



The State of Connecticut Department of Housing

NOTICE OF FUNDING AVAILABILITY

Special Round: High Opportunity Area Housing (“Special Round”)

Applications may be submitted: March 4, 2019

This Notice of Funding Availability (this “NOFA”) from the Department of Housing (“DOH”) is directed to both owners of existing affordable multifamily properties in High Opportunity Areas and developers of proposed new affordable multifamily properties in such areas.

A. Goal of this NOFA:

The State of Connecticut (the “State”) is committed to expanding opportunities for safe, decent and affordable multifamily rental housing for its residents. Investment in affordable multifamily construction and preservation addresses acute housing needs, creates jobs and increases local revenue. The goal of this NOFA is to foster the creation and/or preservation of affordable multifamily rental housing in high opportunity areas to promote healthy lives, strong and inclusive communities, and a robust economy.

B. Funding:

Approximately \$20 million is anticipated to be made available pursuant to this NOFA. Funding available under this NOFA may, at DOH’s discretion, include Housing Trust Fund Program (“HTF”) funds, Affordable Housing Program (“FLEX”) funds, federal HOME Investment Partnership Program (“HOME”) funds, federal National Housing Trust Fund funds, and/or other available sources. DOH funds may be provided in the form of grants, loans or a combination thereof based on project needs and DOH’s underwriting. Loans may be offered by DOH at a reduced interest rate and/or with extended terms. DOH funding under this NOFA may not exceed \$6,500,000 per development.

An applicant for funding under this NOFA may also simultaneously apply for Connecticut Housing Finance Authority (“CHFA”) Taxable Bond financing or Tax-Exempt Bonds financing, subject to availability, paired with 4% Low-Income Housing Tax Credits (“LIHTCs”). CHFA also accepts 4% LIHTC applications on a rolling basis for proposals that do not seek assistance from DOH. For further details on CHFA financing, please contact Michelle Onofrio at michelle.onofrio@chfa.org or 860-571-4268.

C. Eligible Applicants:

Applicants eligible for consideration under this NOFA include the following eligible applicants under the Affordable Housing Program, Connecticut General Statutes (“CGS”) § 8-37pp, and the Housing Trust Fund Program, CGS § 8-336m: “(A) A nonprofit entity; (B) a municipality; (C) a housing authority; (D) a business corporation incorporated pursuant to chapter 601 or any predecessor statutes thereto or authorized to do business pursuant to said chapter 601 having as one of its purposes the construction, financing, acquisition, rehabilitation or operation of affordable housing, and having a certificate or articles of incorporation approved by the

commissioner; (E) any partnership, limited partnership, limited liability company, joint venture, sole proprietorship, trust or association having as one of its purposes the construction, financing, acquisition, rehabilitation or operation of affordable housing, and having a certificate or articles of incorporation approved by the commissioner; or (F) any combination thereof.”

Notwithstanding the above, properties currently in the State Sponsored Housing Portfolio (“SSHP”) are not eligible for funding under this NOFA unless the project includes the creation of at least 20 new residential units and the number of newly created rental units is equal to or exceeds 20% of the existing units at the property. Units that are currently offline but will be returned to occupancy will not be considered new units. If an SSHP applicant wishes to propose constructing a significant number of new units but cannot satisfy both tests, then a waiver can be requested. For such situations, an email request should be sent prior to the submission of an application to Jacqueline Simpson of DOH at jacqueline.simpson@ct.gov.

To be eligible for consideration for funding under this NOFA, a project must be located in a census tract identified as Moderate, High, or Very High Opportunity on the DOH Opportunity Map, which is available on the DOH Website at <http://Erinboggs.github.io/opportunity-map> (a “High Opportunity Area”).

D. Application Process and Schedule:

- 1) Applicants must use the version of the CHFA/DOH Consolidated Application available on the SharePoint site for the 2019 Special Round (the “ConApp”). Prior versions of the ConApp will not be accepted.
- 2) All application materials, including architectural drawings and project manuals, must be submitted via electronic submission through the DOH/CHFA SharePoint website. In addition, if an applicant seeks CHFA Taxable Bond financing or Tax-Exempt Bond financing and/or 4% LIHTCs, such applicant must submit a hard copy of the project architectural drawings and project manuals to CHFA no later than the Application Deadline (defined below).
- 3) To obtain a SharePoint account, submit an email request after January 7, 2019, but no later than **February 18, 2019**, to applicationrequest@chfa.org. Include the following information in your request:
 - Funding Round (e.g. 2019 Special Round)
 - Project Name
 - Company Name
 - Primary Contact Name
 - Primary Contact Email
 - Primary Contact PhoneApplicants will subsequently receive an email from the system administrator that contains a link to the SharePoint website.
- 4) In addition to the ConApp CORE items macro button, applicants must also choose the DOH Large Project macro-button. All items identified as required under these two macro buttons (CORE items and DOH Large Project) must be submitted to be considered a complete application. If either CHFA LIHTC or financing is also being

requested, then those related macro-buttons must also be selected and all identified materials included in the application submission.

- 5) Architectural Drawings and Project Specification: Applications must include, at a minimum, architectural drawings and project specifications that meet the 40% completion standard. Applications not accompanied by 40% architectural drawings and specifications will not be considered. Applicants should contact DOH if they are unsure how the 40% completion standard applies to their project (e.g. modular construction).
- 6) Energy Efficiency: For new construction and housing rehabilitation proposals, all cost effective energy efficiency and conservation improvements should be incorporated into the project design. All such improvements should be clearly indicated in the applicant's plans and specifications and the Project Cost Summary and Exploded Trade Payment Breakdown. Application materials should demonstrate that a cost/benefit analysis has been completed to document that the plans and specifications include sustainable energy modeling that takes advantage of all reasonable opportunities and that energy conservation techniques incorporated into the design result in long term operating savings to owners and/or rent reductions for tenants. It is expected that all reasonably foreseeable energy cost savings will be reflected in the operating expenses. Applicants are also encouraged to benchmark the energy usage at the property using either HUD's comprehensive utility benchmarking protocols, the US EPA's EnergyStar Portfolio Manager, or another benchmarking system.
- 7) Letters of Participation: All applications must include a Letter of Participation ("LOP") from the local utility company detailing energy-efficiency measures and estimated energy savings and identifying incentives. Obtaining an LOP may take thirty (30) days or longer. In order to meet this requirement, applicants are advised to contact their local utility company as soon as possible to initiate the LOP process.
- 8) Environmental Reports: Each applicant must submit a Phase I Environmental Site Assessment ("ESA") with its application. The ESA must be prepared in accordance with current ASTM Standard E 1527 - 13 by a Licensed Environmental Professional ("LEP") that is licensed by the State of Connecticut and must have been completed within six (6) months of the Application Deadline. The qualifications of both a professional firm and the specific environmental consultant should be included in the completed report. The ESA and related documents must be conducted in accordance with the "CTDEEP Site Characterization Guidance Document" ("SCGD"). If the Phase I ESA recommends that a Phase II ESA be completed and/or identifies Areas of Concern ("AOC") or Recognized Environmental Conditions ("REC"), then the application must include a Phase II ESA completed in compliance with SCGD guidelines. Any site or building environmental abatement costs needed to address conditions identified in the Phase I ESA, Phase II ESA and/or other necessary environmental reports should be included in the Project Cost Summary in the ConApp.
- 9) Historic Preservation: All applicants must submit a State Historic Preservation Office ("SHPO") Project Notification Form at least 6 weeks prior to the Application Deadline to ensure that a determination of the property's historic designation or eligibility is

identified early in the process and that any necessary mitigation actions are incorporated into the project design. Applicants should contact SHPO well in advance of this deadline to ensure that the project scope and drawings are designed in accordance with SHPO recommendations, if any. An applicant's failure to submit a Project Notification Form at least 6 weeks prior to the Application Deadline or adequately mitigate historic preservation impacts may result in the elimination of the application from consideration under this NOFA. The SHPO Project Notification Form can be found at http://www.ct.gov/cct/lib/cct/ProjectNotificationForm_2018.pdf.

- 10) Historic Tax Credits: Applicants seeking Federal or State Historic Tax Credits must meet with SHPO staff to determine whether such tax credits are a reasonably likely funding source for the proposed project. Such applicants should request a meeting with SHPO staff as early as possible, but not later than 6 weeks prior to the Application Deadline.
- 11) Floodplain Management: Applicants must clearly demonstrate the location of the project in relation to both the 100-year and 500-year FEMA floodplain boundaries. Application materials for any project located in proximity to a designated floodplain must include supporting documentation, including, but not limited to, a survey that demonstrates that the project is located outside of the 100-year and 500-year floodplain or, for development projects that are located within a 100-year or 500-year floodplain, applicants must include supporting documentation that demonstrates that the project: (a) incorporates safe evacuation routes in times of a flood; (b) does not involve the placement of utilities that will promote or encourage future development within the 100-year or 500-year floodplain; (c) does not increase the potential to cause or pose a hazard to human life, health or property if it is destroyed or damaged due to flooding; and (d) does not involve the placement of fill within a watercourse or any water to create dry land to allow for the construction of a structure. If any of these criteria cannot be demonstrated, an applicant must so indicate and explain how the project is nevertheless feasible and justifies an exception to the relevant statutory provisions discouraging such projects. Applications that do not clearly satisfy the criteria mentioned above or comply with the State's flood management requirements (See CGS § 25-68d(b) and §§ 25-68h-1 through 25-68h-3 of the Regulations for Connecticut State Agencies) may be eliminated from consideration under this NOFA.
- 12) No Deficiency Period: All applications must include all required information and documentation as of submission on or before the Application Deadline. DOH does not employ a deficiency period process. After the Application Deadline, at the discretion of DOH and CHFA, as applicable, an applicant may be asked to provide additional information regarding its application.
- 13) Deep Income Targeted Units: Unless waived by DOH prior to the Application Deadline, each application must include at least two (2) units reserved for households at or below 25% of the Area Median Income ("AMI"). These two (2) units must be reflected in the ConApp Rental Income Calculation Worksheet as 25% AMI units. As an alternative to this requirement, applicants may opt to restrict units under either the Section 811 PRA program or the HPRF program, each of which is described below. Requests for a waiver from this requirement should be sent to

jacqueline.simpson@ct.gov and must include detailed justification (e.g., the project comprises fewer than five (5) units and compliance with the requirement would be financially infeasible).

- Section 811 PRA Program: DOH administers federal funding under the Section 811 PRA program to assist owners who agree to provide permanent supportive housing units to persons with disabilities. Owners may receive funding for up to six (6) Section 811 PRA units per proposed project. Two (2) Section 811 PRA program units would receive rent subsidies up to the 30% AMI rent level and four (4) Section 811 PRA program units would receive rent subsidies up to the Fair Market Rent (“FMR”) for the project area. DOH will provide applicant referrals to owners and property managers for the restricted units and the tenants will have their own support services. Owners are not required to have support service funding or supportive housing plans under this program. Applications submitted for funding under this NOFA may claim supportive housing points based on the number of proposed Section 811 PRA program units. DOH may allow applicants to include more than six (6) Section 811 PRA program units but advance approval from DOH must be requested and the total number of Section 811 PRA program units cannot exceed 25% of the total project units. Section 811 PRA program units, and associated rents, should be reflected in the ConApp Rental Income Calculation worksheet. For example, if an application is proposing two (2) Section 811 PRA program units with rents at 30% AMI and two (2) Section 811 PRA program units with rents at FMR levels, then the Rental Income Calculation Worksheet should reflect the associated rental subsidy in Column J, Rows 31-50. More information about the Section 811 PRA program is available at: http://www.ct.gov/doh/lib/doh/ct811_rfq_fillable_amend2.pdf
- 14) Housing for Larger Households: DOH encourages applicants to include units that are appropriate for households with four (4) or more members where the household income is at or below 30% of AMI.
- 15) Affordable Restrictions: For affordable housing units proposed to be assisted under this NOFA, the household income range served must be below 80% of the applicable AMI, provided, however, that DOH will accept applications for developments where DOH assisted units are serving income levels between 100% and 120% of AMI if the applicant demonstrates to the satisfaction of DOH that the proposed project: (a) will be located in an area designated by the municipality for downtown revitalization and the applicant demonstrates that there is sufficient demand for units to be rented at the higher affordable income levels; and/or (b) is necessary for the financial feasibility of a mixed income development which includes a range of income bands, including units at or below 30% of AMI.
- 16) Eligible Project Scope: Applications that involve the rehabilitation of existing affordable housing, including, but not limited to, properties currently restricted by LIHTC, DOH, HUD, CHFA, or other affordability restrictions, will only be considered if there is a demonstrated need that the rehabilitation activities are of an immediate nature and threaten the continued feasibility of the development OR if the property is at risk of losing the current affordability requirements within three (3)

years of the Application Deadline and the rents for the restricted units are reasonably likely to significantly increase.

- 17) Developer Fee: The developer fee for a project seeking DOH capital funding under this NOFA may not exceed 15% of the total project development costs less acquisition and reserve costs. This 15% developer fee maximum threshold includes any deferred developer fee. For CHFA assisted developments, applicants must also meet the CHFA developer fee scale test. Applicants may view CHFA's website at www.chfa.org or contact Michelle Onofrio at michelle.onofrio@chfa.org for additional information. For tax credit financed projects, it is expected that, to the extent financially feasible, the applicant will defer a portion of the developer fee equal to approximately 80% of the aggregate cash flow over the first twelve (12) years of stabilized operations.

Notwithstanding the foregoing, it is expected that any proposed developer fee must be financially feasible and appropriate under the circumstances, including, for example, the complexity of the project, the applicant's investment of its own funds, and the amount and timing of any other compensation the developer expects to receive. DOH, at its discretion, may require a reduction in the proposed developer fee to reflect this standard.

The DOH application review will include a thorough analysis to determine the minimum amount of State subsidy needed. The DOH analysis of the application will be conducted in a manner independent of the type and amount of assistance requested and may result in the requirement to repay funding, through either amortizing or cash flow loans, not anticipated in the application.

- 18) Reserves: The ConApp requires that all existing developments disclose the amount of reserves on hand as well as a description of the use of reserves over the previous three year period. Applicants applying for the redevelopment of existing housing should anticipate that existing reserves will be a required source of funds.
- 19) No rental assistance will be provided from DOH in connection with this NOFA other than the type and amounts related to the Section 811 PRA program, if applicable.

E. Application Questions and Deadlines:

Applications for funding under this NOFA, including, if applicable, all materials required by CHFA, may be submitted at any time between 9:00 am on February 7, 2019 and 4:00 pm on April 23, 2019.

On or before February 18, 2019, applicants may contact Ms. Simpson via email at jacqueline.simpson@ct.gov with questions related to this NOFA. Questions received by DOH, if material to this NOFA, and DOH's answers thereto will be periodically posted on the DOH Website.

F. Selection Criteria:

Applications will be reviewed in the order in which they are submitted and rated and ranked by DOH in accordance with the Special Round Rating and Ranking form. DOH and CHFA staff will coordinate the review of applications seeking funding from both organizations. The Special

Round Rating and Ranking form is available on the DOH Website under “Funding Opportunities”.

G. Reservations:

All applications submitted in response to this NOFA are the sole property of the State and subject to the provisions of Connecticut’s Freedom of Information Act, CGS §1-200 et seq., which provides that public records and documents are subject to public access and copying unless specific exemptions to disclosure exist. If an applicant believes that portions of its application are exempt from disclosure, the applicant should mark the specific portions as confidential. Acceptance of an application by DOH which contains such reservations is not an agreement that the material is confidential or exempt from disclosure. DOH reserves the right to amend or cancel this NOFA, to modify or waive any requirement, condition or other term set forth in this NOFA or the Consolidated Application, to request additional information at any time from one or more applicants, to select any number of applications submitted in response to this NOFA, or to reject any or all such applications, in each case at DOH’s sole discretion. DOH may exercise the foregoing rights at any time without notice and without liability to any applicant or any other party. Applications to this NOFA shall be prepared at the sole expense of the applicant and shall not obligate DOH to procure any of the services described therein or herein from any applicant. DOH shall not be obligated to any applicant until a final written agreement has been executed by all necessary parties thereto and all applicable approvals have been obtained.