

II
RENTAL HOUSING
A. MULTIFAMILY RENTAL HOUSING PROGRAM

A-1. Housing Affordability and Applications

In furtherance of its mission to alleviate the shortage of affordable housing for low and moderate income families and persons in Connecticut, the Authority responds to all inquiries regarding multifamily rental housing developments.

(a) Within available resources depending on funding sources and to the extent practicable, multifamily rental housing developments should create affordable housing to serve a mix of incomes , though all development types shall be considered.

(b) A CHFA-DOH Consolidated Application (the “ConApp”) shall be completed and submitted by an applicant seeking financing. Each applicant’s ConApp will be screened to determine if it conforms with and satisfies the following:

- (1) State of Connecticut and Authority policy objectives;
- (2) preliminary threshold requirements established by the Authority, subject to further review;
- (3) Authority-established eligibility standards set for all applicants; and
- (4) demonstrated need and/or demand.

(c) Upon the Authority’s request, clarification of ConApp submissions must be provided to the Authority’s satisfaction before a financing proposal may be considered for approval.

(d) The Authority shall create a schedule of fees and costs associated with application and financing. Other applicable fees and costs not included in this schedule may be required.

(e) The Authority may require physical access to the proposed development site in determining the feasibility of the financing request.

A-2. Qualified Development Team

(a) The development team shall include the developer(s), general contractor(s), architect(s), property ~~manager~~management agent(s) and any other parties deemed by the Authority to be necessary for the completion and/or operation of the proposed multifamily rental development.

(b) Each member of the development team shall be licensed and/or registered to do business in the State of Connecticut.

(c) The Authority shall determine whether the members of the development team are qualified (the "Qualified Development Team"). When determining whether a development team is qualified, the Authority may assess, without limitation, the team's development and operational history for comparable and completed developments, financial capacity, and relevant experience in multifamily housing finance, development, construction, management, and resident services.

(d) During the developmental and operational stages, a proposed change and/or substitution of any previously approved member of the Qualified Development Team shall be submitted in writing to the Authority and shall require the prior written consent of the Authority.

(e) All applicants shall sign an "Identity of Interest" statement disclosing relationships among members of the proposed development team. The statement shall attest to the relationship, if any, of all persons and/or entities benefitting financially from the multifamily rental housing development. When an identity of interest exists, the Authority reserves the right to evaluate and accept or reject the cost reasonableness of that service and/or work to be performed.

A-3. Credit Evaluation

(a) The Authority may conduct a credit investigation to ascertain and ensure that the proposed development team possesses sufficient financial capacity and is capable of completing and operating the proposed multifamily rental housing development. The Authority shall determine the extent of such credit investigation.

(b) An applicant shall furnish a listing of any general partners, managing members or principal shareholders of the developer/sponsor entity and the proposed owner/mortgagor entity, the general contractor, and property management agent, as required by the Authority.

A-4. Affirmative Action

Each mortgagor and its contractors, subcontractors, and management agents shall agree to comply with federal and state executive orders, statutes, regulations, and other requirements of law relating to affirmative action and equal employment opportunity.

A-5. Return on Equity

(a) The mortgagor's equity in a multifamily rental housing development shall be as defined in Section 8-253a(5), as may be amended, of the Connecticut General Statutes, incorporating project costs certified by the mortgagor and recognized by the Authority, whether or not such costs

have been paid in cash or in a form other than cash, and the total amount of the mortgage loans and/or grant proceeds.

(b) A loan to a mortgagor, having as one of its purposes the construction or rehabilitation of housing, shall be subject to an agreement between the Authority and the mortgagor limiting the mortgagor and its principals, stockholders, partners and/or members to such return on the mortgagor's equity as may be established or permitted by the Authority. The non-cumulative cash return on equity shall be determined at the Authority's discretion and to the extent economically feasible.

A-6. Related Facilities

The Authority may provide financing for related facilities in accordance with Section 8-243(d) as may be amended of the Connecticut General Statutes, which defines "related facilities" as commercial, office, health, welfare, administrative, recreational, community, and service facilities incidental and pertinent to multifamily rental housing as determined by the Authority. If any related facility is to be leased, then the Authority shall have the right to disapprove any proposed use, tenant, or provision of the lease.

A-7. Market Study

(a) The Authority may require an independent, professional market study on all multifamily rental housing developments being considered for CHFA mortgage financing and/or issuance of Low-Income Housing Tax Credits ("LIHTCs" or "LIHTC"). If a development being considered for financing has a project-based rental assistance commitment or contract in place for the entire development, then the Authority may determine that the market analysis required as part of the prospective appraisal valuation required under Sec. A-8 will be sufficient so as to not require a separate market study.

(b) If the Authority determines that a separate market study is required, then the Authority shall commission a market analysis from an approved list of market analysts developed and maintained by the Authority. Unless otherwise determined by the Authority, the applicant shall make full payment for the market study(ies), in advance, which payment is nonrefundable should the applicant's financing proposal not be approved by the Authority. The market study shall be prepared according to industry standards and within contract terms established by the Authority.

(c) For developments seeking an issuance of LIHTC but no financing from the Authority, the Authority reserves the right to utilize a market analysis that has been completed by an analyst not on the Authority's approved list but has been reviewed and accepted by Authority staff.

(d) The Authority reserves the right to require current market information prior to approval of its financing.

A-8. Appraisal

(a) Independent, professional "as-is" and "to-be-developed" appraisals may be required for all multifamily rental housing developments being considered for mortgage financing by

the Authority. Also, the Authority may require appraisals when financing with non-amortizing Authority debt, debt restructuring or other special situations.

(b) The Authority may commission an appraisal from an approved list of appraisers developed and maintained by the Authority. Unless otherwise determined by the Authority, the applicant shall make full payment for the appraisal(s), in advance, which payment is nonrefundable should the applicant's financing proposal not be approved by the Authority. The appraisal shall be prepared according to industry standards and within contract terms established by the Authority. The Authority may accept another lender's appraisal in certain circumstances such as LIHTC transactions that are not financed with the Authority.

(c) The Authority reserves the right to exercise discretion in commissioning an appraisal and/or modifying its appraisal requirements as may be practical given the circumstances of each transaction.

(d) The Authority reserves the right to require additional appraisals or to commission review appraisals at the applicant's expense.

A-9. Underwriting Standards

The Authority shall establish loan underwriting standards in the following areas and may review and revise the standards as market and economic conditions require and/or when programmatic requirements exist.

(1) Debt Service Coverage ("DSC") - The minimum coverage for all uninsured multifamily rental housing loans shall be 1.15x or its equivalent (as determined by the Authority) for a period deemed necessary by the Authority, but in no event less than one year. For programs or financing that fund housing development for the homeless, special needs populations, restructures or if there is no permanent amortizing debt, the DSC may be reduced at the Authority's discretion.

(2) Loan to Value ("LTV") - The LTV may not exceed eighty percent (80%) of the appraised prospective value or the Authority's estimated total lendingdevelopment cost as recognized by the Authority. As determined by the Authority in its discretion, (i) the LTV may be increased to further public and/or Authority objectives, and (ii) for applicants with not-for-profit sponsors, financing may occur at a higher LTV percentage. For the purpose of this section, a loan is defined as that which is self-amortizing. The Authority may, in its discretion, exempt applicants/mortgagors with not-for-profit developers/sponsors, regardless of the number of apartments in the multifamily rental housing development, from and/or modify the requirements of this subsection.

(3) Total Development Cost ("TDC") - The total multifamily rental housing development cost shall be based on the Authority's analysis, including but not limited to, time, construction and acquisition costs, reserve and soft costs, extraordinary features, location, public purpose and type of sponsor/developer.

(4) Vacancy Assumptions - Underwriting vacancy rate assumptions will be based on the percentage of the AMI of the intended resident population and/or market conditions as of the first stabilized year of operations as determined by the Authority.

(5) Income Trends - To determine the maximum amount of a mortgage loan, income shall be forecasted on an annual basis throughout the term of the proposed mortgage loan, and other documentation and indices may be considered.

(6) Expense Trends - To determine the maximum amount of a mortgage loan, expenses shall be forecasted on an annual basis throughout the term of the proposed mortgage loan and other documentation and indices may be considered. Written documentation approved by the municipality evidencing real estate tax abatements, deferments, or payments in lieu of tax agreements will be required for the Authority to include less than full taxes in its underwriting assumptions. Forecasted annual growth rates for expenses, as specified by the Authority, shall be greater than forecasted annual growth rates for the proposed income sources. The Authority reserves the right to exercise discretion in the expense growth rates.

(7) Maximum Loan Amount - Following consideration of market, location and other applicable conditions, the Authority, in its discretion, shall determine the maximum mortgage loan amount subject to the following: (a) applicable statutory limitations, and (b) LTV or DSC.

(8) Rent Limitations - Maximum rents shall be set at levels affordable to the targeted resident income group(s) to be served as determined by applicable state and federal rent limitations and market analysis to the extent economically feasible.

(a) (9) Reserve for Replacement - A Reserve for Replacement Account shall be established for each multifamily rental housing development, which account, plus interest or other earnings thereon, shall at all times be under the sole control of the Authority, unless otherwise determined by the Authority. Please also refer to Section II(B) of these Procedures for further discussion of reserves for replacement. With respect to requests for financing, the Authority may, from time to time, require a capital needs assessment report (a "CNA") prepared by an acceptable third-party provider in a format approved by the Authority.

(10) Operating Reserve - The Authority may require a mortgagor to fund an operating reserve in an amount determined and held by the Authority. Such reserve shall be available for the full term of the Authority's mortgage loan to fund operating deficits, real estate taxes, debt service coverage deficiencies and such other costs as solely determined by the Authority to ensure economic viability during the term of its mortgage loan. Unless otherwise determined by the Authority, such reserve will be established as of initial closing for Authority financing under terms and conditions of an escrow and disbursement agreement executed between the mortgagor and the Authority. Such deposit shall be in cash or in the form of an irrevocable and unconditional Letter of Credit (LOC) in form and content acceptable to the Authority. The deposit required for the operating reserve may be included within the development budget.

(11) Type of Financing - Both recourse and non-recourse financing may be provided, as determined by the Authority. Non-recourse mortgage loans may become recourse if the mortgagor defaults under certain circumstances, including, but not limited to, utilizing the multifamily rental housing development's income and assets for other than operating expenses, debt service or capital improvements permitted under the Authority's loan documents.

(12) Developer Allowance/Fee (“DAF”) - To the extent economically feasible, the DAF shall be comprised of two parts: a “Deferred DAF Portion” and a “Paid DAF Portion”. The Deferred DAF Portion is the portion of the total approved DAF amount to be deferred by the mortgagor to complete the multifamily rental housing development, as may be permitted by the Authority and as further described in subsection (13) below. The Authority shall publish, from time to time, DAF requirements and limitations, *provided, however*, in no event shall the DAF exceed 15% of TDC (as defined, without DAF, in subsection (3) above) with respect to any multifamily rental housing development. Notwithstanding anything herein to the contrary, developments determined by the Authority to not be utilizing scarce public resources shall be entitled to a Paid DAF Portion equal to 15% of TDC.

(13) Deferred Developer Allowance/Fee (“Deferred DAF Portion”) - The Authority may permit a portion of the total approved DAF amount to be deferred by the mortgagor to complete the multifamily rental housing development. For the purposes of assessing initial application feasibility, the deferred amount should not exceed the lesser of: (a) fifty percent (50%) of the Authority-approved total paid DAF as of initial closing, or (b) the amount that may be fully recovered by the mortgagor, without interest, from Authority-approved annual distributions during the first fifteen (15) years of operations. The final Deferred DAF Portion shall be sized at the Authority’s discretion and approval and may exceed these limitations with the consent of the investor’s limited partner in the transaction.

(14) Loan Term and Rate - The permanent loan term may be up to forty (40) years, with prepayment subject to the terms of these Procedures and the Connecticut General Statutes. The interest rate may be fixed or variable, as determined by the Authority.

(15) Mortgage Insurance - In the Authority's discretion, mortgage insurance or other forms of credit enhancement may be required.

(16) Consultants - Should an applicant/mortgagor elect to retain a housing development consultant or resident training consultant, then the fees of such consultants shall be excluded from the development budget. At the option of the applicant/ mortgagor, such consultants may be compensated from the Authority-approved DAF. The Authority shall publish guidelines from time to time setting forth guidelines regarding consultant compensation.

(17) General Contractor Overhead and Profit and General Requirements –

(a) Overhead should not exceed two percent (2%) and profit should not exceed six percent (6%) of the total costs for site and building improvements in the construction contract; i.e., Divisions 2 through 16 of the construction contract documents.

(b) General Requirements, exclusive of bond premium costs, if applicable, should not exceed six percent (6%) of the total costs for site and building improvements in the construction contract; i.e., Divisions 2 through 16 of the construction contract documents.

(c) At the Authority's discretion, the maximum percentage amounts paid to a general contractor for overhead and profit may exceed eight percent (8%) and for general requirements may exceed six percent (6%) provided, however, that the transaction is not subject to HUD/FHA limitations due to financing, a HUD Subsidy Layering Review, FHA Risk-Share insurance, etc. and the total amount paid to a general contractor for overhead, profit and general requirements does not exceed a cumulative total of fourteen percent (14%). For developments with construction costs of less than \$2,500,000, the Authority may limit the combined value of the general contractor or construction manager overhead, profit and general requirements to 16% of the cost of the work, excluding payment and performance bonds and building permits.

(d) Fees may be further limited for related parties or identities of interest, or at the discretion of the Authority.

(18) Syndication Costs - The costs of syndication shall not exceed an amount acceptable to the Authority. Syndication costs include all direct and indirect costs incurred in securing syndication proceeds; e.g., any fee paid to the syndicator, as well as the mortgagor's legal costs associated with securing syndication proceeds.

(19) Syndication Proceeds or Bridge Loan Financing - Funds derived from the syndication of federal Low-Income Housing Tax Credits and/or federal and state Historic Tax Credits must be available either from the syndication proceeds or bridge loan financing in an amount, with terms, and in a manner satisfactory to the Authority. If there is an identity of interest between the lender and either the syndicator, the mortgagor, or the developer, then the rate must be a commercially reasonable rate as determined by the Authority. The interest cost of financing the DAF shall not be recognized, provided that the Authority may grant an exception in the case of a DAF for a mortgagor with a non-profit sponsor.

(20) Restrictive Covenant - All multifamily rental housing developments shall have a restrictive covenant identifying the term and structure of affordability limitations which may require the development to be monitored by the Authority and/or its authorized agent or contractor.

(21) Affirmative Fair Housing Marketing - All mortgagors shall execute the Authority's form of an affirmative fair housing marketing plan, which may be included as part of the Authority's management agreement.

(22) Small, Minority and Women-Owned Businesses - The mortgagor and general contractor for all developments obtaining Authority-provided financing shall execute minority hiring, affirmative action and non-discrimination and equal employment opportunity documents, as required by the Authority.

(23) Subordinated Debt – Subject to applicable statutory requirements, any financing subordinated to Authority financing may be allowed on a case-by-case basis, as determined by the Authority.

(24) Additional Underwriting Considerations - Financing proposals considered undesirable by the Authority will not be approved. Characteristics of undesirable financing proposals include, but are not limited to, the following: (a) those submitted by applicants with non-performing loans or

obligations with the Authority or any governmental agency; (b) those submitted by applicants that have misused the Authority or any governmental loan and/or grant proceeds; (c) those submitted by entities whose principals are principals of other entities which are either currently delinquent on Authority or any governmental loans or obligations, or have a history of monetary delinquency or default of any nature; (d) not in the public interest; (e) applications for Authority bridge loan financing not associated with other Authority financing; (f) applications for the sole purpose of making interest payments to the Authority, any governmental agency or another lender; (g) applications for multifamily rental housing developments that lack sufficient financial commitments, acceptable to the Authority, to maintain a balanced sources and uses of funds; and (h) collateralized with security of unproven or questionable marketability.

If the Authority determines that any of the above underwriting standards are not satisfied and/or the multifamily rental housing development is financially infeasible, then the applicant/mortgagor will be notified in writing and the processing of the application will cease.

A-10. Approval and Issuance of a Loan Commitment

Upon recommendation of Authority staff, the proposal for mortgage financing shall be submitted to the Authority's Mortgage Committee of the Board of Directors for its consideration and upon consideration by the Mortgage Committee, a financing proposal may be referred to the Board of Directors for its consideration. If a financing resolution is adopted by the Board of Directors, then the Authority may enter into a loan commitment with the applicant setting forth the terms of the financing and required fees. Should the Authority's Board of Directors not adopt a financing resolution for the multifamily rental housing development, the applicant shall be notified in writing and processing of the application will cease.

A-11. Initial Closing

Prior to an initial mortgage closing, the Authority shall require that the proposed mortgagor deliver to the Authority all appropriate mortgage loan closing documentation and due diligence deemed by the Authority to be necessary and/or appropriate to insure that the proposed multifamily rental housing development shall be completed and operated in accordance with the Authority's requirements and that the Authority mortgage loan shall perform in accordance with the Authority and Authority Board of Director approval requirements. The Authority requirements may include, without limitation, final plans and specifications, a construction contract in accordance with industry standards, assurance of completion, a construction schedule, a construction trade payment breakdown of materials and labor costs, all required governmental approval(s), regulatory agreement(s), mortgage loan documentation, mortgagee title insurance, a property survey, an architect agreement in accordance with industry standards, a management agreement, a management plan, a marketing plan, a tenant selection plan, an environmental assessment or review, insurance coverage(s), evidence of subsidies and other development financial assistance and/or mortgage loan disbursement and loan advance financial exhibits.

A-12. Construction Period

(a) The Authority may retain a third-party, independent field observer at the mortgagor's expense who shall monitor construction progress and attend project job meetings, on a schedule to be determined by the Authority. The cost of the field observer is an eligible development cost and may be included in the development budget.

(b) Mortgage loan proceeds shall be advanced and disbursed to the mortgagor as construction/ renovation progresses, the time and amount of each advance to be at the sole discretion and upon the estimation of the Authority in relation to the percentage of the work in place, subject to conditions described by the Authority.

A-13. Substantial Completion/Permission to Occupy

(a) The mortgagor shall notify the Authority in writing when the mortgagor's supervising architect determines that substantial completion of the multifamily rental housing development has been achieved.

(b) The mortgagor shall prepare permission to occupy form(s) provided by the Authority and submit such form(s) to the Authority together with the supervising architect's punch list and a copy of the certificate of occupancy. Based upon the date of the certificate of occupancy and recommendations of the Authority's staff, the Authority shall establish a permission to occupy date and advise the mortgagor of such date. Depending upon the multifamily rental housing development's configuration and construction schedule, more than one permission to occupy form may be required and multiple permission to occupy dates may be established.

A-14. Cost Certification

The mortgagor and its general contractor shall have cost certifications audited by their respective certified public accountants. The mortgagor shall submit its and the general contractor's cost certifications to the Authority for review and acceptance in accordance with the timeframe set forth in the [guideline-cost certification guideline published by the Authority from time to time](#). Upon acceptance by the Authority of the mortgagor's and general contractor's cost certifications, the Authority shall prepare a Maximum Mortgage Letter to be executed by the mortgagor and the Authority.

A-15. Final Closing

Each mortgagor shall submit all construction, cost certification, financial, LIHTC and mortgage loan documentation required by the Authority in order to satisfy final closing requirements.

A-16. Waivers, Exemptions and Modifications

(a) The Authority's Board of Directors or the Executive Director may authorize waivers, exemptions and modifications for any requirements that are not mandated by statute or other law.

Requests for waivers, exemptions and modifications from applicant/mortgagors shall be in writing. Such waivers, exemptions and modifications may be granted so long as the following apply:

- (1) service to very low-income households;
- (2) evidence of minimal risk to the Authority;
- (3) no conflicting public policies;
- (4) acceptable financial capacity and proven track record; and/or
- (5) other compelling reasons at the discretion of the Authority's Board of Directors or the Executive Director.

Additionally, approval for such requests may only be granted if the Authority concludes there is sufficient evidence that:

- (6) the enforcement of such provisions provide for exceptional difficulty or unusual hardship not caused by the applicant/mortgagor;
- (7) the benefit to be gained by approving such request clearly outweighs the detriment which will result from enforcement of the requirement;
- (8) approval of such request is in harmony with conserving public health, safety and welfare, and
- (9) approval of such request is in the best interest of the State and/or the Authority.

(b) The Authority's Executive Director may, from time to time, vary Multifamily Rental Housing Program requirements set forth in this Section II(A): (i) in response to federal and/or state legislation/regulations or special program and/or financing initiatives as may be adopted by the Authority's Board of Directors, and (ii) as may be necessary to effectuate the Authority's administration of the federal low-income housing tax credit program and the purposes and requirements set forth in Section IV(A) of the Procedures entitled "Low Income Housing Tax Credit."

(c) Wherever in Section II. A of these Procedures reference is made to the Authority exercising discretion, elimination, waivers, variances and exemptions, such shall be made by the Executive Director or his/her designee based upon consideration of, but not limited to, the following: (1) Such is/are necessary for the development of quality affordable housing; and (2) the considerations listed in this Section A-16.

Rental Housing
Multifamily Rental Housing Program
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B. MULTIFAMILY ASSET MANAGEMENT

B-1. Introduction; Definitions

(a) The primary responsibilities of the Multifamily Asset Management Department (“Asset Management”) are to: (i) monitor owner compliance with all applicable documents, program regulations, state statutes and the Authority’s policies and procedures, (ii) identify opportunities to minimize the Authority’s risk through the evaluation and oversight of financial sustainability of the portfolios, physical condition and management operations, and (iii) preserve the long term affordability and sustainability of the Authority’s multifamily rental housing development portfolios. Asset Management oversees two portfolios of properties as identified below:

- (1) “Private Portfolio” means multifamily rental housing developments with original financing provided by or with tax credits issued by the Authority. This includes, without limitation, REO properties which are held by subsidiaries of the Authority. Owners must comply with all applicable statutory and Authority procedural requirements and policies as well as applicable loan documents, tax credit rules and additional subsidy rules (such as HUD Section 8) and regulatory agreements.
- (2) “State-Sponsored Housing Portfolio” means the housing portfolio transferred from the Connecticut Department of Economic and Community Development (“DECD”) to the Authority in 2003 in accordance with Section 8-37uu of the Connecticut General Statutes. Owners must comply with applicable housing program requirements and all applicable statutory and regulatory requirements as well as any applicable loan documents or assistance agreements.

B-2. Tenant-Selection Plans

Each applicant for an Authority multifamily rental housing development mortgage loan shall submit a tenant-selection plan ~~in an Authority approved format~~ for the Authority’s ~~acceptance~~approval. The plan shall comply with the requirements set by applicable state and federal statutes and regulations, including, without limitation, those relating to affirmative fair marketing. Instructions and forms for tenant-selection plans are on the Authority’s website.

B-3. Management Plan, Management Agreement and Management Agent

An owner receiving Authority financing for a multifamily housing development must have a management agent, management agreement and management plan that have been accepted by the Authority. If no Authority financing is provided, a management plan or agreement is not required.

(a) Management Plan

The management plan shall describe fully and accurately the proposal for the management of the multifamily rental housing development and shall set forth all material circumstances or features affecting the multifamily rental housing development. The management plan shall not be effective until accepted by the owner and approved in writing by the Authority. The management plan

shall be incorporated into the management agreement. The management plan shall include: (i) a tenant-selection plan; (ii) the relationship between the management agent and the owner, including any identity of interest; personal or family relationships; other property management relationships; and any other relationships, whether presently or previously existing; and the management agent's previous management experience with multifamily rental housing developments; (iii) a comprehensive description of the policies and procedures to be followed in the management of multifamily rental housing development, including relating to affirmative fair marketing; and (iv) other documents and matters deemed necessary by the Authority.

(b) Management Agreement

The management agreement shall set forth all of the terms, conditions, covenants, and agreements between the owner and the management agent concerning the management of the multifamily rental housing development. The management agreement shall not be effective until executed by the owner and the management agent and accepted in writing by the Authority. Management agent's duties and responsibilities shall be detailed in the management agreement.

(c) Management Agent

- (1) The selection of a proposed management agent shall be subject to the prior approval of the Authority on an individual property basis.
- (2) All changes in management agents shall require the prior written approval of the Authority. If any multifamily rental housing development financed by an Authority multifamily mortgage loan is without a management agent approved by the Authority, the Authority may unilaterally appoint a management agent to perform such functions as are required by the Authority until such time as the owner/mortgagor of the multifamily rental housing development shall appoint a management agent approved in writing by the Authority.
- (3) Compensation to the management agent for performance of its responsibilities under the management agreement shall be approved in writing in advance by the Authority.

B-4. Rent Increases

All proposed rent increases for rent restricted units shall be reviewed and accepted by the Authority in writing in advance and shall be subject to all applicable statutory and regulatory requirements.

B-5. Performance Assessment

Asset Management shall perform periodic assessments of management and the physical and financial condition of each multifamily rental housing development. The Authority shall determine the level of performance of each multifamily rental housing development based on these

assessments.

B-6. Escrow Reserve Release Process

(a) The Authority shall approve the release of funds from any escrow accounts held by the Authority subject to mortgage and regulatory requirements.

(b) If escrow funds to be released are to be applied to capital improvements or repair/replacement work, then the work must be completed in accordance with all applicable building codes, State of Connecticut regulations and the Authority's Standards of Design and Construction. The scope of the Authority's review prior to the approval of any release of escrow funds will be determined by the type of work proposed.

(c) If a property is in default or non-compliance, the Authority may deny a request for release of funds from any escrow account. The Authority reserves the right to deny any request for release from any escrow account where information or documentation does not meet Authority requirements.

B-7. Capital Needs

Throughout the operating period, mortgagors/owners shall be required to evaluate the capital needs of the property, to be proactive in identifying capital improvements needed and to anticipate making adjustments to the reserve for replacement escrow account in order to fund such capital improvements. The Authority may, from time to time, require a capital needs assessment report prepared by an acceptable third-party provider in a format approved by the Authority.

B.8. Low Income Housing Tax Credit ("LIHTC") Program – Post Year 15 Compliance

The Authority maintains a Post Year 15 Compliance Monitoring Policy for properties allocated LIHTCs by the Authority. The purpose is to ensure compliance with owner obligations set forth in the Extended Low-Income Housing Commitment ("ELIHC") for the multifamily rental housing development, prepared by the Authority. All property owners must comply with all requirements of the LIHTC Program through the expiration date of the ELIHC. CHFA reserves the right to enforce these requirements whether by legal or other equitable action.

Rental Housing
Multifamily Asset Management
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IV

TAX CREDIT PROGRAMS

A. LOW-INCOME HOUSING TAX CREDIT

The Connecticut Housing Finance Authority (the “Authority” or “CHFA”) administers the federal Low-Income Housing Tax Credit (“LIHTC”) Program for the State of Connecticut (the “State”). The LIHTC Program is a housing program authorized under Section 42 of the Internal Revenue Code (the “Code”), and is administered by the U.S. Department of the Treasury. These Procedures govern the allocation, reservation and the compliance monitoring required by the LIHTC Program. In order to administer the LIHTC Program, CHFA has established additional governing materials as described in the Authority’s Qualified Allocation Plan (as adopted from time to time, the “QAP”). The Authority’s Board of Directors has full discretion to independently review and decline to award any LIHTC application in accordance with the QAP.

A-1. LIHTC Allocation

The 9% LIHTC allocation process shall be as set forth in the QAP and may be conducted on the basis of a competitive annual funding round. Generally, the 4% LIHTC funding allocation process may be conducted on the basis of an open application process, *provided, however*, a Notice of Funding Availability (“NOFA”) may be issued for competitive allocations, unless otherwise specified, subject to policy objectives and administrative requirements of the Authority. The Authority’s Executive Director, or other authorized officer, shall establish a schedule for LIHTC funding rounds. LIHTC applications shall be accepted subject to published deadlines and/or the 9% LIHTC funding allocation process. All LIHTC applications shall be evaluated and rated in accordance with the QAP in effect at the time of application submission.

(a) Application Resubmissions. Any applicant whose LIHTC application is unsuccessful in a funding round may resubmit that application in a subsequent funding round. The completed resubmitted application must satisfy the requirements established in the applicable QAP. An application fee shall be required for each 9% application submission. If a resubmitted application is unsuccessful, any subsequent application contemplated must include material improvements, as determined by CHFA in its sole discretion.

(b) Forward Allocations. 9% LIHTC allocations in any calendar year will be limited to the LIHTC State housing credit ceiling for that calendar year, as determined in accordance with the Code (as amended), *provided, however*, with the approval of the Authority’s Board of Directors, the Authority may make awards or reservations for the purpose of forward allocations from future year LIHTC State housing credit ceilings.

A-2. Qualified Allocation Plan

The LIHTC Program requires each state responsible for allocating the LIHTCs to approve a plan for the allocation of the credits that is relevant to that state’s housing needs and is consistent with

that state's housing priorities. The QAP is the plan for the State that establishes guidelines and procedures for the acceptance, scoring and competitive ranking of LIHTC applications for each funding round.

The QAP is reviewed and modified periodically to ensure that it continues to meet the affordable housing needs and the priorities of CHFA and the State and to incorporate any revisions to the Code, State regulations, and relevant industry best practices.

When changes are proposed for an existing QAP, the Authority shall publish a draft QAP reflecting such changes and shall conduct hearing(s) to allow for public review and comment. After consideration of all comments received during the public review period, the Authority's staff shall submit a recommended draft QAP to the Authority's Board of Directors for its consideration and approval. After the draft QAP is approved by the Authority's Board of Director's, the QAP shall be forwarded to the Governor for approval.

A-3. Submission and Eligibility

A consolidated application ~~ConApp (as defined in these Procedures)~~ shall be completed and submitted by an applicant seeking LIHTCs. Unless otherwise specified herein, reference to "LIHTC" application shall mean 4% and/or 9% LIHTC applications. Each LIHTC application shall be evaluated pursuant to the QAP in effect on the date of application and the Code. The completed application package must satisfy the requirements set forth in the QAP (the "Basic Threshold Requirements") and the policy objectives and administrative requirements of the Authority: as set forth in guidelines promulgated by the Authority from time to time (the LIHTC Guidelines?). In addition to the administrative requirements and the Code, 4% tax credit applications may also be subject to requirements published in a NOFA.

The determination of whether the applicant has satisfied all eligibility criteria, the policy objectives and administrative requirements of the Authority shall be made by the Authority's Executive Director or other authorized officer. The Authority's Executive Director, or other authorized officer, may require or accept additional or alternative evidence that an application satisfies all eligible criteria when it is in the public interest of the Authority, the LIHTC Program, and the housing plans or policies of the State, in their sole discretion.

The Authority requires that LIHTC developments submitted are ready to proceed and anticipates that such developments will achieve projected benchmarks. To that end, the Authority will consider the success of each Applicant in achieving LIHTC Program benchmarks and delivering completed developments in determining its capacity to undertake new projects given its existing pipeline. The process for such consideration may be discussed with each applicant prior to the time of application.

All Applicants shall be required to attend a pre-application conference with Authority staff. Additional information on this process may be found in the Guidelines.

A-4. Processing

Applications must be complete in the Authority's sole determination before a Authority financing proposal may be considered for approval. Upon receipt of a 9% LIHTC application submitted on or before the applicable deadline, staff will determine if it satisfies the required application criteria set forth in the QAP. Any 9% LIHTC application received by the Authority after the application deadline or determined to be incomplete shall be declined. The Authority reserves the right to seek clarification, if necessary. Upon receipt of a 4% LIHTC application, the Authority shall determine if it satisfies the Basic Threshold Requirements in accordance with the QAP.

CHFA shall complete a final determination of program eligibility based on its final underwriting projections prior to initial closing. CHFA reserves the right to re-evaluate LIHTC Program eligibility at any time.

A-5. Site Evaluation

The Authority's staff or a designated third party shall conduct a site evaluation to determine if the proposed development site is acceptable and satisfies the criteria of the QAP.

A-6. Project Selection Criteria and Ranking Procedures

The Authority shall allocate 9% LIHTCs based upon classifications, the selection criteria and application ranking set forth in the QAP.

Applications for 9% LIHTCs will be grouped in an application classification for evaluation as set forth in the QAP. These classifications are used for allocation within a competitive 9% LIHTC round only.

Applications will be evaluated, rated and ranked against the other applications in their respective classifications. The results of the final evaluation and ranking shall be determined solely by the Authority.

In accordance with the Code, as amended, the Authority shall establish a set aside for qualified non-profit applicants, shall determine which applications qualify for that set-aside, and no more than 90% of the State housing credit ceiling for any calendar year shall be allocated to projects that do not include qualified non-profits.

A-7. Tax Credit Reservation

Approved 9% LIHTC applications will receive a reservation of tax credits (each a "Tax Credit Reservation"), which must be executed by the applicant and returned to the Authority within the time period stated therein. The Authority shall determine the amount and timing for remittance of a tax credit servicing fee. A Tax Credit Reservation shall not be deemed an allocation in accordance with the Code.

The 9% LIHTC reservation may be subject to other milestones or conditions set forth in the Tax Credit Reservation. Failure to meet such milestones or conditions may result in the Authority's cancellation of the Tax Credit Reservation.

A-8. Appraisal and Market Study

Neither the Authority-required appraisal, nor the Authority-ordered market study shall be required until after a 9% LIHTC Reservation has been executed. The receipt of the Authority-required appraisal and Authority-ordered market study shall be required prior to the execution of a Carryover (as defined herein) or the issuance of a 42(m) letter. Refer to Procedures Part II Rental Housing with respect to 4% and 9% LIHTC market study and appraisal requirements.

A-9. Reassessment

Following the adoption of resolutions by the Authority's Board of Directors confirming the 9% LIHTC ranking process, an applicant may apply to the Authority to reassess its decisions relating to the acceptance, scoring, or ranking of the application in the funding round. The application for reassessment shall be submitted in a form acceptable to the Authority within ninety (90) days of the Authority's Board of Directors' funding round approval. An application for a reassessment must be accompanied by the applicable fee as noted in the LIHTC ~~guidelines promulgated by the Authority from time to time (the LIHTC Guidelines)~~Guidelines. Decisions regarding reassessments will be considered final and will not be reconsidered. In the event that the application for reassessment results in a change of scoring and an allocation of 9% LIHTCs, the reassessment fee shall be fully refunded. At the discretion of the Authority's Board of Directors, reassessments may result in a forward commitment of 9% LIHTCs in accordance with the current QAP. A successful reassessment will not result in the cancellation of a previously approved reservation.

A-10. Issuing Tax Credit Allocations

For developments with 9% LIHTCs that will not place-in service in the year of reservation, initial allocations will be made upon meeting the requirements set by the Authority and the Code for a carryover allocation agreement ("Carryover"). Final allocations of LIHTCs will be issued by the Authority after a review of the cost certification and a determination of final project costs and sources of funding have been completed. The Authority shall establish a deadline for submission of materials necessary prior to the issuance of a Carryover and failure to meet this deadline may preclude issuance of a Carryover.

A-11. -Construction and Cost Certification

All applicants are subject to bidding requirements but may be exempt from having a General Contractor in place at the time of application. The Authority reserves the right to require competitive bidding in order to mitigate and reduce project cost increases from the originally proposed budget. If required, competitive bidding for a General Contractor or project value-engineering shall be completed prior to Board of Directors' approval or issuance of a 42(m) letter.

All LIHTC developments must provide observation reports to the Authority on a current and regular basis, as defined by the Authority in its Construction Guidelines.

The applicant shall submit a cost certification accompanied by a certified public accountant's report in accordance with Section 1.42-17(a)(5) of the Treasury Regulations after substantial completion in order for the final funds disbursement to occur.

The applicant shall submit such information as the Authority deems necessary. The Authority's staff shall review the cost certification and make a ~~preliminary~~ determination that the amount of the LIHTC is necessary and appropriate, in accordance with the Code.

A-12. Compliance Monitoring

All qualified LIHTC developments are subject to review pursuant to the Authority's compliance monitoring procedures established in the QAP and LIHTC Guidelines during the initial LIHTC compliance period and the extended use period.

A-13. Subsidy Layering

At the Authority's election and in accordance with applicable federal law and regulations including, without limitation, guidance from the Department of Housing and Urban Development ("HUD"), the Authority may perform Subsidy Layering Reviews on HUD's behalf for mixed-finance public housing projects and for newly constructed and rehabilitated structures which utilize Project-Based Vouchers in conjunction with LIHTCs. The Authority may charge an administrative fee for performing this service.

Tax Credit Programs
Low Income Housing Tax Credit
Revised: 9/26/2024
Adopted: TBD

C. HOUSING TAX CREDIT CONTRIBUTION PROGRAM

C-1. Introduction

Connecticut General Statutes (“C.G.S.”) Section 8-395, as amended, provides for tax credit vouchers for Business Firms making cash contributions to Nonprofit Corporations that develop, sponsor or manage Housing Programs which benefit Low- and Moderate- Income Persons or Families. Plans to provide rental or ownership housing opportunities to Low- and Moderate- Income Persons or Families through the ownership, construction, acquisition or rehabilitation of housing for Low- and Moderate- Income Persons or Families, Workforce Housing, capitalization of a revolving loan fund, or the creation of a workforce housing development project (as defined in C.G.S. Section 8-395(a)(3)) shall individually and collectively herein be referred to as “Housing Program(s).” All statutory terms herein shall have the meanings as set forth in the C.G.S., and all other terms shall have the meanings set forth in the definitions herein.

C-2. Definitions

- (a) "Area Median Income" means the area median income, adjusted for family size, as determined yearly by the United States Department of Housing and Urban Development;
- (b) "Low- and Moderate- Income Persons or Families" means person(s) or families whose total household income does not exceed 80% and 100% of Area Median Income, respectively;
- (c) "Workforce Housing" means housing that is affordable for Low- and Moderate- Income Persons or Families that include- income wage or salaried workers in the municipalities where they work.
- (d) “Authority” means the Connecticut Housing Finance Authority.

C-3. Program Description

(a) The Authority is authorized to administer a system of tax credit vouchers to Business Firms making Contributions to eligible Housing Program(s) which benefit Low- and Moderate- Income Persons or Families, or in the case of Workforce Housing Low- and Moderate- Income Persons or Families that are wage or salaried workers, and which are developed, sponsored or managed by Nonprofit Corporations. The tax credit voucher shall be granted in an amount equal to 100% of the value of the Contribution made. A Business Firm may receive a voucher for a Contribution to a Housing Program, which Contribution may result in the Business Firm having a limited equity interest in such program. No tax credit shall be granted to any Business Firm for any individual Contribution of less than \$250.

(b) Each eligible Nonprofit Corporation may not receive more than an aggregate amount of \$500,000 annually in Contributions for its Housing Program(s).

(c) Eligible costs shall be defined in the Housing Tax Credit Contribution Program (“HTCC”) guidelines promulgated by the Authority from time to time.

C-4. Nonprofit Corporation Eligibility

To be eligible to participate in this program, the applicant shall demonstrate that it meets the definition of a Nonprofit Corporation above by submitting to the Authority an endorsed Certificate of Incorporation certified by the Secretary of the State, a certification that the Nonprofit Corporation is in existence from the Secretary of the State's Office and a copy of the letter that was issued to the Nonprofit Corporation by the Internal Revenue Service determining that the corporation qualifies as an exempt organization under section 501(c) of the Internal Revenue Code. Nonprofit Corporation must have its articles of incorporation approved by the Executive Director of the Authority.

C-5. Application Process for Nonprofit Corporations

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

(b) As part of the application approval process, the Nonprofit Corporation shall be required to furnish the information as required in HTCC guidelines promulgated by the Authority from time to time and any other information deemed appropriate by the Authority.

(c) The Executive Director of the Authority may, at his/her sole discretion, waive any of the non-statutory requirements relating to the documentation which must be submitted to the Authority for participation in the HTCC Program.

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

(1) The literal enforcement of Authority Procedures provides for exceptional difficulty or unusual hardship not caused by the applicant;

(2) The benefit to be gained by the waiver outweighs the detriment which would result from enforcement of the requirement;

(3) The waiver is in harmony with conserving public health, safety, and welfare; and

(4) The waiver is in the best interest of the State of Connecticut.

C-6. Rating and Ranking Process

Information submitted in the tax credit application will be evaluated and ranked according to the following categories, and as further described in the application. The evaluation ranking system categories, as set forth in C.G.S. Section 8-395, and as further described in HTCC Program guidelines and/or application materials promulgated by the Authority from time to time, shall include the following: (a) readiness of the housing project to be built, (b) use of funds to build or rehabilitate a housing project or to capitalize a revolving loan fund, (c) income targeting benefitting families at or below 25% of Area Median Income and families between 25% of Area Median Income and 50% of Area Median Income, (d) administrative capability of the nonprofit corporation, (e) goals accomplished with respect to prior HTCC awards, (f) use of funds in urban areas and impact on neighborhood revitalization, and (g) the extent to which HTCC tax credit funds are leveraged by other funds.

C-7. Administration of Contributions

(a) Each year, the Authority shall publish the list of Housing Programs of Nonprofit Corporations that will receive tax credit reservations.

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

(c) Until sixty (60) days after the list of Housing Programs is published each year, \$2,000,000 of the total amount of all tax credits available in any one fiscal year shall be set aside for permanent supportive housing initiatives established pursuant to C.G.S. Section 17a – 485c, as amended.

(d) Until sixty (60) days after the list of Housing Programs is published each year, \$1,000,000 of the total amount of all tax credits available in any one fiscal year shall be set aside for Workforce Housing loan funds.

C-8. 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 from the Secretary of the State's Office, or equivalent documentation acceptable to the Authority.

C-9. Application Process for Business Firms

(a) Applications for Business Firm Contributions shall be filed annually with the Authority by no later than the timeframe described in section C-7. The time of receipt of an application shall

be deemed to be the time of filing. Applications for tax credit vouchers shall be made on forms prescribed and furnished by the Authority.

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

(1) A list of the Housing Program(s) to which the Business Firm intends to make Contribution(s); and

(2) The amount of the Contribution to be made to each Housing Program.

(c) Applications shall be approved or rejected by the Authority based on the information and documentation required herein, as well as the availability of tax credits.

(d) If the Business Firm application is approved, the Business Firm will be notified, in writing, and given instructions on how to proceed with the Contribution.

(e) If the Business Firm application is rejected, the Business Firm shall be notified, in writing, of the reasons for the rejection.

C-10. Issuance of Tax Credit Vouchers

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

(b) The Authority shall notify the Business Firm, in writing, that a tax credit voucher will be reserved, contingent upon the Business Firm's submission of a notarized receipt from the Nonprofit Corporation of the Contribution made to the approved Housing Program.

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

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

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

(f) 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.

C-11. Carryforwards and Carrybacks

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

C-12. Compliance Monitoring

(a) The Nonprofit Corporation shall maintain a segregated account as it pertains to Housing Programs receiving Contributions for which a tax credit voucher(s) has been issued. The Nonprofit Corporation shall maintain complete and accurate books and records, and shall furnish the Authority with financial statements and other reports relating to the operation of the program in such detail and at such times as may be required.

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

(c) The Nonprofit Corporation must make active, good faith efforts to market its Housing Program and carry out the objectives of the Housing Program, and shall furnish the Authority with marketing materials and other documents relating to the marketing of the Housing Program in such detail and at such times as may be required.

(d) The Nonprofit Corporation must also maintain records of account balances, loan activity, fund maintenance, and compliance with the Authority's requirements, and shall furnish the Authority with financial statements and other reports relating to the operation of the program in such detail and at such times as may be required.

(e) Housing Programs projects shall be scheduled for completion not more than three (3) years from the date of approval. Anticipated date of completion shall be documented in the project schedule submitted with the application. In the case of revolving loan funds, 100% of the HTCC funds must be loaned out within three (3) years of the fund's inception. All loan repayments, interest and investment income must be held in the loan fund to be used in accordance with the Housing Program with the exception that qualified entities administering revolving loan funds may offset administrative and overhead expenses by withdrawing from the loan fund earnings from an interest rate spread not to exceed 3%.

(f) Approved Housing Program(s) must submit quarterly progress reports evidencing compliance with the submitted project schedule; or in the case of a revolving loan fund(s), a quarterly report detailing the activity of the revolving loan fund(s) must be provided to the Authority.

(g) Failure to submit quarterly progress reports two (2) or more times in any given calendar year shall result in a loss of points off the subsequent ranking of any and all HTCC project

applications by the non-compliant awardee for a period of two (2) consecutive funding rounds of the HTCC Program.

(h) Housing Programs must demonstrate final completion by submitting to the Authority a signed Certificate of Project Completion (“CC”) along with Certificate(s) of Occupancy (“CO”), Temporary Certificate(s) of Occupancy (“TCO”) or, if applicable, a letter from the local municipal building official indicating that all work performed has been approved by the municipality as of the date of project completion; revolving loan fund(s) must demonstrate final completion by submitting a Certificate of Completion and copies of all relevant loan documents that support the use of the HTCC funds in accordance with CHFA Guidelines.

(i)

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

(k) Failure to submit final completion documents, as stated above, to the Authority within three (3) years and ninety (90) days from the date of the Reservation Letter will result in the ineligibility of the awardee in the HTCC Program for a period of two (2) consecutive funding rounds of the HTCC Program. Awardees that are unable to complete the Housing Program within the required timeframe may submit a written request for an extension to the Authority that explains the extenuating circumstances. The Authority, in its sole discretion, reserves the right to accept or deny any such request. The Authority may deduct points from future applications for awardees that are not able to complete the Housing Program within the required three (3) years.

(l) If an awardee fails 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) years from the date of approval, the remaining funds contributed by Business Firms may be reclaimed by the Authority, such funds shall be redistributed to another Housing Program in the next appropriate funding round and the awardee will be ineligible in the HTCC Program for a period of two consecutive funding rounds of the HTCC Program.

Housing Tax Credit Contribution Program

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