



Connecticut Housing Finance Authority

Asset Management Guidelines

2019

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I. Preface

This Guideline is to be used by Owners and Property Managers of the Connecticut Housing Finance Authority (CHFA) - financed projects as general guidance pertaining to Asset Management and the operations and maintenance of properties. This Guideline supplements the existing laws and rules prescribed by the Internal Revenue Service (IRS) in Section 42 of the Internal Revenue Code (Code) and related regulations. It is also to be used as a supplement to the [Procedures of CHFA, Qualified Allocation Plan \(QAP\), CHFA/DOH Consolidated Application \(ConApp or application\)](#), State-Sponsored Housing Portfolio (SSHP) program statutes and regulations and any other CHFA Guideline referenced in this document. If any statements in these documents conflict with the laws governing CHFA Multifamily Rental Housing Programs those laws take precedence. These materials should not be relied upon solely or as a substitute for an Owner's own tax or legal counsel or interpretation of laws. Owners and Property Managers are ultimately responsible for providing the information necessary for the determination of the projects eligibility and compliance under their respective loan documents, regulatory agreements and any other binding agreements between CHFA, Owners and Property Managers. Related or referenced documents can be found on CHFA's [website](#).

II. Background

CHFA administers programs that assist developers of affordable rental housing in Connecticut to obtain [financing](#) and to develop affordable or mixed-income housing throughout the state. These programs offer mortgages at below market interest rates as well as [federal and state tax credits](#) to developments that meet the state's affordable housing goals. Please refer to the development section for more information.

CHFA may also provide financing for related facilities such as commercial, office, health, welfare, administrative, recreational, community, and service facilities incidental and pertinent to multifamily rental housing as determined by CHFA. CHFA also has oversight responsibility for properties in the SSHP portfolio.

The Asset Management department's responsibilities include:

- Reducing overall risk to CHFA
- Monitoring the overall performance of the properties and portfolios
- Monitoring on-going compliance with applicable housing program and legal documents
- Assessment of fiscal, physical and management areas
- Identification of trends that require action
- Proactively engaging Owners as issues are identified to work toward solutions
- Negotiating continued affordability in properties
- Responding and seeking resolution to various inquiries/issues from residents

III. Management Agent Selection and Approval Process

Owners and Housing Authorities that choose to engage a Management Company or hire a new Management Agent will need CHFA approval prior to entering into a Management Agreement. The management company is responsible for the day-to-day operation of the property.

In addition, if a Management Agent has not been approved to manage portfolio properties, they must also submit a request for Management Agent approval to the Asset Manager along with the required documentation.

IV. Management Agreement

In CHFA-financed properties, the Owner and the Management Company or Agent must execute a “Management Agreement” (Form HM 2-21) which provides for, among other things, the maximum compensation receivable by the Management Company or Agent and for termination with or without cause by CHFA upon 30-days written notice. CHFA will also review and sign the agreement, after the Owner and Management Company or Agent. CHFA does not permit Owner/Agent addendums to the Management Agreement.

V. Management Fee Policy

The maximum management fee on newly-financed properties or for a new Management Company (new to the property) is 5% of monthly income collected/received or a fixed amount per occupied unit not to exceed HUD published schedules, or as required by any Federal or State program.

There are generally two acceptable methods of determining property management fees, (e.g., a percentage of income received or a per-occupied unit dollar amount).

The primary methodology is the percentage of rental income collected. The computation includes all rental income collected including income collected from commercial space and unit subsidies. In addition, miscellaneous operating income and any interest earned thereon shall be included in the base. Smaller properties (less than 50-units) may elect to seek approval for the per-unit dollar methodology.

Approval must be obtained from CHFA for establishing the initial and any subsequent increase to the fees paid to a property Management Company. In addition, CHFA reserves the right to decrease the management fee as a result of poor performance.

VI. Management Agent – Scope of Services

The following includes the scope of services that CHFA typically expects Management Companies to provide. Please note that all records of the Management Agent must be available to the Owner and CHFA upon request.

A. Physical Plant

- Performing physical inspections of the property on a regular basis. Inspection records shall be available for review by CHFA staff upon request
- Developing and implementing a comprehensive maintenance program
- Handling or coordinating outside and/or in-house professional services from architects, engineers and others with expertise on technical issues
- Performing preventative maintenance, including safety, environmental and energy management systems
- Writing bid specifications for building services such as janitorial, engineering, security, etc.; awarding contracts and supervising the work
- Performing life-cycle costing analyses or feasibility studies of these improvements as appropriate
- Recommending programs for alteration and modernization to enhance the property’s marketability and competitiveness

B. Financial

- Maintaining financial records and submitting financial reports as required by CHFA
- Approving and disbursing expenses for ordinary operating needs as approved in the annual budget
- Increasing net operating income and enhancing the value of the property by maximizing income and controlling expenses
- Implementing an aggressive rent collection program
- Preparing, analyzing, and/or approving annual operating budget(s) and interim statements of operations reports
- Performing present value analyses on leases
- Analyzing or preparing program operating statements (including financial) and, when appropriate, recommending changes or taking action
- Analyzing actual vs. planned variances and establishing a program for correcting unfavorable variances
- Providing assistance by reviewing and evaluating ad valorem tax assessments and recommending possible appeals to reduce or correct assessments
- Analyzing the cost of major equipment purchases and recommending possible alternatives to purchasing
- Providing financial calculations and reports as required by CHFA
- Providing valuation services detailing opinions of property value for Owner-use, Owner-investor clients, and CHFA

C. Risk Management

- Maintaining adequate levels of insurance
- Composing and/or implementing a risk management program
- Investigating claims relating to accidents, vandalism or property damage, and recommending action and/or submitting claims for payment to insurance carrier
- Reviewing potential security issues and address proactively

D. Marketing

- Preparing and implementing Management, Marketing and Tenant Selection Plans. (Note: Plans are prepared according to CHFA-approved outlines.)
- Handling marketing promotion and leasing programs based on a local market analysis
- Advertising vacancies through selected media and contacts
- Developing and implementing resident retention programs

E. Administrative/Leasing

- Providing or arranging for the provision of required services to residents
- Maintaining community goodwill
- Computerizing all property data and providing computerized reports as required by CHFA

VII. Annual Budget Reporting Requirements

The budget must be submitted via the CHFA – DOH Budget-Interim Workbook 30 days prior to the beginning of the fiscal year or as required by the development’s legal documents. Back-up documents that may be required upon CHFA request include the following:

- Line by line explanation of revenue sources
- Line by line explanation of expenses
- List of resident charges that are not rent (e.g., air conditioning charges)
- Capital Improvement Schedule ([CHFA Form HM 6-12 \(b\)](#))
- Real Estate Tax information – PILOT, PILOT Waiver, Tax Abatement, State PILOT Paid, No taxes due)

A Projected Annual Operating Budget should represent a realistic estimate, not an assumed percentage increase based on a previous year’s actual budget.

An Owner may submit a rent increase request to CHFA at any time of year. Although the Owner may request an increase with the annual budget, the request should be separate and succinct from the budget submission. The request should be in writing and should include the current and proposed rent schedule by unit type, and a Market Survey or comparison report acceptable to the Asset Manager. For Section 8 properties, a Subsidy Contract Administrator Approval Letter is required.

All required items must be submitted via our [secured portal](#) which is used expressly for budget and interim reporting.

VIII. Annual Financial Statements (AFS)

For CHFA-financed developments, per the Covenant of Compliance and Regulatory Agreement, audited Annual Financial Statements (AFS) are required to be submitted to CHFA within 60-days after the end of the fiscal year for most developments. For developments that are part of the Small Unit Rental Program (SURP), an Annual Financial Review is required instead of a Statement. Owners of small properties (approximately 30-units or less) may request permission to submit an Annual Financial Review instead of a Statement. The written request should justify the reason for the request (e.g., cost, other program requirements, etc.).

SSHP Owners/Housing Authorities must follow statutory and regulatory program requirements related to the submission of the AFS. SSHP Owners/Housing Authorities are required to submit financials in the same required format as CHFA-financed properties.

CHFA requires:

- A pdf file of the AFS to be submitted to afs@chfa.org
- The [Excel workbook](#) (which includes the Financial Input Sheet which feeds the supplemental Excel forms HM 6-50 through HM 6-52), submitted electronically to afs@chfa.org

IX. Site Visits & Management Reviews

Site Visits and Management Reviews may be conducted every three years for properties that have a CHFA Physical Rating of Satisfactory or above. Site visits may be conducted annually (or more frequently if necessary) for each property that has a Physical Rating of less than Satisfactory or is an REO property (Real Estate Owned).

If a Management and Occupancy Review (MOR) is required on a property (Section 8, Risk Share, etc.), the Asset Manager will conduct annually.

For LIHTC properties, CHFA's authorized delegate completes a visit and file review every three years (post year 15, every five years). The Asset Manager will review the report and does not need to perform a Site Visit/Management Review; however, for TCAP/Exchange properties, an annual Site Visit/Management Review will be scheduled.

If a State Portfolio property receives State Rental Assistance Program (SRAP) subsidy and the percentage of subsidized units is at least 25% of the total units, then the Asset Manager may not need to perform a Site Visit/Management Review. These properties are inspected by the SRAP contractor.

X. Capital Needs Assessment

A Capital Needs Assessment (CNA) is based on a thorough and detailed physical inspection of the property. A CNA includes descriptions of deferred maintenance, capital improvements, modernization needs and activities, as well as descriptions of security needs. Please see technical services section for more information on [CNAs](#).

The operating account may be used to pay for the cost of the CNA where funds are available. Upon request, CHFA will consider authorizing releases from Reserves for Replacement or Residual Receipts where a property's operating account is inadequate to pay for the CNA.

Best practice recommends CNA's be updated and submitted to CHFA every five years. Under some circumstances, such as when a property experiences a need for major, unanticipated physical repairs or is requesting a workout, a loan, or applying for financing, a property may be asked by CHFA to submit an updated CNA sooner.

XI. CHFA Asset Management Escrow Disbursement Policy

Owners of housing developments with CHFA Multifamily Mortgages or other CHFA-administered financing must follow [CHFA's Escrow Disbursement Policy](#) for obtaining reimbursements from their Reserve for Replacement, Residual Receipts & Operating Reserve Escrows. In general, withdrawals are subject to CHFA approval and must relate to eligible expenditures for capital improvements or repairs. Please see the policy for detailed instructions.

XII. Tenant Profile Submissions (TPS) and Waiting List Surveys

CHFA-financed developments and SSHP developments are required to submit specifically-requested data for each household occupying a rental unit. CHFA is required by State statute CGS 8-37bb to submit household information yearly to the legislature. The TPS data is requested as of September 30th and is due annually by October 31st on the CHFA provided form. As part of this TPS submission, CHFA also requires that a Waiting List Survey form be completed, as of September 30th, on the provided form.

Note: If CHFA is your HUD Contract Administrator or if your property is part of the Assisted Living Demo program you will only need to complete a Waiting List Survey as CHFA has access to your tenant data information that is needed.

XIII. Leases

Owners and Management Agents may use their own form of lease, except where a certain form lease is required by a program, (e.g., HUD Model Lease for Section 8 properties). Prior to initial occupancy, the borrower must provide a letter from their Connecticut legal counsel (addressed to CHFA) confirming that the apartment lease complies with all applicable statutes and regulations, and is enforceable in accordance with its terms.

CHFA requires our financed properties to use a CHFA Amendment to Lease. There are two different forms of this Amendment, one for subsidized properties, the [Amendment to Model Lease for Subsidized Programs](#) (CHFA Form HM 8-15) and one for unsubsidized properties, (i.e., LIHTC, 80/20, etc.), [Amendment to Lease](#) (CHFA Form HM 9-15).

XIV. Transfers of Partnership Interest/Ownership

All Transfers of Partnership Interest/Ownership must be approved by CHFA.

There are three types of transfers that require CHFA approval, as follows:

- The transfer of Ownership of a multifamily development
- The transfer of general partnership interest of mortgagor
- The change of limited partner interest

The approval process begins with a written request from the borrower outlining the proposed transaction and the name(s) and address(es) of the proposed transferee(s). Your Asset Manager will provide a list of required submissions.

Please remember that your Asset Manager is a resource for any questions or concerns you may have. Please reach out if you need assistance.