CONNECTICUT HOUSING FINANCE AUTHORITY
Unlocking Solutions, Building Strong Communities.

Low-Income Housing Tax Credit (LIHTC) Program

Hybrid Financing Structure Guidelines

2025

Effective October 15, 2024

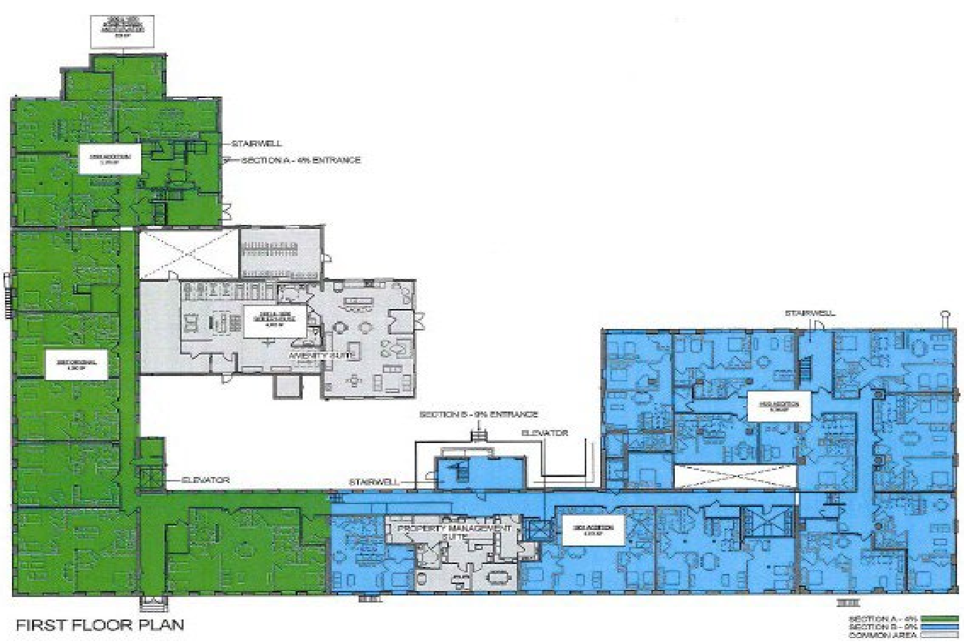
Developments proposing separate, but simultaneous, financing plans utilizing both 9% LIHTCs and 4% LIHTCs with tax-exempt bonds (“hybrid developments”) must submit separate and distinct Consolidated Applications (“ConApps”). ConApps for both the 9% and the 4% portions of the hybrid development must be submitted simultaneously by the date and time specified as the due date for the competitive 9% round. One SharePoint site is required for the 9% applications, and a separate SharePoint site is required for the 4% portion. All required documentation must be uploaded for each, even if the document covers both portions. It is the expectation that each component (9% and 4%) of the hybrid development close simultaneously.

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

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

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

C. The units for the 9% component or the 4% component of the hybrid development should be segregated in distinguishable groups through formal legal documentation such as a condominium declaration, ground lease, or separate legal parcels. Architectural drawings must also clearly delineate the units in each portion to reduce undue complexity in the review, construction, or construction administration of the respective phases. Final determination is at CHFA’s discretion. See exhibit below for guidance on how to depict the individual components in the development.



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

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

F. It is acceptable for some development costs and operating expenses to be prorated between the 9% and 4% portions based on the number of units in each component. The development team will need to communicate to CHFA any cost allocation methodologies that will be employed; this should be discussed with the developer's counsel and/or accountant.

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

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

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

I. The Authority must approve cross-easements and charges for use of amenities and determine that amenities are sufficient for both properties. The proration of common area costs should be broken out in the condominium declaration or other legally binding document.

J. The Authority may be the construction lender for the 9% portion but must be the permanent loan lender and the tax- exempt bond issuer.

K. A cursory review of the 4% application will be done at time of submission. The Authority will only complete its process of review and approval of the 4% application if the 9% application is successful.

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

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

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

Example:

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

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

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