

## **Frequently Asked Questions Regarding the 2009 Rental Production Round 2 NOFA**

This FAQ provides answers to common questions regarding MHDC's 2<sup>nd</sup> Round NOFA application process. The FAQ will be updated weekly until the application deadline. If you have a question that is not answered by this FAQ, the Developer's Guide, or the QAP, please contact Janell Thome at 816.759.6862, or [jthome@mhdc.com](mailto:jthome@mhdc.com).

### **Fall 2008 Applicants**

Q: I applied in the last round, but I was not funded. Can I apply in the second round, and do I need to refresh all of the exhibits from the previous application?

A: You may reapply if you are applying for tax-exempt bonds and 4% credits, or if you are applying for 9% credits in one of the Midwestern Disaster Area counties. Please be aware that no state low-income housing tax credits will be available.

If you have not changed the site(s) you may reuse many of the application exhibits. You must provide new financing commitments, an updated FIN-100, site control (if what was previously submitted has expired), and a new utility allowance schedule (if available). It is recommended, that updated public official contact verification and support letters be obtained. It is acceptable to provide a market study dated within the last 12 months.

### **Application Exhibits**

#### *Zoning Letter*

Q: My application was not approved last year. Can I use the zoning letter from last year's application, or do I need to have it updated?

A: If the zoning letter meets the requirements as specified in section E.10 of Chapter 3 of the Developer's Guide, and if the zoning designation has not changed since the letter was issued, the letter may be resubmitted with the new application.

#### *Applicant Site Control*

Q: I am currently negotiating a contract to purchase a site. How long must the contract term be in order to be considered appropriate site control?

A: The option or contract cannot expire prior to August 31, 2009. It is highly recommended that the contract or option not expire until after November 1, 2009, in order to give the developer more time for a potential closing should the application receive approval.

Q: In the Developer's Guide, you state that eminent domain may be acceptable if at least 50% of the properties are under site control through ownership, an option, or a contract. Is that 50% of the proposed area of the combined parcels or 50% of the parcels?

A: At least 50% of the number of individual parcels (each parcel corresponding to an acquisition transaction) must be under the control of the applicant in the form of a valid option, contract, lease, or actual ownership. Eminent domain may be used to acquire the remaining parcels. Eminent domain must be evidenced in the form of a valid contract between the municipality and a redevelopment entity that clearly demonstrates the applicant currently has and will continue to have the ability to condemn the remaining properties in order to take full control of the development sites.

#### *Exhibit Waivers*

Q: Is a waiver required for exhibits that are not applicable to the type of development I am proposing?

A: No. Waivers are required for all exhibits that would normally be considered relevant to that type of proposal. For example, multi-family proposals do not need to request a waiver of the homeownership plan exhibit. If you are unsure if a certain exhibit is considered normally relevant, please ask.

#### *Architectural Items: Physical Needs Assessment*

Q: Do I need to have a new physical needs assessment completed for an application that was not funded last year?

A: Pursuant to MHDC's Physical Needs Assessment Guidelines Form 1201: A PNA Report must be completed and dated within six months of its submission for an application or firm submission review. Outdated PNA reports may be refreshed through a review and update of the original report by the author within six months of the submission date.

#### *Architectural Items: Historic Approval*

Q: If I plan to use state and federal historic credits, what level of historic approval must I have at the time of application?

A: You must have at least one of the following:

1. A copy of the Federal Register publication that shows the property is individually listed on the National Register of Historic Places.
2. The Part 1 Approval that confirms the individual property continues to be certified as contributing to a certified historic district.
3. An Eligibility Assessment with regards to the property that has been completed by a State Historic Preservation Officer *and* a timeline for when Part 1 and Part 2 Approvals will be received by the development.

#### *Public Official Contact Verification*

Q: What constitutes "proper evidence" of public official contact verification?

A: The following constitutes proper evidence for contact verification:

1. A copy of the letter sent to the public official *and* the certified mail receipt that shows the person or someone in their office received the letter. This can be the green card from the post office or a print out from the delivery company that shows when the letter was received and by whom.

Or

2. A letter of support or a letter of acknowledgement that the letter has been received from the public official in question.

*Relocation: General Information Notice*

Q: Do I need to have sent the GIN and provide in the application evidence that each tenant received the notice?

A: No. You are required to provide a draft of the GIN that will be sent to each tenant once you have been reserved funding. You must give notice once funding announcements are made, but you certainly may choose to do so sooner, however, you are not required to do so.

**Underwriting**

*Maximum Cost*

Q: When calculating the maximum cost limits utilizing the 221(d)(3) limits, am I to compare the maximum with the Replacement Cost without Acquisition on line 47 of the budget or with the Total Replacement Cost on line 53 of the budget?

A: MHDC compares the value of the Total Replacement Cost on line 53 of the budget with the maximum limit calculated using the 221(d)(3) limit adjusted, if applicable, for location in the eight recognized metropolitan statistical areas or for historic conversion.

*Applicable Credit Rate*

Q: For 2009 NOFA applications what applicable credit rate should I use?

A: 9% applications should use 9% for calculating the credit on the 9% adjusted basis and, if applicable, the latest 30% PVC applicable percentage for the acquisition credit. The June 2009 30% PVC equals 3.30%.

4% applications should use the latest 30% PVC for both the 4% adjusted basis and any acquisition adjusted basis.

*Loan Underwriting*

Q: Will I receive extra consideration or preference for tax credits if I apply for a loan from MHDC?

A: No. MHDC does not give preference based upon the type(s) of funding requested. Funding decisions are based upon the priorities and selection criteria established in the QAP. It is important to note however, MHDC reserves the right to underwrite a loan into any deal that does not show permanent amortizing debt. If a loan is underwritten into a deal, MHDC will make sure that the projections show trending and performance that would be expected of developments that have a loan from either MHDC or a private lender.

This does not mean that MHDC will make a loan to the development, just that an amortizing loan using realistic market terms will be used to determine the amount of credits awarded. In cases where MHDC adds a loan during underwriting to a recommended proposal and that loan is less than \$200,000, MHDC will offer that development a HOME loan. In all other cases MHDC may offer the development a loan depending on funding availability. If there are circumstances which legitimately make having a loan infeasible or unadvisable, they should be addressed in the development narrative.

In addition to underwriting a loan into a deal, MHDC reserves the right to increase, or decrease the amount and/or adjust any terms of any loan presented in an application. This will be done to appropriately determine the amount of credit needed for the development.

### *30% Basis Increase*

Q: Will MHDC designate any areas that are not already eligible for the 30% basis increase eligible for the 2009 NOFA round?

A: Yes. The QAP has been amended to allow for a 30% increase in eligible basis for 9% developments located in Midwestern Disaster Area counties, 9% preservation proposals, and 9% developments which are deemed to meet the service-enriched housing priority.

### **Selection Criteria**

#### *Development Team Characteristics*

Q: Is a developer or general partner with no previous experience allowed to apply?

A: Yes you can apply. Experience is an important factor in funding decisions, but a lack of experience can be overcome by hiring development team members that provide the experience and expertise necessary for a successful development. If you are lacking experience, it is important that you indicate in your narrative who will be providing the necessary level of skill and knowledge.

## **Funding Sources**

Q: Will there be HOME funds available for the second round?

A: Yes. There will be HOME funds available for both the 9% and 4% applications.

Q: Does MHDC offer construction loans?

A: Yes. There are two types of construction loans.

1. If an applicant is awarded a participation loan, a first lien position construction loan will be made to the development. The amount of the construction loan cannot exceed 80% of the sum of the appraised value of the as complete development and any favorable financing.
2. If a HOME loan is requested, then an amount equal to the permanent loan will be disbursed during construction. This loan will be in a second lien position if there is a conventional construction loan utilized by the development.

Q: Will there be TCAP funds available for the second round?

A: Maybe. The priority for the use of TCAP funds will be the Gap Funding Round for previously awarded tax credit developments. Should there be any TCAP funds remaining after Gap Funding awards, they will be made available to second round applicants.