

# CHFA Taxable Bond Financing for Use with the 2022 9% LIHTC Round



## Process to Obtain a Letter of Financing Interest from CHFA

The Connecticut Housing Finance Authority (CHFA) has made available taxable bond financing for use with the upcoming 9% LIHTC applications. These products are limited to LIHTC developments that are awarded a 9% tax credit reservation. Construction-to-permanent, construction-only and permanent-only financing products are offered. See attached product descriptions for full details.

Applications for up to \$1 million from CHFA's Opportunity Fund will also be accepted. This financing must be paired with a CHFA senior loan. Funding may also be requested from the Affordable Housing Fund. Please carefully review the requirements for these sources before including them in an application.

CHFA can provide letters of financing interest for use with a 9% LIHTC application. For the purposes of initial loan sizing at the application for a letter of financing interest, CHFA will assume the following interest rates:

Construction-Only Product: Fixed rate 3.00%

Construction-to-Permanent Loan Product:

- Construction Rate: Fixed rate at 3.00%
- Permanent Rate: Fixed rate at 4.41% (based on the September 23, 2021 10-year Treasury rate of 1.41% plus 250 basis points, and a 50 basis point rate cushion)

Permanent-Only Product:

- Fixed rate at 4.91% (based on the September 23, 2021 10-year Treasury rate of 1.41% plus 300 basis points, and a 50 basis point rate cushion)

Opportunity Fund and Affordable Housing Fund:

- Interest rates to be determined by CHFA

At the time of rate lock, the final rate for the permanent loans will be based on the current index.

## Required Documents

Applicants may apply for a letter of financing interest with reduced documentation. The following items found in the CHFA-DOH Consolidated Application (and applicable attachments) will be required:

- Exhibit B – Cover Sheet.
- Exhibit C – Summary Sheet.
- Exhibit D – Application (must be fully completed).
- Exhibit 3.1a – Qualified Development Team Contact Information.
- Exhibit 4.9c – Exploded Trade Payment Breakdown.

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- Exhibit 4.9e – Project Cost Summary.
- Exhibit 5.1a – Rental Income Calculation Sheet.
- Exhibit 5.2a – Detailed Income & Expense Form.
- Exhibit 5.2b – Line by Line Explanation of Expenses.
- Exhibit 5.2d – Real Estate Taxes.
- Exhibit 5.3 – Cash Flow Projection.
- Exhibit 6.3 – Development Budget.
- Exhibit 6.4 – LIHTC Calculation.
- Exhibit 6.5 – Sources of Funds.
- Exhibit 6.6 – Existing Debt.
- Exhibit 11.3 – Application Fee.

CHFA reserves the right to request additional documentation upon review.

*Applications and required documentation must be sent to [PreliminaryApplication@chfa.org](mailto:PreliminaryApplication@chfa.org) no later than 4:00 PM on Tuesday December 7, 2021.*

Applicants are encouraged to explore all financing options and multiple letters of financing interest will be accepted for review with the 9% LIHTC application. The use of CHFA financing will not affect the review or scoring of a 9% LIHTC application.

While the receipt of a letter of financing interest from CHFA is not guaranteed, letters of financing interest for successful applications are anticipated to be issued by December 31, 2021.

For more information, please contact Debbie Alter at [deborah.alter@chfa.org](mailto:deborah.alter@chfa.org).

## CHFA 9% Low-Income Housing Tax Credit (LIHTC)

### Construction-Only Loan Product Summary



<b>Rate:</b>	Fixed rate at 3.00%, so long as the project meets the closing date requirement.
<b>Loan Term:</b>	Not to exceed 24 months. Upon request and approval, a longer term may be permitted, subject to a rate premium.
<b>Amortization:</b>	Interest-only payments are due until maturity.
<b>Early Prepayment:</b>	Prepayment is available beginning in month 16, provided the construction loan proceeds have been disbursed in full.
<b>Loan Origination Fee:</b>	Based on the current Multifamily Financing Program Parameters and Fees guidelines.
<b>Underwriting Standards:</b>	CHFA Multifamily Underwriting Standards apply.
<b>Closing Deadline:</b>	November 30, 2022. If the closing takes place after this date, CHFA reserves the right to re-evaluate pricing.

# CHFA 9% Low-Income Housing Tax Credit (LIHTC)

## Construction-to-Permanent Product Summary



<b>Structure:</b>	Two-note structure.
<b>Loan Rates:</b>	<p><u>Construction Loan:</u> Fixed rate at 3.00%, so long as the project meets the closing date requirement.</p> <p><u>Permanent Loan:</u> Fixed rate based on the 10 Year Treasury Rate plus 250 basis points.</p> <p>CHFA's rate lock procedure will be followed. Closing with construction lender (CHFA or otherwise) must take place on or before November 30, 2022. If the closing takes place after this date, CHFA reserves the right to re-evaluate pricing. Accordingly, CHFA will determine the best execution for each project.</p>
<b>Loan Term:</b>	<p><u>Construction Loan:</u> Not to exceed 24 months. Upon request and approval, a longer term may be permitted, subject to a rate premium.</p> <p><u>Permanent Loan:</u> 37 years (assuming a 24 month construction term).</p>
<b>Amortization:</b>	<p><u>Construction Loan:</u> Interest-only payments are due until maturity.</p> <p><u>Permanent Loan:</u> 35 years. Interest-only payments are due during the construction term, monthly amortized payments of principal and interest will commence on month 25 (assuming a 24 month construction term). Early amortization is not permitted.</p>
<b>Disbursement:</b>	Both the construction and permanent loan proceeds will be disbursed on a pari-passu basis during the construction term.

# CHFA 9% Low-Income Housing Tax Credit (LIHTC)

## Construction-to-Permanent Product Summary



<b>Early Prepayment:</b>	<p><u>Construction Loan:</u> Prepayment is available beginning in month 16, provided the construction loan proceeds have been disbursed in full.</p> <p><u>Permanent Loan:</u> May be repaid in full after year 15, provided the loan is refinanced at the then-offered terms and conditions and subject to availability of funding sources and all other applicable requirements, including covenants of continued affordability. May be repaid in full after year 20 subject to satisfaction of applicable requirements, including payment of a fee equal to 1% of the outstanding principal balance. See the <a href="#">Preservation of Housing Affordability</a> Policy Statement for full details.</p>
<b>Loan Origination Fee:</b>	Based on loan size in accordance with the current <a href="#">Multifamily Financing Program Parameters and Fees</a> guidelines, due at construction loan closing.
<b>Underwriting Standards:</b>	CHFA Multifamily Underwriting Standards apply.
<b>Closing Deadline:</b>	November 30, 2022. If the closing takes place after this date, CHFA reserves the right to re-evaluate pricing.

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# CHFA 9% Low-Income Housing Tax Credit (LIHTC)



## Permanent Loan Product Summary

<b>Loan Rate:</b>	The fixed rate will be based on the 10-year Treasury rate plus 300 basis points. The rate will be locked at the approximate time the construction loan rate is locked, but no sooner than 30 days prior to the Construction Closing. If there is a closing delay beyond the 30 day rate lock period, or which results in repricing by the construction lender, CHFA reserves the right to re-evaluate pricing. This rate will be locked consistent with CHFA's rate lock procedure and will follow current CHFA Multifamily Financing Program Parameters and Fees <a href="#">guidelines</a> .
<b>Loan Term:</b>	35 years.
<b>Amortization:</b>	35 years.
<b>Disbursement:</b>	No disbursement at Construction Closing. Full/One-time disbursement at Permanent Loan Closing.
<b>Permanent Loan Closing:</b>	24 months from the Construction Closing. May be extended for up to six additional calendar months upon payment of an extension fee of \$5,000 per calendar month.
<b>Requirements for Permanent Loan Closing:</b>	<p>May include; but not be limited to:</p> <ul style="list-style-type: none"> <li>• 100% qualified occupancy of LIHTC units</li> <li>• 100% retirement of the construction loan</li> <li>• Satisfaction of all investor conditions to allow necessary equity to be available</li> <li>• Updated underwriting to confirm income, expenses, debt service coverage, etc. at rent up</li> <li>• 1.15 debt service coverage for 90 days consecutively</li> <li>• All reserve requirements must be met</li> <li>• CHFA approval of any development team member changes, LPA changes, etc.</li> <li>• Satisfaction of all CHFA Final Closing items (including but not limited to CHFA Permission to Occupy, release of retainage, environmental close-outs, as-built survey, clear title, establishment of escrow accounts, etc.)</li> </ul>
<b>Early Prepayment:</b>	The permanent loan may be prepaid in full after year 15, provided the loan is refinanced with CHFA at the then-offered terms and conditions and subject to availability of funding sources and all other applicable requirements, including covenants of continued affordability. May be repaid in full after year 20 subject to satisfaction of applicable requirements, including payment of a fee equal to 1% of the outstanding principal balance. See the <a href="#">Preservation of Housing Affordability</a> Policy Statement for full details.

<b>Loan to Value:</b>	80% of the appraised prospective investment value or 80% of CHFA's estimated total lending cost.
<b>Loan Sizing:</b>	<ul style="list-style-type: none"> <li>• Permanent Debt may be sized to the current year rents at Construction Closing and without trending the rents during construction.</li> <li>• No commercial income may be used to size the permanent debt.</li> </ul>
<b>Appraisal &amp; Market Study:</b>	Reports will be ordered by CHFA following payment by the applicant.
<b>Loan Origination Fee:</b>	This will be based on loan size in accordance with current Multifamily <a href="#">Multifamily Financing Program Parameters and Fees</a> , due at Construction Closing. This fee is non-refundable.
<b>Forward Standby Fee:</b>	1% of loan amount, due at Construction Closing. This fee is nonrefundable.
<b>Forward Good Faith Deposit:</b>	1% of loan amount, due at Construction Closing. This fee is refundable at Conversion. It is payable to CHFA only if the project fails to convert or does not utilize the loan.
<b>Third-Party Closing Costs:</b>	Applicant is responsible for third-party closing costs.
<b>Closing Deadline:</b>	November 30, 2022. If the closing takes place after this date, CHFA reserves the right to re-evaluate pricing.

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## Opportunity Fund (OF) Program Guidelines

<b>Eligible Uses</b>	<ul style="list-style-type: none"> <li>• Funding for multifamily rental developments in alignment with (1) CHFA’s statute and (2) CHFA’s <a href="#">strategic plan</a> and priorities</li> <li>• Funding prioritized for developments utilizing CHFA financing.</li> </ul>
<b>Funding Uses</b>	<ul style="list-style-type: none"> <li>• Cash flow mortgage up to \$1 million</li> <li>• Deferred mortgage up to \$1 million</li> <li>• Other structures may be considered to make the transaction financially feasible as determined by CHFA</li> </ul>
<b>Interest Rate</b>	Based on CHFA’s analysis and underwriting
<b>Term and Amortization / Length of Affordability</b>	Based on CHFA’s analysis, underwriting and determination with terms of 30 to 40 years with coterminous periods of affordability
<b>Security/Lien Position</b>	<p>First Lien or cash flow mortgages</p> <p>CHFA must serve as the senior lien lender when there is a cash flow mortgage funded by CHFA</p>
<b>Loan to Value / Loan Fees / Disbursements and Closing Costs</b>	Per standard underwriting, see <a href="#">Multifamily Rental Housing Program Guideline</a>
<b>Other Requirements</b>	The CEO-ED may waive or modify any of the requirements or conditions if it is deemed to be in the best interest of CHFA and its mission

Applicants are invited to include Opportunity Funding as a source of funds in the DOH and CHFA Consolidated Application (ConApp) for a proposed development transaction if a gap exists that the applicant has been unable to fill despite best efforts and the proposed use of funds meets CHFA’s Strategic Plan goals and Mission. CHFA will prioritize unique and innovative proposals that expand high quality housing choices for low- and moderate-income households in both urban and non-urban areas as part of overall neighborhood revitalization efforts and as a means of reducing racial and economic segregation.



## Affordable Housing Fund

### Program Guideline

<b>Eligible Developments by Location</b>	<ul style="list-style-type: none"> <li>• Properties that are located in an area of economic distress</li> <li>• Confirm location eligibility by address using <a href="https://cimsprodprep.cdfifund.gov/CIMS4/apps/pn-cmf/index.aspx#?center=-98.212,38.724&amp;level=4">https://cimsprodprep.cdfifund.gov/CIMS4/apps/pn-cmf/index.aspx#?center=-98.212,38.724&amp;level=4</a></li> <li>• Location is determined using FY2020 data</li> </ul>
<b>Unit Production in Eligible Developments</b>	<ul style="list-style-type: none"> <li>• Must target Extremely Low-, Very Low- and Low-Income households</li> <li>• <u>Minimum</u> unit production at project level for Low-Income (inclusive of ELI) Families: 20% of the total units</li> </ul> <p>Extremely-Low Income (ELI) = 0-30% AMI          Very-Low Income (VLI) = &gt;30%-50% AMI          Low-Income = &gt;50%-80% AMI</p>
<b>Interest Rate</b>	<ul style="list-style-type: none"> <li>• 0-3% at CHFA’s determination</li> </ul>
<b>Term and Amortization / Length of Affordability</b>	<ul style="list-style-type: none"> <li>• Fully amortizing with terms of 30 to 40 years with coterminous periods of affordability</li> </ul>
<b>Security/Lien Position</b>	<ul style="list-style-type: none"> <li>• First Lien or cash flow mortgages</li> <li>• CHFA must serve as the senior lien lender when there is a cash flow mortgage funded by CHFA</li> </ul>
<b>CMF Leverage Requirement</b>	<ul style="list-style-type: none"> <li>• Must meet or exceed <u>Minimum Private Leverage Cost Multiplier</u> of 10 to 1 (Private funding sources to CMF award to a development on a portfolio-wide basis)</li> </ul> <p>Cannot use other Treasury CDFI funds in the same deal (i.e., New Market Tax Credits, CDFI program funding). Private leverage includes funds received from private entities that are not a unit of federal, state, or local government. Examples include private activity bonds, LIHTC equity, other equity investments, lines of credit, loans or other investments from private sources, such as banks, private investors or philanthropic entities that are made to the Recipient or Projects. Note that DOH or other state funding or housing authority funding is not private leverage.</p>
<b>Loan to Value / Loan Fees / Disbursements and Closing Costs</b>	<ul style="list-style-type: none"> <li>• Per standard underwriting, see <a href="#">Multifamily Rental Housing Program Guideline</a></li> </ul>



## Affordable Housing Fund

The United States Treasury Community Development Financial Institution’s Capital Magnet Fund (CMF) provides grants to eligible organizations to generate additional investment in affordable housing and economic development. CHFA applied for a CMF grant in July 2020 to create an Affordable Housing Fund to address the housing needs of extremely low- to moderate-income persons, particularly for households earning less than 50% Area Median Income (AMI) and those experiencing homelessness. In February 2021, CHFA was awarded a CMF grant of \$3 million for that purpose. CHFA committed to match the CMF award with its own Opportunity Funds, and is making available a total of \$6 million to eligible affordable multifamily rental housing developments statewide.

Each CMF Award must result in Eligible Project Costs (CMF award dollars plus leveraged costs) in an amount that equals at least 10 times the amount of the CMF award. For example, an award of \$.5 million should generate at least \$5 million in Eligible Project Costs.

Sources of capital leveraged by the CMF award may be loans from banks, program-related investments from foundations, Low-Income Housing Tax Credits (LIHTCs) equity investment, funds contributed by the Recipient, or any number of other private sources. Note that only private sources may contribute to the leveraging requirement for purposes of the Affordable Housing Fund award. State agency funding, including financial assistance from the Department of Housing (DOH) and the Department of Economic and Community Development (DECD), federal agency contributions including those from the United States Department of Housing and Urban Development (HUD), local housing authorities, and Community Development Financial Institutions (CDFIs) are considered public. While public sources may contribute to an eligible project’s resources, public sources will not count towards the minimum project leverage.

An award from the Affordable Housing Fund will be sourced with equal amounts of CMF and CHFA funds. Therefore, an Affordable Housing Fund award of \$1 million will contain \$500,000 CMF. The \$500,000 CHFA component will count towards the leverage requirement.

### Example:

		Counts towards leverage requirement?	Private Leverage Calculated
Affordable Housing Fund Award:	\$1,000,000		
CMF	\$ 500,000		
CHFA	\$ 500,000	Yes	
4% LIHTC	\$4,773,182	Yes	
HUD	\$8,424,346	No	
	<u>\$14,197,528</u>		
Private Sources for Leverage	\$5,273,182	5,273,182/500,000=	<b>10.55</b>

## Affordable Housing Fund

### How to Apply:

If development is already in process and there is a funding gap, the applicant shall complete the abbreviated request form at Exhibit A and submit to the assigned CHFA underwriter.

If development is new, the CMF may be considered as a component of the proposed capital stack and included in the DOH and CHFA Consolidated Application (ConApp).

### Eligible Project Costs:

Eligible Project Costs are calculated for each Project at award and verified at project completion. Eligible Project Costs may be incurred during multiple phases of development of the same Project but in no event exceed the total development cost of the Project, as outlined below. Eligible Project Costs include:

\* Development hard costs. The actual cost of constructing or rehabilitating the development. These costs include, but are not limited to: the costs to make utility connections; the costs for environmental remediation; the costs to make improvements to the project site that are in keeping with improvements of surrounding, standard projects and site improvements, which may include on- or off-site roads and utilities necessary to the development of the project. A development project consists of one or more buildings or structures on the same site (or on scattered sites if developed together) that are considered one property under the same ownership.

\* Financing Costs. Fees and costs associated with a loan including, but not limited to, origination fees, service fees, recordation fees, title search and other costs relating to the making of loans.

\* Acquisition costs. Costs of acquiring improved or unimproved real property, including the mortgage amount loaned to homebuyers.

\* Related soft costs. Other reasonable and necessary costs incurred by the project sponsor or developer

- (1) Architectural, engineering, or related professional services, including but not limited to services to prepare plans, drawings, specifications, or work write-ups.
- (2) Building permits, attorneys' fees, private appraisal fees and fees for an independent cost estimate, builders or developer's fees.

## Affordable Housing Fund

- (3) Costs of a project audit, including certification of costs performed by a certified public accountant, that the Participating Jurisdiction may require with respect to the development of the project.
- (4) Costs to provide information services such as affirmative marketing and fair housing information to prospective tenants.
- (5) For new construction or rehabilitation, the cost of funding an initial operating deficit reserve, limited to a reserve to meet any shortfall in project income during the period of project rent-up (not to exceed eighteen (18) months) and which may only be used to pay project operating expenses, and scheduled payments to a replacement reserve, and debt service.
- (6) Costs for the payment of impact fees that are charged for all projects within a jurisdiction.
- (7) Costs of environmental review and release of funds in accordance with 12 C.F.R. Part 1815 that are directly related to the project.

\* Relocation costs. The cost of relocation payments and other relocation assistance to persons and businesses displaced by the project, including:

- (1) Relocation payments include replacement housing payments, payments for moving expenses, and payments for reasonable out-of-pocket costs incurred in the temporary relocation of persons.
- (2) Other relocation assistance means staff and overhead costs directly related to providing advisory and other relocation services to persons displaced by the project, including timely written notices to occupants, referrals to comparable and suitable replacement property, property inspections, counseling, and other assistance necessary to minimize hardship.

### Reporting Requirements:

CHFA's Asset Management team may require additional information to be reported quarterly and/or annually so that it may achieve its overall reporting obligations to the United States Treasury, Community Development Financial Institution for its Capital Magnet Fund award.