

## HTCC PROCEDURES

### I. 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 non-profit corporations that develop, sponsor or manage Housing Programs which benefit low-and moderate-income individuals or families.

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

(c) "Contribution" means cash payment;

(d) "Family" means a household consisting of one or more persons;

(e) "Housing Program" means a plan to build or acquire an improve housing to provide decent, safe and sanitary housing for very low-, low- and moderate- income families; or a plan to capitalize a revolving loan fund providing low-cost loans for housing-construction, repair or rehabilitation-to provide decent, safe and sanitary housing for very low-, low- and moderate income families; or a plan to capitalize a revolving loan fund providing low-cost loans for housing construction, repair or rehabilitation to provide decent, safe and sanitary housing for very low- low- and moderate income families; or programs for workforce housing that provide assistance to individuals;

(f) "Income Year" means the business firm's income year, as defined in C.G.S. Section 12-213(a)(5);

(g) "Nonprofit Corporation" means a nonprofit corporation incorporated pursuant to Chapter 602 of the Connecticut General Statutes (“C.G.S.”), or any predecessor statutes thereto, having as one if its purposes the construction, rehabilitation, ownership or operation of housing and having articles of incorporation approved by the President-Executive Director of the Authority in accordance with regulations adopted pursuant to C.G.S. Section 8-79a or 8-84;

(h) "Very Low-, Low- and Moderate-Income Families" means families whose total household income does not exceed 50%, 80% and 100% of area median income, respectively;

(i) “Eligible Expenses” as the term applies to revolving loan funds relates to the acquisition of housing located in Connecticut which is occupied by very low-, low- and moderate-income families for more than one hundred eighty-three (183) days per calendar year and which has a purchase price that is not greater than the sales price limits set yearly by the Authority. Eligible expenses may include, but are not limited to:

(1) down payment assistance for no greater than 25% of the cost of home purchase;

(2) mortgage interest rate buy downs;

(3) reasonable and customary closing costs; and

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(4) rehabilitation costs

(j) "Workforce Housing" means affordable housing for low- and moderate- income wage or salaried workers in the municipalities where they work.

(k) "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 very low-, low- and moderate-income families, or in the case of workforce housing low- and moderate income 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) Housing Programs eligible for contributions may not serve families whose gross income exceeds 100% of the area median income.

(c) Each eligible nonprofit corporation may not receive more than an aggregate amount of \$500,000 annually in contributions for Housing Program(s) to which tax credits may be applied.

(d) For the purposes of this program, the nonprofit corporation's expenses for salaries, operations and overhead shall not be considered as Housing Program costs eligible for funding by a contribution from a business firm.

### **C-4. Non-profit Corporation Eligibility**

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

### **C-5. Application Process for Non-profit Corporations**

(a) Applications from non-profit corporations for approval of each Housing Program shall be filed with the Authority no later than the close of business on July 1 of each year. 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 non-profit corporation shall be required to furnish the following regarding each Housing Program submitted for approval:

(1) A description of the Housing Program, including the total number of families to be served, the number of families to be served with incomes at or below 25% of the area median

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income, the number of families with incomes greater than 25% and not more than 50% of the area median income, the number of families with incomes greater than 50% and not more than 80% of the area median income, and the number of families with incomes greater than 80% and not more than 100% of the area median income; or in the case of a revolving loan Housing Program, a detailed description of the revolving loan fund.

(2) Evidence of housing need as demonstrated by a local survey, Consolidated Plan, market study, or other documents deemed satisfactory by the Authority;

(3) Evidence of the general administrative capability of the non-profit corporation to develop, sponsor or manage the Housing Program;

(4) Project financing plan and budget;

(5) Evidence of the project's readiness to proceed;

(6) Evidence that any funds previously received by the non-profit corporation for which a voucher was previously issued were used to accomplish the goals set forth in the application; and

(7) Other information deemed appropriate by the President-Executive Director of the Authority.

(c) The President-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 Housing Tax Credit Contribution ("HTCC") Program. The President-Executive Director of the Authority, however, shall not waive, or in any manner alter, the requirement that contributions shall be allocated only to Housing Programs that serve very low-, low- or moderate-income families

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. (See points calculation worksheet). The top ranking Housing Programs will receive a tax credit reservation provided a financing gap exists.

(a) Readiness to Proceed - the extent to which the applicant can demonstrate its readiness to proceed by providing documentation evidencing site control, firm financing commitments,

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zoning approval, building permits and any other documents that would indicate an applicant's readiness; or in the case of revolving loan funds, a fund establishment certification, stating the non-profit will establish the loan fund in accordance with the approved Housing Program in a manner that will assure all funds will be utilized for the stated program purpose within three (3) years of approval.

(b) Type of Housing Program - the extent to which funds are used to build or rehabilitate a specific housing project; or to capitalize a revolving loan fund providing low-cost loans for housing construction, repair or rehabilitation to benefit persons of very low-, low- and moderate income; or to the extent to which funds are used to establish a program of assistance to individuals to purchase or rent workforce housing, including the extent to which the workforce housing program would reduce the commuting distance of participants.

(c) Target Population - the extent to which the project will benefit families with incomes at or below 25% of the area median income and families with income between 25% and 50% of the area median income; or in the case of workforce housing programs the degree to which the program benefits low or moderate income wage or salaried employees purchasing or renting workforce housing.

(d) Administrative Capability - the general administrative capability of the non-profit corporation to build, rehabilitate or manage housing, and the extent to which any funds received by the non-profit corporation for which a voucher was issued were used to accomplish the goals set forth in the application; or in the case of a program established for workforce housing to provide assistance to individuals, the degree to which the non-profit corporation has the administrative capability to administer such program.

(e) Use of Funds in Urban Areas and Impact on Neighborhood Revitalization - the extent to which the project is located in an Urban Regional Center as defined by the Connecticut Conservation and Development Plan of Connecticut, 2005-2010, as amended, and the project's impact on neighborhood revitalization.

(f) The extent to which tax credit funds are leveraged by other funds.

### **C-7. Administration of Contributions**

(a) The Authority shall publish by September 1 each year the list of Housing Programs of non-profit corporations that will receive tax credit reservations.

(b) Upon notice of tax credit reservation, the non-profit corporation shall have until November 1 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 December 1 to secure contributions from eligible business firms. Determination of which Housing Program receives the unallocated funds will be made pursuant to tier status and ranking score.

(c) Until November 1 of each year, two million dollars of the total amount of all tax credits available in any one fiscal year shall be set aside for the Supportive Housing Pilots Initiative or the Next Steps Initiative established pursuant to Section 17a – 485c, as amended.

(d) Until November 1 of each year, one million dollars of the total amount of all tax credits available in any one fiscal year shall be set aside for work force housing loan funds.

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### **C-8. Business Firm Eligibility**

To be eligible to participate in this program, a business firm shall:

(a) Submit an endorsed Certificate of Incorporation and a Certificate of Existence from the Secretary of the State's Office, or equivalent document acceptable to the Authority.

### **C-9. Application Process for Business Firms**

(a) Applications from business firms for tax credit vouchers shall be filed with the Authority by no later than the close of business on December 1 annually. 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 President-Executive Director of 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 of 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. Allotment of Tax Credit Vouchers**

(a) The allotment of tax credit vouchers for contributions to approved Housing Programs shall be made 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 President-Executive Director of the Authority or his designee 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 non-profit 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.

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(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 non-profit corporation was made.

### **C-11. Carryforwards and Carrybacks**

(a) The amount of tax credit received which is not exhausted in the income year in which such credit must be claimed under Section 10 above must be carried back to the five preceding income years (beginning with the earliest of such years) before any unexhausted balance can be carried forward to the five succeeding income years (beginning with the earliest of such years).

### **C-12. Compliance Monitoring**

(a) The non-profit 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 non-profit 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, the non-profit organization shall establish the revolving loan fund 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 establishment certification, a copy of a passbook or statement demonstrating the deposit of funds, copies of all documents to be used for administering the fund and any other information relative to the fund requested by the Authority.

(c) The non-profit 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 non-profit 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 shall be scheduled for completion not more than three (3) years from the reservation date. Anticipated date of completion shall be documented in the Project Schedule submitted with the application; in the case of revolving loan funds the non-profit must loan out 100% of its HTCC funds 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.

(f) Approved Housing Programs must submit quarterly progress reports evidencing compliance with the submitted Project Schedule; or in the case of a revolving loan fund, non-profits must submit to the Authority a quarterly compilation of the revolving loan fund.

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(g) Failure to report quarterly progress two (2) or more times in any given calendar year may result in a loss of points off the subsequent year's rating and ranking of any and all HTCC project applications by the non-compliant applicant. If an applicant fails to proceed with the Housing Program in accordance with the project schedule or demonstrate completion within three (3) years of the date that the application for credits was approved by the Authority, remaining funds contributed by business firms may be reclaimed by the Authority. Such funds shall be redistributed to another Housing Program in the most current funding round.

(h) Housing Programs must demonstrate final completion by submitting to the Authority within 90 days of project completion a notarized, signed Certificate of Completion form ("CC") along with Certificate(s) of Occupancy ("CO"), Temporary Certificate(s) of Occupancy ("TCO") or a letter from the local municipal building official indicating that a CO/TCO has been issued and is valid for the Housing Program as of the date of project completion; revolving loan funds must demonstrate final completion by submitting to the Authority within 90 days of the depletion of the HTCC funds, a Certificate of Completion, prepared by a certified public account and copies of all relevant loan documents that backup the use of the HTCC funds.

(i) If a CO/TCO is not available for the originally proposed properties, a letter from the non-profit developer must be provided to the Authority explaining the extenuating circumstances which resulted in a deviation from the Housing Program.

(j) If a developer 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 CC and CO/TCO submission.

(k) Failure to submit to the Authority either a CO/TCO and a CC or a letter explaining extenuating circumstances within 90 days of a project completion may result in a loss of points off the subsequent year's rating and ranking of any kind and all HTCC project applications by the noncompliant applicant.

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