FY2019 Draft Qualified Allocation Plan and Developer’s Guide

Summary of Changes

July 1, 2019

What follows is a summary of proposed changes to the FY2019 Draft Qualified Allocation Plan and Developer’s Guide. Noted Developer’s Guide changes only include those that are not addressed in the QAP section. This summary is being provided to assist you in your review.

All necessary dates have been changed to reflect the 2019 funding year.

2019 QAP Changes

Cover Page

Effective date changed.

1. General Information

D. Notice of Availability and E. Deadline and Application Fee

Removed TCAP as an MHDC funding source.

Application due date will be Friday, September 27, 2019.

Added, “MHDC may elect to accept applications for 4% Credits that do not include a request for other MHDC-administered funds on a rolling basis from September 2, 2019 to August 31, 2020. Should MHDC elect to accept any applications on a rolling basis, such election will be set forth in the 4% NOFA.” Removed the sentence, “Approvals of 4% Credit applications that do not include a request for MHDC-administered funds will be made by staff on a rolling basis, as set forth in the 4% NOFA.”

Removed reference to the Property Disposition Priority for proposals with property publicly listed by MHDC.

F. Application Scoring Model

Added the following brief description of the Application Scoring Model, “For Fiscal Year 2019, as an additional aid in awarding LIHTCs, MHDC has established an evaluation rubric against which applications shall be scored. The new system is described in detail within this QAP and further information and guidance is included in the Developer’s Guide.”

II. Standards

Development Standards

Updated the MHDC required accepted building code year from 2012 to 2018 in the absence of locally accepted codes.
Clarified that for mixed-income developments that are not electing the Average-Income Minimum Set-Aside, MHDC requires the affordable units to be distributed proportionately when feasible and practicable.

Added, “When Average-Income Minimum Set-Aside is elected, skewing the unit configuration such that unit Area Median Income (“AMI”) designations are not reasonably distributed throughout the development will not be allowed in the initial unit designations and throughout the affordability period.”

Underwriting Standards

Clarified that tax credit units “that are designated at 60% AMI should be at least 15% less than market rents.” This is a clarification because of the Average-Income Minimum Set-Aside.

Removed the larger-mixed use economic development area including the Transit-Oriented Development section as a State Designated Difficult Development Area.

Clarified that MHDC will hire an independent third party to provide an appraisal for all developments.

Added the following clarifications to Development Financing Commitments/Letters of Intent: “The lender must agree to MHDC’s required deal terms. The form of Participation Loan Agreement is available on MHDC’s website.” Additionally, if developments select the Income Averaging election, the LOI must confirm the selection.

III. Housing Priorities – this is now its own section rather than part of the Reservation Process section.

Removed the following priorities: MBE/WBE, Property Disposition, 50% AMI, Transit Oriented Development, and Redevelopment Plan.

For the Nonprofit Involvement Set-aside, noted that, “material participation is defined in §469(h) of the Code, further guidance on material participation is outlined in the Developer’s Guide.”

Added a HOME CHDO Set-Aside. “Home regulations dictate that 15% of HOME Funds must be loaned or granted to qualified Community Housing Development Organizations (“CHDO”). Certain legal, organizational, and other requirements apply for nonprofit organizations to qualify for CHDO status (24 CFR Part 92.2). If the development is seeking HOME funds under the CHDO priority, the nonprofit entity must be the sole general partner (in the case of a limited partnership) or sole managing member (in the case of a limited liability company) of the ownership entity to qualify.

Developments wanting to be considered for this priority must fully complete the applicable sections of the application and provide the following with the application:

i. Nonprofit Organization’s Certificate of Incorporation;

ii. Articles of Incorporation and By-Laws;

iii. Missouri Certificate of Good Standing;

iv. IRS letter evidencing nonprofit status; and
v. MHDC Nonprofit Questionnaire which describes the organization’s role in detail, including how material participation pursuant MHDC guidelines, will be met and what share of profits, losses, and fees go to the nonprofit organization.

vi. CHDO Recertification Form R-100 with all attachments.

In the Set-aside Preferences section, updated tenant populations: a person with special needs is a person who is: “(a) physically, emotionally or mentally impaired or is experiencing, or being treated for, or has a diagnosis or a history of mental illness; or (b) developmentally disabled.”

In the Service Enriched section, added the desired outcomes for Service Enriched properties, “The desired outcomes are for tenants to stay housed, have social and community connections, improve their physical and mental health, increase their income and employment, and to be satisfied with the services and housing.” This has been in the Developer’s Guide in previous years. Also, updated one of the populations to read, “individuals with physical impairment and/or developmental disability;” directs applicants to refer to the Developer’s Guide for further guidance.

Added a CDBG-DR Priority: “Applications that include CDBG-DR leveraged funds as a source are strongly encouraged. These applications must obtain an “Intent to Fund” letter from the Missouri Department of Economic Development (DED) and include this letter with their application submission. CDBG Disaster Recovery (CDBG-DR) funding is authorized under Title I of the Housing and Community Development Act of 1974, as amended. The state of Missouri received an allocation of $58,535,000 in response to the severe storms, tornadoes, straight-line winds, and flooding that occurred between April 28 and May 11, 2017. DED has been designated the responsible entity for administering the CDBG-DR funds allocated to the state. DED has earmarked approximately $25 million to be paired with LIHTC for new construction of affordable housing developments in the five earmarked zip codes (63935, 63965, 64850, 65616, and 65775). Each grantee will be limited to $5,000,000. Applicants interested in leveraging LIHTC equity with this funding source should refer to the Developer’s Guide and DED for more information regarding the CDBG-DR program.

In the Workforce Housing section, updated the statewide median income year to 2018, and clarified that 60% rents should be different than the 80% rents. This clarification is due to the Income-Averaging election.

Added an Opportunity Zone priority: “MHDC understands the potential role of Opportunity Zones in the economic development of distressed communities and encourages affordable housing developments in Opportunity Zones that have commitments of Opportunity Fund Investment(s). Opportunity Zones are census tracts in distressed communities designated by state and federal governments targeted for economic development; and an Opportunity Fund is a new investment vehicle created as part of the Tax Cuts and Jobs Act of 2017 to incentivize investment in Opportunity Zones. Further details regarding Opportunity Zones, including a link to the list of the Designated Qualified Opportunity Zones, can be found in the Developer’s Guide.”

Reservation Process – This section is now formatted to follow the Scoring Model Phases. Sections from prior QAPs are largely the same, just changed the order of appearance. Significant changes will be noted in this document.

A. Document Review – PHASE I
The “Initial Review” section is now titled “Document Review Guidelines.” This outlines basic requirements, such as, application organization, current standing with MHDC and applicable laws.

“Primary Document Review” is now titled “Threshold Documents.” Noted that if any of the listed documents are missing, an application will be eliminated from consideration. The required documents are: an executed FIN-100, the application fee, a development narrative, financing commitments, local jurisdiction verification, and information showing the economic impact the development will have to Missouri.

Added the following language within the Document Review Guidelines, “Good Standing with Other Entities. Any member of the development team that is the owner or general partner of a LIHTC development who is currently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any Federal, State, or local department or agency may be denied participation in the NOFA, in MHDC’s sole and absolute discretion.”

The economic impact must provide: 1. a description of the proposed services that will be performed and/or the proposed products that will be provided by Missourians’, 2. a description of the economic impact returned to the State of Missouri through tax revenue obligations or otherwise, 3. a description of the Development Team’s economic presence within the State of Missouri, including Missouri employee statistics; and 4. for senior and permanent supportive housing development proposals, projected Missouri savings in Medicaid expenses.

A development Questionnaire is no longer required, but an incomplete narrative will result in the application being eliminated from consideration. The Developer’s Guide will outline the updated required components of the narrative.

The “Secondary Documentation Review” includes all of the remaining required documents. If five or more secondary review documents are missing or are incomplete at the time the application is submitted, the application will be rejected. The number of documents is a change from previous years.

*Phases II and III are located following the List of Changes. They are in the same format as presented in the QAP.*

**B. Priority Scoring – PHASE II**

Applications that pass the Document Review – PHASE I will be divided into two (2) groups for the Priority Scoring – PHASE II. Applications will be assigned to one (1) of the two (2) following groups.

**Priority Group** - Applications that meet one or more of the following development types below qualify for the Priority Group and will be assigned forty-five (45) points in addition to points earned in General Scoring – Phase III.

- Workforce Housing;
- Non-Profit as defined in section III of this QAP;
- Service Enriched, including Veterans Housing;
- Special Needs, Vulnerable Populations, and Independence Enabling;
- Preservation;
- CDBG-DR;
- HOME CHDO
- Opportunity Area; or
- **Opportunity Zone**

**Non-Priority Group** - Applications that do not qualify for the Priority Group are designated Non-Priority Group applications and assigned zero (0) Phase II points.

**C. General Scoring – PHASE III**

All qualifying 9% applications will go through General Scoring – PHASE III. Applications undergoing Phase III review must earn at least 75 combined points in Phases II and III to qualify for Underwriting – PHASE IV review and be considered for funding. Applications that do not earn at least 75 combined points in Phases II and III will not be considered for funding.

There are three categories of points in Phase III: Development Characteristics has 40 points possible, Use of Resources has 30 points possible, and the Development Team has 30 points possible.

**Development Characteristics Category**

- **Income Targeting – 0 – 6 Points**
  Developments that target a percentage of units to lower income households will be awarded points as described below. Evaluation will be based on LIHTC income determination guidelines. The maximum number of points an application can receive is six (6) points. Proposals are not eligible for Income Targeting points if they have Project Based Section 8, Rural Development Rental Assistance and/or Public Housing Assistance: 10% or greater of the units affordable to households at 30% AMI – 6 points; 10% or greater of the units affordable to households at 40% AMI – 4 points; 10% or greater of the units affordable to households at 50% AMI – 2 points.

- **Mixed Income Development – 10 points**
  Developments that have at least 10% market rate units (units above 80% AMI) or Income Averaging Units at 80% AMI will be awarded ten (10) points.

- **Services – Up to 5 points**
  Developments that qualify for the Service Enriched Priority and commit to provide services that fall under the Service Parameters as reflected below will receive one (1) point per category for which they commit at least one service. Service Parameters are: Housing Stability, Increased Income and/or Employment; Physical and/or Mental Health; Quality of Life; and Social and Community Connection.

- **Previous Phase Success – 1 point**
  Phase II development proposals will be awarded one (1) point if the previous phase has a vacancy rate of less than five percent and has a waiting list. Points are not eligible to subsequent phases.

- **Site Location – 0 – 5 points**
  Developments may qualify for one of the following categories and will not receive points for both
  a. Developments that are located in rent burdened areas as demonstrated by county 2011-2016 CHAS data will be awarded points as described below. The rent burdened household information is published on the MHDC website. Greater than 50% of rent burdened households – 5 points; Greater than 40% of rent burdened households – 3 points; Greater than 30% of rent burdened households – 1 point.
CHAS data defines rent burdened households as those paying more than 30% of their income for housing.

b. Family sites in an Opportunity Areas as described within this QAP will be awarded 5 points.

- Preservation – 3 points
  Development proposals that qualify for the Preservation priority will be awarded three (3) points.

- Zoning – 10 points
  Developments that show evidence that the site is properly zoned to allow the proposed development at the time of application submission will be awarded ten (10) points. If there is no zoning, a letter from the locality stating that no zoning exists is acceptable as evidence that the proposed development is allowed at the proposed site.

Use of Resources Category

- Leveraged Funds – 0 – 5 points
  Developments that have executed Letters of Intent (LOIs) for unaffiliated party grant funds, capital campaign funds, federal funds, energy/utility rebates/incentive program funds, and/or municipal funds will be awarded points based on the percentage of award as it relates to the Total Development Budget. Greater than 2.5% of leveraged funds – 1 point; greater than 5% of leveraged funds – 3 points; greater than 7.5% of leveraged funds – 5 points. Historic Tax Credits are not included in the calculation.

- Federal Historic Tax Credits – 5 points
  Developments that have executed LOIs for Federal Historic Tax Credits will be awarded 5 points. Applications requesting State Historic Tax Credits will not be awarded the 5 points.

- National Housing Trust Fund – 5 points
  Development that request and qualify for National Housing Trust Fund funds will be awarded 5 points.

- Total Development Costs – 10 points
  Applications that are submitted under the MHDC defined Total Development Cost Maximum will be awarded 10 points.

- Rental Assistance – 5 points
  Development proposals that include committed rental assistance for at least 15% of units will be awarded 5 points. Developments with Rural Development, Project Based Section 8 or Public Housing will not be eligible for the points in this category. MHDC will accept rental assistance commitments for at least three year terms. Longer commitments will be viewed more favorably in the Underwriting Phase.

Development Team Category

- Non-Profit and HOME CHDO – 5 points
  Developments that qualify for the non-profit set-aside as defined in section III of this QAP and/or developments that qualify for the HOME CHDO set-aside will be awarded 5 points.

- Development Team Prior Performance – 0 – 25 points
An application will be awarded up to 25 points based on a Development Team’s prior MHDC performance. Significant cost increases, significant additional funding requests, responsiveness, timeliness, compliance with MHDC’s Asset Management Division, and consistency over time will be considered. Developers, Co-developers, General Contractors, Management Agents and Syndicators will be evaluated as a team and MHDC will consider the prior 5 years. An application submitted by a developer with no prior experience with MHDC, but which includes other Development Team members that do not have prior experience with MHDC will be evaluated based on the prior performance of the entire Development Team and may earn up to a maximum 25 points.

D. Underwriting/Selection Criteria – Phase IV

Priority Group and Non-Priority Group applications that earn a minimum of 75 points in Phase II and Phase III qualify for funding consideration. Final funding decisions are within the sole and complete discretion of MHDC.

This section is the same as the Selection Criteria section of previous QAPs with the exceptions noted below.

Added the sentence, “MHDC will give preference in funding to Priority Group applications as defined within this QAP.”

Moved the paragraph on site reviews from previous QAPs to the Phase IV section. Clarified that MHDC “may” conduct a site visit, rather than, “will.”

Updated the development size maximum: applications are now limited to sixty (60) affordable units.

Added the following statement, “MBE/WBE (Minority-Owned Business Enterprise/Women-Owned Business Enterprise). In 2018, 32% of the total number of applications approved were MBE or WBE Developer proposals. The goal for 2019 is to match the 2018 percentage. An MBE or WBE Developer Application is one where: (1) the Developer is an MBE or WBE; (2) the Developer Group includes an MBE or WBE; (3) there is a Developer Mentor/Protégé relationship. In addition, all applicants must commit to meet the MBE/WBE participation requirements. See the Developers Guide for further details about the MBE/WBE Initiative.”

Added that developments that qualify for the IEH Priority are an approved exception to the 1 mile radius rule located in the Market Characteristics section.

Added the Redevelopment Plan preference to the Community Impact section: “Applications that are a part of a redevelopment plan which has been approved/adopted by a local government will receive a preference in funding. The application must include a letter from the local authorizing official that the proposed development is a part of the redevelopment plan. The application should also include a detailed description of the plan. A Redevelopment Plan should do the following:

- Identify planned public and private development in the community;
- Identify any resources committed to development;
- Set clear geographic boundaries for the community;
Describe the community;
Address housing and non-housing development, including infrastructure, amenities, and/or services beyond credit development;
Identify goals and action steps; and
Identify community partners.

Added the following section: “**Economic Impact.** The economic impact to Missouri of a proposed development is an important factor. MHDC will consider the Missouri economic impact of each proposal, including:

- Proposed services that will be performed and/or proposed products that will be provided by Missourians;
- The economic impact returned to the State of Missouri through tax revenue obligations, or otherwise;
- The Development Team’s economic presence within the State of Missouri, including Missouri employee statistics; and,
- For senior and permanent supportive housing development proposals, projected Missouri savings in Medicaid expenses.”

**IV. Allocation Process**

Changed the term “Final Allocation” to “Tax Credit Issuance” to be consistent with state legislation.

Changed language to Federal LIHTCs are “allocated.” This is to maintain consistency with the applicable legislation.

**E. Owner Elections**

The following has been added: **Minimum Set-Aside Test.** Each development must make a minimum set-aside election. Beginning with the 2019 Qualified Allocation Plan, a third minimum set-aside election has been established. The Owner must make an irrevocable election in the initial application of one of the following set-aside elections:

a. **20/50 Minimum Set-Aside:** At least 20% of its total residential units must be both rent-restricted and occupied by qualified low-income households who earn less than 50% of the area median gross income (“AMGI”) for that household size.

b. **40/60 Minimum Set-Aside:** At least 40% of its total residential units must be both rent-restricted and occupied by qualified low-income households who earn less than 60% of the AMGI for that household size.

c. **Average-Income Minimum Set-Aside:** At least 40% of its total residential units must be both rent-restricted and occupied by qualified low-income households whose income does not exceed the income limitation designated for the respective unit, where the average of the income-designated units may not exceed 60% AMGI. The unit designations will be made in 10 percent increments. Units may be designated at 30, 40, 50, 60, 70, or 80 percent AMGI.

The Average-Income Minimum Set-Aside election will not be permitted for developments which contain buildings that will be resyndicated.
F. Land Use Restriction Agreement

Added that AMGI unit designations will be in the LURA – in addition to the current list of items.

G. Compliance Monitoring

Added that, “Further information and guidance on compliance monitoring is included as supplemental to this Plan in the Developer’s Guide and the LIHTC Compliance Monitoring Manual, as may be amended from time-to-time.”

VI. Other Information

A. Program Fees

Added, “Plan Review Worksheet Revision Fee. A $25 per unit fee may be charged if a revision of the unit number assignments are required after the submission of the fully-executed Plan Review Worksheet at Cost Certification.” This is not a new fee, just moving it to the QAP for consistency.

2019 Developer’s Guide Changes

Changes noted in the QAP section will not be repeated in the Developer’s Guide Changes.

Rental Production Cycle

Added the statement, “Once the Conditional Reservation has been fully executed, if 9% Credits were awarded, the development will be issued a Carryover Allocation Agreement.” This is a clarification to bring flexibility to the timing of the Carryover Allocation Agreement.

Application Information

The Application

Clarified that MHDC’s accepted digital media will be a USB Flash drive.

Minimum Set-Aside Election

Added the following language related to the Average-Income Set-Aside:

- The Average-Income Minimum Set-Aside election will not be permitted for developments which contain buildings that will be resyndicated.

- Applicants shall submit a statement from the following groups, acknowledging the intent of the proposed development to operate under the Average-Income Minimum Set-Aside:
  - Every permanent non-MHDC funding source, including the state and federal syndicator(s) on behalf of the tax credit investors; and
  - Proposed management company.

- In the application, the applicant shall acknowledge that if a development:
  1. Contains market units (above 80% AMGI); and
  2. Intends to operate the development under the Average-Income Minimum Set-Aside;
If the development meets the above two conditions, the development must submit, and MHDC approve, a legal opinion letter stating that the proposed unit mix is currently, and throughout the Affordability Period, will be in compliance with the Code.

- The market study submitted as a part of the application, must affirmatively support the operation of the development under the Average-Income Minimum Set-Aside. The Market Study must provide LIHTC rents for all proposed unit types and rents at all AI minimum set-aside levels. For example, if the proposal has two and three bedroom units, the market study must provide rents for the two bedroom units at 30, 40, 50, 60, 70, and 80% levels and rents for the three bedroom units at 30, 40, 50, 60, 70, and 80% levels, even if the application only proposes rents at the 30%, 50%, 60%, and 80% AMI rent levels.

- Developments which elect the Average-Income Minimum Set-Aside may be subject to an increased per-unit compliance monitoring fee, as detailed in the Qualified Allocation Plan.

- The management company for developments which will operate under the Average-Income Minimum Set-Aside will be required to provide certification of training on the Average-Income Minimum Set-Aside prior to the lease-up of the development.

- Developments that elect the Average-Income Minimum Set-Aside must have a full-time on-site manager.

- The unit designations will be allowed to float throughout the project. AMI designations and bedroom sizes can also float, but MHDC reserves the right to enforce a remediation plan if MHDC determines that the development has deviated from the approved development plan. At minimum, MHDC will review the AMI designations and bedroom sizes annually.

- Skewing the unit configuration, where unit AMI designations are not reasonably distributed throughout the development, will not be allowed in the initial unit designations and throughout the affordability period.

- While the law did not change the minimum set-aside for Bond Developments, the Average-Income Minimum Set-Aside election is permissible to use with Bond Developments. The development must meet both the bond and the LIHTC requirements. Minimum set-aside requirements for Bond Developments remain 40/60 or 20/50.

- The 3345 form will determine all approved rent levels for future rent increase and unit deviations.

- The calculation method for determining income/rent limits for LIHTC units may not align with other programs, specifically HOME and the National Housing Trust Fund. MHDC will monitor those designated units for the most restrictive applicable funding source.

**Housing Priorities**

**Nonprofit Involvement Set-aside Priority**

Added the following language related to Material Participation:

Failure of the nonprofit to materially participate is a reportable noncompliance event on Form 8823.
Material participation is only present if the nonprofit is “involved in the operations of the activity on a basis which is regular, continuous, and substantial.” Taking into account Sections 42 and 469 of the IRC, the 8823 Guide and treasury regulations, as well as input from the IRS LIHTC Program, the following indicators or factors should be assessed on a case-by-case basis when determining the status of the nonprofit in question:

Material Participation may be present if Nonprofit:
1. Has a general partner (GP) or co-GP interest, or managing member interest in LLC;  
2. Is involved in day-to-day activities, or on a regular, not sporadic basis; 
3. Involved in regular activities throughout the year; and 
4. Is onsite regularly; and/or 
5. Hires third party management but pays the management company and management company reports to nonprofit, involving the nonprofit in regular decision making; 
6. Is involved more than 500 hours a year; or 
7. Is involved more than 100 hours a year and this participation is not less than any other owner.

Material Participation is not likely to be present or not present if Nonprofit:
1. Only has a limited partner role or investor member role; 
2. Participates only sporadically; 
3. Only passively consents to decisions by the management; 
4. Is involved less than 100 hours a year; 
5. Is not onsite regularly; or 
6. Third party management is supervised by for-profit entity.

For further discussion and guidance on material participation, please refer to MHDC’s Guidance on Low Income Housing tax Credit (LIHTC) Nonprofit Material Participation on MHDC’s website.

CDBG-DR

Added the following language related to CDBG-DR:

City and County governments in the affected areas are the only qualified eligible applicants; however, these local governments may propose affordable rental housing developments in conjunction with for-profit and/or non-profit developers proposing to receive low income housing tax credits through MHDC.

The Department of Housing and Urban Development (HUD) uses the “best available” data to identify and calculate unmet needs for disaster relief, long-term recovery, restoration of infrastructure, and housing and economic revitalization. Based on this assessment, HUD notified the State of Missouri that it will receive an allocation of $58,535,000 in disaster recovery funds to assist in recovery from the floods of 2017. Of the $58,535,000, DED has earmarked approximately $25 million to be paired with LIHTC for new construction of affordable housing developments in the affected areas. Each grantee will be limited to $5,000,000.
To ensure that the funds assist the most impacted areas, these are the prioritized five (5) zip code areas:

- 63935 – Doniphan area
- 63965 – Van Buren area
- 64850 – Neosho area
- 65616 – Branson area
- 65775 – West Plains area

Applicants that propose developments with CDBG-DR funds must obtain a Letter of Intent from DED prior to application submission. This letter does not guarantee an award from MHDC.

For more information about the CDBG-DR program and the application process, please contact the following individual with DED:
Sam Komo at sam.komo@ded.mo.gov or (573)751-3600

Service-Enriched Housing Priority

Added the following language related to the Service-Enriched Housing Priority, “Developments that offer service enrichment activities can improve the lives of tenants by focusing services to address five program outcomes. Desired outcomes of the Service Enriched Priority are for tenants to: 1) stay housed, and break the cycle of housing instability by remaining in permanent housing; 2) have social and community connections to build a personal support network and be active community members who choose to participate in organizations such as peer associations, faith communities, volunteer activities, voting, and community gardens; 3) improve their physical and mental health with access to needed physical and mental health care, preventative care, recovery services, and mental health screenings; 4) increase their income and employment by obtaining benefits and/or employment services or training, or connections to educational programs; and 5) be satisfied with services and housing which ultimately affects the quality of life for tenants and their ability to maintain stable housing. In order for developments to measure program success, baseline measurements should be set to compare data at specific intervals throughout the service enrichment program.”

Added requirements for the letters of intent from service providers. The letters should include, “Name of the service or program, the nature of the services or program that will be offered; service delivery plan; duration of commitment; and primary contact person with signature.”

Veteran’s Housing

Clarified that the detailed supportive service plan and the letters of intent from service providers have the same requirements as the Service-Enriched priority.

Underwriting Standards

In previous Developer’s Guides, the Underwriting Standards was called “Selection Criteria.” This section is largely the same, but some of the categories have been moved to the Application Review section. Any significant changes will be noted.

Property Disposition is no longer a priority; however, in the event MHDC has real estate owned and publicly listed, MHDC encourages applicants to purchase. “The application must propose an acquisition/rehabilitation transaction that will be evaluated on its merits according to the selection
criteria and its ability to demonstrate potential long-term success as an affordable housing development. The application serves as both the competitive bid to purchase the asset and the application for financing to fund the property's acquisition and renovation. Therefore, multiple applications for the same property may be submitted by different development teams competing for the opportunity to purchase it. Application fees and market study requirements will be waived for Property Disposition applications. The following must be included with the application: A signed option contract representing the applicant’s offer to purchase the MHDC-held property on the MHDC option contract form. The MHDC form will be made available on the MHDC website in conjunction with any MHDC-owned real property that is publicly posted. Any other certifications or documents required by MHDC and made available on the MHDC website in conjunction with the listing of any MHDC-owned real property."  

**Application Forms, Exhibits, and Digital Media**  

MHDC will only accept a USB Flash Drive as the digital media submission.  

**Project Description**  

The Development Questionnaire is no longer part of the application, but the narrative will require that certain items are addressed: The narrative must, at a minimum, address the following items in the order listed:  

1. Development Characteristics: describe the type of development, population served, design, amenities, services, and whether this project will be part of a phased development.  
2. Market Characteristics: describe the rent structure and how those rents compare with other affordable and market rate properties in the area. Also discuss how the application will address the relevant housing needs and what this development brings to the market that the comparable properties do not.  
3. Development Team Characteristics: explain the key development team members and highlight experience with similar development types.  
4. Financial Feasibility: provide a description of anything unusual regarding feasibility that may not be obvious from looking at the rest of the submitted information. Provide any unusual milestones or approval processes that will need to be reached in order to proceed to firm commitment and closing in a timely manner. Also describe the level of contact you have had with the syndicator or investor providing the equity letter supplied with the application.  
5. Community Impact: explanations of the level of local support/opposition, catalytic effect and how the Application will address the needs of the community.  
6. Narrowing the Digital Divide: specifically address compliance with the HUD Broadband Rule and how the development will comply with the Rule.  
7. Other Salient Information: provide any information or description of the development that explains any unique or important characteristics that would help MHDC better understand what you are trying to accomplish.  

**Market Study**  

Added, “For applicants that elect the Average-Income Minimum Set-Aside, the market study must affirmatively support the proposed operation of the development under that minimum set-aside election.
That market study must provide LIHTC rents for all proposed unit types and rents at all AI minimum set-aside levels. For example, if the proposal has two and three bedroom units, the market study must provide rents for two bedroom units at 30, 40, 50, 60, 70, and 80% levels and rents for three bedroom units at 30, 40, 50, 60, 70 and 80% levels, even if the application only proposes rents at the 30%, 50%, 60%, and 80% AMI rent levels.”

*Preliminary Financing Commitments*

For rehabilitation proposals with existing tenants, added, “Applicants must include the “MHDC Income During Construction Calculator” workbook.”

*General Scoring*

The scoring section is the same as the QAP with one clarifying section in the Rental Assistance category.

Added, “For instances where the proposed rental assistance are funds set-aside, Rental Assistance is calculated as the difference between net rent and 30% of household income. The minimum amount of available rent assistance per assisted unit must be at least 15% of net rent for a minimum of three years. Specific details will be evaluated in underwriting. Longer periods of time and greater maximums will be viewed favorably.”

*Underwriting/Selection Criteria*

Added a Unit Configuration Section:

All units in the development will be assigned unit designations at application. Those designations will be updated and kept current throughout the life of the development including at conditional reservation, firm commitment, cost certification, and during the affordability period. The unit designation categories are as follows:

1. **Primary Unit Designation.** Each unit can only be assigned one primary unit designation. The primary unit designations are:
   1. Affordable
   2. Market
   3. Employee

2. **Secondary Unit Designation.** Each unit may have zero, one, or more secondary unit designations. The secondary unit designations are:
   1. LIHTC
   2. HOME
   3. NHTF
   4. AHAP
   5. Set-Aside (SA) – Vulnerable Populations
   6. SA – Special Needs
   7. Independence Enabling Housing (IEH)
   8. Companion Living (CL)
   9. Workforce
   10. Section 8
   11. Accessible
   12. Rural Development
3. **MHDC Program Unit Designations.** Each unit in a development will have an AMGI designation. MHDC-Program units will have designations from 20% AMGI – 80% AMGI. Employee and Market units will not be designated with a specified AMGI, but as “Employee” or “Market” respectively. All MHDC-Program designations will be at Federal LIHTC rent and income restrictions. The MHDC Program Unit Designations will be allowed to float throughout the project, once the development is in operation, as permitted by other funding source restrictions.

4. **HUD Unit Designations.** Each unit in the development that is designated with a HUD program (HOME and/or NHTF) must also make a HUD Unit Designation. Identifying what HUD rent and income levels that unit will comply with.

**NOTE:** HUD rent and income limits are not equal to LIHTC rent and income limits at each AMGI level. If a unit has both MHDC Program Unit Designation and a HUD Unit Designation, MHDC will monitor the unit as the most restrictive level.

**Skewed Unit Configuration**

Specially designated units such as HOME, NHTF, SA-Vulnerable Populations, SA-Special Needs, IEH, and AMGI designated units should be reasonably distributed throughout the development.

Skewing of the unit configuration of specially designated units and AMGI designated units, will not be allowed. The unit configuration will be reviewed at each stage of the development process, and will be monitored throughout the compliance period.

Skewed unit configurations that raise fair housing concerns will require corrective action.

**Community Impact**

Proposals in a Redevelopment Plan area is no longer a priority; however, developments in a QCT that also contribute to a concerted Redevelopment Plan will be eligible for an increase in eligible basis by up to 30%. The requirements for a Redevelopment Plan have been moved to the Community Impact section.

**Pre-Conditional Reservation**

**Ownership Entity Organizational Documents**

Added that a copy of the Articles of Organization or Incorporation needs to be submitted.

**Property Information**

An updated development schedule and a Form 3345 will now be included in the Pre-Conditional Reservation items.

**Allocation of Low-Income Housing Tax Credits (LIHTC)**

**Tax Credit Authorization Agreement for 4% Credit Developments**

Added this section along with the following, “4% Credit developments that receive a conditional reservation of Federal LIHTC must sign a 4% Tax Credit Authorization Agreement (“4% Authorization”). The 4% Authorization defines the estimated amount of Federal LIHTC that will be allocated at 8609 issuance, the low-income unit set-asides, the percentages of median income to be served, the special housing needs or vulnerable persons units committed to, if any, the Building Identification Number(s) (BINS), and any other such requirements as MHDC may choose to include. The 4% Authorization will be
prepared and issued after the execution of the Conditional Reservation, but before December 31 of the same year.”

**Conversion/Permanent Loan Closing**

**Conversion Requirements**

Added two statements: 1. All reserves will be funded before conversion can occur and 8609s can be issued, 2. In rehabilitation developments, if items on the chattel list are not new, they must be certified to MHDC’s satisfaction that all used items have a remaining useful life of at least five years.

**Compliance Reporting**

**Annual Reporting – Tax Credit Program Reporting Requirements**

Added, “Please be advised that Asset Management has updated certain Exhibits which may now be submitted via email. All exhibits must be sent to the dedicated email address. MHDC staff will not accept exhibits emailed directly. The owner’s Certificate of Continuing Program Compliance Exhibit A may be submitted electronically.

Forms available for electronic submission are available on the MHDC website.

Please review the directions in the "Electronic Submission Agreement and Disclosure Box" on each form, the email address on the form may vary based on the reason for submission. Please note that MHDC compliance officers will verify compliance with these updated forms and requirements during inspections.

These forms and electronic submission are to be used effective immediately.

**The National Housing Trust Fund Program**

Added the following, “MHDC Asset Management is responsible for ensuring the ongoing compliance of rental housing that has been financed by MHDC using National Housing Trust Fund (NHTF) Funds. This includes ensuring owners of such housing are complying with the income limits, rent restrictions, physical condition standards, and other compliance issues specified by federal NHTF guidelines to meet the housing needs of low and very low income Missouri households.”

**Ownership Change/Transfer of Physical Assets (TPA)**

Clarified that the review time may be “more than 30 days” and that, “outstanding noncompliance at property may also delay the TPA approval process.”

**Added an Average-Income Set-Aside Vacancy Tracking**

For developments that elect the Average-Income Set-Aside, unit vacancies must be tracked so that the 60% AMI average requirement can be properly maintained.

- Developments must maintain separate waiting lists for each of the AMI designations offered by the development.
- When a unit becomes vacant, the development must first choose a tenant from the waiting list applicable to the previous income/rent AMI designation of that unit, e.g. the unit was a 40% AMI unit, so the next person on the 40% AMI waitlist should be selected.
If there is not a prospective tenant on the waitlist for the AMI designation for that unit, then the developments should choose the next person that is within the 20% deviation of the AMI unit designations. That person would pay the rent based on the previous income/rent AMI designation.

**Rent Increase Guidelines**

Clarified that, “Mid-term lease increases are not allowed, and tenant leases are not to include language that allows rent increases in the middle of the tenant’s lease term.” And, “For developments electing Average-Income Set-Aside, the income and rent levels will be assigned from the beginning based on the market study submitted at application. MHDC will input the income levels into AMRS so developments can track the range for every potential income and rent level.”