



Low-Income Housing Tax Credit (LIHTC) Program Guideline

2024 and 2025

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PREFACE

This Guideline is to be used by applicants requesting funding through the Low-Income Housing Tax Credit (“LIHTC” or “tax credit”) Program. This Guideline supplements the existing laws and rules prescribed by the Internal Revenue Service (the “IRS”) in [Section 42](#) of the Internal Revenue Code (the “Code” or “IRC”) and related regulations. Applicants are advised to review the documents specified in the Governing Authority section of the current Qualified Allocation Plan (QAP) along with the Glossary of Terms and the on-demand webinar of the annual LIHTC Program Overview Sessionⁱ. If any statement(s) in these documents conflict with the laws governing the LIHTC Program, those laws take precedence. The materials should not be relied upon solely or as a substitute for an applicant’s own tax or legal counsel or interpretation of laws relating to the LIHTC Program. Applicants are ultimately responsible for providing the information necessary for the determination of the development's eligibility and compliance under the LIHTC Program.

I. Background

The IRC §42 Low Income Housing Credit Programⁱⁱ was enacted by Congress as part of the Tax Reform Act of 1986 to encourage new construction and rehabilitation of existing buildings as low-income rental housing for households with incomes at or below specified income levels. Since its inception, the LIHTC Program has helped construct and rehabilitate a significant portion of the nation’s affordable housing stock.

The LIHTC Program works as follows: The IRS allocates federal tax credits to state housing finance agencies who administer the LIHTC Program. CHFA is the LIHTC administrator and allocating agency for the State of Connecticut. CHFA awards tax credits to eligible developers of affordable housing developments through a structured application process. The developers use the equity capital generated from the sale of the tax credits to lower the debt burden on their tax credit properties, making it feasible to offer lower, more affordable rents. Investors purchase the tax credits to lower their federal tax liability. Developers typically structure LIHTC developments as limited partnerships or limited liability companies providing ownership to the investors. This structure allows the investors to receive tax credit benefits and passive losses.

Under IRC §42(m)(1), state housing credit agencies must develop a QAP that is approved by the governmental unit having jurisdiction over the state; CHFA’s QAP is approved by the Governor. The QAP must have the following characteristics:

1. Identifies the selection criteria to be used for determining housing priorities that are appropriate to local conditions. The selection criteria must include project location, housing needs characteristics, project and sponsor characteristics, tenant populations with special needs, public housing waiting lists, tenant populations of individuals with children, projects intended for eventual tenant ownership, the energy efficiency of the project, and the historic nature of the project.
2. Gives preference to projects serving the lowest income tenants, for the longest periods, located in qualified census tracts, and which will contribute to a concerted community revitalization or adopted municipal affordable housing plan.

Developers must commit to set-aside a certain percentage of units, deemed qualified units that are affordable to households earning at or below specific income levels. There are three Minimum Set-Aside (MSA) options, including 20/50 Set-aside, 40/60 Set-aside, and an Average Income Set-aside. Please refer to the LIHTC Glossary of Terms for definitions.

The 9% LIHTCs are awarded based on an annual competitive funding round. Currently, the 4% LIHTCs are awarded through a non-competitive, ongoing, open-application process. Applicants are advised that the 4% LIHTCs may become subject to a Notice of Funding Availability (NOFA), which will be announced on CHFA’s website if applicable.

The amount of tax credits awarded to a development may not exceed the amount CHFA deems necessary for the development’s financial feasibility and its viability as a low-income housing development throughout the compliance period. All eligible financing sources are expected to be maximized in order to reduce the maximum allocation to any development.

CHFA reserves the right to request change(s) to the applicant’s application submission and supporting documents in a manner that promotes CHFA’s housing goals, specific market needs and/or program objectives. Furthermore, CHFA may make adjustment(s), with notification to the applicant, to carry out its housing goals.

II. Preliminary Application and Pre-Application Conference

1. All applicants shall indicate their intent to submit an application in the coming 9% LIHTC application round by submitting a Preliminary Application in a manner as announced by CHFA in the Development Engagement Process (DEP) by the date specified. The Preliminary Application will be the basis for discussion at the Pre-Application Conference (“Conference”) described below.
2. All Applicants shall be required to attend a Conference with CHFA staff. Conferences can be scheduled anytime up to 30 days before the application due date for a funding round, if applicable. Applicants are encouraged to schedule their Conference as soon as possible in order to incorporate any feedback received into their application. Department of Housing (DOH) staff will be included in the Conference as applicable.
3. In addition to the Preliminary Application that will guide the Conference discussion, topics to be discussed at the Conference may include:
 - a. Any identity of interest between development team members
 - b. The completeness of plans and specifications
 - c. Energy conservation measures and green building options, renewables (solar), owner-paid utilities, and high-speed broadband access for residents of the proposed development
 - d. Environmental concerns related to the site and/or existing building(s), if any
 - e. Planning and Zoning approval(s) and any noted conditions
 - f. Applicability of Federal Davis Bacon or State prevailing wage rates
 - g. The procurement process for all development team members
 - h. Details of contemplated hybrid developments (9% and 4%)
4. CHFA intends to conduct the Conferences as confidential conversations. Designated CHFA staff will discuss the proposal with the intention of providing information and guidance. Applicants can submit a draft pro-forma including proposed budget, rent mix and operating expenses, and any technical services items that are available at the time they complete a DEP. Applicants must submit the Preliminary

Application by the announced due date and are encouraged to submit additional material in advance through the DEP for the most productive discussion. Refer to Section XIII below for additional information on the DEP.

5. Proposals will not be fully underwritten or scored for the Conference. Any feedback provided by CHFA or DOH staff is contingent upon actual submissions and may be subject to change based on published revisions to Procedures, Guidelines and/or the QAP. The Preliminary Application is not intended to be an application for funding and any Conference discussion or response (whether written or verbal) or non-response, will not evidence a CHFA commitment for funding or approval of any kind and is non-binding on all future application reviews by CHFA.

III. Utilizing the Average Income Minimum Set-Aside (MSA)

1. The Consolidated Appropriations Act of 2018 established an Average Income MSA as an election for LIHTC developments. The use of this set aside will be predicated on the following:
 - a. The ability to demonstrate unit parity in regard to bedroom size by income band; i.e. larger units cannot all be targeted to households in higher Area Median Income (AMI) bands;
 - b. The AMI bands must be supported by a market study; and
 - c. All LIHTC rents should be at least 10% below market rents.
2. Compliance Considerations for Owners/Management Agents:
 - a. The deadline to meet the MSA remains the same. The owner must certify to CHFA that the Average Income MSA was satisfied on 12/31 of the second year the project was placed-in-service;
 - b. Once any MSA is selected on the 8609, it is irrevocable;
 - c. Out of compliance Qualified Units (e.g., over-income tenants, if a unit is not suitable for occupancy, and failed for student) may not be included in the calculation for the average income of a project;
 - d. If two (2) or more Qualified Units become over income at the same time, the owner must make a reasonable effort to designate the next available market rate unit at the lower AMI of the two units. Owners must carefully document all decisions made with respects to the Next Available Unit Rule in properties employing the Average Income MSA;
 - e. Projects utilizing the Average Income MSA that have 100% LIHTC Qualified Units will not be considered for the recertification waiver; and
 - f. In addition to maintaining the development's applicable fraction, unit parity must be maintained throughout the compliance and extended use period with regards to bedroom size by income designation.

IV. Eligibility and Application Submission

A. Eligibility

Each applicant shall submit to CHFA a complete LIHTC application package, which includes a completed current Consolidated Application (ConApp), all required attachments and third-party fees as may be required, and an application fee as reflected in the CHFA Multifamily Underwriting Standards Summary section of the Multifamily Rental Housing Program Guideline. Application due dates will be posted on CHFA's website as well as via other media. Applications shall be evaluated and scored, if applicable, based on the criteria outlined in the QAP. Additionally, applications will be evaluated based on development team capacity, demonstration of need and readiness.

Applications must be complete upon submission. Incomplete applications may mean a loss of points or a failure to meet application Basic Threshold Requirements criteria as cited in the QAP and the application can be rejected. CHFA will either reject or not process incomplete applications.

All Basic Threshold Requirement items set forth in the QAP must show they were secured by the Applicant before the application deadline. Basic Threshold Requirement items obtained by the Applicant and submitted after the application deadline will not be accepted.

CHFA reserves the right to contact applicants for clarifying information and to communicate with applicants during the review period to ensure a complete and thorough review is completed. Applicants may not make material changes to the proposal or submitted materials in response to a clarification request. Determination of a material change is in CHFA's sole discretion. CHFA reserves the right to provide deadlines by which clarification responses must be made.

In addition to the financial feasibility of a proposed application, adherence to state housing policy, and Basic Threshold Requirements as described in the QAP, applicants for tax credits will be evaluated on past performance and compliance on transactions with CHFA, DOH, U.S. Department of Housing and Urban Development (HUD) and/or other government funding agencies. Categories to be reviewed include but may not be limited to meeting timelines, deviation from proposed costs, executing proposals as submitted, tax credit compliance, funding program compliance including prior awards' points-related commitments, and satisfactory operation of existing properties. The determination of applicant capacity and acceptance of an application for tax credits is at the sole discretion of CHFA.

For CHFA transactions:

1. Meeting Timelines may be measured as follows:
 - a. Proposed dates listed in the Consolidated Application may be compared to actual dates provided at Carryover/42M letter issuance
 - b. Performance may be tracked against dates in the construction contract and partnership agreement provided by the owner at initial closing
 - c. CHFA may review construction observation reports provided during construction
2. Deviation from Proposed Costs may be measured as follows:
 - a. Budgeted costs proposed at initial closing may be compared to the cost certification

- b. Proposed hard costs may be compared to actual construction contracts
3. Executing Proposals as Submitted may be measured by a review of material changes to awarded or approved submissions in areas included but not limited to:
 - a. Design integrity
 - b. Affordability mix
4. Tax credit compliance may be verified based on reports from CHFA's Authorized Delegate
5. Compliance with requirements of other CHFA funding programs and/or funding programs administered by CHFA including but not limited to Housing Tax Credit Contribution (HTCC), State-Sponsored Housing Portfolio (SSHP), 9% LIHTC points award commitments, etc.
6. Satisfactory operation of existing properties
7. The applicant may be required to provide contact information for other government funding agencies or lenders it has worked with during the past three years. CHFA may request information regarding an applicant's past performance from other government funding agencies or lenders.

CHFA may also take into consideration information discovered through its own due diligence. Applicants are eligible to apply for 9% LIHTC, 4% LIHTC and Tax-Exempt Bonds (TEB), or hybrid 9% LIHTC and 4% LIHTC with TEB if they meet the CHFA requirements as specified in CHFA's Program Eligibility Requirements: Delinquent or Non-Performing Applicants and any additional specific requirements described in the QAP or applicable NOFA. Please refer to the CHFA website for requirements noted in CHFA's [Board of Directors Policy Statements](#), CHFA [Procedures](#), and related Guidelines including the [Multifamily Rental Housing Program Guideline](#).

B. Application Submission

A complete application submission includes and/or addresses:

1. A credible financing plan, which at a minimum includes the following:
 - a. The total projected development cost, including any land acquisition cost.
 - b. Development costs for construction, soft costs, developer fees, land, customary capitalized reserves, and equity syndication. In making a determination of cost reasonableness, CHFA shall utilize typical industry data and standards as may be appropriate for each development, based on the size, complexity, difficulty and location.
 - c. Applications require a credible financing plan including balanced sources and uses of funds in order to be fully considered. CHFA may require the resubmission of balanced sources and uses of funds at any time, in its sole discretion. Pending awards must be finalized by a date to be determined by CHFA.
 - d. Clear identification of each financing source, including the terms of any proposed financing and the financing source(s) from which the applicant expects to receive funding other than resources sought from CHFA and DOH for construction or permanent financing; and copies of

commitment letters and/or letters of interest that set out terms and conditions demonstrating serious intent from the provider for each proposed financing source. Lack of funding commitments and/or letters of interest to support a credible financing plan may make an application ineligible for funding because there is no evidence of balanced sources and uses.

- e. Applicant shall submit a letter of interest from the development's potential syndicator.
 - f. For the purposes of assessing initial application feasibility, the pledged back or deferred developer allowance/fee (DAF) amount should not exceed the lesser of: (a) fifty percent (50%) of the total paid DAF, or (b) the amount that may be fully recovered by the mortgagor, without interest, from CHFA-approved annual distributions during the first fifteen (15) years of operations.
 - g. In the case of a proposed hybrid financing structure, an applicant must submit both the 9% LIHTC application and a concurrent 4% LIHTC application for the respective portions of the deal at the time the 9% LIHTC application is due. CHFA will undertake a preliminary review for acceptance of the 4% LIHTC application and its cohesiveness with the associated 9% LIHTC application. If the 9% LIHTC application is not successful, CHFA will not move forward with the complete review and approval process for the 4% application. For more information, please refer to the [Hybrid Financing Structure Guidelines](#) on CHFA's website.
2. There must be demonstrated experience of the sponsor or general partner, either principal or entity, in successful LIHTC development(s). An applicant with little or no experience in LIHTC development can use a Joint Venture partnership to gain skills and access to the LIHTC program. A complete definition of Joint Venture can be found in the Glossary.

An applicant established as a Joint Venture that includes a partner, member or other Joint Venture participant with LIHTC Program experience shall engage a property management company with appropriate experience managing LIHTC Program developments. The applicant must be part of a qualified development team with previous experience in developing multifamily housing developments.

All qualified development team members are subject to CHFA's [Program Eligibility Requirements: Delinquent or Non-Performing Applicants](#). Additionally, all qualified development team members must be prepared to demonstrate capacity to undertake the development proposed in the application ensuring resources are in place for timely completion. A qualified development team consists of the following team members:

- a. Sponsor/Applicant/General Partner (including Joint Venture partnership): Three (3) years relevant experience or three (3) successful developments, as evidenced in the ConApp. In the case of a non-profit entity, the experience of its development leadership, the majority of its Board of Directors or its Development Consultant may be considered. In the case of a public housing authority, the experience of the majority of the Board of Commissioners or the experience of its executive director may be considered. In this case, the housing authority may be considered the "sponsor" and its executive director its principal;
- b. Architect: Please see the [Construction Guideline: Project Planning & Technical Review](#);
- c. General Contractor: Please see the [Construction Guideline: Project Planning & Technical Review](#);

- d. Management Agent: Please see the [Management Agent Approval Requirements](#); and
 - e. Consultant (optional qualified development team member): three (3) years relevant experience or three (3) successful developments.
3. Each applicant and its contractors, subcontractors, and management agents shall agree to comply with:
 - a. Federal and State executive orders, statutes, regulations, and other requirements of law relating to affirmative action and equal employment opportunity including the requirements that CGS §4a-60 imposes on those who enter into contracts to which the State is a party; and
 - b. CHFA's requirements relating to equal employment opportunity, affirmative fair marketing and other affirmative action programs.
 4. The sponsors and applicants of the developments must evidence commitment to undertake meaningful affirmative measures to ensure that the activity funded promotes regional economic, social and racial integration and the integration of persons with disabilities.
 5. Each applicant pledging to include supportive housing units must specify at the time of application the number of supportive units in its development, the specific unit sizes (one bedroom, two bedroom, etc.) along with the demonstrated need for the population to be served and must adhere to the current [Supportive Housing Guideline](#) and the related quality assurance monitoring of such units.
 6. Applicants and awardees may request a change in a development's qualified development team and such team member substitution is subject to review and approval by CHFA in its sole discretion. See [Multifamily Guidelines](#) for additional guidance on qualified development teams and substitutions.
 7. If an applicant was awarded points for items in their application, those features must remain in the development or points may be lost, the application re-scored, and credits potentially re-evaluated and rescinded. Examples include sustainability design measures, supportive housing, development team composition, deep income targeting and Developer Resources, determination to be made at CHFA's sole discretion.

V. Appraisal and Market Study

For developments awarded LIHTCs without CHFA-issued TEB or CHFA financing, only a market study is required to be accepted by CHFA in its sole discretion prior to the issuance of (1) the 42(m) letter for 4% LIHTCs or (2) the Carryover Allocation Agreement for 9% LIHTCs. CHFA reserves the right to require an appraisal and/or modify its appraisal requirements as may be practical given the circumstances of each transaction. Applicants shall make full non-refundable payment in advance. Refer to the Underwriting Standards Summary section of the [Multifamily Rental Housing Program Guideline](#) for applicable fees.

VI. Application and Tax Credit Servicing Fee Schedule

1. Application Fees

Refer to the CHFA Multifamily Underwriting Standards Summary section of the Multifamily Rental Housing Program Guideline for applicable application fees.

2. Third-party Fees

Refer to the CHFA Multifamily Underwriting Standards Summary section of the Multifamily Rental Housing Program Guideline for applicable third-party fees, such as fees to be paid in advance for the appraisal, market study, environmental study analysis or other review as may be determined to be necessary to complete application requirements and CHFA's due diligence.

3. Tax Credit Administration Fees

a. 9% LIHTC

Applicants must pay 25% of the tax credit servicing fee to CHFA with the return of the letter indicating acknowledgement of the reservation. The balance of the fee must be paid prior to the final execution of the Carryover Allocation Agreement. Adjustments to this payment schedule will be considered on a case-by-case basis and will be notated in the Reservation Letter and/or Carryover Allocation Agreement.

b. 4% LIHTC

Applicants must pay the tax credit servicing fee at the earlier of the construction loan closing or the close of syndication, or prior to issuance of a final ELIHC. Adjustments to this payment schedule may be considered on a case-by-case basis, however, 8609s will not be issued until the fee is paid in full.

The tax credit servicing fee is nonrefundable unless the development fails to be placed-in-service and the owner enters into an agreement with CHFA to return the LIHTCs. CHFA reserves the right to impose additional fees at any time, for compliance monitoring or other purposes, to implement the requirements of the Code.

VII. Application Review and Processing

CHFA will allocate LIHTCs based upon the selection criteria and application ranking processes set forth in the QAP and other NOFA if applicable.

1. Credit Availability:

a. 9% LIHTC

Applications for 9% LIHTCs are subject to the state's annual tax credit ceiling allotment (as limited by both a per-unit maximum and the total award limitation) and, as such, are allocated by CHFA through highly competitive annual funding rounds. Forward allocations may be made at CHFA's discretion.

It is permissible to submit applications representing up to two (2) simultaneous phases of the same development in the same round. For those applications, the aggregate number of credits between the phases shall not exceed 20% of the credit ceiling. In addition, the phases must be independent of each other, so either should be able to proceed if the other is not awarded.

b. 4% LIHTC

4% LIHTCs allocated to any development does not affect the state's tax credit ceiling allotment. However, developments must satisfy the requirements for allocations under the QAP, CHFA Procedures, Policies, and the Code. Typically, CHFA issues the TEBs for developments that receive 4% LIHTC allocations. Any proposed development to be funded with CHFA TEBs is presented to the CHFA Board of Directors for approval.

If another governmental unit will issue the TEBs, CHFA will review the underwriting for the TEBs on behalf of the State of Connecticut's Office of Policy and Management. In such instances, CHFA will issue a memo verifying compliance with the CHFA Multifamily Underwriting Standards for the State Bond Commission. Related administration fees are listed in the CHFA Multifamily Underwriting Standards Summary section of the [Multifamily Rental Housing Program Guideline](#) for applicable application fees.

2. Application Criteria:

All applications must meet the criteria as established in the IRC and additionally meet the Basic Threshold Requirements outlined in the QAP.

3. Opportunity Characteristics:

CHFA encourages development of non-age restricted housing in areas of opportunities. For additional information, please refer to the [Opportunity Map Guideline](#) and the [State of Connecticut Opportunity Map](#) on the CHFA website.

4. Rental Affordability:

For both 4% and 9% applications, rents for affordable units must be set pursuant to HUD income limits adjusted for family size throughout the extended use period.

5. Underwriting Criteria:

In accordance with the QAP, each LIHTC application will be reviewed for financial feasibility, including reserves. For 9% LIHTC developments proposing to carry an amortizing loan, operating income must cover expenses at the rate identified in the CHFA Underwriting Standards included in the [Multifamily Rental Housing Program Guideline](#), including debt service, during the compliance period and must not be funded by pre-funded reserves. Proposals with high debt service coverages will be required to increase loan amortizing amounts, increase deferred developer fee, or both, to increase development funding sources and minimize tax credit allocation amounts.

Generally, the CHFA operating reserve will be funded with an initial amount of LIHTC equity and remain on deposit to fund future cash flow shortfalls. The reserve should be equal to at least six (6) months of total operating expenses, replacement reserves, real estate taxes and debt service. Additional reserves may be necessary to mitigate the operational risk or to fund possible short-term deficits.

a. Operating Budget:

i. Rent Restrictions

The proposed development must meet the minimum income, occupancy, and rent restriction requirements of the IRC. The applicable gross rent is associated with the fewest number of persons per household for the designated bedroom size. These gross rents include all utilities except for telephone, cable television, and internet charges. The applicable utility allowance amount must be subtracted to arrive at the maximum net affordable rent. Refer to the [Maximum Affordable Gross Rent and Income Limits](#) on CHFA's website.

ii. Income and Expense Assumptions

When reviewing the operating budget and the 15-year cash flow projections, CHFA will review the financing institution's assumptions for reasonableness and may seek additional information. Refer to the Multifamily Underwriting Standards Summary section of the [Multifamily Rental Housing Program Guideline](#) for income and expense assumptions.

b. Development Budget:

i. Qualified Census Tract (QCT)/Difficult Development Areas (DDA)

If the development is within either a HUD designated QCT or DDA, the eligible basis may be increased by 30% (referred to as a Basis Boost). These HUD designations are on the HUD website. Definitions may be found in CHFA's [LIHTC Glossary of Terms](#) and in the IRC §42(d)(5)(B)(ii)(I).

ii. Developer Allowance Fee (DAF)

To the extent economically feasible, the DAF shall be based as indicated in the [Multifamily Rental Housing Program Guideline](#).

iii. Contractor's Profit, Overhead and General Requirements

CHFA will allow a range of acceptable general requirements, contractor's profit and overhead maximums depending upon the complexity of the construction of the development. For specific ranges refer to the [Construction Guideline: Project Planning and Technical Review](#). CHFA will review these line items for all developments.

iv. Construction Cost

The construction costs will be reviewed for overall reasonableness. CHFA will rely on various databases such as RSMeans® Building Construction Cost Data and CHFA's historical construction data, as well as evaluating developing labor and materials market conditions. At any time that project costs increase from the budget proposed at the time of application, CHFA shall require the applicant to mitigate and reduce such project cost increases. Efforts to reduce costs may include competitive bidding and/or value engineering or both as may be required by CHFA. If required, 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 issuance of a 42(m) letter.

v. Acquisition Costs

The acquisition cost of the property contained in the development budget should be consistent with the site control documentation provided by the applicant. The purchase price included in the development budget may include ancillary assets such as reserves or equipment as outlined in the purchase agreement or site control documentation. However, for the purposes of establishing eligible basis for acquisition, the basis amount will be limited to the as-is valuation of the real property only recognized by CHFA less an allowance for the land as established by the local tax assessor's appraised value of the land.

vi. Consultant's Fees

Housing or financing consultant fees will be paid from the proceeds of the developer's fee. Specialized Consultant fees may be paid out of the development budget. Consultants and Specialized Consultants are defined in CHFA's [LIHTC Glossary of Terms](#).

vii. Construction Progress Reports

Unless otherwise determined by CHFA, all LIHTC developments must provide construction observation reports to CHFA on a regular basis as described in CHFA's current Construction Guidelines. Construction progress reports may be authored by an architect from the development design firm or may be another CT-licensed architect retained for this purpose.

viii. Syndication Costs

The costs of syndication shall not exceed a rate acceptable to CHFA based on fees as a percentage of syndication proceeds. Syndication costs include all direct and indirect costs incurred in securing syndication proceeds (i.e. syndicator legal costs). Syndicator required asset management fees may only be payable from available cash flow after required debt service. Other additional CHFA funding sources may require priority cash flow payments prior to the payment of an asset management fee.

ix. Construction Contingency

Up to 100% of the amount budgeted for construction contingency may be included as eligible basis as supported by the Letter of Attestation.

c. Subsidy Layering Review

CHFA will consider the combination of tax credits with other subsidies or federal, state and government programs when allocating credits. Additionally, CHFA will allocate credits in accordance with any federal law or procedures (i.e. HUD Revised Subsidy Layering Guidelines), where appropriate. Please refer to the CHFA Multifamily Underwriting Standards Summary section of the [Multifamily Rental Housing Program Guideline](#) for applicable application fees.

VIII. Application Approval and 9% LIHTC Application Reassessment Process

1. Applications that do not meet Basic Threshold Requirements as specified in the QAP will not be eligible for an award and the applicant will be notified at the time the determination is made. There is no appeal of the determination that Basic Threshold Requirements were not met.
2. Approved applications - If an application is approved by CHFA's Board of Directors, notification is provided to the applicant, and a Tax Credit Reservation is issued.
3. Unsuccessful applicants - If an application does not receive a LIHTC award, the application is terminated. Upon request, CHFA will schedule a debriefing call to discuss with the applicant the action and the reasons for CHFA's findings.
4. Reassessment process - At the conclusion of CHFA's Board of Director's adoption of resolutions confirming the 9% LIHTC ranking process, an applicant may request that CHFA reassess its decisions related to the acceptance, scoring or ranking of its application. The request for reassessment shall be submitted to CHFA's Chief Executive Officer – Executive Director within 90 days of CHFA's Board of Director's funding round approval.

The request for reassessment must specifically identify in detail each issue sought to be challenged. The applicant's justification for the reassessment must be based on the documents filed with the original application. No changes from the original submission are permitted. No applicant may request a reassessment of the evaluation and scoring of another applicant's application.

If the request for reassessment relates to the amount of housing tax credits recommended to be allocated, CHFA will provide the applicant with the application underwriting upon written request made by the applicant pursuant to the Freedom of Information Act.

The applicant shall:

- a. Submit a request for reassessment, which must be accompanied by a \$10,000 reassessment fee.
- b. Understand that in the event that a change is warranted and such change(s) result(s) in an allocation of 9% LIHTCs, the reassessment fee will be fully refunded. However, the reassessment fee will not be refunded if a change in the overall score does not result in an allocation of 9% LIHTCs.
- c. Meet all applicable deadlines and timeframes. If a reassessment results in the applicant receiving a 9% LIHTC award (or additional tax credits), the applicant is responsible for meeting all elements of its proposal within the specified timeframe.

CHFA shall:

- a. Review the issue presented for reassessment;
- b. Determine whether the reassessment request is consistent with the criteria as well as other aspect(s) of the QAP, policy objectives, Procedures, Guideline and any administrative requirements of CHFA in place at the time of application; and
- c. Determine whether a change in the overall scoring is warranted and whether that change would have resulted in an award of tax credits.

- d. If an overall change is warranted, CHFA's Board of Directors will be informed. At the discretion of CHFA's Board of Directors, reassessments may result in a forward commitment of 9% LIHTCs in accordance with the QAP and the policy objectives, Procedures, Guideline, and administrative requirements of CHFA. A successful reassessment will not result in the cancellation of previously approved reservations.

IX. Issuing the Tax Credit Reservation – 9% LIHTC Only

Upon the approval of CHFA's Board of Directors, the applicant will receive a tax credit reservation setting forth the annual credit amount and, if applicable, any additional requirements or concerns referenced in the Board resolution for the reservation of LIHTCs that must be satisfied prior to the execution of a Carryover Allocation Agreement. This reservation must be executed by the applicant and submitted to CHFA with the appropriate Tax Credit Servicing Fee. The reservations will be issued at the end of each funding decision period to all approved applicants.

1. Tax Credit Reservation

The tax credit reservations will be awarded according to ranking within each classification based upon the credits available for the particular funding decision period.

Reservations must be closed within 18 months after the date of the reservation. CHFA reserves the right to cancel a reservation if conditions have not been met and/or any assumptions in the application have changed materially and/or if the development will not meet its placed-in-service requirements.

2. Carryover Allocation Agreement/IRS Form 8609 Low-Income Housing Credit Allocation and Certification (commonly referred to as an 8609)

LIHTC Allocations will be made by CHFA for developments placed-in-service during the year of the Tax Credit Reservation by providing an IRS Form(s) 8609 to the developer. When a 9% LIHTC applicant is not able to complete a development and place it in service by the end of the year in which a tax credit award is made, a Carryover Allocation Agreement will be issued to allow the applicant two (2) years to meet these requirements.

- a. Awardees must provide all required documentation by the end of November. By year-end, CHFA will issue a Carryover Allocation Agreement to applicants with credit reservations that have met the submission requirements as determined by CHFA.
- b. To be eligible for a Carryover Allocation, the applicant must:
 - i. Form its ownership entity (i.e. file a certificate of limited partnership or other organizational document with the Secretary of the State);
 - ii. Maintain development financial feasibility as determined by CHFA;
 - iii. Have any material change accepted by CHFA;
 - iv. Provide all requested information as determined by CHFA; and
 - v. Remit the balance of the Tax Credit Servicing Fee in accordance with the Reservation Letter.

3. Ten Percent Test

Within 12 months of an executed Carryover Allocation Agreement, an Applicant must demonstrate that the Applicant has spent or incurred at least 10% of the development's reasonably expected basis. A certification prepared by an independent certified public accountant or an attorney must be submitted documenting compliance with the requirements of Section 1.42 – 6(c) of the Code.

For purposes of meeting the 10% test:

- a. CHFA's Tax Credit Servicing Fee is not includable in the development's basis;
- b. For DAF to be included in basis, the applicant must provide reasonable and adequate documentation of the services for which the fee has been paid and accrued;
- c. Reasonable construction interest costs will be recognized by CHFA; and
- d. The schedule of project costs must specify those costs included in the development's basis and must be accompanied by an independent certified public accountant's audit report on the schedule. Such audit must be conducted in accordance with generally accepted auditing standards and the independent auditor's report must be unqualified.

X. 4% LIHTC and 9% LIHTC Transactions

1. Time Requirements

It is the developer's responsibility to manage all timing requirements to advance a development proposal in a timely manner; achieving a closing and managing the construction process to achieve the placed-in-service target date. Developers that fail to adequately manage these time requirements may be subject to a rescission of a tax credit allocation. Developers should be proactive and provide regular timing updates to CHFA especially if there are anticipated delays that are out of their direct control.

In instances where there are unforeseen timing delays prior to closing or during construction, a developer may request a voluntary allocation return and re-allocation of 9% LIHTCs. Requests for a re-allocation are considered in CHFA's sole discretion and for extraordinary and uncontrollable circumstances only. When requesting this return and re-allocation, developers should be prepared to outline the circumstances of project delays as well as to identify and summarize their active steps taken: 1) to anticipate and prevent the delay from having occurred; and 2) to react to unforeseen events once they have occurred.

Delays during the legal due diligence and financial closing process are generally considered foreseeable and adequate cushions should be built into the development process timeline accordingly. Return and re-allocation requests resulting from placed-in-service requirements imposed by an owner or equity provider that are generally more restrictive than those required in IRC §42 will not be considered.

A voluntary return and re-allocation of LIHTCs that includes a material change from the originally awarded proposal may be subject to approval by the CHFA Board of Directors.

2. Cost Certifications

Upon a development's completion, the owner must submit General Contractor's and Mortgagor's-LIHTC Cost Certifications documenting the actual total project cost. For additional information, refer to the [CHFA Cost Certification Preparation Guideline](#) on the CHFA website.

3. Issuance of an 8609

The 8609 is used to obtain a housing credit allocation from CHFA. A separate 8609 must be issued for each building in a multiple building development.

CHFA will issue 8609(s) upon review and acceptance of the cost certifications. The amount of tax credits originally reserved will be reduced accordingly if the review of the certified costs shows the financing gap is less than the one originally projected.

For developments that were awarded 9% LIHTC, the tax credit amount will generally not change if the certified costs are higher than the estimated project costs, unless the owner applies for an additional allocation due to reasonable unforeseen cost overruns. Applicants that received an initial reservation of 9% LIHTC in a prior year and are seeking de minimis additional tax credits in a subsequent year must contact CHFA. At its sole discretion CHFA will determine if the request for additional reservation is considered de minimis. The applicant must demonstrate the capacity to secure an equity investment, satisfactory to CHFA. Additionally, the applicant must neither have changed any selection criteria nor made any significant modifications, as determined by CHFA, from the original application. Any requests for additional allocations must be approved by the Board of Directors. If CHFA determines the request for additional 9% LIHTC reservation exceeds the de minimis level, CHFA may require the applicant to re-apply in a competitive round.

For 4% LIHTC, the final amount of tax credits may be greater than the original estimated amount warranted by a final underwriting review by CHFA if additional improvements were completed.

All outstanding fees must be received prior to the issuance of an 8609.

XI. Compliance Monitoring

All qualified LIHTC developments are subject to review pursuant to CHFA's compliance monitoring procedures established in the QAP and all other applicable agreements, including Quality Assurance Monitoring as described in the [Supportive Housing Guideline](#), should the development include supportive housing units.

1. Failure to comply with the compliance monitoring procedures is an event of default and treated as noncompliance and may result in the issuance of a Form 8823.
2. Failure to provide supportive housing units or any other development feature for which points were awarded in a competitive round is an event of default and treated as noncompliance.
3. Subsequent to the time of allocation, all applicants/owners shall execute an ELIHC with CHFA and record it in a priority position on the land records. In the case of developments for which CHFA is providing a mortgage loan, the ELIHC shall be executed at the time of the initial loan closing. The ELIHC will include a provision requiring all liens on the property be subordinate to the low-income use restrictions. The ELIHC sets forth the number of low-income and rent-restricted units in the development, the parameters defining a qualified tenant, the resale restrictions, the term that the units will remain qualified, the default and remedies governing the rent restricted units.

4. Refer to the [LIHTC Compliance Reporting Requirements](#) available on the CHFA website for additional requirements.

XII. Changes in Subsidy or Financial Assistance

Frequently, developments may have the benefit of a project-based rental assistance contract to serve the state's lowest income population. In the event of the loss of project-based rental assistance during the 15-year compliance period, with the prior written approval of CHFA, units may revert to being occupied by individuals and families having an annual income not exceeding 60% AMI at such time. CHFA, in its sole discretion, shall grant such approval.

When reviewing an owner's request to change the terms of the transaction, CHFA will consider changes that address the unique circumstance(s) of each development. Factors that will be considered include, but may not be limited to, the needs of the existing residents; local residential market conditions; the availability of alternative funding resources; and the financial and physical sustainability of the development.

If an owner voluntarily elects to relinquish rental subsidies for the development, then the owner and development remain bound to serve the households at the AMI bands pledged in the original application and no relief is provided.

CHFA will consider requests for compliance/regulatory modification if resources used to provide supportive services are no longer available. If the cost to provide supportive services is being borne by the service provider and the resources to provide those services are no longer available, it is the owner's responsibility to seek replacement resources. CHFA will consider requests to modify or change the scope or the level of services provided to residents based on the degree of available resources only after every effort has been made to replace the provider and retain the level of services. These requests will be considered by CHFA on a case-by-case basis subject to CHFA's sole discretion.

Developments maintaining the cost of supportive services through the development's operating budget may also be eligible for compliance modification if operating costs outside of the control of the owner (for example, taxes, insurance, utilities, etc.) increase to the point of jeopardizing the financial sustainability of the overall development. Requests will be considered based on the needs of the development and on a case-by-case basis subject to CHFA's sole discretion.

Developments that agreed to establish a funding reserve or developer guarantee solely for the funding of the supportive services during the 15-year compliance period will not be eligible for compliance relief.

The loss of rental assistance and/or funding for supportive services units may allow owners to request for permission to rent to higher-income individuals and families as stated above. However, the loss of rental assistance will not allow the owners to terminate supportive services to residents.

XIII. Development Engagement Process (DEP) / Preliminary Applications

The [DEP](#) information is published on a bi-annual basis. The DEP is used by those who will be seeking CHFA LIHTCs – either 4% or 9% – with or without DOH assistance. Applicants will complete their Preliminary Applications through the DEP. DOH uses the DEP to facilitate the management of its pipeline of potential projects for future DOH funding opportunities.

CHFA will publish notice when a DEP is open. Interested parties are encouraged to subscribe to CHFA's email list for this and other important announcements.

ⁱ The LIHTC Program Overview session, which CHFA presents annually for potential applicants and interested parties, provides information from CHFA, DOH, other State of Connecticut Departments and partner agencies on the upcoming LIHTC funding round. Questions may be submitted electronically and responses will be published.

ⁱⁱ Reference may be made to [IRS information document](#) and the [Office of the Law Revision Counsel United States Code](#) for information that may provide helpful background.