

CONNECTICUT HOUSING FINANCE AUTHORITY
LOW-INCOME HOUSING TAX CREDIT
QUALIFIED ALLOCATION PLAN

2009

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Exhibit A
Connecticut Housing Finance Authority
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;
 - which are located in qualified census tracts and contribute to a concerted community revitalization plan, 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,
- tenant populations with special housing needs, public housing waiting lists,
- tenant populations of individuals with children, and
- projects intended for eventual tenant ownership.

II. State Housing Needs The Plan for allocating LIHTCs in the State is developed to be relevant to State housing needs and consistent with State housing priorities.

A. In General

The needs and priorities which are the focus of this Plan are defined in the 2005-2009 State of Connecticut Consolidated Plan for Housing and Community Development (“CONPLAN”) and the 2008 Annual Action Plan (currently pending HUD approval), 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 CONPLAN also is required to be consistent with the State of Connecticut 2005-2010 Conservation and Development Policies Plan (“the C&D Policies Plan”). The C&D Policies Plan includes policies for the development of affordable rental housing.

The Plan will not undertake a separate needs assessment or establishment of goals and objectives but incorporates by reference the needs assessment of the CONPLAN and adapts its specific priorities for rental housing for use in this Plan. Additionally, this plan similarly adapts relevant housing policies of the C&D Policies Plan.

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

B. Housing Production Policies, Goals and Objectives

Rental Housing development policies of the C&D Policies Plan adapted for use in this Plan include funding priority for activities which:

- Promote housing mobility choice across income levels utilizing current infrastructure in the preservation of existing residential neighborhoods and housing stock.
- Promote housing located in an area with existing or currently planned public utilities or other infrastructure.
- Encourage remediation and/or re-use of existing “Brownfields” for appropriate development.
- Encourage pedestrian and bicycle-friendly features, including safe and attractive lighting, sidewalks and crosswalks, bikeways, urban

tree plantings, outdoor dining and entertainment, and traffic calming measures, where appropriate.

- Support integration of location, density and design with existing or planned public transportation systems.
- Supports adaptive reuse of historic structures for use as residential housing.
- Restore historic structure important to community character and/or incorporate design in keeping with historic community characteristics.
- Support developments that do not require the introduction of public sewer infrastructure, except in areas where increased density is appropriate and should be encouraged.
- Encourage the re-use of former mills and other underutilized facilities for housing, commercial, office, or mixed uses, while protecting and addressing any existing environmental concerns.
- Protect lands that are targeted for protection, preservation and/or acquisition of specific, regionally important, at-risk open space, farmland and forest lands, and will provide public recreational and opportunities on the protected lands, where appropriate.
- Support the balance of housing, retail, commercial, civic, cultural or other uses to complement its surroundings.
- Promote support for mixed income developments in areas that currently under serve low and moderate income households.
- Encourage fuller use of already developed places with existing infrastructure, particularly deteriorated areas where site abandonment or neglect are responsible for lack of investment, job loss and neighborhood flight.
- Promote community green space and/or opportunities for recreation.
- Promote and encourage the revitalization and the use of town center main streets in rural community centers; regional centers in older suburban towns.

Rental housing development goals and objectives of the CONPLAN adapted for use in this plan include the following:

Goal: Supportive Housing – Develop and implement strategies and solutions to address the problem of homelessness through the utilization of supportive housing.

Objective: Increase the number of permanent supportive housing opportunities available for homeless households or those at risk of becoming homeless, particularly those with special needs by providing financing for renovation of existing buildings.

Objective: Evaluate the appropriate method or vehicle to introduce supportive housing services into existing units.

Goal: Rental Housing Supply – Preserve and increase the supply of quality, safe affordable housing available to low and moderate income households.

Objective: Promote and support mixed income developments in areas that currently underserve low and moderate income households.

Objective: Support adaptive reuse of historic structures as residential housing.

Objective: Invest in the maintenance and preservation of existing publicly assisted rental housing stock to preserve it as a long-term resource.

Objective: Preserve federally assisted housing, so very low income households do not become homeless.

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, i.e., 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 are limited, i.e., those communities with relatively high rent compared to

income, few households below the poverty level, little housing 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 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. 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.
- C. The sponsor of the project has provided a housing market study, in form and content consistent with the Authority guidelines, indicating sufficient demand for the housing to be developed.

- D. The sponsor of the project has, in the case of the rehabilitated housing, provided a preliminary capital needs assessment of the structure to be rehabilitated, in form and content consistent with Authority guidelines.
- E. Housing substantially rehabilitated or newly constructed must meet established criteria to ensure energy efficient operation and maintenance.
- F. The sponsors of the project must be committed to undertake strong affirmative measures to ensure the activity funded promotes regional economic, social and racial integration and the integration of persons with disabilities.
- G. The sponsors must agree to comply with all affirmative fair marketing and all applicable minority business contracting requirements.
- H. 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.
- I. 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. Applications may not be filed by applicants who have failed to comply with the terms of any Extended Low Income Housing Commitment for a project they previously sponsored or developed.
- J. The general partners and the management agent proposed as a member of the development team must disclose on a form provided by the Authority, any finding of a violation of any Federal or State laws or regulations pertaining to fair housing, housing accessibility, or non-discrimination in the areas of rental housing. Such finding shall be by a Federal or State court, or a Federal or State agency, having authority and jurisdiction to make such finding. This disclosure is to be provided under penalty of false statement. Applicants disclosing such findings of

violations or convictions must obtain a waiver from the Authority's Board of Directors in order to apply.

- K. The Authority's 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.
- L. 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. Written description indicating level of rehabilitation based on a capital needs analysis performed by a licensed architect or engineer;
 6. Completion of the Authority's Outline Specification Form;
 7. Schematic drawings (1/8" = 1' 0" minimum) floor plans and elevations;
 8. Site plan (1" = 20' - 0" minimum, drawn to scale);

9. Based on 5, 6, 7 and 8 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);
10. Evidence of availability of utilities and access to the site;
11. Minimum threshold rehabilitation expenditure of \$9,000 per qualified unit.; and
12. Submission of a professionally prepared market study consistent with the Authority guidelines. Prior to receipt of application and upon written request, the market study may be waived for projects under 15 units.

M. 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.

N. 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 C & D Policies Plan 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. The C&D Policies Plan is composed of a text and locational guide map that are jointly used in determining the compatibility of the proposed action with the State's conservation and development goals and objectives. For purposes of the Plan, whether a project is located in a Development Priority Area will be solely determined by the Authority. Development Priority Areas are:

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.

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.

Growth Areas: Areas that provide high priority and affirmative support for new urban growth that occurs outside of 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 (“QCT”) or an Area of Chronic Economic Distress as defined in Sections 143(j)(2) and 143(j)(3) of the Code.

A thirty (30) percent basis boost may also be applicable to development proposals located on former industrial, commercial buildings if the proposal is for a residential adaptive reuse with environmental remediation and is not located in a QCT. The applicant must demonstrate that the basis boost is necessary to achieve financial feasibility.

Basis Boost: Is an increase in the building’s eligible tax credit basis.

Rehabilitation: Rehabilitation may include renovating and converting an existing non-residential or commercial structure for residential use. 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, these units will be considered as rehabilitation.

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 Allocation Priority Class, each application will be evaluated, rated and ranked against other applications in its Allocation Priority 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 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 Neighborhood Conservation Areas, Growth Areas and Rural Community Centers in the following towns:

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

- 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 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 that are not severely distressed or obsolete. Such projects must comprehensively and substantially include objectives of integrating units into the community or region, encouraging economic integration, and providing social services in communities with Federally Designated Targeted Areas.

Severely Distressed is defined as property requiring major redesign, reconstruction, redevelopment, or demolition and is occupied predominantly by very low income families.

Obsolete is defined as property that is unable to be used to adequately perform the function for which it was intended due a substantial loss in value resulting from factors such as overcapacity, changes in technology, deficiencies, or inadequacies in design or marketability, other similar factors that affect the property itself or property's relationship with other surrounding property.

- 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 Neighborhood Conservation Areas, Growth Areas and Rural Community Centers as defined in the C&D Policies Plan in the following towns:

Ashford	Milford	Stafford
Bethel	Montville	Sterling
Branford	Newington	Stonington
Brooklyn	New Milford	Stratford
Canterbury	North Canaan	Suffield

Colchester	Plainville	Thomaston
Cromwell	Plymouth	Thompson
Deep River	Pomfret	Voluntown
East Hampton	Portland	Wallingford
East Windsor	Putnam	Washington
Ellington	Rocky Hill	Westbrook
Farmington	Salisbury	Wethersfield
Greenwich	Seymour	Willington
Hamden	Somers	Winchester
Litchfield	Southington	Windsor
Mansfield	Sprague	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 General 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 "General 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.

Special Class I.

1. 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. Among its purposes, the revitalization proposal must include but not be limited to integrating units into the community or region, encouraging economic integration, and providing social services to the residents of the development.
2. Other special initiatives or programs as approved by the Authority's Board of Directors. These initiatives or programs will not be rated and ranked against any other classes.
3. Awards/Reservations for Special Class I are approximately 50% of the available total credits. Those Special Class I applicants that do not receive an award under the Special Class I category will compete in the General Class category.

The Authority's Board of Directors may, in its sole discretion, limit the amount of Low-Income Housing Tax Credits for Special Class I.

V. Rating and Ranking within Classes (277 Points)

A. Income Targeting (37 Points)

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

1. Service to Low-Income Households Below 25 Percent of Area Median Income (AMI)

Points will be awarded based on the percentage of units that serve households below 25 percent of AMI and provide rents pursuant to HUD guidelines adjusted for family size throughout the extended use period.

≥25%	10 points
≥12.5% and <25%	7 points
≥5% and <12.5%	5 points
<5%	0 points

2. Service to Low-Income Households Between 25 and 50 Percent of Area Median Income (AMI)

Points will be awarded based on the percentage of units that serve households between 25 and 50 percent of AMI and provides rents pursuant to HUD guidelines adjusted for family size throughout the extended use period.

≥15%	10 points
≥10% and <15%	7 points
<10%	0 points

3. Public Housing Authority Waiting Lists/Supportive Housing Program Clients

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, the recipients of HUD vouchers or State RAP Certificates, or are the recipients of housing assistance and support services funded through the State of Connecticut Supportive Housing PILOTS Initiative or a successor/associated State funded supportive housing program identified by the Authority.

YES	10 points
NO	0 points

4. Economic Integration

Proposal promotes economic integration by developing a minimum of 10 percent non-qualified units.

≥20%	7 points
≥10% and <20%	5 points
<10%	0 points

B. Financing Characteristics (39 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 public and private resources as measured by the following:

1. Flexible Resources from Public or Private Sources

Points will be awarded based on the percentage of Total Development Resources that includes non-amortizing (grants, deferred loans, donations, appraised value of land donation, etc.) assistance from sources other than the Authority. See Definitions, Section 2.III.B above, for the definition of TDR.

% of TDR of Non-Amortizing Assistance

≥20%	5 points
≥10% and <20%	2 points
<10%	0 points

2. Public Resources

Points will be awarded based on the percentage of the project's Total Development Resources that includes public resources (grants, public loans at or below AFR, deferred public loans, etc.).

≥25%	10 points
≥20% and <25%	8 points
≥15% and <20%	6 points
≥10% and <15%	4 points
≥5% and <10%	3 points
<5%	0 points

3. Private Resources

Points will be awarded based on the percentage of the project's Total Development Resources that include private resources or the Authority's funds.

≥10%	5 points
≥5% and <10%	2 points
<5%	0 points

4. Cost of First Mortgage Funds

Add 1 point (to a maximum of 2 points) for every 25 basis points the interest rate on the mortgage funds from private sources 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. Mortgage funding from the Connecticut

Housing Finance Authority may be a private source because the Authority by law is not a state agency.

5. Developer/Sponsor Financing

Points will be awarded based on the percentage of the project's Total Development Resources that includes developer/sponsor financing exclusive of deferred developer fee and syndication proceeds.

≥10%	5 points
≥5% and < 10%	3 points
<5%	0 points

6. Cost Effectiveness of Low Income Housing Tax Credits

7 points will be awarded to the top three projects per funding round with the lowest percentage of LIHTC intermediary costs. See the Definition section of the LIHTC application for the definition of intermediary costs.

7. Adaptive Reuse

Developer/Sponsor has been awarded or intends to apply for consideration from the Federal or State Historic Tax Credit Programs(s) for the Adaptive Reuse of historic structures as residential housing.

YES	5 points
NO	0 points

C. Development Characteristics (48 Points)

Each application will be rated on the degree to which the development is consistent with the location and housing priorities of the Plan, housing targeted and suitable for families, the needs of the disabled, cooperation with local government entities and adding to the housing stock available to low-income persons as measured by the following:

Numbers 1 and 2 apply to General Class developments only.

1. High Rent and Low-Income Communities

The proposed development is located in areas of higher rent/income disparity comparing average municipal rent with AMI as defined in the 2000 Census.

≤85%	5 points
>85% and ≤100%	2 points
>100%	0 points

2. Communities with Comparatively Less Rental Housing

The proposed development is located in a community with a high percentage of owner occupied single family detached homes as defined in the 2000 Census.

≥85%	5 points
≥70% and <85%	2 points
<70%	0 points

3. Part of a Formal Plan for Redevelopment

The proposed development is part of and consistent with a municipally approved plan or NRZ.

NRZ or Other Municipally Approved Plan	4 points
In a QCT location	2 points additional

4. Housing Targeted for Large Families

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

>40%	10 points
≥30% and <40%	7 points
≥20% and <30%	5 points

≥10% and <20%	2 points
<10%	0 points

5. Housing Targeted to and Suitable for Families with Children
Points will be awarded based on the percentage of total units with two bedrooms.

≥60%	10 points
≥30% and <60%	5 points
<30%	0 points

6. Effort to Address Needs of the Disabled
Points will be awarded based on the percentage of total units certified by the architect to be designed as handicapped accessible. Developers must certify to specifically target and set-aside these units for persons with disabilities and actively market units to disabled individuals on waiting list at local facilities.

≥15%	5 points
<15%	0 points

7. Cooperation with Local Government Authority
Site is being obtained through cooperation (i.e. land donation, \$1.00 ground lease) with a State or local governmental authority.

YES	3 points
NO	0 points

8. Priority Locations
The proposal is rehabilitation in municipalities with Regional Centers as defined in the C & D Policies Plan or is new construction in the following municipalities:

Andover	Franklin	Old Saybrook
Avon	Glastonbury	Orange
Barkhamsted	Goshen	Oxford
Beacon Falls	Granby	Preston
Berlin	Guilford	Prospect
Bethany	Haddam	Redding
Bethlehem	Hampton	Ridgefield
Bolton	Hartland	Roxbury
Bozrah	Harwinton	Salem
Bridgewater	Hebron	Scotland

Brookfield	Kent	Sharon
Burlington	Killingworth	Sherman
Canaan	Lebanon	Simsbury
Canton	Ledyard	South Windsor
Chaplin	Lisbon	Southbury
Cheshire	Lyme	Tolland
Chester	Madison	Trumbull
Clinton	Marlborough	Union
Colebrook	Middlebury	Warren
Columbia	Middlefield	Waterford
Cornwall	Monroe	Watertown
Coventry	Morris	Weston
Darien	New Canaan	Westport
Durham	New Fairfield	Wilton
East Granby	New Hartford	Wolcott
East Haddam	Newtown	Woodbridge
East Lyme	Norfolk	Woodbury
Eastford	North Branford	Woodstock
Easton	North Haven	
Essex	North Stonington	
Fairfield	Old Lyme	

YES	2 points
NO	0 points

9. Affordable housing and economic growth as defined by the Home Connecticut Statute – Public Act 07-4.

YES	2 points
NO	0 points

D. Responsible Growth (36 Points)

Each application will be rated and ranked on the degree to which the development is consistent with the C&D Plan definition of Smart Growth as measured by the following:

1.	Transit oriented developments as defined in the June Special Session, Public Act No. 07-7of the Connecticut General Assembly “Transit Oriented Development” means the development of residential, commercial and employment centers within one-half mile or	10 points
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walking distance of public transportation facilities, including rail and bus rapid transit services, that meet transit supportive standards for land uses, built environment densities and walkable environments, in order to facilitate and encourage the use of those services. (For purposes of awarding points, this category may include any form of public transportation).

2. Site is located within one-half (0.5) mile from a full-service grocery store for those developments not located in a transit oriented development. 2 points
3. Sidewalks adjacent to multi-family buildings or throughout scattered site projects that connect to sidewalks in surrounding area and should have a pedestrian crossing within 500 feet of any residential structure that is part of the project. 2 points
4. Project can be served by existing public utility service. 2 points
5. Public park or community recreation center within one-quarter (0.25) mile. 2 points
6. Project renovates or includes the rehabilitation of a building appearing on the National Register of Historic Places, State Register or a designated local historic property. 2 points
7. Property located on a public street with maximum speed limit of 25 mph. 2 points
8. Site is located within one mile of a Rural Community Center. 2 points
9. Partnership with an employer creating new jobs. (Please note job training identified in the Enriched Housing and Community Environment category is not included in this Category). 10 points

10. Protection/creation of natural resources 2 points
such as use of density credits to preserve open space, creation of community gardens, pocket parks, retention of existing foliage and use of native vegetation species.

If local maps highlighting project location and features of the surrounding area are not included with an application claiming any of the above points, NO POINTS WILL BE AWARDED. Maps must be legible and to scale, and specific distances to local features must be indicated.

E. Sponsorship Characteristics (10 Points)

Each application will be rated and ranked on the degree to which the development is consistent with the sponsorship characteristics as measured by the following:

1. 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

2. 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

F. Soft Costs, Construction Cost, Design, New Units and Energy Efficiency (48 Points)

Each application will be rated and ranked on the degree to which the development is consistent with the 2009 Connecticut Housing Finance Authority's Standards of Design and Construction (the "Standards") as measured by the following:

1. Per Unit Cost Effectiveness

Cost efficient designs and reasonable soft costs, such as developer's fee, acquisition costs and other professional fees, are strongly encouraged. Design solutions are anticipated to be creative and innovative, without compromising the quality of construction, energy efficiency and the durability requirements required by the Standards. Up to 20 points will be awarded to an applicant's score. (Please refer to the Standards for further clarification.)

2. Completion of Plans and Specifications (Readiness to Proceed)

Points will be awarded for those applicants that have submitted plans and specifications that are in compliance with the Standards and exceed threshold requirements.

>40% Completion of Plans and Specifications	3 points
>10% Completion of Plans and Specifications	1 point
<10% Completion of Plans and Specifications	0 points

3. Developed housing shall meet the energy conservation feature requirements stated in the Standards. Points will be awarded for each of the following additional energy efficiency features. In order to be awarded points, the Energy Conservation Feature Requirements Form attached to the LIHTC application must be completed.

a. CRI Green label, low-VOC carpeting, pad and adhesives.

YES	1 point
NO	0 points

b. High efficiency toilets in each living unit.

YES	1 point
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NO 0 points

c. Non-smoking buildings or portions of buildings.

YES 1 point
NO 0 points

d. Energy star ceiling fans in all bedrooms and living rooms; whole house fan or an economizer cycle on building HVAC systems.

YES 1 point
NO 0 points

e. High performance triple-glazed windows.

YES 2 points
NO 0 points

f. Site designed to retain, infiltrate and/or treat the first ½" of rainfall in a 24-hour period.

YES 3 points
NO 0 points

g. Rooftop, building-integrated or landscape-integrated photovoltaic electrical generation system(s).

YES 2 points
NO 0 points

h. Energy Star qualified geothermal HVAC system.

YES 2 points
NO 0 points

4, Design elements should preserve and/or create the traditional characteristics of communities in accordance with the Standards.

YES 2 points
NO 0 points

5. Adds New Housing Units

Adds to the stock of housing available to low-income persons through qualified new construction or the rehabilitation of previously unoccupied units in existing structures. Points will be prorated based on the number of new units provided for occupancy if less than all units.

MAXIMUM	10 points
NO	0 points

G. Enriched Housing and Community Environment (29 Points)

Each application will be rated and ranked on the degree to which the development is consistent with enriched housing and community environment as measured by the following:

1. The following must be evidenced by a specific line item in the operating budget and a document such as a letter of intent, memorandum of understanding or contract for services with a third party highlighting the funding source.

a. On-site education opportunities and employment opportunities for residents. (i.e. GED Program, parenting classes, etc.)

YES	2 points
NO	0 points

b. Daycare facility on-site with State-certified, full-time staff.

YES	2 points
NO	0 points

c. On-site resident services coordinator, working a minimum of 20 hours per week.

YES	5 points
NO	0 points

2. The following must be evidenced by a certification by the architect stating any of the following:

On-site computer room with free internet access and a minimum of two brand new computers at time of construction.

YES 1 point
NO 0 points

3. The following must be evidenced by a certification from the owner stating any of the following:

a. Community meeting space on-site and planned resident activities. (i.e. Resident social event, exercise classes, health and wellness services, etc.)

YES 2 points
NO 0 points

b. Complex provides door-to-door transportation to nearby shopping centers/areas of employment. May include community transportation services that stop at the complex. Please note that public transportation referenced in the Responsible Growth category is NOT included in this category.

YES 1 point
NO 0 points

4. Job Training Program

Developer provides job training opportunities in the building trades during development via an established State or local job training program or initiative.

YES 5 points
NO 0 points

(Please note that creating jobs in the Responsible Growth category is not part of this category.)

5. Supportive Housing

Points will be awarded based on documentation of supportive services being received from a specified funding source(s). Documentation for the type of supportive services will include but is not limited to the type of services outlined in the Supportive Housing Quality Assurance Monitoring Program Guidelines attached to the LIHTC application. Points will be awarded based

on the percentage of total units designated as supportive housing units.

≥ 20%	10 points
≥ 10%	5 points
≥ 5%	2 points

6. Universal design features in at least one-half of the proposed living units. Please refer to the Standards for further clarification.

YES	1 point
NO	0 point

H. Special Class I Points (30 Points)

Each application within Special Class I will be rated and awarded points. These points will be added to the application's score only for the purpose of ranking within Special Class I. If an applicant does not receive an award under Special Class I and is considered under a General Class, the additional points awarded in this section shall not be included for the purpose of ranking within the General Class.

1. Preservation of Units

The proposed application does not result in a net loss of units after revitalization. Please refer to the application for further instructions.

YES	10 points
NO	0 points

2. Displacement of Current Residents

Points will be awarded if the units after revitalization are affordable to the same profile of household incomes as current residents, so that no permanent displacement of current residents is required for reasons of affordability. Please refer to the application for further instructions.

No displacement	10 points
Displacement	0 points

3. Resident Participation

The sponsor has and will continue to assure meaningful resident participation in the planning and implementation process. Please refer to the application for further instructions.

YES	10 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.

A. 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 rents for qualified households falls below the maximum allowable for such households. Up to 10 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.

B. 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 10 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 Bond Commission for multifamily rental housing financed with bonds issued pursuant to an allocation of volume cap authority approved by the State Bond 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. TAX CREDIT 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, "Authorized Delegate") 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 can be downloaded from the "Authorized Delegate's" website. Please refer to the Compliance Manual for detailed monitoring information. The Authority's compliance monitoring requirements apply to all tax credit projects including those financed with tax-exempt bonds.

In January, 2007, the Internal Revenue Service (IRS) published the LIHTC 8823 Guide for State Housing Credit Agencies. The Guide includes instructions for completing Form 8823 and guidelines for determining noncompliance and reporting dispositions. The purpose of the Guide is to standardize the treatment of non-compliance issues.

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 VI, below.

The owner and management agent must attend Tax Credit Compliance Monitoring Conference with the Authority a minimum of six months prior to the date the first building of a project is expected to place in service. The owner/agent is required to contact the Authority in writing prior to such placed in service date to arrange a pre-occupancy meeting with the Authority. Forms 8609 may not be issued unless both the owner and agent attend this conference.

II. Management Experience

The Authority must approve a prospective management agent prior to the reservation of LIHTC's as required by Section 2.II.L.4.

The management agent listed on the application must be retained by the ownership entity for at least two (2) years after the project completion, unless the agent is guilty of specific non-performance of duties. Owners must notify the Authority in writing regarding any subsequent change in management. The management agent must have five years of relevant experience and a minimum of one staff person assigned to the property that has tax credit compliance monitoring experience and is certified in tax credit compliance monitoring. Such certification must be from an organization acceptable to the Authority. In lieu thereof, the owner must retain a tax credit compliance monitoring consultant prior to the start of rent-up and extending through completion of the first year of

the Credit Period. Such consultant must be acceptable to the Authority. Thereafter, the owner may assign a staff person that satisfies the above criteria.

III. 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 original records for the first year of the credit period must be retained for at least six years beyond the due date (with extensions) (21 years) for filing the Federal income tax return for the last year of the compliance period of the building. Duplicate copies of first year files should be kept at an accessible and secure off-site location. Copies may be scanned, retained in a pdf file or burned to a CD.

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 and submit copies with the annual certification. 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.

IV. 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 Uniform Physical Conditions Standards (UPCS), 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;
 - 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);
 - l. 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;
- n. the owner complies with IRS Revenue Ruling 2004-82, which at Question and Answer 5, states that Internal Revenue Code (IRC) Section 42(h)(6)(B)(i) requires that an extended low-income housing commitment include a prohibition during the extended use period against 1) the eviction or termination of tenancy (other than for good cause) of an existing tenant of any low-income unit (no-cause eviction protection) and 2) any increase in the gross rent with respect to the unit not otherwise permitted under Section 42;
- o. the person responsible for tax credit compliance of the property has completed a continuing education course during the last two years. Such course must be acceptable to the Authority. A copy of the certificate of continuing education must be included with the Owner’s Certificate of Annual LIHTC Program Compliance.

3. Note: The certifications made in and required by Section IV. 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 IV. 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;
 - 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 to the Authority IRS Forms 8609-A for every building and Form 8586 for the property.

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's Asset Management may conduct inspections and file reviews any time from the beginning of construction through the Placed in Service date ("PIS") or execution of IRS Form 8609 in order to confirm compliance with the terms of the Carry-Over Allocation Agreement and Section 42 of the Code, 1.42 of the Regulations and Connecticut LIHTC Compliance Manual.
 - b. 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 (or a minimum of three (3)) 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. 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 (or a minimum of three (3)) 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;

- d. 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 all tenants of the inspection or assemble tenant records for review; and
- e. 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 UPCS 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 IV.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."

V. 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.

VI. 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 VI. 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 IV.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.

D. Additional Review Policy

1. Section 1.42-5(e)(3) of the LIHTC Compliance Regulations states that if noncompliance or failure to certify is corrected within three (3) years after the end of the correction period, the HCA is required to file Form 8823 with the Service reporting the correction of the noncompliance or failure to certify.
2. Requests to correct noncompliance after the end of the Correction Period described in Section C, will be processed under the Authority's Additional Review Policy.
3. An Additional Review is defined as that process required when an owner submits information to the Authority or its "Authorized Delegate" past the deadline imposed in Section 1.42-5 (e) (4) of the Compliance Regulations and in the "Authorized Delegate's" 'Forwarding of Noncompliance Letter' and after submission of IRS Form 8823 (Low-Income Housing Credit Agencies Report of Noncompliance) by the Authority to the Internal Revenue Service (The Service).
4. The "Authorized Delegate" will charge the owner a fee, as determined by the Authority's Board of Directors, in order to process an Additional Review request. The current fee of \$225.00 is based on a minimum of three (3) hours work. Any time beyond the initial three (3) hours will be billed at \$75.00 per

hour. The fee is subject to adjustment annually by the Authority's Board of Directors.

5. Upon receipt of information that corrects previously reported continuing noncompliance and, upon payment in full for the review, an amended Form 8823 will be submitted to the Authority for execution and forwarding to the IRS. The owner will receive a copy of Form 8823 submitted to the Service.
6. Please refer to the Authority's Compliance Monitoring Manual for detailed Additional Review information.

VII. 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.

VIII. Extended Use Agreement Compliance Monitoring Policy (Post Year 15):

Section 42 (h)(6)(A) of the Internal Revenue Code requires that a Housing Credit Agency and owner enter into an Extended Use Agreement ("EUA"), that will promote extended or long term use of low-income housing credit properties.

An EUA has the legal status of a restrictive covenant, is recorded in the land records of the State and runs with the property.

The EUA requires owners receiving Housing Credits in 1990 or later years to continue to maintain the low-income occupancy of their projects for a minimum of an additional 15 years beyond the end of the tax credit compliance period. Failure to comply with the provisions of the EUA is an event of default and the Authority or its successors may exercise any of the remedies available in the Agreement. Furthermore, the Authority may seek specific performance of the EUA by the owner or any successor in interest thereto, without declaring an event of default and without waiving any remedies of the EUA, by filing an action any court of competent jurisdiction in the State of Connecticut.

Therefore, the Authority may establish a policy regarding how properties will be monitored and the consequences for noncompliance during the Extended Use Period. The Authority will advise owners and management agents of the Post

Year-15 Extended Use Period monitoring requirements prior to expiration of the initial 15-year tax credit compliance monitoring period.

IX. 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 “Credits” were allocated. 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 may choose to delegate all or a portion of its compliance monitoring responsibilities to an agent or other private contractor “Authorized Delegate”. 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.

Adopted January 29, 2009