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Governor

STATE OF CONNECTICUT
DEPARTMENT OF HOUSING



Affordable Homeownership 2015
#2 NOFA Questions and Answers
January 7, 2015

Q1: When determining whether a household is income qualified, would we consider future rental income for that household that will be received as part of the assisted property? For example, if we rehabilitate a triplex that will be owner-occupied by an income qualified household, do we include the rental income from the other two units in our income qualification calculation when determining eligibility of the owner-occupant?

A1: The rental income or asset enhancement derived from a project that is assisted as part of the Affordable Homeownership program shall not be considered when calculating annual income for the purposes of income eligibility.

Q2: If an existing owner occupied property can be converted to create additional units, does the owner apply for the project or the applicant contractor? If the contractor is the applicant for the project for an existing owner occupied property what documentation will be required between existing owner and the contractor?

A2: All applicants must meet the definition of “eligible applicant” defined at Sec.8-37pp (this definition is also included in the Affordable Homeownership NOFA). A homeowner applying as an individual would not meet this definition. The applicant contractor would need to demonstrate the feasibility of the project with evidence, among other things, an agreement with each owner of a property to be converted. It is the applicant’s responsibility to seek legal advice on how best to construct legal documents amongst parties. In addition, a project that is proposing to add rental units to a property that is already owner occupied would not meet the goals of this NOFA. However, a project would be eligible if the applicant is proposing to assist an eligible buyer purchase a home that will be owner occupied and includes rental units.

Q3: If the developer is already working on an under construction project about to be completed, can this project be converted to affordable homeownership housing with the help of financing? What if the developer has completed a recent project and not sold so far, can this completed project be modified to create an affordable homeownership housing by adding additional unit or selling it as one family as an affordable home ownership with the help of funding?

A3: If construction has commenced or has been completed, and all necessary financing has been secured, then the applicant could not apply for development “gap” financing since no “gap” exists. However, an applicant could apply for funds for a program to provide direct financial assistance to eligible homebuyers such as downpayment assistance, closing cost assistance, or other assistance.

Q4: If the cost of the completed new project is for example \$250,000, at what selling price will be sold to owner occupied buyer to make it affordable homeownership?

A4: Housing payments that are approximately 30% of the household's income are considered affordable. It is the responsibility of the applicant to determine what financial structure to propose that would enable homes to be affordable based on the income range of the proposed target homebuyer population. Exhibit 7.2 Homeownership Sales Proceeds in the Consolidated Application requires that the applicant calculate what the proposed monthly cost for housing will be for prospective buyers. DOH will review the application and evaluate whether the applicant has adequately demonstrated that the units produced will be affordable.

Q5: For those scoring categories that look at certain criteria unique to either rehab or new construction (e.g. #4.6 re reuse of historic properties), how will points be allocated. Will a project get the full points because it includes historic rehab or will points be allocated based on the percentage of rehab vs. new units?

A5: For the "DOH Cost Per Unit", "Total Cost Per Unit" and "Construction Reasonableness" point categories that provide points based on EITHER rehabilitation or new construction, DOH will allocate points based on the applicants AVERAGE score. For the community/ neighborhood impact categories, points will be awarded to a project for which one or more of the properties meet the point criteria (i.e. historic properties, foreclosed properties).

Q6: Will DOH use CHFA's construction cost standards to evaluate "Construction Reasonableness"?

A6: No. These cost standards are only applicable to multi-family construction. For the purpose of determining construction reasonableness, DOH will develop a "reasonable range" for construction hard costs established for the per unit and square foot costs based on the costs provided by the applicant pool (both for rehabilitation and new construction) and other current cost estimating data.

Q7: Can you provide some information on how DOH will assessment the "firm" vs. "soft" commitment status for a construction loan. We expect to receive a "commitment" or Letter of Interest (LOI) that will include the amount, rate, terms, etc. but will have the usual obligatory caveats banks need to include at this stage of a project's development relating to "final" approval. Would this be considered "firm?"

A7: DOH would consider this a soft commitment. A firm commitment is a binding agreement between the lender and the borrower regarding the amount, rate, term and applicable conditions of the loan/transaction. A soft commitment can be likened to a letter of interest by a lender or donor that typically provides basic information regarding rate and terms that the lender may offer.

Q8: It appears that a revised version of the Rating and Ranking form was posted on 1/7/15. What revisions were made?

A8: The Rating and Ranking form was revised and reposted on 1/7/15 to include a homebuyer counseling/ training component to the "Affordable Homeownership Projects" section. Although this component was included in the "Program" section, it was erroneously omitted from the "Project" scoring.