CONNECTICUT HOUSING FINANCE AUTHORITY

Unlocking Solutions, Building Strong Communities.

Connecticut Housing Finance Authority

Housing Tax Credit Contribution (HTCC) Program Guidelines

2025

I. GENERAL INFORMATION

A. Introduction

The Housing Tax Credit Contribution (HTCC) Program is a Housing Program contained in Section 8-395 of the Connecticut General Statutes, as amended.

CHFA is authorized to administer a system of tax credit vouchers to Business Firms making contributions to eligible Housing Program(s) which benefit households with incomes less than 80% AMI ("Low-Income"), and 100% AMI ("Moderate-Income"). The total amount of tax credits available annually is $10 million. The law requires annual allocation set-asides of $1 million for Workforce Housing and $2 million for Permanent Supportive Housing. The remaining balance is ascribed to a general class. The tax credit voucher shall be granted in an amount equal to 100% of the value of the contribution made.

B. Eligible Applicants

To be eligible to apply for HTCC funding, an applicant must be:

- a Nonprofit Corporation or a Community Development Financial Institution (CDFI);
- eligible in accordance with the program eligibility requirements described in CHFA's Board Policy Statement "Program Eligibility Requirements: Delinquent or Non-Performing Applicants" and in compliance with any other applicable CHFA Board Policy Statements;
- in compliance with the requirements of the HTCC Program for any prior awards the applicant has received; and
- able to provide evidence of the applicant's general administrative capability to build or rehabilitate and to undertake the project for which it has applied in a timely fashion if awarded tax credits; and
- able to demonstrate that one if its purposes is the construction, rehabilitation, ownership or operation of housing.

II. APPLICATION PROCESS

A. Notification of Funds Availability (NOFA)

HTCC funds are generally available once a year and are awarded through a competitive process. A NOFA will be published on CHFA's website that will contain information related to the application due date and time, as well as any anticipated Overview Sessions prior to the HTCC funding round. All applications must be submitted by the due date and time for the round. No opportunities to submit applications are available once the due date and time have passed.

B. Affordable Housing Programs Eligible for Use of HTCC Funds

- Affordable Housing Developments, including:
  - General class,
    - Priority A: Non- Low Income Housing Tax Credit (LIHTC) Housing Developments
    - Priority B: LIHTC Housing Developments
  - Workforce Housing,
  - Workforce Housing Development Project**, and
  - Supportive Housing (rental only)
- Revolving Loan Funds, including:
  - Affordable Housing (general class), and
  - Workforce Housing Homeownership

NOTE: Units funded from the Workforce Housing set-aside must be sold and/or rented to low- and moderate- income wage or salaried workers in the municipalities where they work. CHFA is not able to grant waivers to this requirement and will reclaim funds that are not able to meet this objective.

***Refer to Section VII. Definitions and CGS Section 8-395, as amended effective June 1, 2024*

C. Eligible Costs

Eligible costs for HTCC funds are expenses that are permitted for Housing Programs.

- Generally, these are hard and soft costs that are necessary for the completion of the Housing Program. These costs include, but are not limited to: acquisition, housing construction hard costs, architectural design and engineering, environmental reports and remediation, financing costs and associated soft costs.

- Reasonable developer fees and capitalized reserves are eligible, but applicants should allocate other resources towards these line items when feasible.

- Eligible predevelopment costs may be included in the development budget. Eligible pre-development costs are expenses that are necessary before the construction stage of a project begins and may include items such as architectural design plans and specifications, environmental studies, cost to acquire the site (if acquisition and related fees do not exceed appraised value), appraisals, and market studies. Administrative costs are not an eligible predevelopment expense.

- Overhead, profit, and general requirements shall not exceed the percentages set forth in CHFA's Procedures.

Ineligible HTCC Housing Program costs include staff salaries, operating and overhead costs, commercial contingency and commercial costs. It is the responsibility of the applicant to adhere and comply with the requirements of all other funding sources regarding eligible/ineligible costs. CHFA may question the applicant on costs if a concern is noted.

Predevelopment expenditures that do not result in the production of housing units are subject to recapture by CHFA.

Eligible costs for Revolving Loan Funds relate to the acquisition of homeownership housing located in Connecticut that is **occupied** by Extremely Low-, 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 CHFA. 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.

Revolving Loan Funds lending to developers/owners/sponsors of rental and/or homeownership housing should also work within the eligible cost parameters described above on all HTCC transactions. Any deviations or exceptions to the criteria above will be evaluated by CHFA on a case-by-case basis and a determination made at CHFA's sole discretion.

D. Applicant Threshold Requirements

The following are threshold requirements when applying for HTCC funding and are subject to CHFA's sole discretion. Please refer to the Exhibit Checklist of the Consolidated Application for a complete list of threshold requirements. Non-Threshold items may be collected after an award is made. The Project Cost Summary and Exploded Trade Payment Breakdown forms in the Consolidation Application are not required for HTCC; however, to be able to complete the development budget some input in these exhibits may be necessary.

- Evidence of existence as a Nonprofit Corporation, including its Internal Revenue Service determination letter, an endorsed Certificate of Incorporation certified by the Secretary of the State and a Certificate of Legal Existence for the current year (meaning the year in which the application is due), issued by the Office of the Secretary of the State of Connecticut.

- Evidence the Nonprofit Corporation incorporated pursuant to Chapter 602 of the C.G.S. having as one if its purposes the construction, rehabilitation, ownership or operation of housing.

- Evidence that the applicant has been established for a minimum period of three (3) years. Tax returns or annual audited financial statements are acceptable as evidence. CHFA may consider exceptions when the Nonprofit Corporation is formed and controlled by a Housing Authority.

- Evidence that the Nonprofit Corporation will have an ownership interest in the Housing Program when partnering with a for-profit entity. For homeownership development, the Nonprofit Corporation will have site control during the development stage prior to transfer of the property to the new homeowner (ground lease is acceptable too). For LIHTC projects, the Nonprofit Corporation must be a part of the ownership structure of the partnership.

- Evidence from the Nonprofit Corporation's Board of Directors authorizing the submission of the application.

- Evidence of the general administrative capacity of the Nonprofit Corporation to develop, sponsor or manage the proposed Housing Program, including descriptions of the Nonprofit Corporation's past housing development(s) and the role of the Nonprofit Corporation. Include the organizational structure of the applicant and any co-sponsor as evidenced by organizational documents and an organization chart. Applicant and co-sponsor relationship should be clearly outlined and identified in the application.

- Evidence that the applicant will meet timing benchmarks, with due consideration to other contemplated housing funding applications awarded through competitive processes, by demonstrating the ability to:

    - ➢ Commence the proposed Housing Program within six (6) months of funding receipt; or

- Continue the Housing Program within four (4) months of funding receipt if the Housing Program has been previously funded or committed; and
- Complete the proposed Housing Program, including all development activities within three (3) years of the Date of Approval.

- An applicant must demonstrate that it will meet timing benchmarks by providing its certified statement accompanied by a detailed calendar/Housing Program schedule.

- Evidence that the HTCC proposed uses in the development budget are eligible.

- Evidence that the Qualified Development Team, Phase I Environmental Assessment and Hazardous Materials Report submission requirements are satisfied.

- If a Phase II or Phase III Environmental Assessment or additional Hazardous Materials Reports are required but not yet available or obtained by the time of the application deadline, CHFA will allow these items to be submitted later. Any deliverables not received during the application review process will be itemized in the Reservation Letter and will be expected to be provided prior to or in conjunction with the first quarterly report submission.

- Applicants are required to contact the municipality or the state historical preservation office (SHPO**) once an HTCC award is announced** to determine historical significance. However, if the determination is already available at the time of application, attach and submit that with the application.

- If an application includes funding from other DOH/CHFA Programs or Financing, the criteria and requirements must be met for those resources in addition to HTCC criteria. It is also the applicants' responsibility to ensure that the Development Budgets are consistent across programs.

- Gap financing requests for projects that already have a CHFA or DOH commitment in place for financing (not including previously awarded HTCCs and/or LIHTC only deals) will be considered and evaluated based on certain parameters. For 9% LIHTCs, a Reservation Letter is considered evidence of a firm commitment. For 4% LIHTCs, a firm commitment for tax-exempt bonds must be in place to be considered a firm commitment. These requests will be considered in the following situations:

  - Unavoidable and unforeseeable cost increases after issuance of a funding commitment and contractor bidding; and/or
  - Necessary increased costs arising from unforeseen conditions during construction.

  All gap financing requests must demonstrate at the time of the HTCC application that the contingency balance cannot absorb the additional costs, and the deferred developer fee is maxed out. Use of HTCC funds will not be considered as a substitute source for 1) a pledge of Developer Cash Equity or 2) a Deferred Developer Fee after an initial financial closing or receipt of an award of LIHTCs.

Costs associated with betterments to the project, even if the improvements were removed during a value engineering exercise, are not considered financing gaps. Restoration of previously removed value engineered items will not be accepted without a compelling reason and at the sole discretion of CHFA.

The applicant may be required to provide documentation confirming the increase in costs via change orders and/or contractor's estimate. Applications that are seeking gap financing for projects that already have a commitment of resources from DOH/CHFA, particularly if balanced sources and uses were a requirement at the time of the commitment (e.g., 9% LIHTC Reservation, CHFA Financing Commitment), can anticipate a higher level of scrutiny. Gap financing requests will be evaluated by and in consultation with CHFA underwriting staff, Architectural and Construction Services (ACS) staff and leadership to determine need and eligibility. In addition to the HTCC application materials, CHFA may rely on project information and circumstances known that relate to existing DOH/CHFA commitments. Final determination for eligibility for HTCC gap financing requests is at the sole discretion of CHFA. For projects with CHFA construction financing, CHFA may consider disbursing HTCC funds from the HTCC escrow account in conjunction with construction advance requisitions. This is to ensure that CHFA can review budget modifications and change orders when approving HTCC expenses in relation to other scarce resources.

- Please note that HTCC funds may not be used for unforeseen costs arising from errors and omissions in the plans and specs or errors by the General Contractor or design/construction team.

- Group Home sponsors may need to contact their primary funder based on a consideration of existing terms prior to requesting additional funds.

- Evidence that the Project can maintain a minimum 1.0 expense coverage ratio for at least five years. The use of reserves to meet this criteria is acceptable.

- Evidence of Project Feasibility/Readiness to Proceed for Affordable Housing or Workforce Housing Revolving Loan Fund applicants is documentation that the applicant:

  - has established a marketing plan for the target borrowers;

  - can provide any other sources of funds supporting the Revolving Loan Fund for its Housing Program;

  - can provide copies of all documents to be utilized in the administration of the fund(s) (e.g.: loan program policies and/or processes, approval parameters, application forms, loan templates); and

- is able to demonstrate that the uncommitted balances of previous HTCC revolving loan awarded funds do not exceed $750,000 at the date of application. Executed commitment letter(s) that include loan rate and terms, or loan document(s) constitute a commitment. Committed funds do not count towards the $750,000 limitation.

- To align with state policy and CHFA Multifamily development financing practices, new development activities located in a floodplain are not eligible. Applicants are urged to make an early determination as to whether any part of the project is located in a 100- or 500-year floodplain as it may impact eligibility. Visit the FEMA Flood Map Service Center to determine if the property is located in a floodplain.

E. Limits on Funding

No applicant may receive more than $500,000 in HTCC funding per year. Further, no one Affordable Housing Development may receive more than $500,000 per year or $1.5 million in total over three (3) consecutive funding years. Should the applicant be applying for funds in a consecutive funding year for a Housing Program that received funds for the previous year, a written explanation describing cost increases, the unavailability of previously committed funding sources or other circumstances deemed by CHFA to be reasonably unanticipated must be submitted with the application justifying the need for additional HTCC funds. Applicants are allowed to apply for consecutive year funding for a different construction project for the same property as well as for the expansion to the existing scope of work. However, the applicant must provide a justification for the new and/or expanded scope of work as part of the application submission.

F. Application Submission

All applications for HTCC funding must be submitted through an electronic application platform provided by CHFA (SharePoint) and utilizing the CHFA/DOH Consolidated Application (ConApp) provided in the SharePoint site. A separate SharePoint website must be requested for each funding round application to be submitted.

G. Application Requirements

In addition to the threshold requirements, each applicant will furnish the following for review:

- A description of the Housing Program, including the total number of households to be served, as well as the number of households to be served with incomes described in terms of AMI bands, i.e.,
    - ≤25% AMI (Extremely Low-Income)
    - >25 and ≤ 50% AMI (Very Low-Income)
    - >50% and ≤ 80% AMI (Low-Income) and
    - >80% and ≤ 100% AMI (Moderate-Income)

Gross rents (rents charged plus utilities paid by the tenant) must be affordable pursuant to the current HUD Maximum Gross Rent and Income Limits for the designated area, or gross mortgage payment (principal, interest, taxes and insurance paid by the homeowner) must be affordable.

- Project financing plan, including development budget, rental income projections and operating budget. The development budget must demonstrate funds are allocated for eligible costs (refer to Section II. C. Eligible Costs).

- Evidence of financial commitments:

  - Loans – evidence in the form of a letter of commitment from the lending institution. The letter should clearly outline the accepted terms and conditions.

  - Grants – evidence in the form of a letter of commitment stating the grant amount or a copy of the check.

  - Energy Rebates – evidence in the form of a countersigned application from the utility company will be considered a financial commitment.

  - Deferred Developer Fee – will only be considered a firm commitment if a fully executed partnership or operating agreement is provided.

  - Sponsor Equity – evidence in the form of a copy of cancelled check(s) or a certified letter from a certified public accountant (CPA) dated within three (3) months of the application due date stating that the funds are available and allocated for the development; a Board resolution which clearly states the terms and conditions of the loan or grant; OR a bank statement along with a certified letter from the Applicant stating the funds are allocated for the development. Ownership equity in land or buildings purchased by the applicant/sponsor specifically for the Housing Program (which equity is not offset by any remediation or other predevelopment costs), will be considered sponsor equity if it is evidenced by an as-is appraisal that is no older than 12 months from the application due date or settlement statement. Land or building owned by the applicant/sponsor not part of the Housing Program will not be considered sponsor equity.

  - Reserves – evidence in the form of third-party verification from the entity that holds/releases the reserve funds which clearly states the reserves will be used for the project applying for HTCC funds and the amount which is available for use. If the reserves are held by CHFA, evidence that CHFA has authorized the use of reserve funds for this purpose must be provided. If the reserves are held by the applicant, provide a Board resolution which clearly states the reserves may be used for the HTCC project.

  - LIHTC Commitments – For 9% LIHTCs, a Reservation Letter is considered evidence of a firm commitment. For 4% LIHTCs, a firm commitment for tax-exempt bonds must be in place to be considered a firm commitment.

- Evidence of Leveraged Funds for Revolving Loan Funds (RLFs):

  - Prior HTCC awarded funds will not be considered leverage for RLF applications.

  - Only funds that the applicant has access to will be considered leveraged funds for this purpose (e.g., an approved Line of Credit, funds in a Money Market account designated for this purpose, Sponsor Cash/Equity).

  - For each leveraged source listed, the applicant must also provide evidence of the recent balance of available funds (within 90 days of the application deadline) such as a bank statement along with a certified letter from the Applicant stating that the funds are available and allocated for the project.

  - Leveraged funds should complement or supplement the proposed HTCC RLF Program. Existing Services at Project Location – Points are provided if the property is served by existing water and/or sewer service, if the property boundary intersects a ½ mile buffer surrounding existing mass-transit station and/or if the property is within ½ mile walking distance to seven day a week bus service. For Revolving Loan Fund applicants, points will be awarded based on the percentage of units that will be targeted at locations that meet three of the four existing services mentioned (water, sewer, mass-transit, seven day a week bus service).

- In the case of any RLF, a detailed description of the fund including, but not limited to, uses, approval processes, loan committee/approval process, loan servicing and marketing strategy shall be provided. Key elements of such description should include the anticipated location of proposed homes, approximate amounts of loans, interest rates and terms of loans, maximum income of eligible borrowers in terms of AMI, and marketing strategy, along with evidence of housing need as demonstrated by a market study. Revolving loan fund applicants must also demonstrate the capacity to maintain the loan fund, i.e., describe the infrastructure and ability to service the loan fund and describe staff on hand to carry out operations of the loan fund. Documents (templates) to be utilized in the administration of the revolving loan fund must be included (e.g.: loan program policies and/or processes, approval parameters, application forms, loan templates etc.).

- If applying for HTCC funding under a set-aside for Permanent Supportive Housing, include evidence that:

  - The ***applicant*** is itself a Qualified Service Provider as listed and defined in the most current Supportive Housing Guideline and the program service plan shall be provided. Applicants shall refer to the most current Supportive Housing Guideline, as amended at times, for additional information and the list of Qualified Service Providers.

  - Applicants applying for a Housing Program that contains Permanent Supportive Housing units, whether or not under the Permanent Supportive Housing set-aside, are advised that the Housing Program (should it be awarded HTCC funds) will be subject to quality assurance monitoring by CHFA's designee or agent. Complete information is contained in the Supportive Housing Guideline.

- Workforce Housing Development Projects must provide a narrative description that the proposed project meets the definition of Workforce Housing Development Project (i.e.; construction or substantial rehabilitation; the 10% affordable housing, 50% workforce housing, 40% market rate units; workforce target population as designated by the developer in consultation with the municipality).

- Evidence must be provided by an applicant applying for HTCC funding under a set-aside for "Workforce Housing":

  - A minimum of forty percent of the units in the Housing Development must be leased to households that meet the definition of Workforce Housing to qualify for the set-aside. Refer to Section VII. Definitions.

  - Workforce Housing Rental and Workforce Housing Development Projects committing to a Low Income Service Period will be required to submit evidence with the HTCC closeout materials that a deed or land use restriction preserving the units for the intended households has been or will be recorded. A certification statement committing to this requirement or a copy of the proposed deed or land use restriction must be submitted with the application.

  - An Acceptable Workforce Housing Marketing Strategy. Provide a detailed description of the Housing Program which includes targeted geographic locations and a marketing and outreach strategy for the contemplated borrowers or renters that meet the definition of Workforce Housing.

  A household's eligibility determination for a Workforce Housing homeownership or rental housing unit must occur immediately prior to the purchase of the unit or initial lease-up. Ongoing compliance with the definition is not a requirement of continued occupancy or tenancy.

  A Workforce Housing Development Project does not automatically qualify under the Workforce Housing set-aside; all the set-aside requirements must be satisfied to qualify.

III. APPLICATION REVIEW

A timely filed application submitted by an eligible applicant will be reviewed for consistency with the statute, CHFA's Procedures, Policies, Guidelines and NOFA requirements, as applicable. Applications must be complete at the time of submission. There may be a clarification period during which time CHFA, at its discretion, may ask applicants for clarifications or additional information.

A self-scoring sheet is contained within the ConApp. Portions of the sheet are automatically generated with the completion of the ConApp; however, the applicant must complete certain areas of the sheet to determine their self-score. Prior to the end of the review period, CHFA may contact applicants to discuss the scoring.

CHFA reserves the right to request additional information as may be deemed appropriate for the complete review of the application, including items requiring clarification, related to self-scoring, and/or clarification on projects or units that have been previously awarded or benefited from HTCC funds.

A. Application Rating & Ranking

Applications will be rated on the following primary categories of:

- Project Feasibility and Readiness to Proceed
- Affordability
- Applicant Capacity/Goals Accomplished
- Livability Initiatives
- Compliance

Information submitted in the HTCC application will be evaluated and rated by standards that are further described in the ConApp. (See applicable Points Calculation Worksheet in the ConApp.)

Applications will be ranked as follows:

- Permanent Supportive Housing set-aside
- Workforce Housing set-aside
- Priority A: Non-LIHTC Housing Developments (general class)
- Priority B: LIHTC Housing Developments (general class)

The top-ranking Housing Programs will receive a tentative tax credit reservation provided a financing need exists. If an application under a set-aside does not score highly enough to earn a reservation because that set-aside is oversubscribed, it will be ranked in the respective general class. If a portion of the set-aside remains unallocated, the remaining balance will be contributed to the pool of general class applicants.

B. Tie Breaker Policy

In the event that two Housing Program applications receive equal point rankings, CHFA shall use the following tie-breaker preferences, in the following order:

1. Project Feasibility and Readiness to Proceed
2. Affordability
3. Applicant Capacity/Goals Accomplished
4. Livability Initiatives
5. Compliance

C. Awards

CHFA shall publish the results of the rating and ranking of the Housing Program applications on its website serving as notice of tentative tax credit reservations. It is the obligation of the awardee to obtain a Business Firm commitment to purchase the tax credits within a specific time frame from date of notice as described in the Procedures. If an applicant is unable to do so within sixty (60) days, the tentative tax credit reservation is withdrawn and CHFA may award the next eligible applicant.

IV. COMPLIANCE

The critical components of maintaining HTCC Program compliance are outlined below and described in detail further in this section.

1. **Obtain necessary project approvals.** It is the responsibility of the Nonprofit Corporation to obtain any approvals necessary to carry out the project once awarded HTCC funds. This includes, but is not limited to, approvals for demolition, building, zoning changes, or any other municipal approval.

2. **Maintain a segregated bank account and accurate accounting records.** The Nonprofit Corporation shall maintain a segregated bank account for proceeds or contributions received for which a tax credit voucher(s) has been issued, shall provide CHFA with proof that the HTCC funds have been deposited in the segregated bank account as soon as the funds are in the account, and shall maintain complete and accurate accounting and records for the funds.

   For Affordable Housing and Workforce Housing Revolving Loan Funds, the Nonprofit Corporation must maintain records of account balances, loan activity, fund maintenance, and compliance with CHFA's requirements. It shall furnish CHFA with financial statements and other reports relating to the operation of the Housing Program in such detail and at such times as may be required.

3. **Make good faith efforts to market the Housing Program.** The Nonprofit Corporation must make active, good faith efforts to market its Housing Program and carry out the objectives of the Housing Program as described in its HTCC application. It will furnish CHFA 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.

4. **Meet the required Housing Program Timeframes.** Housing Programs shall be scheduled for completion not more than three (3) years from the Date of Approval. The anticipated date of completion shall be documented in the project schedule submitted with the application.

   RLF: In the case of revolving loan funds, 100% of the HTCC funds must be loaned out within three (3) years of the fund's inception (which is the date that funds are received from the Business Firm).

5. **Submit timely, accurate and complete Quarterly and Closeout Report materials.** Avoid noncompliance and the assessment of penalties by being on time with required submissions.

6. **Seek approval for Housing Program changes and modifications.** It is the expectation that the Nonprofit Corporation complete the Housing Program as presented in their application within the required time period. If a Nonprofit Corporation is considering a change to a Housing Program or seeks guidance regarding the magnitude of a change, it is advised to contact CHFA at the earliest opportunity.

7. **Participation in CHFA monitoring activities.** CHFA may, upon notification, visit the Nonprofit Corporation to inspect records related to the Housing Program. In addition, CHFA shall conduct scheduled Housing Program site visits, which will require applicant participation. Recipients are advised to review the HTCC Procedures, information, Guidelines, and Policies published on CHFA's website to ensure that compliance requirements are fully understood.

8. **Avoid penalties and noncompliance designations.** Failure to be compliant with HTCC requirements may impact participation in future CHFA funding rounds per the Eligibility Policy.

A. Housing Program Timeframes

Housing Programs shall be scheduled for completion not more than three (3) years from the Date of Approval. All required closeout documents shall be submitted no later than three (3) years and ninety (90) days from the Date of Approval. The anticipated date of completion shall be documented in the project schedule submitted with the application. All HTCC funds must be exhausted within the three-year timeframe.

RLF: In the case of Revolving Loan Funds, the Nonprofit Corporation must loan out 100% of its HTCC funds within three (3) years of the HTCC investment, which is the date that funds are received from the Business Firm (or December 31st of the calendar year of the award, whichever is sooner). The Revolving Loan Fund must remain open for a minimum of three (3) years and may remain open longer, but all

HTCC funds must be exhausted within the three-year time frame. If the HTCC funds are exhausted prior to the three-year time frame, the Nonprofit Corporation must keep the HTCC award open for the required timeframe and continue to provide quarterly reports that indicate the amount, if any, of revolved funds that have been receipted back into the segregated account and loan for eligible uses.

B. Quarterly Reporting Requirements

Approved Housing Programs must submit quarterly progress reports evidencing compliance with the submitted Housing Program and project schedule in accordance with the due dates described below. At any time, CHFA may request, and the Nonprofit Corporation must provide, additional information or reporting related to the Housing Program, in addition to the required quarterly reporting.

The Nonprofit Corporation must submit bank statements, associated invoices and other information and reports relating to the operation of the program as a component of the required quarterly progress reporting to CHFA.

For Affordable Housing Developments, submitted quarterly reports shall be accompanied by disbursement/accounting summaries of the Housing Program's segregated account, an updated development budget, applicable invoices, and progress photos taken at properties. Documentation should match the information provided in the submitted quarterly reports.

<u>RLF:</u> For Revolving Loan Funds, reporting requirements mean a quarterly report the Fund(s) for a period of three (3) years from the Date of Approval. As part of this three-year reporting requirement, the Nonprofit Corporation must report on the status of the Revolving Loan Fund activity and borrower eligibility. All relevant loan documents that back up the use of the HTCC funds must be provided with final closeout.

If building permits weren't provided in the original application, they must be submitted once attained, if applicable.

If a project is not proceeding as scheduled, CHFA will request documentation be provided to evidence that efforts are being made to move the project forward. CHFA staff may request copies of building permits, updated zoning letters, copies of contracts, etc. to ensure work is being done on the project.

Timely, ongoing reporting is required. Failure to submit timely quarterly progress reports may impact future eligibility and/or maximum scoring in future HTCC application rounds, through penalties related to delinquency or continued noncompliance (refer to Section IV. E. Penalties and Noncompliance).

Any deviation from the project as presented in the original application (such as scope of construction, unit count, income targeting, budget revisions or modifications, changes in the allocation of HTCC funds, etc.) requires CHFA's written consent.

The first quarterly report is due April 15th (for quarter ending March 31st) for the year following the award. Subsequent due dates are July 15th, October 15th, and January 15th for the quarters ending June 30th, September 30th, and December 31st, respectively. All quarterly reports and back-up documentation must be uploaded to the secure HTCC dropbox system via the link on the CHFA website. This will ensure proper and timely tracking. Your quarterly report will not be tracked if you do not submit it to the secure dropbox.

One report must be submitted per project number. However, if you have multiple awards for one project, please make sure you clearly note both project numbers on the report.

C. Closeout Reporting Requirements

Housing Programs must demonstrate final completion by submitting a signed certificate of completion form, 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.

RLF: Revolving Loan Fund(s) must demonstrate final completion by submitting a certificate of completion and copies of all relevant loan documents that backup the use of the HTCC funds. Loan documents to be submitted included, as applicable, promissory note, deed and declaration/restrictive covenant.

Once substantial completion of 95% has been reached, preparation of the closeout documents may begin and be sent to CHFA.

HTCC applicants must submit documentation to close out their HTCC award even if they have achieved final closing with CHFA for other funding.

Applicants must certify that all scoring criteria have been met **and that all HTCC funds were used as intended, or in accordance with CHFA-approved changes in scope as reported in previous Quarterly Reports,** to closeout the project. If applicants fail to meet the scoring criteria in their original application, **or any previously undisclosed project deviations are discovered,** the Nonprofit Corporation will be considered in HTCC Program noncompliance.

If a CO/TCO is not available for the originally proposed property(ies), a letter from the applicant must be provided, subject to CHFA’s review and approval, explaining the extenuating circumstances which will result in a deviation from the Housing Program. Such deviation may result in the ineligibility of the Nonprofit Corporation to apply for two (2) consecutive application years.

Nonprofit Corporations that are unable to complete the Housing Program within the required timeframe may submit a written request for an extension to CHFA that explains the extenuating circumstances. CHFA, within its sole discretion, reserves the right to accept or deny any such request. CHFA may deduct points from future applications for awardees that are not able to complete the Housing Program within the required timeframe.

It is the Nonprofit Corporation’s responsibility to request and seek a closeout extension to remain in compliance.

It is possible for CHFA to approve a closeout extension and determine that the Nonprofit Corporation is out of compliance for failure to meet the original required closeout timeframe. In this case, the nonprofit will be considered out of compliance until the Housing Program has been closed. A compliance determination will be made at CHFA's sole discretion.

D. Housing Program Changes

Changes to a funded Housing Program may be considered with prior written consent by CHFA. If a Nonprofit Corporation is considering a change to a Housing Program or seeks guidance regarding the magnitude of a change, it is advised to contact CHFA at the earliest opportunity. If a Housing Program change involves the removal of a unit(s) that was a part of the original scope of work previously approved during the round, CHFA reserves the right to require the applicant to return to CHFA the portion of the HTCC funds attributable to the modification. Nonprofit Corporations are dissuaded from making a request that includes the replacement or swap of a unit(s) or building(s) that was not a part of the original proposal.

If a Nonprofit Corporation wishes to make a change to a Housing Program plan or budget, such revision requests should be submitted in writing to CHFA. Written approval should be obtained from CHFA prior to the change being made.

E. Penalties and Noncompliance

Failure to be compliant with HTCC requirements may impact participation in any future CHFA funding rounds per the Eligibility Policy.

Reporting and delinquent closeout noncompliance may also impact eligibility for other CHFA funding rounds. Additionally, non-responsiveness to requests for reports or information may lead CHFA to assess penalties and/or reclaim the remaining funds and redistribute them to another Housing Program.

If the Nonprofit Corporation does not comply with the requirements of the HTCC Program, CHFA at its sole discretion shall reserve the right to require the funds be transferred from the Nonprofit Corporation's account to CHFA to be held in escrow and disbursed by CHFA. Circumstances that would lead CHFA to consider the transfer of funds to CHFA include: patterns of misuse of funds, ineligible expenses, payments that are not in compliance with an approved budget, and compliance concerns relating to the preservation of the segregated account. **CHFA may also opt to fund awardees that have raised concerns with the handling of prior HTCC awards directly from CHFA held escrow funds. Funds held is escrow will be disbursed based on eligible expenses approved by CHFA.**

RLF: All HTCC funds must be exhausted within the three-year timeframe or CHFA may reclaim the funds and redistribute them to another Housing Program.

If a project is not completed within three (3) years from the Date of Approval, this will be considered an event of noncompliance.

Please note the following penalties related to certain instances of noncompliance:

Submitting delinquent quarterly reports in one (1) instance	Warning will be issued; warnings expire after three years.
Submitting delinquent quarterly reports in two (2) instances	Twenty (20) points will be deducted from subsequent HTCC applications for a period of two (2) consecutive funding years. After the second instance of a delinquent quarterly report, CHFA will notify the Nonprofit Corporation that a 20- point deduction will be assessed on the submission of an HTCC application for the next two (2) consecutive funding rounds.
Submitting delinquent quarterly reports in three (3) instances	Thirty (30) points will be deducted from subsequent HTCC applications for a period of two (2) consecutive funding years. After the third instance of a delinquent quarterly report, CHFA will notify the Nonprofit Corporation that a 30- point deduction will be assessed on the submission of an HTCC application for the next two (2) consecutive funding rounds.
Submitting delinquent quarterly reports in four (4) instances	The Nonprofit Corporation will be considered in HTCC Program noncompliance and will be unable to apply for the HTCC Program for two (2) consecutive funding rounds. After the fourth instance of a delinquent quarterly report, CHFA will notify the Nonprofit Corporation that they will be ineligible to apply to the HTCC Program for the next two (2) consecutive funding rounds.
Failure to proceed with the Housing Program in accordance with the project schedule or demonstrate that completion occurred within the approved timeframe and in no event later than three (3) year from the Date of Approval, or, a lapse in fiduciary responsibility (i.e., co-mingling funds, switching properties, etc.)	Remaining funds contributed by Business Firm may be reclaimed by CHFA, and the Nonprofit Corporation will be ineligible to apply under the HTCC Program for a period of two (2) consecutive funding rounds. The Nonprofit Corporation will be notified accordingly.

Penalties and events of noncompliance are assessed to the Nonprofit Corporation (not to the individual project).

V. BUSINESS FIRM INVESTOR INFORMATION

An applicant awarded state tax credits under the HTCC Program is obligated to seek an investor Business Firm that wishes to invest in affordable housing by purchasing the tax credits. The tax credit vouchers provided under the HTCC Program reduce the investor Business Firm's Connecticut corporate taxes. The amount of tax credits is equal to the Business Firm's contribution, making the HTCC Program a dollar-for-dollar tax credit program. Other than limits established by law, there is no limit to the amount that any one Business Firm may contribute to HTCC recipients in the aggregate; however, each Nonprofit Corporation may receive no more than $500,000 in total contributions in a particular funding round.

A. 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.

B. Application Process for Business Firms

In order for a Business Firm to receive a reservation of credits, it must commit in writing to contribute to an eligible Housing Program to be developed by a Nonprofit Corporation. A tax credit voucher will be provided to the Business Firm by CHFA upon verification that the tax credits have been purchased and a contribution made.

Applications for Business Firm contributions shall be filed annually with CHFA. Applications for tax credit vouchers shall be made on forms prescribed and furnished by CHFA. As part of the application approval process, the Business Firm is 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.

C. Issuance of Tax Credit Vouchers

Upon the Business Firm's submission of a notarized receipt from the Nonprofit Corporation of the contribution made to the approved Housing Program and evidence that the funds are in a segregated account, CHFA will issue a tax credit voucher.

- 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.

D. Carryforwards and Carrybacks

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

VI. DISCLAIMER

Applicants are ultimately responsible for providing the information necessary for determining applicant and project eligibility, as well as compliance under the HTCC Program. Applicants shall carefully abide by the terms and requirements of all applicable Policies, Procedures and Guidelines of CHFA, as well as any specific requirements described in CHFA's NOFA. In addition, no CHFA document shall be relied upon exclusively or as a substitute for the advice of an applicant's tax or legal counsel. If any statement on the CHFA website conflicts with the laws governing the program, the laws take precedence. All eligibility requirements and submission materials are subject to CHFA's sole discretion.

VII. DEFINITIONS

"Affordable Housing Development" (see "Housing Program")

"Area Median Income (AMI)" means the area median income adjusted for Family size, as determined yearly by the United States Department of Housing and Urban Development (HUD). The median divides income distribution into two equal parts: one-half of the cases falling below the median income and one-half above the median income. HUD uses the median income for Families in metropolitan and non-metropolitan areas to calculate income limits for eligibility in a variety of housing programs. HUD estimates the median Family income for an area in the current year and adjusts that amount for different Family sizes so that Family incomes may be expressed as a percentage of the area median income.

"Business Firm" means any business entity as defined in C.G.S. Section 8-395(a).

Community Development Financial Institution (CDFI) means 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.

"Certificate of Existence" means a document that shows conclusive evidence that a corporation is in good standing in the state in which the corporation originally registered. In Connecticut, this certificate is issued by the Secretary of the State's office.

"Certificate of Incorporation" means a legal document filed with the Secretary of the State of Connecticut, as defined in Section 33-1002 of the Connecticut General Statutes, as may be amended from time to time, that states the entity's name and address, its purposes, the distribution of its stock (if any), its members names and address, etc.

"Contribution" means cash payment.

"Date of Approval" means date on the reservation letter or in the case of Revolving Loan Funds, the date of the fund's inception.

"Extremely Low-Income" for the HTCC Program means low-income Families whose income does not exceed 25% AMI.

"Family" means a household consisting of one or more persons.

"Housing Program" means plans to provide rental or ownership housing opportunities to Low- and Moderate-income households through the ownership, construction, acquisition or rehabilitation of housing, Workforce Housing, capitalization of a revolving loan fund, or the creation of a Workforce Housing Development Project.

"Income Year" means the Business Firm's Income Year, as defined in C.G.S. Section 12-213(a)(5).

"Locational Guide Map" means the interactive map provided by the State of Connecticut Office of Policy and Management in conjunction with its published 2018-2023 Connecticut Conservation and Development Policies Plan, as may be updated, designed to identify the existing criteria for priority funding areas by specific address or location.

"Nonprofit Corporation" means a Nonprofit Corporation incorporated pursuant to Chapter 602 of the C.G.S. having as one if its purposes the construction, rehabilitation, ownership or operation of housing and having articles of incorporation approved by CHFA in accordance with regulations adopted pursuant to C.G.S. Section 8-79a or 8-84.

"Percentage Complete" means the estimated percent of the Housing Program that is completed. Percentage Complete is not solely based on the percentage of HTCC funds expended to date.

"Qualified Service Providers" means a community-based, nonprofit service provider organization experienced in the provision of supportive housing and homeless services that has received extensive Connecticut Department of Mental Health and Addiction Services or Department of Developmental Services training and is currently receiving funds from the state under contract in good standing. Refer to the Supportive Housing Guideline on CHFA's website.

"Quality Assurance Program" means a program that applies to all Permanent Supportive Housing projects funded by the State and/or CHFA that includes regularly scheduled monitoring activities and site visits during which the monitoring agency will review service-related activities and record-keeping.

"Revolving Loan Fund" or "RLF" (see "Housing Program")

"Sponsor" means an entity that materially participates or has a defined role that is essential to the development and operations of the property.

"Supportive Housing Guideline" means the informational document that provides a description and an outline for the service program plan and details the criteria by which Permanent Supportive Housing is defined. Additionally, it describes the Quality Assurance Program and provides a list of Qualified Service Providers.

"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, as defined by HUD.

"Workforce Housing" means affordable housing for low- and moderate- income persons or families that include income wage or salaried workers in the municipalities where they work. Self-employed workers do not meet these criteria and are not considered eligible under the workforce housing set-aside. Wage and salaried employees who work from home do not qualify unless the employer is located in the town/municipality that they reside. 1099 income, such as a childcare subsidy, does not meet the definition of workforce housing.

"Workforce Housing Development Project" means the construction or substantial rehabilitation of dwelling units for rental housing where (A) ten per cent of the units are affordable housing, (B) fifty per cent of the units are rented to the workforce population designated by the developer, in consultation with the municipality where such project is located, and (C) forty per cent of the units are rented at a market rate and includes, but is not limited to, an eligible workforce housing opportunity development project, as defined in CGS Section 8-395a, as amended effective June 1, 2024.