CONNECTICUT HOUSING FINANCE AUTHORITY

Low-Income Housing Tax Credit

Qualified Allocation Plan

2019 Application Year

Table of Contents

I. FEDERAL REQUIREMENTS

The Federal Low-Income Housing Tax Credit Program ("LIHTC") requires each state responsible for allocating the Federal Low-Income Housing Tax Credits ("Credits") to approve 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, including whether the project uses existing housing as part of a community revitalization plan;

   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 of the project; and

   j. the historic nature of the project.

II. State Housing Plans

The Authority and the State of Connecticut Department of Housing ("DOH") work closely to align the Plan with State housing policy. To that end, the focus of the Plan for 2019 is on the most current priorities within State housing policy in support of the State's mission and vision to achieve a Connecticut where affordable housing, in strong, vibrant, and inclusive communities, is accessible to individuals and families across the state and homelessness is a thing of the past. The Plan for 2019 distributes points to reflect the State's priorities. It does this by ensuring consistency and coordination with the State of Connecticut's three long range and large scale Plans related to affordable housing: the Consolidated Plan for Housing and Community Development ("ConPlan"), the Conservation and Development Policies: The Plan for Connecticut (the "C&D Policies Plan"), and the Analysis of Impediments to Fair Housing Choice 2015 ("AI").

The Plan for allocating Credits in the State supports the needs and priorities as defined in the current State of Connecticut ConPlan and the current Annual Action Plan, as required by the National Affordable Housing Act of 1990 (the "Act"). The Act requires that the ConPlan govern the allocation of Federal funds by the State. 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 adopts its specific priorities for rental housing for use in the Plan. Additionally, the Plan similarly adopts relevant housing policies of the C&D Policies Plan and the AI.

A. ConPlan

The overall goal of the community planning and development programs covered by the ConPlan is to develop decent housing available to all, ensure a suitable living environment and expand economic opportunities principally for low- and moderate-income persons.

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

1. Prevent and end homelessness.
2. Increase the supply of affordable housing, which includes preservation, rehabilitation and creation of affordable housing with the goal of expanding housing choice and opportunity.
3. Increase the supply of quality affordable housing in order to support economic growth and the development of stable and healthy communities and neighborhoods.
4. 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.

B. C&D Policies Plan

Affordable rental housing development policies of the C&D Policies Plan adapted for use in the Plan incorporate the Growth Management Principles of the 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, the 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." In accordance with C.G.S. § 16a-35d exceptions may apply to the funding of growth-related developments located in priority funding areas and will be considered as applicable at the discretion of the Authority's Board of Directors.

C. Analysis of Impediments to Fair Housing Choice 2015

The AI is intended to satisfy the State's obligation to analyze the impediments to fair housing choice and to then take steps to overcome the impediments it identifies, in order to enable the State to more quickly overcome the barriers to full and equal access to safe, decent, affordable housing in economically vibrant, diverse communities statewide.

III. ALLOCATION PROCESS

A. Statutory and Procedure Requirements

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

B. Credit Availability

In order to provide predictability to the development community after 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.

C. Allocation Priorities

The Plan provides a total of 106 points to support priority for housing development proposals that incorporate:

<u>Rental Affordability</u> (35 points) – Creates or preserves rental units dedicated to low-income families, households and individuals with incomes below 50% of the Area Median Income.

<u>Financial Efficiency & Sustainability</u> (27 points) – Demonstrates cost effectiveness through efficient use of Credits and other sources.

<u>Local Impact</u> (15 points) – 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.

<u>Opportunity Characteristics</u> (15 points) – Promotes diverse housing opportunities in municipalities with defined opportunity characteristics, including better outcomes in education, greater employment opportunities and economic health.

<u>Qualifications & Experience</u> (11 points) – Promotes an experienced development team's strong track record in LIHTC and affordable housing development.

State Sponsored Housing Portfolio ("SSHP") Developments – Additional Points (3 points) – Supports the redevelopment of the State's aging moderate rental housing stock.

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.
4. Select the highest-scoring applications in the 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.

The Authority intends to distribute as evenly as possible 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. Preference is given, within the Public Housing Classification, to applications for SSHP developments that include Family units (as defined in the Glossary) over other applications in this classification;
2. Lowest credit per unit;
3. Highest Total Rental Affordability Category score;
4. Highest Total Local Impact Category score;
5. Highest Total Financial Efficiency & Sustainability Category score; and

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 two classifications for evaluation. The Public Housing and General Classifications are used for allocation within 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 inclusive of those in the SSHP as described below, the Rental Assistance Demonstration (RAD) program, or Choice Neighborhoods. 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.

SSHP developments eligible to apply for 9% Credits are those that have a transaction year of 2020 or sooner, or are current "at-risk" developments, and in either case, have received from

DOH a preliminary approval of rental assistance subsidy prior to the application deadline if the applicant contemplates or requires such subsidy for its application to be financially feasible.

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

F. Application Criteria

A completed CHFA-DOH Consolidated Application for Housing Development ("ConApp") must be submitted by the published deadline and meet the requirements of the Authority as described in Board policy statements and in CHFA Guidelines.

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;
    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 the following **Application Threshold** items:
        - A credible financing plan as evidenced by letter(s) of commitment or other proof of serious intent from providers of other sources of funds essential to the viability of the proposed project (not including any capital subsidy contemplated from

DOH, provided, however, that no project can be awarded tax credits unless DOH provides CHFA with its commitment for funding. Any capital subsidy contemplated from DOH will be evaluated by DOH following submission of the ConApp, and DOH shall communicate its determination with respect to such funding to both the Authority and the applicant.)

- Evidence of site control.
- Evidence of planning and zoning approval.
- Qualified development team in place, including architect, general contractor and management agent.
- All Sponsors are subject to bidding requirements but may be exempt from having a General Contractor in place at time of application. At any time that project costs increase from the budget proposed at the time of application, the Authority shall require the applicant to mitigate and reduce such project cost increases. Efforts may include competitive bidding and/or value engineering or both as may be required by CHFA. Applicants are advised to pre-qualify three general contractors acceptable to CHFA. Competitive bidding for a General Contractor or project value-engineering should 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 regular basis as described by the Authority in its current Pre-Construction Guidelines.
- Length of Extended Low Income Housing Commitment ("ELIHC") for a minimum of 40 years.
- Development shall be affordable to current residents (if any) so that no permanent displacement is required for reasons of affordability.
- A minimum of 20% of the units in the development shall serve households with incomes greater than 25% but less than or equal to 50% of the Area Median Income ("AMI"). Points will be awarded based on the percentage of the total units in a development over 20% that will serve households with incomes greater than 25% but less than or equal to 50% AMI.
- Development plans and specifications that are in compliance with the Multifamily Design, Construction and Sustainability Standards and Construction Guidelines ("Standards") shall be submitted at a minimum level of 40% complete.

b. For rehabilitation projects, there must be 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. 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.

e. In the case of a rehabilitated housing proposal, the applicant shall provide a preliminary Capital Needs Assessment of the structure to be rehabilitated, in form and content consistent with the Standards.

f. Applications may not be filed by applicants who have (1) failed to comply with the terms of any ELIHC for a project they previously sponsored or developed; (2) been removed as a general partner or management agent from any previous LIHTC development; or (3) experienced a LIHTC project foreclosure.

g. Each application within the Public Housing Classification for a development with existing residents will be required to certify that it has a plan that ensures meaningful resident participation in the planning and implementation process, in accordance with C.G.S. §8-64c. (For additional information refer to the ConApp.)

h. Each applicant will be required to affirm its commitment, by certifying in writing to:

- Give preference in its tenant selection plan to eligible households on waiting lists of the public housing authority(ies) (PHA) in the local market area unless HUD regulations prohibit such preference,
- Make on-going efforts to request that the PHA make referrals to the project, or request that the PHA include relevant information about the project on any listing the PHA makes available to persons on its waiting list(s), and to persons least likely to apply.

i. As a condition of applying for and receiving an allocation, applicants are required to waive their right to request a Qualified Contract. The waiver requirement applies to applicants for both 9% LIHTCs and 4% LIHTCs. This waiver by the applicant will be binding upon the eventual ownership entity and any successor entities.

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 policies, standards, or objectives of the State.

3. 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.
4. If a proposed development contains units that have a rental subsidy that subsequently becomes unavailable, upon the request of the owner and with the authorization of the Authority, the designated units, including supportive housing units, may revert to 50% or 60% AMI units as stated in the ELIHC until new rental subsidy funding becomes available.
5. Developments proposing to establish tenant ownership of the development (or all of the individual units) after the initial 15 year compliance period must submit a specific and credible plan that demonstrates the development of owner capacity and identifies the resources necessary for tenant organization and representation, the acquisition(s), and all transaction costs.
6. The Authority reserves the right to consider alternative financing structures that reduce the volume of 9% LIHTCs used or reduces the need for scarce CHFA soft financing. One alternative is the use of separate, but simultaneous, financing plans

utilizing both 9% LIHTCs and 4% LIHTCs and tax-exempt bonds. Developments eligible for consideration should be of a scale to produce demonstrable savings of these resources in exchange for the higher complexity of the execution. In determining such alternative financing structures, the Authority will consider, among other things:

- Experience in successfully completing the proposed alternative structure and organizational depth and capacity to undertake complex transactions;
- Simultaneous financing for each building/phase/condominium unit;
- Ability to adhere to strict timelines; and
- Demonstration of cost savings, increased unit production, and a reduction in the volume of 9% LIHTCs or resources, as required.

7. When calculating the amount of 9% LIHTCs necessary to achieve feasibility for transactions proposing to utilize third-party financing, the Applicant shall ensure that the terms of the proposed financing are such that the use of credits is minimized and the debt is sized appropriately. The Authority shall review the terms of the proposed financing in the context of the development proposal and determine its acceptability.

G. Scoring

There are two types of LIHTCs—9% and 4% credits. Only the 9% credits, which generate more equity, are awarded on a competitive basis through the QAP. The 4% credits are used in conjunction with bond financing, which may be competitively awarded through a Notice of Funding Availability. All applicants in the 9% round will be scored by the following criteria:

1. Rental Affordability

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 or chronically homeless, as defined in the Supportive Housing Guideline. Documentation must include a Services Plan and evidence of funding sources, including a budget, for supportive services. (Reference must be made to the current Supportive Housing Guideline for definitions, service funding criteria and the list of Qualified Service Providers).

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

b. 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

c. Households above 25 and at or below 50 Percent of AMI

Points will be awarded based on the percentage of total 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
Over 20% and <30%	3

d. 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%	6
≥10% and <20%	2

e. Preserves At-Risk Affordable Housing

The rehabilitation project preserves existing occupied affordable rental 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

f. Production and Preservation of Affordable Housing

The Authority prefers to produce more affordable housing through the **increase in the deed-restricted housing supply**, as long as such production is appropriate to the site and the needs of the community. Renovation of a property that is not habitable, and/or is blighted or condemned will be counted as new production. Adaptive re-use is new construction. If deed-restricted housing already exists, any addition to the unit count will be considered an increase and not new construction, and only an increase in units of 10% or more may receive points. Refer to Glossary for definition of “blight”.

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

g. 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

2. Financial Efficiency & Sustainability

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 for applications that include plans and

% Deviation	Points
Between +/-5%	3
Between >5% and 10% or between <-5% and -10	1

specifications submitted at a level of 90% complete or better. Points may be awarded based upon deviation from the Authority's anticipated construction square foot cost. (For additional information refer to the Standards.) Costs are reviewed in the context of development location and any applicable constraints in the marketplace including regional labor and material costs and applicability of prevailing wage statutory requirements. Determination of the acceptable range of hard costs shall be at the Authority's discretion.

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

4 Points

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)(B)(ii) of the Code, which do not exceed 65 percent of total uses as recognized by the Authority will receive points.

d. Other Permanent Funding Sources

1 Point

Commitment(s) for permanent funding sources in excess of 5% of Total Development Resources, including local housing trust funds, grants, foundation awards, or non-debt commitments such as land contributions, tax abatement, block-grant funds, or an AHP award will qualify for 1 point if written documentation is provided. State or state-administered funds, including but not limited to DOH funding, Urban Act, Brownfields, HTCC, State Historic Tax Credits, and CRDA are not eligible sources of permanent funding for purposes of qualifying for the point.

e. Building Plans and Specifications

Cost estimates become more reliable with greater levels of completion of plans and specifications. To encourage fully developed plans and specifications, Applicants that submit building plans and specifications at a level of completion of 90% or higher may be awarded points. In order to qualify for points, Applicant shall certify that 90% drawings and specifications have been subjected to quality control review to check for errors and omissions, building code, and fire code compliance issues. Determination of completeness is at the sole judgment of the Authority.

% Complete	Points
≥90%	3

f. Sustainable Design

Points will be awarded based upon the Sustainable Design Measures (SDM) provided and indicated in the plans, specifications, Energy Conservation Plan, third-party Energy Consultant's / Professional Engineer's report, and/or other supporting documents as outlined in the Standards.

Points for SDMs described below are additive. Maximum points available in this category: 7

SDM	Description	Points
Passive House Design	Points may be awarded for projects designed to meet Passive House standards. Submit plans and specifications at a level of 90% and in accordance with the Guideline for Passive House.	3
Cost Effectiveness	1 point will be awarded to the top two projects that qualify for the Passive House Design points and that have the lowest per unit construction costs.	1
High-performance Building Design	Minor, Moderate or Substantial Rehabilitations – Projected reduction in energy consumption ≥ 33% Gut Rehabilitations/New Construction – Projected energy cost savings ≥ 23% over current ASHRAE Standards.	2
Renewable Energy System	Provide a roof-top, building- or landscape-integrated Photovoltaic (PV) system providing ≥ 33% of site lighting energy requirements, or an ENERGY STAR-qualified central geothermal HVAC system.	1

g. Cost Effectiveness, Intermediary Costs

Cost efficient designs and reasonable soft costs, such as professional fees, are strongly encouraged. 4 points will be awarded to the top 2 projects per classification with the lowest percentage of Intermediary Costs.

4 Points

3. Local Impact

a. 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

Criteria	Points
5 Criteria	5
4 Criteria	4
3 Criteria	3
2 Criteria	2
1 Criteria	1

- 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 within ½ mile of the proposed development as measured by a pedestrian's path

b. Transit-Oriented Development

"Transit Oriented Development" for the purposes of the LIHTC program means the development of multi-family residential apartments within walking distance of public transportation stations serving rapid transit bus services or rail. (For the complete definition, refer to the Glossary.) Applicants shall provide maps evidencing the distance of a pedestrian's path to the transportation hub or transit station. Points are additive and may be awarded based on criteria below: Criteria	Maximum of 4 Points
• Mixed income development located within a half mile of an existing station or hub along the CTfastrak corridor or the Hartford rail line, Shoreline East or MetroNorth's New Haven, New Canaan, Danbury and Waterbury lines;	2
• Mixed use development that includes neighborhood amenities such as pharmacy, restaurant, market, studio or other retail/commercial/cultural opportunity(ies) that encourage community revitalization	2

c. Family Developments

Proposed developments must not be age-restricted, and must contain a mix of bedroom sizes, with more than 50% of the development's total units containing two or more bedrooms.

1 point

d. Signed Resident Participation Agreement

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

1 Point

e. Historic Place, Adaptive re-use, or Brownfield Development

3 Points

Renovation of a designated historic building (provide evidence of such designation); or

Renovation and adaptive re-use of vacant or abandoned non-residential structure (does not have to be historic); or

Remediation of Brownfield site, such site included on a federal or state list of brownfield sites and/or has been awarded Brownfield "clean-up" funds by a federal or state agency.

f. Located in a Qualified Census Tract

One point awarded to projects that are located in Qualified Census Tracts (QCTs), as defined in § 42(d)(5)(B)(ii) of the Code, and the development of which contributes to a concerted community revitalization plan. Difficult Development Areas (DDAs) may be included in this category. Community revitalization plan must be provided. (For definitions, refer to the Glossary).	1 Point

4. Opportunity Characteristics

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. §8-30g(k) and identified on the "Affordable Housing Appeals Procedure List" published by DOH.	6 Points

b. Development located in an Area of Opportunity "Development Located in an Area of Opportunity" means a development with non-age restricted units of which more than 50% of the development's total units contain two or more bedrooms, and that is located in a municipality with: Below average poverty levels, Average to above average ratings for school performance as evidenced by GreatSchools 2013 District Ratings, Above average "Jobs to Population" ratio and access to higher education opportunities as evidenced by proximity to community/technical colleges. Refer to Opportunity Characteristics Guideline for points calculations. A Locational Guideline Map will be made available on the Authority's website and will be the tool for Applicant's to use to determine their points.	Additive to a maximum of 9 points in this category:
• Below Average Poverty Rate	2 points
• Above Average Performing Schools (Scores in the 8 to 10 range) *or* Average Performing Schools (Scores in the 4 to 7 range)	2 points *or* 1 point
• Employment in Community	3 points
• Access to Higher Education	2 points

5. Qualifications & Experience

a. Experience of the Sponsor/Applicant/General Partner

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

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 permanent Developer/Sponsor Resources to the project's permanent Total Development Resources (for additional information, refer to the Glossary).

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

c. Women and Minority Participation

2 Points

Women and/or minorities are encouraged to participate in the ownership, development, or management of the project. Points may be awarded if evidence is provided that the entity meets the Supplier Diversity Eligibility Requirements of the State of Connecticut relative to women- or minority-owned business entities (MBE). Please visit the Department of Administrative Services for complete information.

d. Connecticut-based Contractor

1 Point

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

6. SSHP Development – Additional Points

3 Points

Points will be awarded to the highest ranking SSHP development application that has an aggregate allocation need of annual LIHTCs not to exceed $1.2 million. SSHP developments must be eligible to apply. Existing SSHP developments that propose an expansion are eligible only if such expansion provides net new units of non-age restricted housing containing two or more bedrooms.

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. and the Authority's Procedures.

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.

The Internal Revenue Service (IRS) published guidance for state housing credit agencies, Guide for Completing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition, effective January 2011. The purpose of the Guide is to standardize the treatment of non-compliance issues and it includes instructions for completing Form 8823 and guidelines for determining noncompliance and reporting dispositions.

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

1. 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.

2. The Authority or its Designee will require annual certification that the developer/owner has provided, and will continue to provide, items for which a development received points in the competitive scoring process that led to a LIHTC award.

3. Additionally, the Authority or its designee will require annual certification that the developer/owner has complied with all requirements of the Violence Against Women Act (VAWA). Guidance and references are provided on the Authority's website.

C. Inspection Provision

a. At least once every three years the Authority or its designee 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.

b. The Authority or its designee will periodically perform Quality Assurance monitoring for supportive housing units pledged by a developer/owner in its development project. Monitoring visits during which the monitoring agency will review files, interview staff and meet with tenants to assess compliance are more fully described in the current Supportive Housing Guideline.

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 Section 42 of the Code, 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.

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.