

Qualified Allocation Plan

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# QUALIFIED ALLOCATION PLAN

## 1. BASIC REQUIREMENTS, STATE HOUSING NEEDS AND PROGRAM PRIORITIES

- I. BASIC FEDERAL REQUIREMENTS.** The Federal Low-Income Housing Tax Credit ("LIHTC") Program requires the agency in each state responsible for allocating the Federal Low-Income Housing Tax Credits (the "Credits") to adopt a plan for the allocation of such Credits within its jurisdiction. This is the Qualified Allocation Plan (the "Plan") for the State of Connecticut (the "State").

According to Section 42(m) of the Internal Revenue Code of 1986, as amended (the "Code"), the Plan must:

- set forth selection criteria to be used to determine housing priorities of the Connecticut Housing Finance Authority (the "Authority"), as the housing credit agency for the State, which are appropriate to local conditions;
- give preference to projects:
  - serving the lowest income tenants; and
  - obligated to serve qualified tenants for the longest period of time; and
- provide a procedure that the Authority (or its agent) will follow in monitoring for noncompliance with the provisions of Section 42 of the Code and in notifying the Internal Revenue Service (the "IRS") of project non-compliance that comes to the attention of the Authority.

Additionally, the Plan selection process must apply criteria addressing the following:

- project location,
- housing needs characteristics,
- project characteristics,
- sponsor characteristics,
- participation of local tax-exempt organizations,

- tenant populations with special housing needs, and
- public housing waiting lists.

These statutory requirements apply not only to those applicant proposals seeking a LIHTC allocation but also to tax-exempt bond financed developments subject to the private activity bond volume cap receiving LIHTCs.

## **II. STATE HOUSING NEEDS.**

### **A. In General.**

The Plan for allocating LIHTCs in the State is developed to be relevant to State housing needs and consistent with state housing priorities. The needs and priorities which are the focus of this Plan are defined in the 2000-2005 State of Connecticut Consolidated Plan for Housing and Community Development and 2000-2001 Annual Action Plan (“CONPLAN”), as required by the National Affordable Housing Act of 1990 (the “Act”). The Act requires that the CONPLAN govern the allocation of Federal funds by the State.

The Plan will not undertake a separate needs assessment or establishment of priorities but incorporates by reference the needs assessment of the CONPLAN and adapts its specific priorities for rental housing for use in this Plan. The needs described and quantified in the CONPLAN are summarized in subparagraph B below.

For a detailed discussion of housing needs in the State as established by the CONPLAN, refer to the 1995 CONPLAN, Section IV “Needs Assessment.”

### **B. Housing Needs Defined.**

Based on the housing needs identified in the CONPLAN state housing resources are appropriately applied to

- Improve conditions in affordable housing in the State's urban centers and increase the number of affordable rental housing units in the suburban and rural communities where affordable rental housing options are limited.

- Provide a balanced mixture of rental family housing and owner occupied units in all communities in order to maintain a healthy housing environment and to provide sufficient options for all residents.
- Provide rental housing or service enhanced structures for homeless or imminently homeless persons or households, and housing developed for persons with disabilities.
- Attract additional funds for investment in various types of transitional and permanent housing alternatives for persons with special needs.
- Address the preservation of Federally assisted housing in a prudent manner, making the most efficient use possible of State and local resources.
- Provide, in many areas of the State, affordable rental housing close to major employers of semi-skilled and skilled labor, including the public sector.
- Abate lead-based paint hazards in the State's existing housing stock.
- Promote self-sufficiency to avoid isolation and homelessness through appropriate social and support programs.
- Involve non-profit community-based development organizations in the development of low-income housing to increase the capacity and experience of these organizations and assure the long-term affordability of the developed units.

#### C. Additional Special Needs

##### 1. Special Tenant Populations.

There are various groups of persons in the State that have specific, significant housing needs different from the population generally. Such groups have received increased attention and priority in the establishment of housing policy in recent years.

These include the elderly, the homeless, the mentally retarded, the mentally ill, the physically disabled, victims of domestic violence, substance abusers, and persons with Acquired Immune Deficiency Syndrome ("AIDS") and related illnesses and complexes.

In addition to State and local government agencies, many private organizations and groups have been directly involved in addressing the various special housing needs of these people.

The availability of incentives could stimulate important private equity investment in facilities meeting the needs of these individuals to supplement the public funds currently allocated for these purposes.

2. Supportive Services/Self Sufficiency.

There is a need to undertake a broad review of the opportunities there may be to foster more direct connections between supportive services and housing development for low-income persons and other targeted populations. These services include but are not limited to transportation, education, job training, substance abuse services, resident involvement/management initiatives, and, for the elderly and persons with disabilities, including the mentally ill, those services which support an independent lifestyle in their place of residence. In addition, there is a need to provide programs, which will result in economic independence and self-sufficiency.

3. Preservation of Assisted Housing.

There are a number of issues and challenges to be faced in the coming years regarding the significant stock of Federally assisted housing for which low-income occupancy requirements and assistance contracts are expiring. Federal law provides a significant role for State and local government agencies and non-profit organizations in the treatment of these properties if present private owners seek to terminate low-income occupancy through contract opt-out, termination, mortgage prepayment, or where subsidy contracts expire.

There is a significant number of such properties in the State subject to these conditions.

### III. Allocation Plan Housing Priorities.

In light of the housing needs identified by the CONPLAN, the Plan provides priority for the development of housing which:

- Rehabilitates rental housing in those municipalities where poor housing conditions limit quality affordable rental options for low income renters ie those communities with relatively high rent compared to income, a greater number of boarded/vacant units, more households below the poverty level and more overcrowded housing.
- Constructs new rental housing and/or rehabilitates existing structures in those municipalities where affordable options for low income renters is limited ie. those communities with relatively high rent compared to income, few households below the poverty level, little housing that is in rental tenancy and few members of minority groups.
- Provides rental housing or service enhanced structures for homeless or imminently homeless persons or households, or housing developed through a state funded or sponsored initiative to provide housing for persons with disabilities.
- Attracts private investment capital to develop housing to meet state affordable housing objectives, particularly alternative or transitional housing facilities for those with identified special needs.
- Supports neighborhood revitalization and community development in Neighborhood Revitalization Zones, as described in Connecticut General Statutes Chapter 118 Section 7-600.
- Addresses Federal and State housing policy to revitalize severely distressed or obsolete public housing developments.
- Preserves the existing stock of Federally assisted low-income housing, where loss of low-income service is possible upon prepayment of a mortgage or expiration of housing assistance contracts; and
- Adds a larger proportion of units with more than two bedrooms.

- Is the most productive and efficient use of other public funding provided to realize the same objectives.
- Involves non-profit community based development organizations.

## 2. ALLOCATION PROCESS AND CRITERIA.

### I. ALLOCATION PROCESS

The Authority will allocate LIHTCs based upon the selection criteria and application ranking procedures set forth below. For each Funding Round applications will undergo a four-step process.

Step One is a threshold determination of eligibility. An application that does not satisfy the threshold eligibility criteria will not receive an LIHTC allocation.

Step Two is the classification of all applications that satisfy the threshold eligibility criteria into one of three possible Allocation Priority Classes according to the characteristics of the proposed developments.

Step Three is the rating and ranking of the applications within each of the three Allocation Priority Classes according to specific evaluation criteria.

Step Four is the adjustment of the ranking within each of the Allocation Priority Classes according to certain Federally mandated priorities.

LIHTCs will be allocated first to nonprofit set-aside applicants, then to applications from General Class I, then to the extent available to applications from General Class II, and finally to the extent available to applications from General Class III.

If a particular Allocation Priority Class includes a Special Class, then the Special Class receives credits before the General Class in that allocation priority.

In the event that two projects with identical cumulative scores are competing for the last amount of LIHTCs available, LIHTCs will be awarded to the project having the higher score total based upon the Federally mandated criteria. Should these scores also be equal, the project with the higher base score will be favored.

The results of the evaluation and ranking will be determined at the sole discretion of the Authority.

## II. THRESHOLD CRITERIA.

The Authority is required to evaluate applications received to determine which applicants should receive LIHTCs. To receive a reservation of LIHTCs a project must first demonstrate that it meets the basic policy and administrative requirements for consideration of an application. During this award period the application must meet the following threshold requirements.

- A. The proposed project must meet the basic occupancy requirements and rent restrictions of Section 42(g) of the Code.
- B. The proposed project must meet the other basic statutory requirements of Section 42 of the Code and the regulations promulgated thereunder.
- C. The proposed project must meet design, marketing and continued occupancy standards appropriate to the size and type of household for which the housing is developed.
- D. Housing substantially rehabilitated or newly constructed must meet established criteria to ensure energy efficient operation and maintenance.
- E. The sponsors of the project must be committed to undertake strong affirmative measures to ensure that the activity funded promotes regional economic, social and racial integration and the integration of persons with disabilities.
- F. The sponsors must agree to comply with all affirmative fair marketing and all applicable minority business contracting requirements.
- G. Applications may not be filed by a person or entity, or an affiliate of a person or entity, that is or had at any previous time been delinquent on any Authority or other State obligations for twelve (12) or more months. Applications will not be considered from an applicant, or from an applicant affiliated with an entity that (i) has been in default for three (3) months within the most recent twelve-month period; and (ii) has been in default during any month within the most recent six-month period.

- H. Applications may not be filed by persons or entities, or by persons or entities affiliated with them, that have been in noncompliance with the Authority's LIHTC Compliance Monitoring, where such noncompliance is significant and has remained uncorrected for a period exceeding six (6) months, or by persons or entities that have a history of repeated noncompliance, unless specifically approved by the Authority's Board of Directors.
  
- I. The Board of Directors reserves the right to independently review proposals and not award LIHTC's because of noncompliance with requirements of any adopted housing policy, standard, or objectives of the State in the following areas only:
  - 1. Project characteristics enumerated in C, D and E of the Threshold Criteria; and
  - 2. Project location (the suitability of the project's site and location for the intended purpose), Housing Needs and Prioritization, as defined in the Plan; and Development cost.
  
- J. The proposed development must be ready to proceed as documented by:
  - 1. Complete application, including a credible financing plan as evidenced by letter(s) of commitment or other proof of serious intent on behalf of other sources of funds essential to the viability of the proposed project;
  - 2. Evidence of site control of a site suitable for the intended purpose;
  - 3. Written evidence of zoning approval;
  - 4. Development team in place, including architect, general contractor and management agent;
  - 5. Outline specifications, written description indicating the level of rehabilitation based on a capital needs analysis performed by a licensed architect or engineer, schematic drawings, 1/8" = 1' 0" minimum (floor plans and elevations) and site plan (1" = 20' - 0" minimum) drawn to scale;

6. Based on 5. above, a trade payment breakdown signed by the general contractor (Applicants with projects subject to bidding requirements must submit a letter from the agency describing the bid schedule and a copy of the agency's bid policy);
  7. Evidence of availability of utilities and access to the site; and
  8. Minimum threshold rehabilitation expenditure of \$9,000 per qualified unit.
- K. Non-profit organizations must also satisfy the following requirements in order to qualify for the special non-profit set-aside described below:
1. The non-profit sponsor must be a qualified non-profit organization as defined in Section 42(h)(5)(C) of the Code; and
  2. The non-profit organization must commit to participating materially in the development and operation of the project throughout the compliance period.
- L. The applicant must be in compliance with and agree to remain in compliance with the Schedule of Fees annually established by the Authority.

### **III. PRIORITY LOCATIONS AND TERMS DEFINED**

A. Development Priority Locations

The Connecticut Conservation and Development Plan and Policies (the "1998-2003 CCDPP") define the following State Action Strategy and Definitional Criteria for Development Priority. These definitions are hereby adopted for purposes of the Low-Income Housing Tax Credit Procedures and this Plan. For purposes of the Plan, whether a project is located in a Development Priority Area will be solely determined by the Connecticut Housing Finance Authority. Development Priority Areas are:

Urban Regional Centers: Areas with the highest priority for affirmatively supporting rehabilitation and further development toward revitalization of the economic, social and physical environment of urban centers.

Urban Neighborhood Conservation Areas: Areas that support maintenance of stable, developed neighborhoods and communities, as well as intensification of development when supportive of community stability and consistent with the capacity of available urban services.

Urban Growth Areas: Areas that provide high priority and affirmative support for new urban growth that occurs outside of Urban Regional Centers, in specified areas capable of supporting large-scale, mixed-use development and densities in close relationship to the Urban Regional Centers.

Rural Community Centers: Clusters in locally designated centers in rural communities with relatively higher intensity land uses for residential, shopping, employment and public facilities and services.

B. Definitions

Federally Designated Targeted Areas are defined as Qualified Census Tracts or an Area of Chronic Economic Distress as defined in Sections 143(j)(2) and 143(j)(3) of the Code.

Rehabilitation: For the purposes of Priority Classification, rehabilitation may include renovating and converting an existing non-residential or commercial structure for residential use. New construction will be deemed to be rehabilitation when the newly constructed units are located on sites where multifamily housing units previously existed, and when the number of newly constructed units does not increase the overall housing density of the area of the proposed site.

Total Development Resources ("TDR"): All development funding sources exclusive of tax credit equity.

Non-Amortizing Assistance: Sources of funds, which are not subject to installment payment over a specific time period. (e.g., grants, deferred loans, etc.)

#### **IV. PRIORITY CLASSES.**

All applications meeting the above threshold requirements will be placed in the appropriate Allocation Priority Class as described in subparagraph A below. Within each Class, each application will be evaluated, rated and ranked against other applications in its Class according to the criteria described in subparagraph B.

##### A. Allocation Priority Classes

1. General Class I. Applications of any of the following types will be placed in General Class I, the highest general Allocation Priority Class.
  - a. Qualified new construction, rehabilitation or acquisition rehabilitation in municipalities with Urban Regional Centers, of rental housing or service enhanced structures for homeless or imminently homeless persons/households or housing developed through a state funded or sponsored initiatives to provide housing for persons with disabilities. Such housing must at least meet the minimum program standard requirements of 40 percent of the units for rent to households at or below 60 percent of Area Median Income ("AMI"). New construction is eligible if it is consistent with and part of a municipally approved plan to revitalize the economic, social and/or physical environment of the municipality. Service enhanced structures are eligible if they in their totality are for the promotion of independent living of homeless or imminently homeless persons or families, or persons with disabilities.
  - b. New Construction, rehabilitation or acquisition rehabilitation Proposals which are part of and are consistent with a formal municipally approved plan for a Neighborhood Revitalization Zone (NRZ) which designates a specific targeted geographic area.

- c. Qualified new construction, rehabilitation or acquisition rehabilitation in Urban Neighborhood Conservation Areas, Urban Growth Areas and Rural Community Centers in the following towns:

Andover	Ellington	North Stonington
Avon	Essex	Old Lyme
Barkhamsted	Fairfield	Orange
Beacon Falls	Farmington	Oxford
Berlin	Franklin	Pomfret
Bethany	Glastonbury	Prospect
Bethlehem	Goshen	Redding
Bolton	Granby	Ridgefield
Bozrah	Guilford	Roxbury
Branford	Hampton	Salem
Bridgewater	Hartland	Scotland
Brookfield	Harwinton	Sharon
Burlington	Hebron	Sherman
Canterbury	Killingworth	Simsbury
Canton	Lebanon	Southbury
Chaplin	Ledyard	Southington
Cheshire	Lisbon	South Windsor
Clinton	Lyme	Tolland
Colebrook	Madison	Trumbull
Columbia	Marlborough	Warren
Cornwall	Middlebury	Washington
Coventry	Middletown	Waterford
Darien	Monroe	Westbrook
Durham	Morris	Weston
Eastford	New Canaan	Westport
East Granby	New Fairfield	Wilton
East Haddam	New Hartford	Woodbridge
East Hampton	Newtown	Woodbury
East Lyme	North Branford	Woodstock
Easton	North Haven	Wolcott

- d. Qualified new construction or rehabilitation in which 50 percent of the low-income units are designated for occupancy by households with incomes below 50 percent of AMI and 50 percent of these targeted units are committed to be occupied by households below 25 percent of AMI. Annual rents are limited to 30 percent

of the respective AMI limitations, adjusted for family size. In municipalities with Urban Regional Centers new construction is only eligible if it is consistent with and part of a municipally approved plan to revitalize the economic, social and/or environment of the municipality.

- e. Qualified new construction or rehabilitation that is part of a comprehensive plan to replace and/or rehabilitate public housing units developed through the State Moderate Rental Housing Program. Such projects must comprehensively and substantially include objectives of reducing density, integrating units into the community or region, encouraging economic integration, and providing social services in communities with Federally Designated Targeted Areas.

2. General Class II. Applications of any of the following types will be placed in General Class II, the second highest general Allocation Priority Class:

- a. Qualified new construction, rehabilitation or acquisition rehabilitation in Urban Neighborhood Conservation Areas, Urban Growth Areas and Rural Community Centers as defined in the Conservation and Development Policies Plan for Connecticut in the following towns:

Ashford	Middlefield	Sprague
Bethel	Milford	Stafford
Brooklyn	Montville	Sterling
Canaan	Newington	Stonington
Chester	New Milford	Stratford
Colchester	Norfolk	Suffield
Cromwell	North Canaan	Thompson
Deep River	Old Saybrook	Union
East Windsor	Plainville	Voluntown
Enfield	Plymouth	Wallingford
Greenwich	Portland	Watertown
Haddam	Preston	Wethersfield
Hamden	Rocky Hill	Willington
Kent	Salisbury	Winchester
Litchfield	Seymour	Windsor

Mansfield

Somers

Windsor Locks

- b. Applications for assistance necessary to preserve in low income service Federally assisted units that will be lost due to mortgage prepayment, subsidy contract opt-out or subsidy contract termination that **do not** satisfy Allocation Priority Class I requirements but meet the following conditions; and where the applicant is pursuing the appropriate remedy under relevant provisions of the Federal law governing such conditions including, but not limited to, the filing of required disclosures of intent, plans, and applications for other available assistance.
3. General Class III. All remaining applications, including requests for supplemental allocations, will be given the general Allocation Priority Class "Class III."

#### B. Non-Profit Set-Aside

Ten (10) percent of all LIHTCs available in the State will be reserved exclusively for developments involving non-profit housing development organizations meeting certain participation criteria. Applicants applying under the non-profit set-aside will be evaluated, rated and ranked only against other non-profit applicants applying under the set-aside. If the number of applications for the non-profit set-aside exceeds the 10 percent, then such additional applicants will be evaluated, rated and ranked under the appropriate Allocation Priority Class. In addition, the Authority may set aside an allocation of LIHTCs for any project under consideration for funding that is subject to a prior start, foreclosure or workout, and taken over by a non-profit sponsor that will serve as the controlling member or partner of the ownership entity.

#### C. Special Classes

The Authority may designate one or more Special Classes within an Allocation Priority Class. Applications in a Special Class in a particular Allocation Class are placed ahead of those in the particular General Class.

- Special Class I. Qualified new construction or rehabilitation that is part of a comprehensive plan to replace and/or rehabilitate public housing units. The Special Class I housing is limited to proposals that address housing policy to revitalize severely distressed or obsolete Federal and State public housing developments. The revitalization must comprehensively and substantially include objectives of reducing density, integrating units into the community or region, encouraging economic integration, and providing social services in Federally Designated Targeted Areas. The Board of Directors may, in its sole discretion, limit the amount of Low-Income Housing Tax Credits for Special Class I.

Such projects may apply for LIHTCs and receive an allocation outside the regularly scheduled funding round.

## **V. Rating and Ranking Within Classes**

### **A. Low-Income Service [25 Points]**

Each application will be rated on the degree to which the proposed development serves low-income persons as measured by the following:

#### ➤ Service to Very Low-Income Households:

Provides housing for households below 25 percent of Area Median Income and provides rents at 30 percent of 25 percent of Area Median Income adjusted for family size. Points will be awarded based on the percentage of qualified units that are to serve such households in the following manner:

<b>25% or more</b>	<b>10 points</b>
<b>&gt;12.5%- &lt;25%</b>	<b>7.5 points</b>
<b>5%-<sup>3</sup>12.5%</b>	<b>5 points</b>

➤ Public Housing Authority Waiting Lists:

The sponsor has committed in writing to the local housing authority to give priority to households that are on waiting lists for public or assisted housing, or are the recipients of HUD vouchers or State RAP Certificates.

**YES = 5 point**

**NO = 0 points**

➤ Degree of Extended Affordability:

Percentage of qualified units whose imputed rent level is based on 50 percent or less of Area Median Income and maintained throughout the Extended Use Period.

**>15%**

**10 points**

**>10% <15%**

**7.5 points**

**B. Financing Characteristics [42.5 points]**

Each application will be rated and ranked on the degree to which the development constitutes a productive use of housing tax credits to leverage additional resources as measured by the following:

➤ Flexible Resources from Other Sources

The extent to which TDR include non-amortizing (grants, deferred loans, etc.) assistance from sources other than Connecticut General Funds, Connecticut General Obligation Bond Funds or the Authority. See Definitions, Section 2.III.B above, for the definition of TDR.

*% of TDR of*

*Non-Amortizing Assistance*

**> 25%**

**10 points**

**>15% < 25%**

**7.5 points**

**5% - 15%**

**5 points**

➤ Other Public Resources

The extent to which 5 percent of the project's TDR includes public resources other than those of Connecticut General Funds, Connecticut General Obligation Bond Funds or the Authority.

**YES = 2 points**

**NO = 0 points**

➤ Private Resources

The extent to which 10 percent of the project's TDR includes private resources.

**YES = 2 points**

**NO = 0 points**

➤ Cost of First Mortgage Funds

Add **1 point** for every 25 basis points the interest rate on the mortgage is less than the Annual Long-Term Applicable Federal Rate in effect as of 30 days prior to the application submission deadline plus 150 basis points.

➤ Developer/Sponsor Financing

Evidence of developer/sponsor financing (minimum 5 percent of total TDR minimum) exclusive of deferred developer fee and syndication proceeds.

**≥ 10%**

**7.5 points**

**> 5% < 10%**

**5 points**

**5%**

**2.5 points**

➤ HOPE VI Funding

Special Class I proposals which contain or provide significant HUD HOPE VI or other major comparable federal funding.

**YES = 5 points**

**No = 0 points**

➤ Per Unit Cost Effectiveness

**Eight points** will be awarded to the top three projects per funding round based on cost-per-unit effectiveness standards. A minimum \$5,000 per unit in hard construction costs is required to be eligible.

➤ Cost Effectiveness of Low Income Housing Tax Credits

**Eight points** will be awarded to the top three projects per funding round based on the lowest percentage of LIHTC generated project funding devoted to project costs other than the costs of intermediaries.

**C. Location and Housing Needs Characteristics [68 points]**

Each application will be rated on the degree to which the development is consistent with the locational and housing priorities of the Plan as measured by the following:

➤ High Rent and Low-Income Communities

Is located in areas of higher rent/income disparity comparing average municipal rent with AMI as defined in the 1990 Census.

<b>≤85%</b>	<b>5 points</b>
<b>&gt;85% ≤100%</b>	<b>2 points</b>

➤ Communities with Comparatively Less Rental Housing

Is located in a community with a high percentage of owner occupied single family detached homes as defined in the 1990 Census.

<b>&gt;than 85%</b>	<b>5 points</b>
<b>≥70% &lt;85%</b>	<b>2 points</b>

➤ Part of a Formal Plan for Redevelopment

The proposed development is part of and consistent with a formal plan which designates a specific targeted geographic area.

**NRZ = 10 points**  
**Other formal plan = 5 points**

➤ Housing Targeted for Large Families.

Points will be awarded based on the percentage of units with 3 or more bedrooms.

**30% or more 10 points**  
**20-29% 6 points**  
**10-<20% 2 points**

➤ Housing Targeted to and Suitable for Families with Children.

Two-thirds of the total units must be two bedrooms or larger.

**Yes = 5 points**                      **No = 0 points**

➤ Addresses Service Needs.

The sponsor will provide services appropriate to the special needs of the resident population targeted for occupancy. Financial resources for such services must be evidenced in proposed budgets.

**Yes = 5 points**                      **No = 0 points**

➤ Effort to Address Needs of the Disabled

The housing is specifically targeted to, and the number of units set-aside for persons with disabilities are, in excess of the set-aside required for projects receiving State financing.

**Yes = 5 points**

**No = 0 points**

➤ Superior Site

The applicant proposes development on a site which has superior site characteristics relative to the targeted resident population and is located within one-half (0.5) mile from each of the following: access to public transportation, grocery stores and community recreational facilities.

**YES = 5 points**

**NO = 0 points**

➤ Resident Control

Proposal is part of a HUD sponsored initiative to support cooperative resident controlled rental housing.

**YES = 10 points**

**NO = 0 points**

➤ Special Class I Development

Special Class I proposals located within Urban Regional Centers.

**YES = 5 points**

**NO = 0 points**

➤ Priority Locations

The proposal is rehabilitation in municipalities with Urban Regional Centers or is new construction in the following municipalities:

Andover	Ellington	North Stonington
Avon	Essex	Old Lyme
Barkhamsted	Fairfield	Orange
Beacon Falls	Farmington	Oxford
Berlin	Franklin	Pomfret
Bethany	Glastonbury	Prospect
Bethlehem	Goshen	Redding
Bolton	Granby	Ridgefield

Bozrah	Guilford	Roxbury
Branford	Hampton	Salem
Bridgewater	Hartland	Scotland
Brookfield	Harwinton	Sharon
Burlington	Hebron	Sherman
Canterbury	Killingworth	Simsbury
Canton	Lebanon	Southbury
Chaplin	Ledyard	Southington
Cheshire	Lisbon	South Windsor
Clinton	Lyme	Tolland
Colebrook	Madison	Trumbull
Columbia	Marlborough	Warren
Cornwall	Middlebury	Washington
Coventry	Middletown	Waterford
Darien	Monroe	Westbrook
Durham	Morris	Weston
Eastford	New Canaan	Westport
East Granby	New Fairfield	Wilton
East Haddam	New Hartford	Woodbridge
East Hampton	Newtown	Woodbury
East Lyme	North Branford	Woodstock
Easton	North Haven	Wolcott

**YES = 3 points**

**NO = 0 points**

**D. Project Characteristics [20 points]**

Each application will be rated on the degree to which the development supports various programmatic and implementation priorities as measured by the following:

➤ Adds New Housing Units

Adds to the stock of housing available to low-income persons through qualified new construction or the rehabilitation of existing structures .

**YES = 10 points**

**NO = 0 points**

➤ Site Approval

Evidence of final site plan approval from the municipal zoning officer.

**YES = 5 points**

**NO = 0 points**

➤ Economic Integration

Proposal promotes economic integration by developing a minimum of 20 percent non-qualified units.

**YES = 5 points**

**NO = 0 points**

➤ Cost Effectiveness

Proposed development is cost ineffective on a cost-per-unit basis and fails to satisfy Authority cost reasonableness standards. Such proposals will receive negative points.

<b>Range Above Standard</b>	<b>Points</b>
<b>0-15%</b>	<b>-5</b>
<b>&gt;15-25%</b>	<b>-10</b>
<b>&gt;25%</b>	<b>-20</b>

E. Sponsorship Characteristics [15 points]

➤ Women and Minority Participation

Women and/or minorities participate in the ownership, development, or management of the project by holding directly a 51 percent or more ownership and voting interest in project ownership, development entity or management firm. For qualified non-profits, women and/or minorities should hold directly a 51 percent voting interest on the board of directors.

**YES = 5 points**

**NO = 0 points**

➤ Connecticut-Based Businesses

Developer/sponsor is a Connecticut based organization whose principal place of business has been located in the State of Connecticut for a minimum of 3 years.

**YES = 5 points**

**NO = 0 points**

## VI. RANKING ON REQUIRED FEDERAL PRIORITIES

The point total for each application within its Allocation Priority Class will constitute the application's "Base Score." Additional points will then be added to each application's Base Score according to the Federally mandated priorities described below.

➤ Degree of Low-Income Service

All applications in each Allocation Priority Class will be ranked from lowest to highest according to the percent by which weighted average income for qualified households falls below the maximum allowable for such households. Up to 5 points will be assigned to each application within each Allocation Priority Class according to the application's rank with respect to the other applications in its Allocation Priority Class, and these points will be added to the application's Base Score, as described above.

➤ Length of Low Income Service Period

All applications in each Allocation Priority Class will be ranked from lowest to highest according to the number of years, if any, that the low-income units in the proposed development will be committed by an Extended Low-Income Housing Commitment to low income occupancy for a period longer than the 30-year extended use period required by the Code. Up to 5 points will be assigned to each application within each Allocation Priority Class according to the application's rank with respect to the other applications in its Allocation Priority Class, and these points will be added to the application's Base Score, as described above.

An application's cumulative point total following addition of the points attributable to these Federally mandated criteria will determine its final ranking within its Allocation Priority Class.

### **3. PROJECTS FINANCED WITH TAX-EXEMPT BONDS**

#### **I. FEDERAL STATUTORY REQUIREMENTS**

To the extent projects are financed with the proceeds of tax-exempt bonds subject to the annual volume cap limitation under Section 146 of the Code, such projects may receive LIHTCs without receiving an allocation from the Authority. If fifty percent (50%) or more of the aggregate basis of a project (including land) is financed with the proceeds of such tax-exempt bonds, the entire project is eligible for tax credits based on its qualified basis without receiving an allocation of credits from the Authority. However, tax-exempt bond financed projects must, nevertheless, satisfy all the requirements for allocations under the Plan.

#### **II. THRESHOLD CRITERIA**

Tax-exempt bond financed projects must meet the threshold criteria set forth in Section 2.II above.

#### **III. UNDERWRITING CRITERIA**

Tax-exempt bond financed projects must also meet the underwriting criteria adopted from time to time by the State Private Activity Bond Commission for multifamily rental housing financed with Bonds issued pursuant to an allocation of volume cap authority approved by the Commission.

#### **IV. CREDIT LIMITATION**

Tax-exempt bond financed projects are also subject to the limitation on the amount of credits available to a project contained in Section 42(m)(2)(A) of the Code.

### **4. COMPLIANCE MONITORING PLAN**

#### **I. INTRODUCTION**

Section 42(m)(1)(B)(iii) of the Code requires that a qualified allocation plan provide a procedure that the agency (or an agent or other private contractor of such agency) will follow in monitoring for noncompliance with the provisions of Section 42 and in notifying the IRS of such noncompliance which the agency may become aware of.

The compliance monitoring process will determine if a project is in compliance with the requirements of the LIHTC Program pursuant to Section 1.42-5 of the Treasury Regulations. The Authority's monitoring process is outlined in the Low-Income Housing Tax Credit Compliance Manual, which is provided to the owner/agent for each Housing Credit project. The Authority's compliance monitoring requirements apply to all tax credit projects including those financed with tax-exempt bonds.

**Compliance with the requirements of the Code is the sole responsibility of the owner of the building(s) for which the LIHTCs were allocated.** The Authority's obligation to monitor for compliance does not make the Authority liable for owner/agent noncompliance.

If an owner fails to comply with the requirements of the Code and the Regulations promulgated thereunder, the Authority will notify the IRS of such noncompliance by filing Form 8823. See Section V, below.

The owner/agent must attend a pre-occupancy meeting with the Authority prior to the date the first building of a project is placed in service. The owner/agent is required to contact the Authority in writing 120 days prior to such placed in service date to arrange a pre-occupancy meeting with the Authority.

The owner/agent must document that they have completed a low-income housing tax credit management and compliance training course, or have achieved equivalent experience, within twelve months prior to the pre-occupancy meeting in a program deemed acceptable to the Authority in accordance with industry recognized standards. Forms 8609 will not be issued without evidence and approval of such training or experience.

The Authority may choose to delegate all or a portion of its compliance monitoring responsibilities to an agent or other private contractor. This option, if chosen, does not relieve the Authority of its obligation to notify the IRS of noncompliance. The Authority may also delegate some or all of its compliance monitoring responsibilities to another state agency. This delegation may include the responsibility of notifying the IRS of noncompliance.

## **II. RECORD KEEPING AND RETENTION**

- A. Record Keeping. The owner of a low-income housing project must keep records for each qualified low-income building in the project for

each year of the 15-year compliance period and the extended use period. These records must include:

1. the total number of residential rental units in the building (including the number of bedrooms and square footage of each residential rental unit);
2. the percentage of low-income units in the building;
3. the rent charged for each residential rental unit in the building (including any utility allowances);
4. the number of occupants in each low-income unit, but only if rent is determined by the number of occupants in each unit under Section 42(g)(2) of the Code (as in effect before the amendments made by the Revenue Reconciliation Act of 1989);
5. the low-income unit vacancies in the building and information that shows when, and to whom, the next available units are rented;
6. the annual income certification of each low-income tenant per unit;
7. documentation to support each low-income tenant's income certification [Please Note: Tenant income is calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 ("Section 8"), not in accordance with the determination of gross income for federal income tax liability. Accordingly, in the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement is satisfied if the public housing authority provides a statement to the building owner declaring that the tenant's income does not exceed the applicable income limit under Section 42(g) of the Code.];
8. the eligible basis and qualified basis of the building at the end of the first year of the credit period; and

9. the character and use of the non-residential portion of the building included in the building's eligible basis under Section 42(d) of the Code (for example, tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged, or facilities reasonably required by the project).
- B. Record Retention. The owner of a low-income housing project shall retain the records required in subparagraph A of this paragraph for each building in a qualified low-income housing project for at least six years after the due date (with extensions) for filing the Federal income tax return for that year. The records for the first year of the credit period must be retained for at least six years beyond the due date (with extensions) for filing the Federal income tax return for the last year of the compliance period of the building.
  - C. Inspection Record Retention Provision. The owner of a low-income housing project must retain the original local health, safety, or building code violation reports or notices that were issued by a state or local government unit for the Authority's inspection. Retention of the original violation reports or notices is not required once the Authority reviews the violation reports or notices and completes its inspection, unless the violation remains uncorrected.

### **III. CERTIFICATION AND REVIEW**

- A. Certification.
  1. At least annually, for the entire 15-year compliance period and the extended use period, the owner of a low-income housing project shall certify under penalty of perjury that, for the preceding twelve (12) month period, the project met the requirements of either:
    - a. the 20-50 test under Section 42(g)(1)(A) of the Code; or
    - b. the 40-60 test under Section 42(g)(1)(B) of the Code; and

- c. if applicable, the 15-40 test under Sections 42(g)(4) and 142(d)(4)(B) of the Code for "deep rent-skewed" projects.
2. In addition, at least annually, for the entire 15-year compliance period and the extended use period, the owner of a low-income housing project shall certify under penalty of perjury that:
  - a. there was no change in the applicable fraction, as defined in Section 42(c)(1)(B) of the Code, of any building in the project or that there was a change, a description of that change;
  - b. the owner has received an annual low-income certification from each low-income tenant and documentation to support that certification; or in the case of a tenant receiving Section 8 housing assistance payments, the appropriate statement from a public housing authority as defined hereinafter;
  - c. each low-income unit in the project is rent restricted under Section 42(g)(2) of the Code;
  - d. all units in the project were for use by the general public, including the requirement that no finding of discrimination under the Fair Housing Act occurred for the project. A finding of discrimination includes an adverse final decision by the Secretary of the Department of Housing and Urban Development (HUD), an adverse final decision by a substantially equivalent state or local fair housing agency, or an adverse judgment from a federal court;
  - e. the buildings and low-income units in the project were suitable for occupancy, taking into account local health, safety and building codes (or other habitability standards), and the State or local government unit responsible for making local health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the project. If a violation report or notice was issued by the governmental unit,

the owner must attach a statement summarizing the violation report or notice or a copy of the violation report or notice to the annual certification submitted to the Authority. In addition, the owner must state whether the violation has been corrected;

- f. there has been no change in the eligible basis (as defined in Section 42(d) of the Code) of any building in the project, or that there has been a change, and the nature of the change;
- g. all tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, and parking areas, are provided on a comparable basis without charge to all tenants in the building;
- h. if a low-income unit in the project becomes vacant during the year, reasonable attempts are made to rent that unit to tenants having a qualifying income and, while the unit is vacant, no units of comparable or smaller size are rented to tenants not having a qualifying income;
- i. if the income of tenants of a low-income unit in the project increases above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in the project will be rented to tenants having a qualifying income; and
- j. an Extended Low-Income Housing Commitment as described in Section 42(h)(6) of the Code was in effect, including the requirement that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937. Note: This requirement applies to buildings that have received allocations of LIHTCs in 1990 and later years.
- k. All low-income units in the project were used on a nontransient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(B)(iii) or

single-room-occupancy units rented on a month-by-month basis under Section 42(i)(3)(B)(iv).

- I. The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving “qualified non-profit organizations” under Section 42(h)(5) of the Code, and its non-profit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code (if applicable).
  - m. There has been no change in the ownership or management of the project.
3. Note: The certifications made in and required by this paragraph A shall be provided on Authority forms.

B. Review.

- 1. The owner of a low-income housing project shall submit the certification forms required by Section III. A above to the Authority; and
  - (a) The owners of all LIHTC projects must submit to the Authority information on tenant income and rent for each unit in the form and manner designated by the Authority; and
  - (b) the owner of a LIHTC project must submit completed IRS Form 8609 (with Parts I and II completed) to the Authority for every building in the project for the first year of the compliance period. For every year of the compliance period thereafter, the owner must submit IRS Form 8609 (with original signature) and Schedule A of Form 8609 for every building in the project.
- 2. The Authority will review annually all certifications submitted by the owner and may review such other certifications and supporting documentation and rent records of low-income tenants or perform an inspection thereof as may be necessary or appropriate in the sole

discretion of the Authority to determine compliance with the requirements of Section 42 of the Code.

3. The Authority will update housing credit income and rent limits and make them available to development sponsors and managers annually.
4. With respect to each low-income housing project:
  - a. The Authority will conduct on-site inspections of all buildings in the project by the end of the second calendar year following the year the last building in the project is placed in service and, for at least 20 percent of the project's low-income units, inspect the units and review the low-income certifications, the documentation supporting the certifications, and the rent records for the tenants in those units;
  - b. At least once every three years, the Authority will conduct on-site inspections of all buildings in the project and, for at least 20 percent of the project's low-income units, inspect the units and review the low-income certifications, the documentation supporting the certifications, and the rent records for the tenants in those units;
  - c. The Authority will randomly select which low-income units and tenant records are to be inspected and reviewed by the Authority. The review of tenant records may be undertaken wherever the owner maintains or stores the records (either on-site or off-site). The units and tenant records to be inspected and reviewed will be chosen in a manner that will not give owners of low-income housing projects advance notice that a unit and tenant records for a particular year will or will not be inspected and reviewed. However, the Authority may give an owner reasonable notice that an inspection of the building and low-income units or tenant record review will occur so that the owner may notify tenants of the inspection or assemble tenant records for review; and

- d. On-site inspections of buildings and low-income units will include a review of any local health, safety, or building code violations reports or notices required to be retained by the owner and will determine:
  - (i) Whether the buildings and units are suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards); or
  - (ii) Whether the buildings and units satisfy, as determined by the Authority, the uniform physical condition standards for public housing established by HUD (24 CFR 5.703) or other standards made applicable by the Treasury Regulations.

#### 5 Special Rules:

- a. The Review provisions required in Section III.B.4 above do not apply to the following exempted buildings:
  - (i) buildings financed by the Rural Housing Service (“RHS”) under its Section 515 program; and
  - (ii) buildings of which 50 percent or more of the aggregate basis (taking into account the building and the land) is financed with the proceeds of tax-exempt obligations issued under Section 103 of the Code.
- b. In order for these buildings to be exempt, the Authority must have entered into an agreement with RHS or the tax-exempt bond issuer. Under this agreement the RHS or tax-exempt bond issuer must agree to provide information on income, assets and rent of the tenants in the building to the Authority. The Authority will review the information and determine that the income limitation and rent restriction of Section 42(g)(1) and (2) of the Code are met. The Authority reserves the right, at its sole discretion, to make inspections and require additional reports of exempted projects that it deems

necessary to ensure compliance with the LIHTC Program throughout the compliance period. [Please Note: You must contact the Authority and inquire as to whether the agreement contemplated herein is in effect for you.]

- c. Notwithstanding anything to the contrary, the owner of any exempted buildings must:
  - (i) certify to the Authority that the building complies with the requirements for RHS assistance or tax-exempt bond financing, as applicable;
  - (ii) make the certifications required by subparagraph A above; and
  - (iii) provide the Authority with additional information where, in the sole discretion of the Authority, the information submitted by RHS or the issuer is not sufficient.
- 6. The Authority will report its compliance monitoring activities annually on Form 8610: "Annual Low-Income Housing Credit Agencies Report."

#### **IV. INSPECTION PROVISIONS**

The Authority has the right, to perform an on-site inspection of any low-income housing project during any year of the compliance period or extended use period, as defined under Section 42(h)(6)(D) of the Code, for each building in the project.

#### **V. NOTIFICATION OF NON-COMPLIANCE**

##### **A. In General.**

The Authority shall give both the owner of the low-income housing project and the IRS the notices described in Section V. B hereof.

##### **B. Notice Provisions.**

1. Notice to Owner. The Authority shall provide the owner of a low-income housing project with prompt written notice if the Authority fails to receive the certifications described in Section III.A above or does not receive or is not permitted to inspect the tenant certifications, supporting documentation and rent records or discovers by inspection, review, or in some other manner, that the project is not in compliance with the provisions of Section 42 of the Code.
2. Notice to IRS. Whether or not the non-compliance or failure to certify is corrected, the Authority will file with the IRS, Form 8823, "Low-Income Housing Credit Agencies Report of Noncompliance," no later than 45 days after the end of the correction period, including permitted extensions.

C. Correction Period.

1. In General. The owners of LIHTC projects shall have 30 days from the date of the notice to supply any missing certifications and bring the project into compliance with the provisions of Section 42 of the Code.
2. Extensions.
  - a. The correction period may be extended, in the sole discretion of the Authority, for up to an additional 60 days upon the written appeal of the owner (received on or before the expiration of the 30-day period described in Section C.1) requesting such an extension, if the Authority determines, in its sole opinion, that:
    - i. the owner is making a good faith effort to provide the missing information and/or bring the project into compliance with the provisions of Section 42 of the Code; and
    - ii. such additional time is necessary for such purposes.
  - b. The Authority may thereafter extend the correction

period for up to six (6) months, but only if the Authority determines, in its sole and exclusive discretion, that there is good cause for granting the extension.

**VI. AUTHORITY RETENTION OF RECORDS**

- A. The Authority will retain records of noncompliance or failure to certify for six (6) years after the Authority's filing of the applicable Form 8823.
- B. The Authority will retain certifications and records, in all other cases, for three years from the end of the calendar year the Authority receives the certifications and records.

## **VII. LIABILITY & DELEGATION**

- A. Compliance with the requirements of Section 42 of the Code is the responsibility of the owner of the building for which the LIHTCs are allowable. The Authority's obligation to monitor for compliance with the requirements of Section 42 of the Code does not make the Authority liable for an owner's noncompliance.
- B. The Authority reserves the right to delegate all or any part of its responsibilities under this Compliance Monitoring Plan.

**Revised 11/2/00Adopted 11/16/2000**