

POLICY STATEMENT



Policy #:	Title:	Revised as of:
CHFA-2010-4	Multifamily Rental Housing Development Costs	02/22/2018

POLICY STATEMENT

The Connecticut Housing Finance Authority (CHFA), as a major provider of affordable housing finance, will:

- Maintain a strong focus on limiting the cost of developing affordable rental housing,
- Ensure that scarce resources are invested to provide the most housing possible,
- Manage its mortgage credit risk in light of overall costs, and
- Consider development costs and its funding in light of the participation and goals of other funders.

To meet these obligations CHFA will consider development costs and investment of its funding based on:

- Cost Guidelines: established Construction Cost Guidelines associated with CHFA’s Multifamily Design, Construction and Sustainability Standards (“Standards”)
- Cost Reviews: a cost review of each development proposal considered for CHFA funding commitment, and
- Limits on CHFA funding: the development and application of CHFA funding commitment limits on a program by program basis.

GUIDELINES

CHFA will realize this policy through establishment of the following:

1. Cost Standards:

CHFA will use established Construction Cost Guidelines, in coordination with its Standards, which will account for varying building types and construction methods.

2. Cost Review

- A. CHFA will continue to review the costs of each development proposed for funding for consistency with these Construction Cost Guidelines. Such reviews will take into account property location, site considerations, building structure type, design considerations, construction labor costs, development scope of work, construction type, methods and materials, environmental conditions and any special program requirements necessary to meet the needs of residents or those proposed to meet

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specific local or neighborhood objectives.

- B. The results of the cost review for each development will be provided to the Board at the time its financing commitment authorization is considered.

3. Limits on CHFA Funding

- A. CHFA will establish for each capital subsidy funding program, a maximum amount of funding that CHFA will commit to any individual development on a program-by-program basis, (e.g., the Low Income Housing Tax Credit Program) which:
 - Ensures that scarce resources are invested to provide the most housing possible,
 - Recognizes the availability of other non-CHFA funding resources committed,
 - Are reasonable with regard to its mortgage credit risk, and
 - Are consistent with relevant statutory provisions such as those that limit program funding.
- B. In establishing limits on CHFA funding, consideration will be given to providing exceptions to account for extraordinary circumstances such as infrastructure, environmental and site costs, development size, specific program requirements and the special needs of the targeted resident population.

Such program funding limits and exceptions will be clearly stated as part of the program terms and conditions giving applicants advance notice of the program limits and the process by which they will be applied.

4. Application

- A. This policy shall apply to all developments funded through capital subsidy funding programs which provide flexible, “soft”, or very low cost capital funding. See definitions.
- B. The amount of CHFA mortgage funding will be determined consistent with CHFA underwriting standards and mortgage program requirements.

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BACKGROUND AND STATEMENT OF NEED

It is the goal of CHFA to fund affordable multifamily rental homes that:

- Are attractive, quality homes,
- Maximize useful life of the property,
- Benefit their neighborhood and community,
- Are energy efficient, sustainable and have low environmental impact, and
- Have lower long term operating and maintenance costs.

CHFA will achieve this goal through ensuring that developments funded by CHFA resources :

- Are cost efficient,
- Use scarce resources to develop as much affordable housing as possible,
- Are consistent with CHFA's mortgage credit risk in light of overall costs, and
- Recognize the funding participation and goals of other public funders that enhance a development's community benefit.

CHFA recognizes that, as a major funder of affordable housing, it has an obligation to set an example in considering development cost in its funding decisions, particularly with regard to ensuring the efficient use of scarce development subsidy funding. As a mortgage lender, CHFA has a responsibility to manage its risk and be aware of its particular role and exposure in each transaction.

When considering development costs in its affordable housing programs, CHFA needs to be flexible in its approach. It must be able to address costs for the full range of property types, locations and uses consistent with meeting affordable and special needs housing priorities and objectives. Such costs can vary widely based on property location, site considerations, building structure type, design considerations, construction labor costs, development scope of work, construction type, methods and materials, environmental conditions and any special program requirements necessary to meet the needs of residents or those proposed to meet specific local or neighborhood objectives.

The need for flexible capital subsidy funding to develop affordable rental homes exceeds the supply available. This requires that these scarce resources be used in a cost effective manner to meet housing program purposes. Establishing limits on the amount of capital subsidy funding CHFA will provide for any individual development, tailored on a program-by-program basis, allows for determining the use of available resources in light of each program's purpose and circumstances. It enables CHFA to indicate how much cost is appropriate for each program to

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bear, while permitting the applicant to obtain and integrate other resources that may be available to achieve its development goals.

Any such limits established by CHFA for funding provided by statute or appropriations will be consistent with any provisions of such statutes that address funding limits (e.g., the limits that are provided by statute for the State Housing Tax Credit Contribution Program).

The imposition of limits on CHFA funding does not limit the investment available from other funding sources. Such additional investment from non-CHFA funding sources is likely to enhance a development's overall community benefit consistent with the priorities and goals of these other funding agencies. However the overall cost and subsidy funding for any such development must be in conformance with CHFA's Mortgage Underwriting Procedures and Standards.

IMPLEMENTATION & RESPONSIBLE DEPARTMENTS

CHFA will implement this policy through:

- Cost Standards – use of established CHFA construction cost guidelines
- Cost Review - a cost review of each development proposal considered for capital subsidy funding commitment, and
- Limits On Funding - the establishment of capital subsidy funding limits on a program-by-program basis.

The results of the cost review of each development will be included in supporting materials provided to the Board when considering funding commitments.

Responsible Department: Multifamily Housing Development

Responsible Position: Managing Director – Multifamily Housing

RELATIONSHIP TO OTHER POLICIES AND GUIDELINES

CHFA Multifamily Design, Construction and Sustainability Standards
CHFA Procedures, including those governing Multifamily Underwriting and Low Income Housing Tax Credits

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Low-Income Housing Tax Credit Qualified Allocation Plan (QAP)
CHFA Multifamily Housing guidelines, standards and requirements

DEFINITIONS

Capital Subsidy Funding Program: a program that provides capital funding for which 1) repayment is not through current scheduled fixed debt service payments, or 2) provides scheduled fixed debt service payments at interest rates below a minimum determined by CHFA.

Board Approval

Date of Board Approval: 12/16/2010
Effective Date: 12/16/2010
Date of Board Approved Revisions: 07/31/2014, 02/22/18

Signed:
Karl F. Kilduff
CHFA Executive Director
February 22, 2018