



HTCC GENERAL INFORMATION & COMPLIANCE

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I. General Information

The Housing Tax Credit Contribution (“HTCC”) Program is a housing program contained in Section 8-395 of the Connecticut General Statutes, as amended. The HTCC Program provides tax credit vouchers for business firms making contributions to affordable housing programs developed, sponsored or managed by Nonprofit Corporation which benefit very low, low and moderate income individuals and families. The Connecticut Housing Finance Authority (“CHFA” or the “Authority”) administers the Program.

The tax credit vouchers provided under the HTCC Program reduce the contributing firm’s Connecticut corporate taxes. The amount of tax credits is equal to the firm’s contribution, making the HTCC Program a dollar-for-dollar tax credit program.

In order for a business firm to receive a reservation of credits, the firm must commit in writing to contribute to an eligible housing program to be developed by an HTCC recipient. A tax credit voucher will be provided by CHFA upon verification that the contribution has been made. The total amount of tax credits available annually per statute is \$10 million. There is no limit to the amount that any one business firm may contribute to HTCC recipients in the aggregate, though each Nonprofit Corporation may receive no more than \$500,000 in total contributions in a particular funding round.

This Nonprofit/For-Profit partnership encouraged by the HTCC Program has been critical in developing affordable housing that otherwise would not be built, and encourages housing to be built at a reduced cost to the end user.

For reference please refer to www.chfa.org for further information on Procedures, Policies, and other useful links for the HTCC program.

II. How to Apply

Applications for HTCC funding are limited to Nonprofit Corporation (“Nonprofit Corporation”) seeking to develop, sponsor or manage an affordable housing program designed to assist families at or below 100% of area median income.

Any applicant may demonstrate that it meets the definition of a Nonprofit Corporation by submitting to the Authority an endorsed Certificate of Incorporation certified by the Secretary of the State, a certification that the Nonprofit Corporation is in existence from the Secretary of the State's Office and a copy of the letter that was issued to the Nonprofit Corporation by the Internal Revenue Service determining that the corporation qualifies as an exempt organization under section 501(c)(3) of the Internal Revenue Code.

Applications from Nonprofit Corporations seeking approval of a Housing Program shall be filed on a date determined by the Authority. The time of receipt of an application shall be deemed to be the time of filing.

Approximately 90-120 days prior to an HTCC funding round, which occurs once annually, a notice of Funding Availability (“NOFA”) will be published at www.chfa.org. The NOFA announcement will contain information related to application due date and time as well as the date and time of any anticipated training opportunities or Overview Sessions.

Applicants seeking an HTCC award for a development with previously committed DOH funds should inform DOH about its HTCC application and provide an updated commitment letter from DOH.

Applicants are ultimately responsible for providing the information necessary for determining project eligibility and compliance under the HTCC Program. In addition, this document shall not be relied upon exclusively or as a substitute for the advice of an applicant’s tax or legal counsel.

Please note that the HTCC program is subject to all CHFA policies and procedures including, but not limited to, its Program Eligibility Requirements for Parties Delinquent or Not Performing on CHFA or Other Obligations. Any applicant or individual or entity affiliated with a principal of a delinquent or noncompliant housing development may be ineligible to apply for HTCC funding.

Additional information regarding the application package is provided for your convenience on our website. If any statements in the package conflict with the laws governing the program, those laws take precedence.

If you need further assistance understanding the HTCC Program and how it might benefit your housing project, you are encouraged to visit our website at www.chfa.org or call Cyndi Guest at (860)571-4342.

As part of the application approval process, the Nonprofit Corporation shall be required to furnish the following regarding each Housing Program submitted for approval:

- A description of the Housing Program, including the total number of families to be served in total, as well as the number of families to be served with incomes at or below 25% of the Area Median Income (AMI), the number of families with incomes greater than 25% and not more than 50% AMI, the number of families with incomes greater than 50% and not more than 80% AMI, and the number of families with incomes greater than 80% and not more than 100% AMI. In the case of a revolving loan fund, a detailed description of the revolving loan fund shall be provided;
- Evidence of housing need as demonstrated by a local survey, Consolidated Plan for Housing and Community Development, market study, or other documents deemed satisfactory by the Authority;
- Evidence of the general administrative capacity of the Nonprofit Corporation to develop, sponsor or manage the Housing Program;
- Project financing plan and budget;
- Evidence of the project's readiness to proceed;
- Evidence that any funds previously received by the Nonprofit Corporation for which a voucher was previously issued were used to accomplish the goals set forth in the application; and
- Other information as may be deemed appropriate by the President-Executive Director of the Authority or his/her designee.

The President-Executive Director of the Authority or his/her designee may, at his/her sole discretion, waive any of the non-statutory requirements relating to the documentation which must be submitted to the Authority for participation in the HTCC Program; however, he/she shall not waive, or in any manner alter, the requirement that Contributions shall be allocated only to Housing Programs that serve Very Low-, Low- or Moderate-Income Families.

Such a waiver may be granted if there is sufficient evidence that:

- The literal enforcement of Authority Procedures provides for exceptional difficulty or unusual hardship not caused by the applicant;
- The benefit to be gained by the waiver outweighs the detriment which would result from enforcement of the requirement;
- The waiver is in harmony with conserving public health, safety, and welfare; and

- The waiver is in the best interest of the State of Connecticut.

III. Application & Ranking

All applications for HTCC funding must be submitted through CT BizNet utilizing the CHFA/DOH Consolidated Application. Applications will be scored and ranked on the following primary categories of:

- Readiness to Proceed - the extent to which the applicant can demonstrate its readiness to proceed by providing documentation evidencing site control, firm financing commitments, zoning approval, building permits and any other documents that would indicate an applicant's readiness; or in the case of revolving loan funds, a fund establishment certification, stating the Nonprofit Corporation will establish the loan fund in accordance with the approved Housing Program in a manner that will assure all funds will be utilized for the stated program purpose within three (3) years of approval. The date of approval shall be the date of the Reservation Letter.
- Type of Housing Program - the extent to which funds are used to build or rehabilitate a specific housing project; or to capitalize a revolving loan fund providing low-cost loans for housing construction, repair or rehabilitation to benefit persons of Very Low-, Low- and Moderate-Income; or to the extent to which funds are used to establish a program of assistance to individuals to purchase or rent Workforce Housing, including the extent to which the Workforce Housing Program would reduce the commuting distance of participants.
- Income Groups Served - the extent to which the project will benefit families with incomes at or below 25% of the Area Median Income and families with income greater than 25% and no more than 50% of the Area Median Income; or in the case of Workforce Housing Programs the degree to which the program benefits low or moderate income wage or salaried employees purchasing or renting Workforce Housing.
- Administrative Capacity - the general administrative capacity of the Nonprofit Corporation to build, rehabilitate or manage housing, and the extent to which any funds received by the Nonprofit Corporation for which a voucher was issued were used to accomplish the goals set forth in the application; or in the case of a program established for Workforce Housing to provide assistance to individuals, the degree to which the Nonprofit Corporation has the administrative capability to administer such program.
- Neighborhood Revitalization & Leveraging - the extent to which the project is located in a Qualified Census Tract (QCT), Priority Funding Area as defined by the Connecticut Conservation and Development Plan of Connecticut, 2013-2018, as amended, and the project's impact on neighborhood revitalization. Leveraging of HTCC funding with other committed resources is highly encouraged and will

be measured by the extent to which state tax credit funds are leveraged by other funds.

- Compliance- evidence of successful programmatic, reporting and closeout compliance.

Information submitted in the tax credit application will be evaluated and ranked which is further described in the application (See point's calculation worksheet). The top ranking Housing Programs will receive a tax credit reservation provided a financing need exists.

Business Firm Applications and Credit Administration:

Each year, the Authority shall publish the list of Housing Programs of Nonprofit Corporation that will receive tax credit reservations.

Upon notice of tax credit reservation, the Nonprofit Corporation shall have until sixty (60) days after the list of Housing Programs is published annually to secure Contributions from eligible Business Firms. Failure to meet this deadline will result in unallocated credits becoming available to other eligible applicants, which will have until ninety (90) days after the list of Housing Programs is published to secure Contributions from eligible Business Firms. Determination of which Housing Program receives the unallocated funds will be made pursuant to ranking score. Should unallocated funds remain available after ninety (90) days, an extension may be granted at the discretion of the President-Executive Director or his/her designee discretion.

Until sixty (60) days after the list of Housing Programs is published each year, two million dollars of the total amount of all tax credits available in any one fiscal year shall be set aside for permanent supportive housing initiatives established pursuant to C.G.S. Section 17a – 485c, as amended.

Until sixty (60) days after the list of Housing Programs is published each year, one million dollars of the total amount of all tax credits available in any one fiscal year shall be set aside for Workforce Housing loan funds.

Business Firm Eligibility:

To be eligible to participate in this program, a Business Firm shall submit an endorsed Certificate of Incorporation and a Certificate of Existence for the current year issued by the Office of the Secretary of the State of Connecticut.

Application Process for Business Firms:

Applications for Business Firm Contributions shall be filed annually with the Authority by no later than the timeframe described in section III. Application & Ranking. The time of receipt of an application shall be deemed to be the time of filing. Applications for tax credit vouchers shall be made on forms prescribed and furnished by the Authority.

As part of the application approval process, the Business Firm shall be required to furnish the following:

- A list of the Housing Program(s) to which the Business Firm intends to make Contribution(s); and
- The amount of the Contribution to be made to each Housing Program.
- Applications shall be approved or rejected by the President-Executive Director of the Authority or his/her designee based on the information and documentation required herein, as well as the availability of tax credits.
- If the Business Firm application is approved, the Business Firm will be notified, in writing, and given instructions of how to proceed with the Contribution.
- If the Business Firm application is rejected, the Business Firm shall be notified, in writing, of the reasons for the rejection.

Issuance of Tax Credit Vouchers:

Tax credit vouchers for Contributions to approved Housing Programs shall be issued in accordance with a ranking system which takes into consideration information provided by the Nonprofit Corporation in its application and the availability of tax credits.

The President-Executive Director of the Authority or his/her designee shall notify the Business Firm, in writing, that a tax credit voucher will be reserved, contingent upon the Business Firm's submission of a notarized receipt from the Nonprofit Corporation of the Contribution made to the approved Housing Program.

Tax credits shall be processed in accordance with policies established by the Department of Revenue Services.

If a Business Firm is contributing to one or more Housing Programs, the application shall be submitted as a single application and shall provide the information required herein for each Business Firm.

The amount which is proposed to be contributed by a Business Firm to which a credit voucher has been reserved must be contributed by March 31 of the calendar year following the calendar year in which the application for such voucher was filed.

The Business Firm's tax credit must be claimed on the tax return of the Income Year during which the Contribution to the Nonprofit Corporation was made.

Carryforwards and Carrybacks:

Any tax credit not used in the period during which the Contribution was made may be carried forward or backward for the five (5) immediately succeeding or preceding Income Years until the full credit has been utilized.

IV. Compliance

A critical component to the HTCC program is continued program compliance and progress reporting to the Authority. Program compliance and timely reporting is the responsibility of the Nonprofit Corporation and it is essential for the organization to maintain its application eligibility.

Once funded, the Nonprofit Corporation shall maintain a segregated account for proceeds or contributions received for which a tax credit voucher(s) has been issued. The Nonprofit Corporation shall maintain complete and accurate accounting and records for the funds. Upon request by the Authority, the Nonprofit Corporation shall provide the Authority with information, financial statements and other reports relating to the operation of the program.

Housing Programs and Objectives:

Generally, Housing Program projects shall be scheduled for completion not more than three (3) years from the date of approval (date on the Reservation Letter). All required close-out documents shall be submitted no later than three (3) years and 90 days from the date of approval. Anticipated date of completion shall be documented in the project schedule submitted with the application. In the case of revolving loan funds, the Nonprofit Corporation must loan out 100% of its HTCC funds within three (3) years of the fund's inception. All loan repayments, other interest and investment income shall be held in the loan fund to be used in accordance with the Housing Program with the exception that CDFIs and eligible Nonprofit Corporation may offset administrative and overhead expenses by withdrawing from the loan fund earnings from an interest rate spread not to exceed 3%. All loan repayments, interest and investment income must be held in the loan fund to be used in accordance with the Housing Program.

In the case of a revolving loan fund(s), the Nonprofit Corporation shall establish the revolving loan fund(s) in accordance with the Housing Program subsequent to voucher issuance from the Authority and provide evidence of that establishment to the Authority. Such evidence must include a signed, notarized fund(s) establishment certification or a statement demonstrating the deposit of funds, copies of all documents to be utilized in the administration of the fund(s) and any other information relative to the fund(s) requested by the Authority.

For the Workforce Housing program Nonprofit Corporation may set up revolving loan(s) with a minimum of 3 years required to keep the loan open. Of note the loan fund can remain open longer than 3 years, but all HTCC funds must be exhausted within a 3-year time frame. The household income of borrowers from the revolving loan cannot exceed 100% of Area Median Income (AMI)

- The borrowers must live in the municipality where they work. This should be documented in the Project Narrative of a Nonprofit applicant's HTCC Application
- \$1,000,000 is set aside annually for Workforce Housing programs; each applicant is eligible to receive up to \$500,000 in tax credits
- Workforce Housing projects will be ranked against each other with different points' criteria than traditional HTCC Applicants. If a Workforce Housing project does not score

high enough to earn a reservation under the Workforce Housing Set-Aside, it will be ranked against the traditional HTCC applicants and classified as a General Class applicant based on points.

- If a portion of the Workforce Housing Set-Aside remains unallocated, the remaining balance will be contributed to the pool of traditional HTCC, General Class applicants
- **For example:** \$10M Total = \$1M Workforce Housing Set-Aside + \$2M Supportive Housing Set-Aside + \$7M General Class. If only \$450,000 out of \$1,000,000 is allocated to WHTC programs, then the General Class balance will increase from \$7,000,000 to \$7,550,000.

The Nonprofit Corporation must make active, good faith efforts to market its Housing Program and carry out the objectives of the Housing Program, and shall furnish the Authority with marketing materials and other documents relating to the marketing of the Housing Program in such detail and at such times as may be required. In addition, the Nonprofit Corporation must also maintain records of account balances, loan activity, fund maintenance, and compliance with the Authority's requirements, and shall furnish the Authority with financial statements and other reports relating to the operation of the program in such detail and at such times as may be required.

Housing Program Changes:

Material changes to a funded Housing Program are permitted with the consent of the Authority. If a Nonprofit Corporation is considering a change to a housing program or seeks guidance regarding the magnitude of a change, please contact the Authority.

If an applicant wishes to make a change to a Housing Program plan or budget, such revision requests should be submitted in writing to the Authority for staff review and written approval prior to final completion document submission.

Reporting:

Approved Housing Program(s) must submit quarterly progress reports evidencing compliance with the submitted project schedule; or in the case of a revolving loan fund(s), Nonprofits must submit to the Authority a quarterly compilation of the revolving loan fund(s) for a period of three years from date of approval.

For revolving loan funds, reporting requirements are only in effect for a three (3) years period. All HTCC funds must be exhausted within the three year timeframe. If HTCC funds are exhausted prior to three years, the non-profit may continue to loan funds in a revolving fashion until the funds are depleted. As part of this three-year reporting requirement, the non-profit must provide evidence of the loan fund activity and borrower eligibility or a certification from the Nonprofit as part of their annual audit.

Timely, ongoing reporting is the best way for Nonprofit Corporation to document, and the way for the Authority to monitor, the ongoing progress of a Housing Program. Failure to submit timely quarterly progress reports could impact future eligibility or maximum scoring in future HTCC application rounds through delinquency or continued noncompliance. An applicant or

individual or entity affiliated with a principal of a delinquent or noncompliant housing development may be ineligible to apply for HTCC funding.

Please note the following compliance related requirements:

Submitting delinquent Quarterly Reports in one (1) instance	Warning will be issued
Submitting delinquent Quarterly Reports in two (2) instances	20 points will be deducted from subsequent HTCC applications for a period of two (2) consecutive years
Submitting delinquent Quarterly Reports in three (3) instances	30 points will be deducted from subsequent HTCC applications for a period of two (2) consecutive years
Submitting delinquent Quarterly Reports in four (4) instances	The applicant/affiliated entity will be considered in HTCC Program Non-Compliance and will be unable to apply for the HTCC Program for two (2) consecutive years

Closeout:

Housing Programs must demonstrate final completion by submitting to the Authority a signed Certificate of Project Completion form (“CC”) along with Certificate(s) of Occupancy (“CO”), Temporary Certificate(s) of Occupancy (“TCO”) or a letter from the local municipal building official indicating that a CO/TCO has been issued and is valid for the Housing Program as of the date of project completion; revolving loan fund(s) must demonstrate final completion by submitting a Certificate of Completion, prepared by a certified public account along with either a copy of the cancelled passbook and/or copies of all relevant loan documents that backup the use of the HTCC funds. Once substantial completion of 95% has been reached, preparation of the closeout documents should begin and be sent to the Authority.

If a CO/TCO is not available for the originally proposed properties, a letter from the applicant must be provided to the Authority, subject to review and approval, explaining the extenuating circumstances which resulted in a deviation from the Housing Program.

Any HTCC award recipient who has failed to comply with the close-out requirements of a previous award will be subject to a penalty of 5 points in a subsequent application for a period of two (2) consecutive funding rounds of the HTCC Program. Failure to submit the required occupancy documentation and Closeout Certificate within 90 days of project completion, five points will be deducted from their overall points score.

If an applicant fails to proceed with the Housing Program in accordance with the project schedule or demonstrate that completion occurred within three (3) years from the date of approval, the remaining funds contributed by Business Firms may be reclaimed by the Authority, such funds shall be redistributed to another Housing Program in the next appropriate funding round and the applicant will be ineligible in the HTCC Program for a period of two consecutive funding rounds of the HTCC Program.

The Authority may conduct random monitoring, site visits, and observations with little notice to the recipient. Recipients are advised to review the HTCC Procedures, Information, Guidelines, and Policies published on the Authority's website to ensure that the requirements of compliance are fully understood. If there is a compelling reason why any required compliance materials were not submitted waivers may be considered on a case by case basis at the discretion of the President-Executive Director or his/her designee.

V. Definitions

- "Area Median Income" means the area median income ("AMI"), adjusted for family size, as determined yearly by the United States Department of Housing and Urban Development ("HUD");
- "Business Firm" means any business entity as defined in C.G.S. Section 8-395(a);
- "CDFIs" means Community Development Financial Institutions. A CDFI is a specialized financial institution incorporated within the state as a Nonprofit Corporation tax exempt financial institution, designated and certified by the CDFI Fund, a bureau of the United States Department of the Treasury.
- "Contribution" means cash payment;
- "Date of Approval" means date of reservation;
- "Family" means a household consisting of one or more persons;
- "Housing Program" means:
 - a plan to build, or acquire and improve, housing to provide decent, safe and sanitary housing for Very Low-, Low- and Moderate-Income Families; or
 - a plan to capitalize a revolving loan fund to provide low-cost loans for housing construction, repair or rehabilitation to provide decent, safe and sanitary housing for Very Low-, Low- and Moderate-Income Families; or
 - a program for Workforce Housing that provides assistance to individuals.
- "Income Year" means the Business Firm's Income Year, as defined in C.G.S. Section 12-213(a)(5);
- "Nonprofit Corporation" means a Nonprofit Corporation incorporated pursuant to Chapter 602 of the C.G.S., or any predecessor statutes thereto, having as one of its purposes the construction, rehabilitation, ownership or operation of housing and having articles of incorporation approved by the President-Executive Director of the Authority or his/her designee in accordance with regulations adopted pursuant to C.G.S. Section 8-79a or 8-84;

- "Very Low-, Low- and Moderate-Income Families" means families whose total household income does not exceed 50%, 80% and 100% of Area Median Income, respectively;
- "Eligible Expenses" as the term applies to revolving loan funds relates to the acquisition of housing located in Connecticut which is occupied by Very Low-, Low- and Moderate-Income Families for more than one hundred eighty-three (183) days per calendar year and which has a purchase price that is not greater than the sales price limits set yearly by the Authority. Eligible Expenses may include, but are not limited to:
 - down payment assistance for no greater than 25% of the cost of home purchase;
 - mortgage interest rate buy downs;
 - reasonable and customary closing costs; and
 - rehabilitation costs.
- "Workforce Housing" means affordable housing for low- and moderate- income wage or salaried workers in the municipalities where they work.