2021 Draft Qualified Allocation Plan

Summary of Changes

July 29, 2021

What follows is a summary of proposed changes to the 2021 Draft Qualified Allocation Plan.

All necessary dates have been changed to reflect the 2021 funding year.

All language referencing the applicable percentage of these two categories has been updated to reflect the fixed 4% applicable percentage because of the change in the applicable percentage rate for 4% LIHTC and Acquisition LIHTC.

Text that is highlighted is language taken directly from the Draft QAP.

Page numbers at the end of entries specify the page within the Draft QAP red-line version as posted at MHDC.com where the revision is located.

2021 QAP Changes

Cover Page

Effective date changed

I. General Information

C. Credit Types and Availability

Modified the language associated with the State LIHTC Accelerated Redemption Pilot Program. Page 2.

Up to fifty (50) percent of the total credits recommended by staff and approved by the MHDC Board may be selected for this pilot program, which shall only be open to developments that elect in their application to participate in this accelerated redemption pilot.

D. Notice of Funding Availability

Changed the date "Rolling Applications" will be accepted to October 1, 2021 – August 31, 2022. Page 2.

E. Deadline and Application Fee

Changed the application deadline TBD. Page 2.

II. Standards

C. Underwriting Standards

9. Added a maximum 9% LIHTC request for each of the geographic areas: A $800,000 per year cap for the Kansas City and St. Louis Regions; a $750,000 per year cap for the MSA-Rural Region; and a $700,000 per year cap for the Rural Region. Page 11.

12. Added language allowing HOME funds from the American Rescue Plan Act of 2021 to be used for The Homeless Assistance and Supportive Services Program. Page 12.

This new program was approved under the HOME program in the American Rescue Plan Act of 2021. To qualify for this MHDC resource under the MHDC 2021 QAP, developments must commit to setting aside 15% or more of the units for the following tenant population:

- Homeless;
- At-risk of homelessness (as defined by the McKinney-Vento Homeless Assistance Act);
- Fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking
- Individuals for whom provision of supportive services or assistance herein would prevent homelessness or who are at the greatest risk of housing instability; or
- Veterans and their families that meet any of the preceding criteria.

Funds for the Homeless Assistance and Supportive Services Program for the set-aside tenant population of qualified developments as specified above may be used for the following:

- Development and support of affordable housing, as currently permitted under the HOME Program;
- Supportive services, including activities such as housing counseling and homeless prevention services;

Development proposals that include committed rental assistance for the set-aside units are highly encouraged to apply for this resource; however, well intended quality proposals may be pre-approved to use tax credit equity to fund capitalized rental assistance reserve escrow. Capitalized rental assistance will not receive rental assistance points.

As this is a new funding resource, MHDC encourages applicants to think creatively about how to utilize this resource in their applications. MHDC encourages new and innovative proposals and ***strongly encourages*** applicants interested in applying for this resource for supportive services or used in combination with tax credit equity funded rental assistance to meet with MHDC staff to discuss the general details of the proposal. The deadline for such meetings is two weeks before the application deadline.

13. Added language allowing the use of 811 Project Rental Assistance (PRA) for developments that qualify. Page 12.

811 PRA is a new resource available to Missouri to assist in the development of integrated affordable supportive housing for people with disabilities who might otherwise be institutionalized or become homeless. MHDC will make available approximately twenty-five 811 PRA units through this QAP. The 811 PRA program must serve households in which one non-elderly adult 18-61 has a qualifying disability

at the time of admission, are extremely low-income and are eligible for Medicaid services. This is a rental assistance program, not a loan program. Eligible properties will receive an award through the Missouri 811 PRA Program for project-based rental assistance. The PRA units will then be rented to persons with disabilities referred by the Missouri Department of Social Services and Missouri Department of Mental Health. No more than twenty-five percent of the units in a development may be eligible for any subsidy under the program to ensure the housing is integrated. No more than twenty-five percent of total units in the project can be set-aside for individuals with disabilities, regardless of whether or not the units receive rental assistance. The 811 PRA program requires owners to enter into a 20-year Rental Assistance Contract (RAC) and a 30-year use restriction. PRA funding is available for the first five years of the RAC with subsequent annual renewals (or other frequency determined by HUD) subject to federal appropriations. Further details regarding the 811 Project Rental Assistance (PRA) requirements can be found in the Developer's Guide.

III. Housing Priorities

6. CDBG-DR

Deleted the reference to the amount of CDBG-DR funding available and the zip codes associated with the funding. Page 18.

Reservation Process

3. Secondary Document Review

Changed the maximum amount of time from 2 weeks to 1 week that an application's market study may be late when accompanied by a pre-approved MHDC waiver. Page 23.

C. General Scoring – PHASE III

Changed the minimum threshold for points required to proceed to Underwriting from 100 to 92 and adjusted points possible in the Development Characteristics category from 81 to 71 and in the Uses of Resources category from 52 to 50. Page 24.

Income Targeting

Removed the Income Targeting points restriction for developments that have Project Based Section 8, Rural Development Rental Assistance and Public Housing. Page 24.

Services

Changed the maximum possible points for services from 10 to 5. Page 25.

Previous Phase Success

Clarified that to qualify for points in the Previous Phase Success category, the second phase must be located within ½ mile driving distance from the first phase. Page 25.

Economic Development

Modified language to better define how a development scores points in this category. Page 26.

Up to 5 points may be awarded to applicants that prove an intentional link to new and planned economic development projects. This link will be demonstrated by its proximity to the development, direct transportation connections between the housing and jobs, and demonstrated coordination between the housing and economic development projects. The economic development projects should be no more than two years old, or planned to open within two years. The economic development projects should employ a total of at least 20 employees. These jobs may include entry level or service workers who could benefit from the planned affordable housing. Each applicant requesting points in this category must include an exhibit that includes media releases, marketing materials, or direct correspondence showing the number of jobs being created by the economic development project(s) and the need for housing. This can come from internet searches, local economic development agencies, or the economic development itself.

Points will be awarded based on the below criteria:

- 1 Point - A map showing that the location of the housing development and the location of the target economic development project(s) is within the same Primary Market Area.
- 1 Point – A map showing that the location of the housing development and the location of the target economic development project(s) is within:
    - 2 miles of the housing development site for SL, KC and MSA-Rural Regions.
    - 5 miles of the housing development site for Rural Region.
- 1 Point - A map highlighting transit routes, greenways, or other significant transportation modes connecting the economic development project(s) and the housing development. One of the routes must begin and end within ½ mile walking distance of the housing development and of the economic development project(s).
- 2 Points – Proof of direct coordination with the economic development project, proof of correspondence and coordination should be provided in the form of a letter from the economic development project stating how the affordable housing proposal will support their workforce. To qualify for these points, the location of the economic development project(s) must be within the PMA of the housing development.

The affordable housing development cannot be considered as the economic development project.

Zoning

Removed the point category for zoning. Page 27.

Extended Compliance

Added this category to award up to 5 points for developments that waive the right to opt-out at the end of the 15 year LIHTC compliance period. Page 27.

Development proposals that waive the right to opt-out at the end of the 15 year LIHTC compliance period will be awarded points based on the table below.

# of years extending the Compliance Period	Points
5 - 9 years (Total Compliance Period 20-24 years)	1
10 - 14 years (Total Compliance Period 25-29 years)	3
>=15 years (Total Compliance Period 30 plus years)	5

Leveraged Funds

Modified the definition for qualifying interest rates for leveraged funds that are loans from private institutions or other entities. Page 27.

Loans from private institutions or other entities may be counted as leverage funds if the interest rate referenced in the LOI is guaranteed to be below the 2-year Treasury Rate plus 200 basis points for construction loans, and/or below the 10-year Treasury Rate plus 200 basis points for permanent loans as of the date of Firm Submission for approved developments.

Federal Historic Tax Credits

Modified language to allow 4% Rolling Applications (by definition these application cannot request State LIHTC) to qualify for these points if they request Federal Historic and State Historic tax credits. Page 28.

National Housing Trust Fund

Decreased the number of possible points from 5 to 3. Added a requirement for all developments that request points in this category to submit with the application a pre-approved MHDC Desktop Environmental Review affirming that MHDC does not believe there are any environmental issues will prevent the use of NHTF. Page 28.

Non-Profit Set-aside and HOME CHDO

Clarified that pursuant to the Code, 4% TE Bond applications do not qualify for the LIHTC Non-Profit Set-aside points. Page 29.

D. Underwriting/Selection Criteria – PHASE IV

Development Characteristics

b.ii. Added an additional exception to the maximum 60 affordable units development size. Page 31.

Development selecting income averaging as its tax credit set-aside where at least 10% of the units are designated as 80% AMI units.

Market Characteristics

Added language that "If the proposed development is a new construction phased development, the previously approved development (i.e. Phase I or Phase II) must be 90% or greater leased up and have cost certified at least 90 days before the subsequent phased proposal can be submitted for consideration for funding." Page 32.

Added language that "Notwithstanding the competitive scores of applications in a Geographic Region, MHDC may in its sole discretion, limit the number of developments in a specific market or city if MHDC determines that there is insufficient demand or that a particular development would have adverse impact on low income housing developments existing in a given market area." Page 32.

Added language that "In the event that multiple applications are submitted for a given market area that cannot support all of the developments that would have received recommendation for Commission approval in a Geographic Region, MHDC may select one (1) or more that will best serve the market demand for the area." Page 32.