Glossary of Terms

2016

Low-Income Housing Tax Credit Program
AMGI: Area Median Gross Income as defined by HUD.

AMI: Area Median Income as defined by HUD.

BIN: The state credit agency assigns a Building Identification Number (BIN) to each building. The IRS uses the nine digit BIN to identify buildings and monitor compliance. The BIN consists of a two character state designation, followed by the two digit year the credit is allocated, the three digit project number and a two digit numbering designation. For example, the BIN for a building allocated credit in 2015 by CHFA might read CT-15-02301.

CFR: Code of Federal Regulations

CHFA: Connecticut Housing Finance Authority

CNA: Capital Needs Assessment, a physical assessment and evaluation of all building components. For additional information, refer to the Construction Guidelines: Project Planning and Technical Services Review.

CONPLAN: The current State of Connecticut Consolidated Plan for Housing and Community Development.

DOH: State of Connecticut Department of Housing.

HUD: United States Department of Housing and Urban Development.

IRC: Internal Revenue Code.

IRS: Internal Revenue Service.

LIHTC: Low-Income Housing Tax Credit.

PBRA: Project-Based Rental Assistance.

PBV: Project-Based Voucher

PILOT: Payment In Lieu Of Taxes, an agreement regarding a reduction in real estate taxes that is negotiated by and between an owner or developer and the municipality in which a property is located.

4% Credits: The 30% present value tax credit, which is also known as the 4% tax credit, covers new construction or substantial rehabilitation developed with a federal subsidy. Tax credits are equal to approximately 4% of qualified costs each year for 10 years. For example, in a project with $100,000 in qualified costs, tax credits can equal $40,000 over 10 years. Projects financed through tax-exempt private-activity bonds serving families with incomes below 60% of AMI, and meet other eligibility criteria, qualify for the 4% LIHTC.

4% Credit for Acquisition: The 4% tax credit for the acquisition cost of an existing building. The building must be substantially rehabilitated to qualify for the acquisition cost credit.
9% Credits: The 70% present value tax credit, or 9% tax credit, supports new construction or substantial rehabilitation of an existing building without a federal subsidy. Tax credits are equal to 9% of the qualified costs each year for 10 years. For example, in a rehabilitation project with $100,000 in qualified costs, tax credits can equal $90,000 over 10 years. The 9% credits are competitive and are subject to certain selection criteria and housing priorities as set forth in the Qualified Allocation Plan. (Refer to Rehabilitation Credit for more information)

10% Test: At least 10% of reasonably anticipated costs of the project must be incurred by the end of the calendar year in which the allocation is made.

40% Plans & Specifications: Development plans and specifications that are in compliance with the Construction Guidelines: Project Planning and Technical Services Review shall be submitted at a minimum level of 40% complete.

10-Year Rule: The building is eligible for acquisition credit so long as the existing building was not placed in service during the 10-year period preceding the acquisition. A building is considered placed in service under Section 42 upon its first use and upon a change in ownership interests. The exceptions include placements in service in connection with: (1) carry-over basis transactions, in which the transferee determines his basis in whole or in part from the transferor’s basis, (2) certain transfers from decedents, (3) certain nonprofit or governmental agencies, (4) foreclosures, and (5) technical partnership terminations. Refer to 26 U.S. Code Section 42(d)(2)(D)(ii)).

20/50 Set-aside: 20% or more of the residential units must be rented to households with an aggregate gross income of 50% or less of the AMGI adjusted for household size.

20/50 Test: This test is satisfied if at least 20% of the residential units in a project are both rent-restricted and occupied by individuals whose income is no more than 50% of the AMGI as adjusted for household size.

40/60 Set-aside: 40% or more of the units must be rented to households with an aggregate gross income of 60% or less of the AMGI adjusted for household size.

40/60 Test: This test is satisfied if at least 40% of the residential units in a project are both rent-restricted and occupied by individuals whose income is no more than 60% of the AMGI as adjusted for household size.

8609 Form: The IRS form used by LIHTC allocating agencies to allocate tax credits to a building. Part II of the form is used by building owners to make their first year certifications for the building.

8823 Form: The IRS form used by LIHTC allocating agencies to report events of noncompliance or building disposition.

8823 Guide: IRS compliance manual providing guidelines for determining noncompliance, reporting property dispositions, and instructions for completing the 8823 Form.
Adaptive Re-use: A change of use or occupancy for an existing building. For example, existing (or vacant/abandoned) schools, industrial buildings/mills, are often converted into housing.

Additional Review: A process that may be required when an owner submits information to CHFA or its Authorized Delegate past the deadline imposed in 26 CFR 1.42-5(e)(4) of the LIHTC compliance regulations and in the Authorized Delegate’s ‘Forwarding of Non-compliance Letter’ and after submission of IRS Form 8823 by CHFA to the IRS. CHFA may require additional reviews on all transactions.

Annual Financial Review: An alternative form of financial compliance that owners of small properties (approximately 30 units or less) may request to submit instead of an Annual Financial Statement. The written request should justify the reason for the request (i.e., cost, other program requirements, etc.) and will be subject to CHFA review and approval.

Annual Financial Statement (AFS): A collection of reports about an organization's financial results, financial condition, and cash flows, based on a 12-month consecutive time period. The most common set of financials are based on the calendar year, but they can also be based on a company's fiscal year. CHFA requires developments with CHFA multifamily mortgage financing to submit an audited AFS, prepared by a Certified Public Accountant, at the end of each fiscal year. The AFS must be prepared in accordance with Generally Accepted Accounting Principles, and HUD Multifamily Financial Assessment guidelines.

Annual Household Income: Gross income of all persons who intend to permanently reside in a unit. The annual income is defined as income as of the date of occupancy for the next 12 months.

Annual Income Certification: Document by which the tenant certifies household income for the purpose of determining whether the tenant will be considered low-income according to the provisions of the LIHTC Program.

Annual Tax Credit: To calculate the maximum annual tax credit for which a project is eligible, multiply the Qualified Basis by the Applicable Tax Credit Percentage. However, the actual tax credit award cannot exceed the amount CHFA determines is necessary for the financial feasibility of the project and its viability as a Qualified Low-Income Housing Project throughout the Credit Period. Refer to IRC Section 42(a) and 42(m)(2).

Applicable Fraction: The lesser of the unit fraction and the floor space fraction. The unit fraction is calculated by dividing the number of low-income units in a building by the total units in the building. The floor space fraction is calculated by dividing the total floor space of the low-income units in a building by the total floor space of the residential units in the building. The Tax Code refers to this low-income occupancy percentage as the Applicable Fraction. Refer to IRC Section 42(c)(1)(B),(C), and (D).

Applicable Tax Credit Percentage: The amount of tax credit available to a project depends upon its development and financing characteristics. Specifically, a 30% present value tax credit applies to new construction and substantial rehabilitation expenditures that are federally subsidized, as well as to the acquisition of "eligible existing buildings," regardless of the financing source. A 70% present value tax credit applies to new construction and substantial rehabilitation expenditures treated as a new building that is not federally subsidized. Consequently, a single project may receive two different tax credits. For example, a project might receive a 30% present value tax credit for the acquisition of an existing building and a 70% present value tax credit for the expenditures incurred for the rehabilitation of that building if it is financed without a federal subsidy. In these circumstances, the tax credit must be calculated separately for these separate project components. For further information refer to IRC Sections 42(b)(2) and 42(i)(1) and 42(h)(6)(D).
**Authorized Delegate:** An agent or other private contractor of an entity such as CHFA that is given authority to act on its behalf in certain matters, including signing documents binding the entity to contractual obligations.

**Basis Boost:** An increase in the building’s eligible tax credit basis. Proposed developments located in a Qualified Census Tract/Difficult Development Area will receive a 30% basis boost to the 9%/Rehabilitation/New Construction Credit calculation. Specifically, the project owner, in the case of a newly-constructed building, multiplies the eligible basis by 130%. In the case of substantial rehabilitation of an existing building, the project owner multiplies the eligible basis of the rehabilitation expenditures by 130%, excluding the eligible basis arising from the cost of acquiring the building. The applicant must demonstrate the basis boost is necessary to achieve financial feasibility.

**Blight:** A structure and/or unit that is both unoccupied and exhibits signs of interior and exterior physical deterioration sufficient to constitute a threat to human health, safety, and public welfare as determined by a municipal building official, an objective third-party construction specialist (i.e., architect, engineer), or CHFA.

**Brownfield:** Any abandoned or underutilized site where redevelopment and reuse has not occurred due to the presence or potential presence of pollution in the buildings, soil or groundwater that requires remediation before or in conjunction with the restoration, redevelopment and reuse of the property Refer to CGS Section 32-760(2013).

**Building:** Residential rental property that may be an apartment building, a single family dwelling, a townhouse or other qualified property. A tax credit development may contain one or more buildings. Tax credits are awarded to a building and each building is assigned a (BIN).

**Carryover Allocation Agreement:** An agreement that permits an award of low-income housing tax credits to be carried forward to subsequent year if the building(s) under the current year’s award will not place in service in the year of the award. In accordance with the Code, an allocation agreement allows 24 months for the developer to place the units in service and receive the Form 8609 from CHFA.

**Certification Year:** The 12 month time period beginning on the date a unit is first occupied and each 12 month period commencing on the same date thereafter.

**Charge for Amenities:** There may be no charge for amenities if the tenant facility is included in Eligible Basis under IRC Section 42(d), as it must be provided as a comparable amenity to all residential rental units in the building without charge.

**Code:** Section 42(m) of the IRC of 1986, as amended.

**Community Revitalization Plan:** A plan intended to provide a coordinated and comprehensive approach to addressing the problems in a community’s distressed areas, and to foster healthy and vibrant residential and commercial opportunities, adopted by a municipality.

**Completion Date:** The specified date a project is completed and ready for occupancy.

**Compliance:** The act of meeting the requirements and conditions specified under the law and the requirements of the LIHTC Program.
Compliance Period: The period of 15 taxable years beginning with the first year of a building’s ten-year Credit Period. In addition, each building must have an Extended Low-Income Housing Commitment that requires, at a minimum, a 15-year extended use period.

Construction Costs: See Hard Costs and refer to Construction Guidelines: Construction Costs on CHFA website for more information.

Construction Financing: A short-term loan to a builder or developer to finance the costs of construction. The lender generally requires repayment from the proceeds of the borrower’s permanent mortgage loan. The lender may make periodic payments to the borrower as the construction work progresses.

Consultant (aka Development Consultant): Any person or firm hired for their professional advice in compiling the information and packaging the financial and/or tax credit funding applications and syndication agreements, including any other consultative services such as, historic tax credits, energy related items, and assisting in closing related issues (does not include legal representation).

Credit Enhancement: A method to reduce credit risk by requiring collateral, letters of credit, mortgage insurance, corporate guarantees, or other agreements to provide an entity with some assurance that it will be recompensed to some degree in the event of financial loss.

Credit Period: The period of time, normally 10 years, over which the LIHTCs are claimed by the owner. The Credit Period commences with the taxable year in which the building is placed in service or, at the election of the owner, the succeeding taxable year. The project owner is deemed to defer the start of the Credit Period unless the owner affirmatively elects to start it in the year each low-income building in the project is placed in service.

Cure Period: A reasonable time (determined by CHFA) for an owner to correct any violations as a result of non-compliance.

Debt Service: The periodic amount required to pay the principal and interest on a loan.

Debt Service Ratio (DCR): The ratio of the net operating income to a project’s debt service. The Debt Service Ratio can be calculated by dividing the net operating income by the debt service.

Deed Restrictions: Deed Restrictions are additional restrictions put on a property that are publically recorded in priority position and conveyed with the property to future property owners. These restrictions can include, but not be limited to, requirements that a property’s rental units be leased to residents meeting specific income guidelines. Properties with Deed Restrictions are deemed “deed restricted”.

Depreciable Costs: Development costs incurred in connection with a capital asset subject to a loss of value brought about by age, physical deterioration or functional or economic obsolescence.

Developer Resources: Investment by the owner exclusive of a developer’s fee and tax credit equity. Examples may include cash, loan by developer and land contribution.

Development Budget: The projection of costs to develop a real estate project, and covers the planning, acquisition and construction period expenses.

Development Consultant: see Consultant.
**Difficult Development Area (DDA):** For the LIHTC program is an area designated by HUD with high construction, land, and utility costs relative to its AMGI. Those areas designated by the Secretary of HUD as DDAs are eligible for the amount of credit calculated to be greater by increasing the eligible basis by 130%.

**Effective Gross Income:** The stabilized income a property is expected to generate after vacancy allowance is subtracted from total rent revenue.

**Effective Term of Tenant Verification:** Third party verifications are valid for 120 days from the date of receipt by the owner. If verifications are more than 120 days old from the date of receipt by the owner, the owner must obtain new verifications. Time limits do not apply to information that does not need to be re-verified, such as: age, disability status, family membership, or citizenship status.

**Eligible Basis:** For new construction, eligible basis is the cost of construction determined at the first year of the credit period. For substantial rehabilitation, eligible basis is the sum of all rehabilitation costs aggregated over 24 months. For an existing building, eligible basis is the cost of acquiring the building.

**Eligible Existing Building:** The credit is eligible for acquisition credit so long as the existing building was not placed in service during the 10-year period preceding the acquisition. (Refer to 10-Year Hold Period and IRC Section 42(d)(2).

**Eligible Person:** One or more persons of a household determined to be income-qualified.

**Employment Income:** Wages, salaries, tips, bonuses, overtime pay or other compensation for personal services from a job.

**Extended Low-Income Housing Commitment (ELIHC):** The agreement between CHFA and the owner restricting the use of the project during the term of the Low-Income Housing Tax Credit compliance period for an additional period beyond the initial 15 years that is equal to the longer of (i) an additional 15 years or (ii) such further period as may be specified by CHFA.

**Extended Use Period:** The timeframe which begins the first day of the initial 15 year compliance period, on which such building is part of a qualified low-income housing project and ends 15 years after the close of the initial compliance period, or the date specified by CHFA in the ELIHC Agreement.

**Fair Housing Laws:** Federal, state, and local fair housing laws protecting people from discrimination in housing transactions such as rentals, sales, lending, and insurance.

**Fair Market Value:** An amount that represents the true value of the property if it were to be sold on the open market.

**Federally-Designated Targeted Areas:** A census tract where the housing market is highly challenged. There are two types of target areas: QCTs, which are based on household income data and designated by the HUD, and Areas of Chronic Economic Distress. Refer to IRC Sections 143(j)(2) and 143(j)(3).

**Federally Subsidized or Federally Subsidized Building:** A building is generally deemed to be federally subsidized if the construction or rehabilitation is financed directly or indirectly with tax-exempt bond proceeds or federal funds with a below market rate interest. A taxpayer may elect to subtract the amount of this federal subsidy from the eligible basis of a building in order to qualify for the 9% Credit with the remaining eligible basis. A building is not federally subsidized if the tax-exempt financing or below market federal loan is used only for construction financing and this financing is replaced by non-subsidized financing before the building is placed-in-service. Refer to IRC Section 42(i)(2).
**First Year of the Credit Period:** Either the year a building is placed-in-service, or the following year, at the owner's option.

**General Partner (GP):** The partner in a limited partnership ownership entity that is financially responsible for the development obligations and day-to-day oversight of the general contractor during construction and the management agent during rental operations.

**Good Standing:** Refer to the Program Eligibility Requirements Policy Statement on CHFA’s website.

**Gross Rent:** Gross rent is the sum of the rent paid to the owner plus any utility costs incurred by the tenant. Utilities include electricity, gas, water and sewer, and trash removal services but not telephone service. If the owner pays for all utilities, then gross rent equals the rent paid to the owner.

**Guideline:** A statement of general parameters to guide staff and inform the public on the implementation of the policy to insure consistency with CHFA expectations. Guidelines are not rules but a set of parameters within which management discretion and authority can be exercised.

**Hard Costs:** Construction hard costs represent expenditures related to the site and building structure of a proposed development including, but not limited to, costs associated with environmental remediation, grading and excavation, demolition, unusual site conditions, building materials and labor, general contractor overhead/profit, and general requirements. Refer to the Construction Guidelines: Construction Costs on CHFA website for more information.

**Household:** An individual, family or group of individuals living together as a unit.

**Housing for Homeless Persons:** Qualified new construction, or acquisition and rehabilitation of rental housing with supportive services for households experiencing homelessness. Refer to Supportive Housing Guideline on CHFA’s website.

**Imputed Income:** The estimated earning potential of assets held by a tenant using the potential earning rate established by HUD. The current rate is provided by CHFA in its instructions to the Annual Income Certification.

**Income Qualified:** A resident or household that has completed an income certification and meets the income requirements established for the development.

**Income Restrictions:** Maximum incomes established by HUD and published by CHFA for projects that are given the maximum income limits per unit for very low-income (25% AMI) and low-income (50% or 60% AMI) units. Income Restrictions will be adjusted periodically by CHFA based on AMI figures provided by HUD.

**Ineligible Person:** One or more persons, or a family who apply for residency in a rent-restricted income-restricted unit and whose combined income exceeds the income limitation that was selected by the owner. Someone living in a set-aside unit who is not certified or under the lease would be considered ineligible.

**Initial Compliance:** The 12 month period, commencing with the date the building is placed in service, in which the minimum set-aside must be met to receive the tax credits. Projects consisting of multiple buildings with phased completion must meet the set-aside requirements on a building-by-building basis within the 12 months commencing on the individual date each building is placed in service.
**Intermediary Costs:** Those costs associated with third-party services relating to project development (e.g., architect/engineer/appraiser/historic consultant, etc.).

**Lease:** The legal agreement between the tenant and the owner which delineates the terms and conditions of the rental of a unit.

**Low-Income Household:** Households whose incomes are not more than either 25%, 50%, or 60% of the AMI for the local area adjusted for family size. Refer to CHFA’s website for HUD published AMI’s.

**Low-Income Unit:** Any unit in a building that is rent-restricted in accordance with IRC Section 42(g)(2). The individuals occupying such unit meet the income limitation applicable for the project of which such building is a part, and the unit is suitable for occupancy and used other than on a transient basis.

**Management Company:** A firm selected by the owner to oversee the operation and management of the project and who accepts LIHTC program compliance responsibility.

**Market Rate:** The amount of money that a given property would command per month or per year, if it were available for lease in a competitive, fair and open market.

**Maximum Allowable Rent Calculation:** Maximum allowable rent in the LIHTC program is gross rent. It includes a utility allowance representing the average monthly cost for utilities paid directly by the residents. Residents keep the utility allowance to offset their utility expense and pay the remaining portion of the gross rent as their tenant rent. Utilities include heat, electricity, air conditioning, water, sewer, oil or gas where applicable, but does not include cable television, cell or telephone service.

**Median Income:** A statistical determination establishing a middle point for use in determining income limits. Median is the amount that divides the distribution into two equal groups: one group having income above the median; one group having income below the median.

**Minimum Set-Aside:** The minimum portion of units in a project to be set-aside or reserved as rent-restricted units for tenants in a targeted income group (i.e., 50% or 60% of AMI) in order to qualify for a credit allocation. Minimum set asides for the LIHTC are 20% of the units set aside for households at or below 50% of AMI; or are 40% of the units set aside for households at or below 60% of AMI.

**Monitoring Agent:** CHFA or Authorized Delegate responsible for monitoring the LIHTC Development’s owner’s compliance with the terms and conditions specified under the law and the LIHTC Program.

**Municipal Approved Plan:** A detailed plan of development designed by and approved by the local municipality.

**Neighborhood Revitalization Zone (NRZ):** Any municipality may by resolution of its legislative body establish neighborhood revitalization zones, in one or more neighborhoods, for the development by neighborhood groups of a collaborative process for federal, state and local governments to revitalize neighborhoods where there is a significant number of deteriorated property and property that has been foreclosed, is abandoned, blighted or substandard or poses a hazard to public safety.

**Net New:** The result of subtracting the original unit count (exclusive of the recognized blighted units) from the proposed unit count after construction completion.

**Net Operating Income (NOI):** The difference between effective gross income and expenses, including taxes and insurance. The term refers to net income before depreciation and debt service.
**New Construction:** A completely new structure built from the ground up, as opposed to minor, moderate, substantial or gut rehab work which is related to existing buildings that are being renovated to various degrees.

**New Production:** The creation of housing units that did not previously exist. (Refer to New Unit)

**New Unit:** A unit that did not previously exist and adds to the overall housing inventory; or a previously blighted unit that will be rehabilitated for occupancy.

**Next Available Unit Rule:** If, upon recertification, a low-income tenant’s income is greater than 140% of the applicable income limit adjusted for household size, the unit will continue to be counted toward satisfaction of the required set-aside, providing the unit continues to be rent-restricted and the next available unit of comparable or smaller size in the project is rented to a qualified low-income household.

**Non-Amortizing Assistance:** Sources of funds which are not subject to installment payments over a specific time period (e.g., grants, deferred loans, cash donations, appraised value of land donation, etc.). Includes funding sources such as grants or assistance agreements wherein principal and/or interest are deferred until a capital transaction occurs, or payment is not required, or is forgiven.

**Non-Qualified Units:** Non-qualified units are those residential rental units that are not income-restricted, or that are non-residential components of a LIHTC development.

**Obsolete:** Property that is unable to be used to adequately perform the function for which it was intended. This is due to a substantial loss in value resulting from factors such as: overcapacity, changes in technology, deficiencies, inadequacies in design, marketability, any factors that affect the property itself, or the property’s relationship with other surrounding real estate.

**On-Site Inspection:** A review of a project made annually by CHFA or its agent which includes an examination of records, a review of operating procedures and a physical inspection.

**Operating Expenses:** All expenses of a property leased, or available for lease, with the exception of real estate taxes, depreciation, interest and amortization.

**Opportunity Characteristics:** The attributes associated with improved quality of lifestyle, health and well-being as related to a locality including lower than average poverty rates, average to above average ratings for school performance, above average jobs to population ratio and access to higher education opportunities by proximity to community/technical colleges. Refer to the Opportunity Characteristics Guideline on CHFA’s website.

**Owner or Developer:** Any individual, association, corporation, joint venture or partnership that owns or develops a multifamily rental housing project.

**Permanent Financing:** A long-term mortgage usually intended to finance both land and improvements after completion of construction and used to pay off a construction loan.

**Personal Property Considered as Assets:** Property held as an investment (e.g., gems, jewelry, coin collections, antique cars, etc.). Necessary items (e.g., clothing, furniture, cars, etc.) are not considered assets.
Placed-In-Service (PIS): The placed-in-service date for a new or existing building is the date on which the building is ready and available for its specifically assigned function. This is usually the date the first unit in the building is certified as suitable for occupancy under state or local law. Substantial rehabilitation expenditures are treated as placed-in-service at the close of any 24-month period elected by the owner over which the minimum expenditures are aggregated. Refer to IRS Notice 88-16.

Plan of Conservation and Development: At least once every 10 years, the commission shall prepare or amend and shall adopt a plan of conservation and development for the municipality. Following adoption, the commission shall regularly review and maintain such plan. The commission may adopt such geographical, functional or other amendments to the plan or parts of the plan, in accordance with the provisions of this section, as it deems necessary. The commission may, at any time, prepare, amend and adopt plans for the redevelopment and improvement of districts or neighborhoods which, in its judgment, contain special problems or opportunities or show a trend toward lower land values.

Private Resources: Funds that an owner or developer obtains from an independent third-party financial institution; development funds from sources other than the federal government, state, public agencies, and local municipalities; owner or developer capital assets.

Priority Funding Area: Classified by census blocks that include 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.

Project Cost: see “Total Uses”.

Public Resources: Development funds from sources such as the federal government, state, public agencies, and local municipalities.

Qualified Allocation Plan (“The Plan” or QAP): CHFA's Qualified Allocation Plan for Connecticut. (1) sets forth the selection criteria to be used to determine housing priorities of CHFA; (2) gives preference in allocating housing credit dollar amounts among selected groups to (a) projects serving the lowest income residents and (b) projects obligated to serve qualified residents for the longest periods; and (3) provides a procedure CHFA will follow in monitoring for non-compliance with the provisions of Section 42 of the Code and for notifying the IRS of any non-compliance that CHFA discovers.

Quality Assurance Monitoring: means a system for auditing the services provided and compliance with program standards in units set aside as permanent supportive housing. Refer to the Supportive Housing Guideline on CHFA’s website.

Qualified Basis: The product of the Eligible Basis and the Applicable Fraction and 1.3 (if located and eligible for the 30% boost). Refer to IRC Section 42(d).

Qualified Census Tract (QCT): An area designated by the Secretary of HUD that is any census tract (or equivalent geographic area defined by the Census Bureau) in which at least 50% of households have an income less than 60% of the AMGI. Such QCT is eligible for the amount of credit calculated to be greater by increasing the eligible basis by 130%. (Refer to definition for Basis Boost). Refer to IRC Section 42(d)(5)(B)(ii).
Qualified Low-Income Building: Any building that is part of a qualified low-income housing project at all times during the period beginning on the first day in the compliance period on which such building is part of such a project and ending on the last day of the compliance period with respect to such building. Refer to IRC Section 42(c)(2).

Qualified Low-Income Housing Project: Any project for residential rental property if the project meets the 20/50 Test or the 40/60 Test, whichever is elected by the taxpayer. Any such election, once made, is irrevocable. Refer to IRC Section 42(g)(1).

Qualified Non-profit Organization: An organization described in IRC Section 501(c)(3) or 501(c)(4) that is exempt from federal income tax. Refer to IRC Section 42(h)(5)(C).

Qualified Persons: Individuals and families who, at the time each such individual or household first occupies a unit in the development, are of low income, having annual income not exceeding 50% or 60% of AMGI (depending on the set-aside chosen), adjusted for family size, as defined by the federal government.

Qualified Rent: Gross rent as adjusted annually that is not greater than 30% of the imputed income limitation applicable to a particular unit. Refer to IRC Section 42(g)(2).

Qualified Service Provider: A community-based, non-profit service provider organization experienced in the provision of supportive housing and homeless services that has received extensive DMHAS training and is currently receiving funds from DMHAS under contract in good standing. Refer to Supportive Housing Guideline on CHFA’s website.

Qualified Unit: A unit that is both available for occupancy and is occupied by a household that is income qualified and completed a LIHTC file.

Reasonably Expected Basis: Reasonably expected basis means the adjusted basis of land and depreciable property. The adjusted basis of land and depreciable property is generally the direct and indirect costs of acquiring, constructing, and rehabilitating the property.

Regulated Use: Applies to those developments that are covered under use restrictions and regulatory agreements for affordable housing.

Rehabilitation: Rehabilitation may include renovating and converting an existing non-residential or commercial structure for residential use.

Rehabilitation Credit: The rehabilitation credit applies to costs incurred for rehabilitation and reconstruction of certain buildings. Rehabilitation includes renovation, restoration, and reconstruction. (Refer to 9% Credit)

Renewable Energy System: Energy from a source that is not depleted when used such as roof-top, building-integrated or landscape-integrated photovoltaic (PV) generation or solar hot water system or an Energy Star®-qualified geothermal heating, ventilating and air-conditioning system.

Replacement Reserve: A cash reserve established and maintained for the future replacement of fixed assets.
**Resident Participation Plan:** A written description of a specific and ongoing process to enable meaningful resident participation during the planning, implementation and monitoring of major physical transformation or disposition activities, beginning with the earliest stages of concept and design. Refer to CGS 8-64c.

**Resident Services Coordinator (RSC):** A social service staff person hired or contracted by the development's owner or Management Company. The RSC is responsible for assuring that residents, especially those who are at risk, and those residents with disabilities are linked to the specific supportive services they need to continue living independently in that housing development.

**Residential Rental Unit:** The term residential rental unit has a specific meaning for purposes of IRC Section 42. Units for resident managers or maintenance personnel are residential rental property because they are functionally related and subordinate to residential rental projects, not because they are residential rental units. Similarly, a unit occupied by a full-time security officer is not a residential rental unit. Only residential rental units are includable in a building’s Applicable Fraction.

**Rural Housing Service (RHS):** A federal agency, the Department of Agriculture's Rural Housing Service provides grants and loans for housing and community facilities in rural areas of the United States.

**Signed Agreement:** A resident participation plan that is signed by a housing authority, a duly elected and constituted tenant organization, the developer undertaking the major physical transformation, if any, of the housing authority property and the entity that will own, lease or otherwise control the real property or portion thereof, if any. Refer to CGS 8-64c.

**Smart Growth:** Refer to the current Conservation and Development Policies: A Plan for Connecticut published by the State’s Office of Policy and Management.

**Soft Costs:** Architectural, engineering, legal fees, etc., as distinguished from land and construction costs (Hard Costs).

**Substantial Rehabilitation:** Projects qualify for the 70% present value credit if they have not received any federal subsidies and have total rehabilitation and related expenditures attributable to or benefiting one or more unit(s) in an amount equal, aggregated over a 24-month period elected by the owner, to the greater of not less than 20% of the adjusted basis of the building, or $6,000 or more per low-income unit. Refer to IRC Section 42(1)(3)(b)(iii).

**Tax Credit:** Under the Code, a federal tax credit is a dollar-for-dollar reduction in the tax liability or tax bill of the property owner or investor. The use of tax credits can be limited, for example, by the application of the passive loss provisions, the alternative minimum tax and limits on the use of general business credits.

**Tax Credit Syndication:** Owners of a LIHTC project may sell (syndicate) the tax credits to investors or limited partners who contribute equity for the project in return for the use of the tax credit and other tax benefits generated by the project.

**Tenant:** Occupant of a unit.

**Tenant Files:** Complete and accurate records pertaining to each dwelling unit containing: the rental application for each tenant, verification of income and assets of each tenant, Annual Income Certification, utility schedules, rent records, lease and lease addendum.

Total Development Cost (TDC): The sum of costs identified in the development budget that are incurred for the purposes of preparing raw land for the construction of building(s) or the rehabilitation of existing buildings. Total development costs may include construction hard costs, architectural and engineering, finance, interim and soft costs including planning, oversight, relocation, furnishings, fixtures, equipment, interest and carrying charges, on-site streets and utilities, any contingency reserve, insurance premiums, and any other costs necessary to the physical completion of the rental housing development.

Total Development Resources (TDR): All development funding sources exclusive of tax credit equity. Also excluded from TDR are net rental income and/or cash from operations, deferred/pledged developer fees and rental subsidy reserve funds.

Total Uses (aka Project Cost): The sum total of all costs incurred in the development of a housing project, which are approved by CHFA as reasonable and necessary, including, but not limited to (1) costs of land acquisition and any buildings thereon; (2) costs of site preparation, demolition and development; (3) architectural, engineering, legal, CHFA’s and other fees and charges paid or payable in connection with the planning, execution and financing of the project; (4) cost of necessary studies, surveys, plans and permits; (5) insurance, interest, financing, tax and assessment costs and other operating and carrying costs during construction; (6) cost of construction or reconstruction, and fixtures and equipment related to such construction or reconstruction; (7) cost of land improvements; (8) necessary expenses in connection with the initial occupancy of the project; (9) a reasonable profit or fee to the builder and developer; (10) an allowance established by CHFA for working capital, replacement and contingency reserves, and reserves for any anticipated operating deficits; (11) the cost of such other items, including tenant relocation, as CHFA shall deem to be reasonable and necessary for the development of the project, less any and all net rents and other net revenues received from the operation of the real and personal property on the project site during construction.

Transit-Oriented Development: Transit-oriented developments as CGS Section 13b-79kk(a)(4) is the development of residential, commercial and employment centers within a ½ mile radius from a transit station, and includes pedestrian access to the transit station. This requirement may include rapid transit bus services or rail, provided that activities contiguous to the project include appropriate transportation improvements, i.e. shelters, stations, etc. For purposes of the LIHTC program:

Transit Station: There must be a transit station in order for development to be considered Transit-Oriented Development. For the purposes of this report, a transit station is: (1) any existing or programmed passenger rail or bus rapid transit (BRT) station, (2) any existing or programmed local bus transit stop providing high frequency, direct service.

i. *High Frequency* means regular weekday bus service occurring at no less than quarterly-hour service, for a minimum of 15 hours per day, and regular weekend service operating consistent with demand.

ii. *Direct service* means any local bus service that provides a convenient, one-seat link to a rail or BRT station.

Utility Allowance: An amount of money intended to offset the utility expenses of a resident of a particular unit established and published in a utility allowance schedule either by HUD, DOH or a Public Housing Authority, or a study from the utility company that stipulates the rates based on typical usage.
**Vacancy Rate:** The percentage loss of gross rental income, projected from unrented units and collection expenses.

**Verification Request Form:** The form used by management to request verification of tenant income from the source of the income or assets. The form must state the purpose of the request, include a release statement by the applicant/resident and request the frequency and amount of pay or interest.