority (the "Authority") is the allocating agency for the Low-Income Housing Tax Credits in the State of Connecticut (the "State"); and

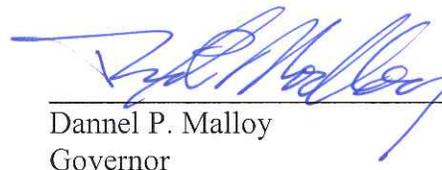
WHEREAS, the Authority previously adopted a Qualification Allocation Plan (QAP) for the allocation of Low-Income Housing Tax Credits in the State; and

WHEREAS, the Board of Directors of the Authority voted to amend the QAP on August 28, 2014 in the form attached as Exhibit A (the "2014 QAP"), following public hearings held on May 22, 2014 and August 27, 2014 after due and proper publication of Notice of Public Hearings; and

WHEREAS, the 2014 QAP requires the approval of the Chief Elected Officer of the State or his authorized designee.

NOW THEREFORE, I AS GOVERNOR OF THE STATE OF CONNECTICUT HEREBY APPROVE the 2014 Low Income Housing Tax Credit Qualified Allocation Plan.

IN WITNESS WHEREOF, I have hereunto set my hand as Governor this 22<sup>nd</sup> day of Sept 2014.



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Dannel P. Malloy  
Governor



CONNECTICUT  
HOUSING FINANCE  
AUTHORITY

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Low-Income Housing Tax Credit

Qualified Allocation Plan

**2014**

Application Year

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## I. FEDERAL REQUIREMENTS

The Federal Low-Income Housing Tax Credit Program ("LIHTC") requires the agency in each state responsible for allocating the Federal Low-Income Housing Tax Credits ("Credits") to adopt a plan for the allocation of such Credits within its jurisdiction which plan is to be relevant to the housing needs and consistent with the housing priorities of such state. This is the Qualified Allocation Plan ("Plan") for the State of Connecticut ("State").

According to Section 42(m) of the Internal Revenue Code of 1986, as amended (the "Code"), the Plan must:

1. Set forth selection criteria to be used to determine housing priorities of the Connecticut Housing Finance Authority ("Authority"), as the housing credit agency for the State, which are appropriate to local conditions;
2. Give preference to projects:
  - a. serving the lowest income tenants, and;
  - b. obligated to serve qualified tenants for the longest period of time;
  - c. which are located in qualified census tracts and contribute to a concerted community revitalization plan, and;
3. Provide a procedure that the Authority (or its agent) will follow in monitoring for non-compliance with the provisions of Section 42 of the Code and in notifying the Internal Revenue Service ("IRS") of project non-compliance that comes to the attention of the Authority.
4. Additionally, the Plan selection process must apply criteria addressing the following:
  - a. project location,
  - b. housing needs characteristics,
  - c. project characteristics,
  - d. sponsor characteristics,
  - e. tenant populations with special housing needs,
  - f. public housing waiting lists,
  - g. tenant populations of individuals with children,
  - h. projects intended for eventual tenant ownership,
  - i. energy efficiency, and
  - j. historic nature.

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## II. STATE HOUSING PLANS

The Plan for allocating Credits in the State supports the needs and priorities as defined in the current State of Connecticut Consolidated Plan for Housing and Community Development (“ConPlan”) and the current Annual Action Plan, as required by the National Affordable Housing Act of 1990 (“Act”). The Act requires that the ConPlan govern the allocation of Federal funds by the State. The ConPlan also is required to be consistent with the State of Connecticut Conservation and Development Policies Plan (“C&D Policies Plan”). The C&D Policies Plan includes policies for the development of affordable rental housing.

The Plan will not undertake a separate needs assessment or establishment of goals and objectives, but incorporates by reference the needs assessment of the ConPlan and adapts its specific priorities for rental housing for use in the Plan. Additionally, the Plan similarly adapts relevant housing policies of the C&D Policies Plan.

### A. ConPlan

The overall goal of the community planning and development programs covered by the ConPlan is to develop viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities principally for low- and moderate-income persons.

The affordable housing development objectives of the ConPlan adapted for use in this Plan may include the following:

1. Make housing investments that support responsible growth and development in the state and the efficient use of existing infrastructure investment in transportation, water, sewer, and other utility systems.
2. Preserve and increase the supply of quality affordable housing in order to support economic growth and the development of stable and healthy communities and neighborhoods.
3. Preserve and increase the supply of affordable housing that expands housing choice and opportunity.
4. Prevent and reduce chronic homelessness.

### B. C&D Policies Plan

Affordable rental housing development policies of the C&D Policies Plan adapted for use in this Plan incorporate the Growth Management Principles of C&D Policies Plan which call for revitalizing regional centers, expanding housing opportunity and choice, as well as concentrating investments that support both development and transportation. In addition, this Plan is also consistent with the C&D Policies Plan regarding its policy to promote “housing mobility and choice across income levels utilizing current infrastructure and the preservation of existing residential neighborhoods and housing stock.”

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### III. ALLOCATION PROCESS

#### A. Statutory and Procedure Requirements

All proposed projects must meet occupancy, rent restrictions and other basic statutory requirements of the Code, LIHTC Procedures of the Authority, and applicable State and Federal law.

#### B. Credit Availability

In order to provide predictability to the development community each time that a 9% round's awards are announced, the Authority will estimate and release the amount of Credits available for the subsequent round. The amount estimated to be available will be based upon the estimated Credit Ceiling, adjusted for forward allocations, if any, and any designated exceptional priorities, if any, using the following calculation:

1. The previous round's Credit Ceiling, less;
2. Forward Allocations awarded in the previous round, plus;
3. Forward Allocations from the next year's Credit Ceiling, less;
4. Exceptional Priorities approved by the date of the previous round's award.

#### C. Allocation Priorities

The Plan provides priority for housing development proposals which incorporate:

Rental Affordability – Creates or preserves rental units dedicated to low-income families, households and individuals with incomes below 50% of the Area Median Income.

Financial Sustainability – Demonstrates cost effectiveness through efficient use of Credits and other sources.

Municipal Commitment & Impact – Supports use of land and resources in ways that enhance the long-term quality of life which contributes to a vibrant and resilient economy and maximizes existing infrastructure while preserving natural resources, giving priority to projects that reuse or capitalize areas within built-up lands, existing commercial properties, and brownfield sites.

Qualifications & Experience - Promotes an experienced development team's strong track record in LIHTC and affordable housing development.

#### D. 9% LIHTC Allocation Process

The Authority will allocate 9% Credits based upon the selection criteria and application ranking procedures set forth below:

1. Applications in the 9% round will be separated into two classifications: Public Housing and General.
2. Determine LIHTC eligibility based on the criteria in Section III. F.
3. Score applications based on the criteria in Section III. G (including the CDBG-DR category).
4. Select the highest-scoring applications in Public Housing and General Classifications subject to adjustments for the following, as necessary:

- 
- Within the General Classification, skip over higher-scoring applications to fulfill the 10% non-profit requirement; and
  - Within the General Classification, skip over higher scoring application to award at least one new construction family development located within a municipality listed on the Housing Appeal Procedure List where there is less than 10% assisted and deed restricted housing according to the C.G.S. Section 8-30g(k) and identified on the “Affordable Housing Appeals Procedure List”, published by DOH.

The Authority intends to distribute evenly the available 9% Credits between the Public Housing and the General Classifications, and may reallocate available Credits at its discretion.

Tie breakers: If two projects have equal scores, the Authority will use the following tie-breakers, in order:

1. Highest Total Rental Affordability Category score;
2. Highest Total Municipal Commitment & Impact Category score;
3. Highest Total Financial Sustainability Category score; and
4. Highest Total Qualifications & Experience Category score.

The results of the evaluation and ranking will be determined at the sole discretion of the Authority.

#### **E. Application Classifications**

Applications for 9% Credits are grouped into one of three classifications for evaluation. The Public Housing and General Classifications are used for allocation within the competitive round. Exceptional Priorities are designated independent of the competitive round.

Public Housing Classification – Preservation, rehabilitation or qualified new construction that is part of a comprehensive plan to replace and/or rehabilitate public housing units. This classification is limited to applications that address housing policy to revitalize housing developments that were financed and developed through Federal or State public housing programs. Among its purposes, the project must include but not be limited to integrating units into the community or region and encouraging economic integration.

General Classification - Projects that do not qualify for the Public Housing Classification.

There is not a separate classification for projects involving qualified non-profit organizations. Credits will be allocated subject to satisfying the non-profit set-aside requirement stated in Section 42(h)(5) of the Code. Non-profit organizations must satisfy the following requirements in order to receive a non-profit designation:

1. The non-profit organization must commit to participating materially (within the meaning of Section 469(h) of the Code) in the development and operation of the project throughout the compliance period; and
2. The non-profit sponsor must be a qualified non-profit organization as defined in Section 42(h)(5)(C) of the Code.

The Public and General Classifications apply to the 9% LIHTC application rounds only.

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Exceptional Priorities Classification – This classification is limited to the replacement of units associated with Vidal Court, Stamford, Connecticut, which development has already been designated as an Exceptional Priority and may be considered for an award at any time.

## **F. Application Criteria**

A completed CHFA-DOH Consolidated Application for Housing Development (“ConApp”) must be submitted by the published deadline. In addition, the following requirements must be met or evidenced:

1. All applications must meet at least one of the following criteria in order to be eligible to apply (criteria based upon the Policies outlined in the C&D Policies Plan):
  - a. Enhance housing mobility and choice across income levels and promote vibrant, mixed-income neighborhoods through rental opportunities;
  - b. Support adaptive reuse of historic and other existing structures for use as residential housing;
  - c. Develop housing in urban communities to people most likely attracted to working and/or living in urban environments, such as families and the elderly;
  - d. Support local efforts to develop appropriate urban infill housing and neighborhood amenities to make better use of limited urban land;
  - e. Develop housing as part of mixed use and transit-oriented development within walking distance to public transportation facilities;
  - f. Increase housing density in village centers;
  - g. Access to parks and recreational opportunities, including trails, greenways, community gardens and waterways, for affordable and mixed-income housing.
2. All applications must also meet policy and administrative requirements of the Authority as follows:
  - a. The proposed development must be ready to proceed as documented by:
    - A credible financing plan as evidenced by letter(s) of commitment or other proof of serious intent on behalf of other sources of funds essential to the viability of the proposed project.
    - Evidence of site control.
    - Evidence of zoning approval.
    - Qualified development team in place, including architect, general contractor and management agent. Sponsor’s subject to bidding requirements may be exempt from having a contractor in place at time of application.
  - b. For rehabilitation projects, there must be a minimum construction hard cost expenditures (Divisions 3-16 as noted on the ConApp Project Cost Summary form) of \$25,000 per unit.
  - c. Developments that received LIHTCs in a prior year are not eligible to apply for 9% LIHTCs if less than 20 years have passed since the project, or a portion of the project, has been placed in service.
  - d. Developments must conform with the Authority’s current Multifamily Design, Construction and Sustainability Standards and Construction Guidelines (“Standards”).

- e. The proposed applicant must commit to undertaking good faith efforts to hire or train very low-income persons in accordance with the Authority’s Very Low-Income Construction Employment Policy.
- f. The sponsor of the project has, in the case of rehabilitated housing, provided a preliminary Capital Needs Assessment (“CNA”) of the structure to be rehabilitated, in form and content consistent with the Standards.
- g. Applications may not be filed by applicants who have failed to comply with the terms of any Extended Low-Income Housing Commitment (“ELIHC”) for a project they previously sponsored or developed.
- h. Each application within the Public Housing Classification will be required to provide a plan that assures meaningful resident participation in the planning and implementation process. (For additional information refer to the Application.)
- i. Sponsors will be required to commit, in writing, 100% of the proposed development units to the local housing authority giving a tenant selection preference to eligible households that are on waiting lists for public or assisted housing.
- j. The Authority’s Board of Directors reserves the right to independently review proposals and not award Credits because of non-compliance with requirements of any adopted housing policy, standards, or objectives of the State.

An allocation of Credits is conditioned upon a Credit reservation by the Authority’s Board of Directors and the submission of a housing market study, in form and content consistent with the Authority’s Market Study Guidelines, indicating sufficient demand for the housing to be developed.

**G. Scoring**

All applicants in the 9% round will be scored by the following criteria (110 points):

**1. Rental Affordability (42 points)**

**a. Supportive Housing Units**

Points will be awarded based on documentation of supportive services from a qualified service provider specifically for residents identified as homeless, chronically homeless, imminently homeless, or at-risk of homelessness as defined in the Supportive Housing Guidelines of the CHFA-DOH Consolidated Application (Appendix 14a). Documentation must include a services plan and evidence of funding commitments for supportive services. If units have a rental subsidy that becomes unavailable, with the authorization of the Authority, the designated supportive housing units may revert to 50% or 60% AMI units as stated in the ELIHC until new rental subsidy funding becomes available.

| Percent of units | Points   |
|------------------|----------|
| ≥ 20%            | 6 points |
| ≥10% and <20%    | 2 points |

**b. Veteran's Supportive Housing**

An additional point will be awarded to developments that give a preference in their Supportive Housing Services Plan for Veterans. (Must receive Supportive Housing points to be eligible.)

1 Point

**c. Households at or below 25 Percent of Area Median Income (AMI)**

Points will be awarded based on the percentage of qualified units that serve households at or below 25 percent of AMI and provide rents pursuant to HUD guidelines adjusted for family size throughout the extended use period.

| Percent of units | Points |
|------------------|--------|
| ≥25%             | 7      |
| ≥20% and <25%    | 4      |
| ≥15% and <20%    | 3      |
| ≥10% and <15%    | 2      |

**d. Households above 25 and at or below 50 Percent of Area Median Income (AMI)**

Points will be awarded based on the percentage of qualified units that serve households above 25 and at or below 50 percent of AMI and provides rents pursuant to HUD guidelines adjusted for family size throughout the extended use period.

| Percent of units | Points |
|------------------|--------|
| ≥40%             | 6      |
| ≥30% and <40%    | 4      |
| ≥20% and <30%    | 3      |
| ≥10% and <20%    | 2      |

**e. Mixed Income Housing**

Projects that promote economic integration by creating mixed income housing will receive points based on the percent of non-qualified units (market rate housing without income restrictions) included.

| Percent of non-qualified units | Points |
|--------------------------------|--------|
| ≥20%                           | 5      |
| ≥10% and <20%                  | 2      |

**f. Preserves At-Risk Affordable Housing**

The rehabilitation project preserves existing occupied affordable housing that is at risk of conversion to unregulated use (expiring use restrictions) and has identified rehabilitation needs. Properties must be at risk of conversion within 3 years of the LIHTC application due date. (rehabilitation levels defined in the Standards)

| Rehabilitation Level       | Points |
|----------------------------|--------|
| Substantial rehabilitation | 5      |
| Moderate rehabilitation    | 2      |

**g. Length of ELIHC**

Projects that commit to longer periods of affordability are preferred, as long as that commitment is sustainable. Points will be awarded for affordability periods totaling 40 years or more (compliance period plus extended use).

| Years of affordability | Points |
|------------------------|--------|
| ≥50                    | 4      |
| ≥40 and <50            | 2      |

**h. Production and Preservation of Units**

The Authority prefers to produce more affordable housing units through the increase in housing supply, as long as such production is appropriate to the site and the needs of the community. Renovation of vacant and blighted units will be counted as new (blighted as defined by HUD).

| Effect on unit count           | Points |
|--------------------------------|--------|
| New Construction               | 4      |
| Increased units by 10% or more | 2      |

**i. Affordability Profile**

Points will be awarded if the units after revitalization are affordable to current residents so that no permanent displacement of current residents is required for

3 Points

reasons of affordability (relocation plan required). Developments with 100% new units will receive points.

**j. On-Site Resident Services Coordinator**

On-site resident services coordinator (RSC), working a minimum of 20 hours per week. Property budget line item or evidence of arrangement with a third party provider specifying the funding source is required.

|         |
|---------|
| 1 Point |
|---------|

|  |
|--|
| <b>2. Financial Sustainability (23 points)</b> |
|--|

**a. Cost Effectiveness, Hard Costs**

Points will be awarded for square foot costs that fall within an acceptable range as evaluated according to the Standards. Points may be awarded to an applicant's score based upon deviation from the Authority's anticipated construction square foot cost. (For additional information refer to the Standards.)

| % Deviation   | Points |
|---------------|--------|
| ≤ negative 3% | 6      |
| >-3% and ≤3%  | 3      |

**b. Credits Per Qualified Bedroom**

Projects will be ranked lowest to highest credits per qualified bedroom and awarded incremental points in accordance with their ranking. Points will be scaled accordingly with the lowest credits per qualified bedroom receiving 5 points and the highest receiving 0. Per-bedroom figures may be modified by the results of the Authority's financial feasibility analysis.

|                             | Points     |
|-----------------------------|------------|
| Lowest credits per bedroom  | 5          |
| Incremental credits         | Scaled pts |
| Highest credits per bedroom | 0          |

**c. Credits less than 50% of Total Uses**

LIHTCs estimated by the Authority for any one development which do not exceed 50 percent of total uses will receive points. LIHTCs estimated by the Authority for developments located in QCTs or DDAs, as defined in Section 42(d)(5)(C) of the Code, which do not exceed 65 percent of total uses as recognized by the Authority.

|          |
|----------|
| 4 Points |
|----------|

**d. Building Plans and Specifications**

Applications that submit building plans and specifications in excess of the minimum requirements may be awarded points as shown in the adjacent table.

| % Complete    | Points |
|---------------|--------|
| ≥90%          | 3      |
| ≥40% and <90% | 2      |

**e. Sustainable Design**

Points will be awarded based upon the number of sustainable design measures provided and indicated in the plans, specifications, Energy Conservation Plan, and/or other support documents as outlined in the Standards.

| % Complete | Points |
|------------|--------|
| 3 measures | 3      |
| 2 measures | 2      |
| 1 measure  | 1      |

| <i>Measure</i>                         | <i>Description</i>  |
|--|---|
| High-performance Building Envelope     | Provides energy efficient design measures that limit heating and cooling loss as outlined in the Standards.                     |
| Renewable Energy                       | Provides a renewable energy system which reduces utility grid impact as outlined in the Standards.                              |
| Low Impact Design                      | Provides a site drainage/storm water retention design which reduces impact on storm water systems as outlined in the Standards. |
| New Natural Gas Utility Infrastructure | Provides new natural gas site utility infrastructure for natural gas-fired space heat and hot water equipment.                  |

**f. Cost Effectiveness, Intermediary Costs**

Cost efficient designs and reasonable soft costs, such as professional fees are strongly encouraged. Two (2) points will be awarded to the top two projects per classification with the lowest percentage of Intermediary Costs.

2 Points

**3. Municipal Commitment & Impact (29 points)**

**a. Municipalities Having Less Assisted and Deed Restricted Housing**

Project is located in a municipality where there is less than 10% assisted and deed restricted housing according to the definition in C.G.S. Section 8-30g (k) and identified on the “Affordable Housing Appeals Procedure List”, published by DOH.

7 Points

**b. Priority Locations**

Project is located in a Priority Funding Area. A point will be given for each of the following criteria as identified by the C&D Policies Plan for the subject property.

- Designation as an Urban Area or Urban Cluster in the 2010 Census
- Boundaries that intersect a ½ mile buffer surrounding existing or planned mass-transit stations
- Existing or planned sewer service from an adopted Wastewater Facility Plan
- Existing or planned water service from an adopted Public Drinking Water Supply Plan
- Local bus service provided 7 days a week

| Criteria   | Points |
|------------|--------|
| 5 Criteria | 5      |
| 4 Criteria | 4      |
| 3 Criteria | 3      |
| 2 Criteria | 2      |
| 1 Criteria | 1      |

**c. Village Priority Funding Area**

Project is located in a Village Priority Funding Area as identified by the C&D Policies Plan for the subject property.

5 Points

**d. Transit-Oriented Development or Neighborhood Conservation Area/Rural Community Center**

“Transit Oriented Development” means the development of residential, commercial and employment centers within one-half mile from a train station or one-quarter mile from other public transportation facilities (For additional information refer to the Glossary. Maps are required to be provided evidencing distance to transportation mode.).

4 Points

**e. Signed Resident Participation Agreement**

Points are given, within the Public Housing Classification only, to applications which include a signed agreement for resident participation. Point are given only if signed agreements are applicable in accordance with C.G.S. 8-64c.

3 Points

**f. Historic Place, Adaptive re-use, or Brownfield Development**

Renovation of a designated historic building; or  
 Renovation of vacant or abandoned non-residential structure (does not have to be historic); or  
 Remediation of Brownfield site (for additional information refer to the glossary).

2 Points

**g. Located in a Qualified Census Tract**

Points awarded to projects which are located in qualified census tracts (as defined in IRC subsection (d)(5) and the development of which contributes to a concerted community revitalization plan. (Municipal plan must be provided.))

1 Point

**h. Municipal Resources**

Commitment(s) received directly from the municipality for financial resources in excess of 5% of Total Development Resources. These may be a non-debt contribution such as land contributions, PILOT or tax abatement, block-grant funds administered by the municipality, or other funds from the municipality. This does not include rental subsidies provided by the municipality.

1 Point

**i. Eventual Home Ownership**

Development proposal has a specific and credible plan (including funds for organization of the tenants and professional representation) to establish tenant ownership of the development (or all of the individual units) after the initial 15 year compliance period.

1 Point

**4. Qualifications & Experience (13 points)**

**a. Experience of the Sponsor/General Partner**

The Authority will award points for demonstrated experience of the sponsor or general partner (“GP”), either principal or entity, in successful LIHTC development(s) based on the scales below up to a maximum of 5 points combined for the number of projects and the years of LIHTC experience.

SECTION IV: Projects Financed with Tax-Exempt Bonds

To count, projects must have a minimum of 5 years of operation since being placed in service. Applicants claiming points for experience should include a list of developments, locations, and years placed in service.

Joint ventures are eligible. Co-GP or joint venture arrangements may combine experience, subject to the approval of the Authority.

Number of Projects: To use the scale, add the applicable points for projects in operation more than 5 years. A maximum of 3 points are possible in this category.

| Projects  | Points |
|-----------|--------|
| ≥6        | 3      |
| ≥4 and <6 | 2      |
| ≥2 and <4 | 1      |

Number of Years' Experience: To use the scale, add the applicable points for years of ownership. A maximum of 2 points are possible in this category.

| Years LIHTC experience | Points |
|------------------------|--------|
| ≥10                    | 2      |
| ≥5 and <10             | 1      |

**b. Developer/Sponsor Resources**

Points will be awarded based upon the percentage of Developer/Sponsor Resources to the project's Total Development Resources (for additional information refer to the glossary).

| % of Resources | Points |
|----------------|--------|
| ≥10%           | 3      |
| ≥5% and <10%   | 2      |
| <5%            | 0      |

**c. Experience of the Management Agent**

Points will be awarded for demonstrated experience of the management agent (principal or entity) in successful management of LIHTC properties, based on the scale, up to a maximum of 2 points.

| Projects  | Points |
|-----------|--------|
| ≥5        | 2      |
| ≥1 and <5 | 1      |

To count, projects must have a minimum of 5 years of operation since being placed in service as of the application due date. Applicants claiming points for experience should include a list of developments, locations, and years placed in service.

Joint ventures are eligible. Joint venture arrangements may combine experience, subject to the approval of the Authority.

**d. Women and Minority Participation**

Women and/or minorities participate in the ownership, development, or management of the project by holding directly a 51 percent or more ownership and voting interest in project ownership, development entity or management firm. For qualified non-profits, women and/or minorities should hold directly a 51 percent voting interest on the board of directors.

|          |
|----------|
| 2 Points |
|----------|

**e. Connecticut-based Contractor**

Contractor is a State based organization whose principal place of business has been located in the State for a minimum of 3 years.

|         |
|---------|
| 1 Point |
|---------|

**5. CDBG – DR Additional Points (3 points)**

**a. Community Development Block Grant - Disaster Recovery Program**

Points will be awarded to no more than two of highest ranking CDBG-DR applications which have an aggregate allocation need of annual LIHTCs not to exceed \$3 million. CDBG-DR developments must be identified by DOH and will be required to have received a written funding commitment from DOH for the subject development.

3 Points

Steps for selecting the two developments to receive points:

1. CDBG-DR applications will be rated using the QAP and the Point Scale above.
2. CDBG-DR points will be given to the highest rated CDBG-DR application.
3. CDBG-DR points will be given to the next highest rated CDBG-DR application so long as the total annual LIHTCs for both CDBG-DR applications do not exceed \$3 million.

**IV. PROJECTS FINANCED WITH TAX-EXEMPT BONDS**

To the extent projects are financed with the proceeds of tax-exempt bonds subject to the annual volume cap limitation under Section 146 of the Code, such projects may receive Credits without receiving an allocation from the Authority. If fifty percent (50%) or more of the aggregate basis of a project (including land) is financed with the proceeds of such tax-exempt bonds, the entire project is eligible for Credits based on its qualified basis without receiving an allocation of Credits from the Authority. However, all credits for such projects must be determined by the Authority to have been consistent with the State’s QAP, such consistency being determined by the following:

- A. Application Criteria: Tax-exempt bond financed projects must meet the application criteria set forth in Section III. F.
- B. Underwriting Criteria: Tax-exempt bond financed projects must also meet the underwriting criteria adopted from time to time by the State Bond Commission for multifamily rental housing financed with bonds issued pursuant to an allocation of volume cap authority approved by the State Bond Commission.
- C. Credit Limitation: Tax-exempt bond financed projects are also subject to the limitation on the amount of Credits available to a project contained in Section 42(m)(2)(A) of the Code.

## V. TAX CREDIT COMPLIANCE MONITORING

### Compliance Monitoring Overview

Section 42(m)(1)(B)(iii) of the Code requires that a qualified allocation plan provide a procedure the agency (or an agent or other private contractor of such agency, ("Authorized Delegate")) will follow in monitoring for noncompliance with the provisions of Section 42 and to notify the IRS of such noncompliance.

The compliance monitoring process will determine if a project is in compliance with the requirements of the LIHTC Program pursuant to Section 1.42-5 of the Treasury Regulations. The Authority's monitoring process is outlined in the Low-Income Housing Tax Credit Compliance Manual which can be downloaded from the Authorized Delegate's website. Please refer to the Compliance Manual for detailed monitoring information. The Authority's compliance monitoring requirements apply to all tax credit projects, including those financed with tax-exempt bonds.

In January, 2011, the Internal Revenue Service (IRS) published the LIHTC 8823 Guide for State Housing Credit Agencies (the "Guide"). (Previous revisions included January 2007 and October 2009.) The Guide includes instructions for completing Form 8823 and guidelines for determining noncompliance and reporting dispositions. The purpose of the Guide is to standardize the treatment of non-compliance issues.

If an owner fails to comply with the requirements of the Code and the Regulations promulgated thereunder, the Authority will notify the IRS of such noncompliance by filing Form 8823.

Owners and management agents of developments placing in service are required to attend the Authority's Tax Credit Compliance Monitoring Conference at least six months prior to the first building's Placed-In-Service date. However, if the owner and agent have previously attended this Conference, within the last three years, the attendance requirement may be waived with Authority approval.

#### A. Recordkeeping and Record Retention

Under the recordkeeping provision of Reg. Section 1.42-5 (b), the owner must keep records for each building in the project for each year in the compliance period.

Under the record retention provision, Section 1.42-5 (b)(3), owners are required to keep all records for each building for a minimum of six years after the due date (with extensions) for filing the federal income tax return for that year. The original records for the first year of the credit period must be retained for at least six years beyond the due date (with extensions) (21 years) for filing the Federal income tax return for the last year of the compliance period of the building. Duplicate copies of first year files should be kept at an accessible and secure off-site location. Copies may be scanned, retained in a PDF file or recoded on a compact disc.

The owner of a LIHTC project must retain the original local health, safety, or building code violation reports or notices that were issued by the State or local government unit for the Authority's inspection and submit copies with the annual certification.

**B. Certification and Review Provisions**

The owner of the tax credit project must certify at least annually to the Authority that for the preceding 12-month period the project met certain requirements. The Authority will review at least 20% of low income tenant files at least once every three years. New projects will be reviewed within two years following the year the last building in the project is placed in service. The required reports, certifications, and forms can be found at the Authorized Delegate's website. Annual reporting must be submitted throughout the Extended Use Period of the project.

**C. Inspection Provision**

At least once every three years the Authority will perform an on-site inspection of the project including site, building exteriors, building systems, units, and common areas. At least 20% of the project's low-income units will be inspected using standards governed by HUD and Uniform Physical Condition Standards (UPCS). These standards require properties to be in decent, safe and sanitary condition, and in good repair.

**D. Notification of Noncompliance**

The Authority is required to provide prompt written notice to the owner when the Authority does not receive the required certifications and other forms; does not receive or is not permitted to inspect the tenant income certifications, supporting documentation and rent records; or discovers by inspection, review or in some other manner that the project is not in compliance with the provisions of Section 42. The correction period, established by the Authority, is 30 days from the date of the notice. The Authority is required to file Form 8823 Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition with the IRS.

**E. Compliance Monitoring Fees**

Projects allocated Tax Credits are required to pay an upfront Tax Credit Servicing Fee in the amount of 8% of the annual allocation. The Authority reserves the right to make adjustments to annual monitoring fees due to increased monitoring requirements and or costs.

**F. Asset Management Fees**

The Authority will perform Asset Management functions throughout the compliance period on projects receiving American Recovery and Reinvestment Act (ARRA) funding through the Tax Credit Assistance Program (aka TCAP), 1602 Program: Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Tax Credits (aka Section 1602 or TCEP) or other new federal credit exchange program funding. The Asset Management Fee charged for projects receiving any of the ARRA funding sources shall be \$5,000 annually.

G. Other

The Authority reserves the right to revise compliance monitoring policies and procedures as required by IRC Section 42, including other guidance published by the IRS.

The 2008 HERA Law requires the Authority to report tenant data to HUD annually, including tenant race, ethnicity, family composition, age, income, use of rental assistance or other similar assistance, disability status, and monthly rental payments.

Please refer to the Authority's Compliance Monitoring Manual for detailed monitoring requirements. It can be found at [www.spectrumlihtc.com](http://www.spectrumlihtc.com).

H. Liability & Delegation

Compliance with the requirements of Section 42 of the Code is the responsibility of the owner of the building for which the Credits were allocated. The Authority's obligation to monitor for compliance with the requirements of Section 42 of the Code does not make the Authority liable for an owner's noncompliance.

The Authority may choose to delegate all or a portion of its compliance monitoring responsibilities to an agent or other private contractor, Authorized Delegate. The option, if chosen, does not relieve the Authority of its obligation to notify the IRS of noncompliance. The Authority may also delegate some or all of its compliance monitoring responsibilities to another state agency. The delegation may include the responsibility of notifying the IRS on noncompliance.

| <i>CT - Qualified Allocation Plan Point Categories</i> | <i>2014 Max<br/>points</i> |
|--|----------------------------|
| <b>Rental Affordability</b>                            | <b>42</b>                  |
| Supportive Housing Units                               | 6                          |
| Veterans Housing                                       | 1                          |
| Serves Households Below 25% AMI                        | 7                          |
| Serves Households 25% to 50% AMI                       | 6                          |
| Mixed Income Housing                                   | 5                          |
| Preserves At-Risk Affordable Housing                   | 5                          |
| Length of ELIHC  | 4                          |
| Production and Preservation of Units                   | 4                          |
| Affordability Profile                                  | 3                          |
| On-site Resident Services Coordinator                  | 1                          |
| <b>Financial Sustainability</b>                        | <b>23</b>                  |
| Cost Effectiveness, Hard Costs                         | 6                          |
| Credits Per Bedroom                                    | 5                          |
| Credits <50% of Total Uses                             | 4                          |
| 40% - 90% plans and specs                              | 3                          |
| Sustainable Design (energy saving measures)            | 3                          |
| Cost Effectiveness, Intermediary Costs                 | 2                          |
| <b>Municipal Commitment &amp; Impact</b>               | <b>29</b>                  |
| Municipalities with less affordable housing            | 7                          |
| Priority Location (C&D Plan)                           | 5                          |
| Village Priority Funding Area (C&D Plan)               | 5                          |
| TOD  | 4                          |
| Signed Agreements                                      | 3                          |
| Historic Place/Adaptive Re-Use/Brownfield Dev          | 2                          |
| Qualified Census Tract                                 | 1                          |
| Municipal Resources Committed                          | 1                          |
| Eventual Homeownership                                 | 1                          |
| <b>Qualifications &amp; Experience</b>                 | <b>13</b>                  |
| Experience of GP                                       | 5                          |
| Developer/Sponsor Resources                            | 3                          |
| Experience of Manager, Number of Projects              | 2                          |
| Women and Minority Participation                       | 2                          |
| Connecticut-Based Contractor                           | 1                          |
| <b>CDBG-DR Additional Points</b>                       | <b>3</b>                   |
| CDBG-DR  | 3                          |
| <b>TOTAL POINTS</b>                                    | <b>110</b>                 |