2018-2019 9% LIHTC Round

Additional Frequently Asked Questions

Q8. My development team recently learned that there is an option called HPRF that can be used for supportive housing in the 9% LIHTC round this year. What exactly is this?

A8. The Connecticut Housing Finance Authority Low-Income Housing Tax Credit Qualified Allocation Plan (QAP) for the 2018 Application Year sets forth the requirements for applicants to receive points for providing supportive housing units for eligible households. The Connecticut Department of Housing (DOH) is also committed to increasing the number of permanent supportive housing units in integrated settings statewide. To that end, DOH anticipates making funding from the DOH Homeless Prevention Response Fund (HPRF) available to projects selected by CHFA for an allocation of tax credits in the 2019 9% LIHTC funding round to provide an operating subsidy in the event that either (a) such a project did not include supportive housing units in its original proposal but the applicant would like to include them or (b) subsequent to the selection of the project, the project loses its anticipated support service funding through no fault of its own. CHFA and DOH will collaborate to ensure the most effective use of HPRF funding to produce the greatest number of supportive housing units across the State. Note that the HPRF is a tool to provide operating support in developments that would not otherwise be able to provide supportive housing. It is not to be the first option, and should <u>not</u> be included in the ConApp.

Q9. Points item 2d, Other Permanent Funding Sources, calculates the total amount of permanent funding commitments from non-State administered funds as a percentage of Total Development Resources (TDR). The Points Worksheet appears to calculate this as a percentage of the total sources of funds, and not by TDR as defined in the Glossary. Is this correct?

A9. No. Points will be awarded for permanent funding commitments from non-State administered resources totaling 5% or more of TDR. TDR is defined in the Glossary as "All development sources exclusive of tax credit equity. Also excluded from TDR are net rental income and/or cash from operations, deferred/pledged developer fees and rental subsidy reserve funds." CHFA is aware that the Points Worksheet is using total sources instead of TDR and will correct this during the application review.

Q10. Will CHFA allow the income averaging minimum set-aside to be utilized in the 9% LIHTC applications?

A10. Yes. CHFA will allow the new income averaging set-aside in the 9% LIHTC applications. Applicants choosing this option must be aware of the following:

- Income averaging may not work in every community. Applicants must fully understand how this set-aside works and the complexity of the compliance requirements going forward.
- Prior to submitting the application, Applicants must verify that the number of qualified units in each income band averages out to no greater than 60% AMI. During the application review, CHFA will confirm that the set-aside is met.
- Material changes to the application will not be accepted after the application is submitted. A material change will be determined by CHFA in its sole discretion.
- Any units targeted to 25% AMI are to be counted as 30% AMI for purposes of determining the income average.
- If an application is awarded 9% LIHTCs, CHFA Low-Income Housing Tax Credit Procedures require a market study to be ordered by CHFA prior to issuance of a carry-over allocation agreement. If the market study does not confirm that there is a market for units in any income band included in the application, CHFA reserves the right to cancel the tax credit reservation. If units in the 70% or 80% AMI bands are intended to be included as qualified units in the applicable fraction, the market study must demonstrate that the rents for these income bands are less than market rents, or that the project is in a market area with anticipated growth and designating units in these bands will preserve opportunities for low income households in the near future.
- Applicants must discuss the use of the income averaging set-aside with the proposed management agent and prospective tax credit syndicator prior to making a final decision on using this set-aside.
- As referenced below in Q11, management agents are required to review and sign Exhibit 5.2a, the Detailed Income and Expenses Form. This signature will also acknowledge that the management agent understands the income averaging set-aside is being used in the application.
- Applicants should review nationally published industry guidance on the income averaging set-aside.
- CHFA reserves the right to revise or enhance its legal documents to accommodate any requirements of the new income averaging set-aside.
- CHFA reserves the right to establish new requirements for the use of the income averaging set-aside in the event that the Internal Revenue Service (IRS) issues guidance on this set-aside.

Q11. Is the proposed management agent required to sign Exhibit 5.2a, the Detailed Income and Expenses Form?

A11. Yes. It is expected that the proposed management agent will be involved in completing the Detailed Income and Expenses Form, and their signature on the form is required.

Q12. Exhibit 10.1, Certifications, requires applicants to waive their right to a Qualified Contract. What is a Qualified Contract?

A12. A qualified contract is a provision in the IRS Code that forces allocating agencies to facilitate the purchase of tax credit projects at the end of the initial compliance period. The 2018 QAP requires a waiver of this provision as a condition of applying for and receiving a tax credit allocation.