Low-Income Housing Tax (LIHTC) Credit Program

Hybrid Financing Structure Guidelines

2024 and 2025

Developments proposing separate, but simultaneous, financing plans utilizing both 9% LIHTCs and 4% LIHTCs with tax-exempt bonds (“hybrid developments”) must submit separate and distinct Consolidated Applications (“ConApps”). ConApps for both the 9% and the 4% portions of the hybrid development must be submitted simultaneously by the date and time specified as the due date for the competitive 9% round.

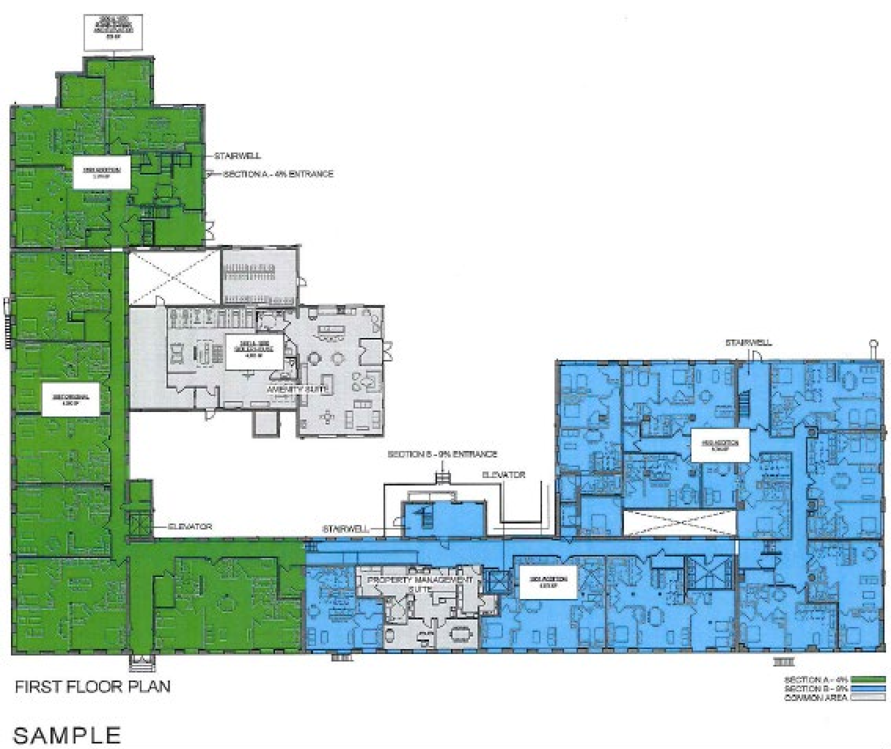
Hybrid developments eligible for consideration should be of a scale to produce demonstrable savings of scarce resources and increased production of affordable housing units in exchange for the higher complexity of the execution. Further, the Authority will consider the acceptance of ConApps for hybrid developments if the following criteria are met:

A. Each project should have separate investor Letters of Interest.

B. Each portion of the hybrid development (9% and 4%) must be able to demonstrate demand through a market study that could cover both components; however, CHFA reserves the right to require two separate market studies if warranted in its sole discretion. Appraisals must clearly present each as separately financed deals including separate equity pricing that would support each respective deal.

C. The developments must be on the same or contiguous site.

D. The units for the 9% component or the 4% component of the hybrid development should be segregated in distinguishable groups through formal documentation such as a condominium declaration and architectural drawings to reduce undue complexity in the review, construction, or construction administration of the respective phases. Final determination is at CHFA’s discretion. See exhibit below for guidance on how to depict the individual components in the development.



E. There should be separate construction contracts, architect contracts, developer agreements, title commitments and surveys for each portion of the hybrid development.

F. Each project should be governed by its own separate management agreement. It is acceptable for the same third-party management agent to serve as the manager for both projects. A separate management fee should be payable to the property manager, and rents collected for each project should be deposited into separate operating accounts designated for each project. The manager should prepare separate operating budgets annually for each project for approval by their respective owners.

G. All applicants for hybrid developments must meet with CHFA at least once prior to the application deadline in accordance with the Pre-application requirements outlined in the Procedures. This meeting will cover at a minimum the following additional topics:

  1. Review requirements/timing for the 4% side.
  2. Separate legal parcels, condominiums, or ground leases
  3. Hybrid development amenities and locations
  4. Status of plans and specifications for both components of the Proposed Hybrid Development

H. The Authority must approve the condominium, ground lease, or other documentation regarding the relationship between the properties.

I. The Authority must approve cross-easements and charges for use of amenities and determine that amenities are sufficient for both properties. Tax-exempt bond proceeds should generally not finance any portion of common areas or shared uses.

J. The Authority may be the construction lender but must be the permanent loan lender and tax-exempt bond issuer. The Authority will issue a soft letter upon request to the applicant on its financing terms prior to submission of the ConApps for each portion of the Proposed Hybrid Development.

K. If the 9% application is successful, the Authority will complete its process of review and approval of the 4% application. If the 9% application is not successful, the Authority will not move forward with the review and approval process for the 4% application.

L. The Authority will rank the 9% LIHTC application without regard to the 4% LIHTC component of the Proposed Hybrid Development, with the two exceptions noted below (example follows).

  1. Calculation of the number of LIHTC Program qualified units shall include all LIHTC Program qualified units in the entire Proposed Hybrid Development (the sum of the qualified units in both the 4% and the 9% components); and

2. Points for *Credits per Qualified Bedroom* shall be calculated based on the total number of qualified bedrooms in the entire Proposed Hybrid Development and the sum of the 9% and 4% LIHTC requests.

Example:

Development AB	Credit Amount	Qualified Units	Qualified Bedrooms
(Component A) – 4%	$1,129,046	48	80
(Component B) – 9%	$2,182,794	37	83

Credit per Qualified Unit Calculation: $2,182,794 ÷ (48 + 37) = $25,680

Credit per Qualified Bedroom Calculation: ($1,129,046 + $2,182,794) ÷ (80 + 83) = $20,318