EXEMPLARY OF
CONNECTICUT HOUSING FINANCE AUTHORITY PROCEDURES

V

TAX CREDIT PROGRAMS

A. LOW-INCOME HOUSING TAX CREDIT

The Connecticut Housing Finance Authority (the “Authority” or “CHFA”) administers the federal Low-Income Housing Tax Credit (“LIHTC”) Program for the State of Connecticut (the “State”). The LIHTC Program is a housing program authorized under Section 42 of the Internal Revenue Code (the “Code”), and is administered by the U.S. Department of the Treasury. These Procedures govern the allocation, reservation and the compliance monitoring required by the LIHTC Program. Other governing material includes, without limitation, the Authority’s Procedures Part II. Rental Housing – A. Multifamily Rental Housing Program; policies, including CHFA Board policy statements; program materials, including the Qualified Allocation Plan (the “QAP”), the CHFA/DOH Consolidated Application (“ConApp” or “application”), the LIHTC general information, all associated guidelines, and CHFA’s current Multifamily Design, Construction and Sustainability Standards, collectively referred to herein as “Administrative Requirements”. The Authority’s Board of Directors may reject any LIHTC application which, in its independent determination, fails to meet the requirements articulated in the QAP.

A-1. Qualified Allocation Plan

The LIHTC Program requires each state responsible for allocating the LIHTCs to approve a plan for the allocation of the credits that is relevant to that state’s housing needs and is consistent with that state’s housing priorities. The QAP is the plan for the State. The QAP establishes guidelines and procedures for the acceptance, scoring and competitive ranking of LIHTC applications for each funding round.

The QAP is reviewed and modified periodically to ensure that it continues to meet the affordable housing needs and the priorities of the State as articulated in the State of Connecticut Consolidated Plan for Housing and Community Development, Conservation and Development Policies: The Plan for Connecticut, and the Analysis of Impediments to Fair Housing Choice 2015. The QAP is also modified periodically to incorporate any revisions to the Code, State regulations, and relevant industry best practices.

When changes are proposed for an existing QAP, the Authority publishes the draft QAP reflecting such changes and conducts hearings to allow for public review and comment. After consideration of all comments received during the public review period, the Authority’s staff submits a recommended draft QAP to the Authority’s Board of Directors for its consideration and approval. After the draft QAP is approved by the Authority’s Board of Director’s, the QAP is forwarded to the Governor for approval.
A-2. Submission and Eligibility

A ConApp, in its most recent form, shall be completed and submitted by an applicant seeking tax credits. Unless otherwise specified herein, reference to “LIHTC” application shall mean 4% and 9% LIHTC applications. Each LIHTC application shall be evaluated pursuant to the QAP in effect and the Code. The completed application package must satisfy the Application Criteria established in the QAP at Section III.F. and the policy objectives and Administrative Requirements of the Authority. In addition to the Administrative Requirements and the Code, 4% tax credit applications may also be subject to requirements published in a Notice of Funding Availability (NOFA).

The determination of whether the applicant has satisfied all eligibility criteria and the policy objectives and administrative requirements of the Authority shall be made by the Authority’s Executive Director or other authorized officer. The Authority’s Executive Director, or other authorized officer, may require or accept additional or alternative evidence that an application satisfies all eligible criteria when it is in the public interest of the Authority, the LIHTC Program, and the housing plans or policies of the State.

The Authority requires that LIHTC developments submitted are ready to proceed and anticipates that such developments will achieve projected benchmarks. To that end, the Authority will consider the success of each Applicant in achieving benchmarks and delivering completed developments along with its capacity to undertake new projects given its existing pipeline. The process for such consideration shall be discussed with applicants at the pre-application conference and again at the time of application.

For the 2019 application year, all Applicants are invited and encouraged to attend a pre-application conference with the Authority. For the 2020 application year and beyond, all Applicants shall be required to attend a pre-application conference with Authority staff. Additional information on this process may be found in the Guidelines.

Effective with applications submitted in 2020, if an Applicant (including entities and principals thereof, and affiliates or related entities of either) has successful LIHTC development applications in both of the two preceding years, no additional LIHTC application(s) may be submitted for a subsequent development unless it can be demonstrated that the previously successful development applications are on track to meet benchmarks, in the Authority’s sole discretion. Additional information on this requirement may be found in the Guidelines.

A-3. Processing

Upon receipt of a 9% LIHTC application submitted on or before the applicable deadline, staff will review the checklist for items submitted and perform an initial review of the 9% LIHTC application to determine if it satisfies the Application Criteria set forth in the QAP and the Authority’s policy objectives and Administrative Requirements.

Any 9% LIHTC applications received by the Authority after the application deadline shall be denied and will be ineligible for 9% LIHTCs in such funding round. Additionally, applicants cannot submit threshold items after the application deadline. All applications must be complete
at time of submission or will be ineligible for 9% LIHTCs in such funding round. The Authority reserves the right to seek clarification if necessary.

Upon receipt of a 4% LIHTC application, staff will review the checklist for items submitted and perform an initial review of the 4% LIHTC application to determine if it satisfies the Application Criteria set forth in the QAP and the Authority’s policy objectives and Administrative Requirements. Applications must be complete in the Authority’s sole determination before a financing proposal may be considered for approval.

CHFA will complete a final determination of program eligibility based on its final underwriting projections prior to initial closing.

A-4. Site Evaluation

The Authority’s staff shall conduct a site evaluation to determine if the proposed development site is acceptable and satisfies the criteria of the QAP and the policy objectives and Administrative Requirements of the Authority.

A-5. Project Selection Criteria and Ranking Procedures

The Authority shall allocate 9% LIHTCs based upon the selection criteria and application ranking set forth in the QAP.

All applications for LIHTCs shall satisfy the Application Criteria established in the QAP at Section III.F. in order to be eligible. Applications failing to meet all Application Criteria established in the QAP shall be deemed ineligible.

Applications for 9% LIHTCs will be grouped in an Application Classification for evaluation as described in the QAP at Section III.E. These classifications are used for allocation within a competitive 9% LIHTC round only.

Applications will be evaluated, rated and ranked against the other applications in their respective classifications based on the scoring criteria established in the QAP at Section III.G. The results of the final evaluation and ranking shall be determined solely by the Authority.

In accordance with the Code, the Authority will establish a set aside of 10% of the annual credit ceiling for non-profit applicants. Therefore, no more than 90% of the State housing credit ceiling for any calendar year shall be allocated to projects other than those involving nonprofits, as defined in the Section 42(h)(5)(b) of the Code.

A-6. Waivers

Upon written request, waivers for the below limitations may be considered by the Authority’s Board of Directors for developments that achieve an extraordinary public benefit, to be determined at the Authority’s sole discretion.

(a) The amount of 9% LIHTCs reserved and allocated for any one development may be no greater than 20% of the population component of the total State housing credit ceiling, as
described in Section 42(h)(3)(C)(ii) of the Code. The Board of Directors will not consider any request for a waiver of this limit if the per development amount exceeds the calculated amount by 15%.

(b) The amount of 9% LIHTCs reserved and allocated for any one development may be no greater than the product of $27,500 and the number of the qualified units in the development. The Board of Directors will not consider any request for a waiver of this limit if the per unit amount exceeds $30,000. Note that this cap may not be applicable in applications proposing a hybrid 9% and 4% LIHTC development.

Applicants may request that the Authority’s Board of Director’s waive these limitations in cases where extraordinary public benefit is to be realized from the proposed development and the limitation presents an undue hardship. Such public benefit and hardship must be documented in detail by the applicant as a part of its request for a waiver.

A-7. Funding Rounds

The LIHTC allocation process shall be conducted on the basis of open application and annual funding rounds with LIHTCs being allocated to those applications approved by the Authority’s Board of Directors. Generally, the 4% LIHTC funding allocation process may be conducted on the basis of an open application process; however, a NOFA may be issued for competitive allocation, unless otherwise specified, subject to policy objectives and Administrative Requirements of the Authority. The 9% LIHTC funding allocation process shall be a competitive one as outlined in the QAP.

At least annually, the Authority’s Executive Director, or other authorized officer, shall establish, and the Authority’s Board of Directors shall approve, a schedule for LIHTC funding rounds.

LIHTC applications will be accepted subject to published deadlines, and the 9% LIHTC funding allocation process, and will be rated pursuant to the QAP within the funding round in which the applications are submitted.

(a) Application resubmissions: Any applicant whose 9% LIHTC application is unsuccessful in the current funding round shall be entitled to an additional resubmission in a subsequent funding round. The completed resubmitted application must satisfy the Application Criteria established in the current QAP and the policy objectives and Administrative Requirements of the Authority. Each applicant shall submit a second application fee. If a resubmitted application is not successful, any subsequent application contemplated must include material improvements. CHFA will determine if material improvements are included, in its sole discretion.

(b) Forward allocations: 9% LIHTC allocations in any calendar year will be limited to the State housing credit ceiling for the calendar year, as determined in accordance with Section 42(h)(3)(C) of the Code; however, with the approval of the Authority’s Board of Directors, the Authority may commit to reserve all or a portion of subsequent year’s estimated population component of the total State housing credit ceiling, as described in Section 42(h)(3)(C) of the Code.
A-8. Tax Credit Reservation

Approved 9% LIHTC applications will receive a Tax Credit Reservation, which must be executed by the applicant and returned to the Authority within the time period stated therein, along with a portion of the Tax Credit Servcing Fee. A Tax Credit Reservation is not an allocation within the meaning of the Code.

The 9% LIHTC reservation may be subject to other milestones or conditions set forth in the Tax Credit Reservation. Failure to meet such milestones or conditions may result in the Authority’s cancellation of the Tax Credit Reservation.

A-9. Appraisal and Market Study

Refer to Procedures Part II Rental Housing, Sections A-7 Market Study and A-8 Appraisals for details on 4% and 9% LIHTC requirements. Both the Authority-ordered professional appraisal and market study are not required until after a 9% LIHTC Reservation has been executed. The receipt of the Authority-ordered appraisal and market study is required prior to the execution of a Carryover Allocation Agreement or issuance of a 42(m) letter.

A-10. Reassessment

At the conclusion of the Authority’s Board of Director’s adoption of resolutions confirming the 9% LIHTC ranking process, an applicant may apply to the Authority to reassess its decisions relating to the acceptance, scoring, or ranking of the application in the funding round. The application for reassessment shall be submitted in a form acceptable to the Authority within ninety (90) days of the Authority’s Board of Director’s funding round approval. The reassessment shall be conducted by the Authority’s senior staff members who were not directly involved in the evaluation of the application. An application for a reassessment must be accompanied by the applicable fee as noted in the LIHTC Guidelines. Decisions regarding reassessments will be considered final and will not be reconsidered. In the event that the application for reassessment results in a change of scoring and an allocation of 9% LIHTCs, the reassessment fee shall be fully refunded. At the discretion of the Authority’s Board of Director’s, reassessments may result in a forward commitment of 9% LIHTCs in accordance with the current QAP and the policy objectives and Administrative Requirements of the Authority. A successful reassessment will not result in the cancellation of a previously approved reservation.

A-11. Electing Applicable Credit Percentage

Each development’s Applicable Credit Percentage will be established by an irrevocable election by the applicant, based on published rates in effect in either (i) the month the development is placed in service or at the election of the applicant, or (ii) the month in which a binding agreement to allocate the credit is entered into between the applicant and the Authority. This election must be made after a 9% LIHTC reservation has been issued and must be executed by the fifth day of the month following the month in which the binding agreement is executed.

A-12. Issuing Tax Credit Allocations
For developments with 9% LIHTCs that will not place-in service in the year of reservation, initial allocations will be made upon meeting the requirements for a Carryover Allocation Agreement. Final allocations of LIHTCs will be issued by the Authority after a review of the cost certification and a determination of final project costs and sources of funding has been made. In instances of a forward allocation of credits, projects will have until December 1st of the credit ceiling year from which the forward reservation was made to satisfy the Authority’s requirements for a Carryover Allocation Agreement. Failure to meet this deadline may preclude issuance of a Carryover Allocation Agreement.

A-13. Construction and Cost Certification

All applicants are subject to bidding requirements but may be exempt from having a General Contractor in place at time of application. The Authority reserves the right to require competitive bidding among three general contractors pre-qualified by the Applicant and accepted by the Authority in order to mitigate and reduce project cost increases from the originally proposed budget. If required, competitive bidding for a General Contractor or project value-engineering shall be completed prior to the applicant’s execution of a Carryover Allocation Agreement or receipt of an Authority-issued 42(m) letter.

All LIHTC developments must provide construction observation reports to the Authority on a current and regular basis, as defined by the Authority in its Construction Guidelines.

The applicant shall submit a cost certification accompanied by a certified public accountant’s report in accordance with Section 1.42-17(a)(5) of the Treasury Regulations after substantial completion of the development and during the lease-up period. This cost certification must be submitted within the specified timeframe in order for the final funds disbursement to occur.

The applicant shall also submit Final Certificate(s) of Occupancy, affidavits of financing and such other information as the Authority deems appropriate for purposes of making the financial feasibility and viability determinations under the Code. The Authority’s staff shall review the cost certification and make a preliminary determination that the amount of the LIHTC is necessary and appropriate, in accordance with the Code.

A-14. Compliance Monitoring

All qualified LIHTC developments are subject to review pursuant to the Authority's compliance monitoring procedures established in the QAP and LIHTC Guidelines.

A-15. Information

All processing and LIHTC award decisions made by the Authority shall be subject to the Code and the Regulations promulgated thereunder, the QAP and these Procedures.

A-16. Subsidy Layering

At the Authority’s election and in accordance with a Memorandum of Understanding with HUD, the Authority performs Subsidy Layering Reviews on HUD’s behalf for mixed-finance public housing projects and for newly constructed and rehabilitated structures which utilize Project-
Based Vouchers in conjunction with LIHTCs. This review is performed in accordance with the requirements of the Housing and Economic Recovery Act of 2008 (HERA) to satisfy the requirements of section 102(d) of the Department of Housing and Urban Development Reform Act of 1989 (HUD Reform Act).

Tax Credit Programs
Low Income Housing Tax Credit
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