

FY2018 Draft Qualified Allocation Plan

Summary of Changes

September 7, 2017

Following, is a summary of proposed changes to the FY2018 Draft Qualified Allocation Plan. It is being provided to assist you in your review. All necessary dates have been changed to reflect the 2018 funding year.

Cover Page

- Effective date changed

I. General Information

D. Notice of Funding Availability

- Revised the sentence: *“Once approved, the NOFA will be posted to the website”* to read: *“In addition to tax credits, the NOFA will reflect funding from the following sources: MHDC Fund Balance, HOME, National Housing Trust Fund, and TCAP Program Income. The NOFA will be published to the website:”*
- Revised the first two sentences of the fourth paragraph to read, *“Any approval of 9% Credit and 4% Credit applications will take place at a public Commission meeting, notice of which shall be made in accordance with the provisions of RSMo §610 including, but not limited to being posted on the MHDC website.”*

E. Deadline and Application Fee

- **1. Deadline –**
 - Changed application due date to December 1, 2017.
 - Added that the application deadline is subject to change, *“or as deemed necessary in the sole discretion of MHDC.”*

II. Standards

A. Participant Standards

- **Item #2:** New standard was added with the following verbiage: *“All participants must adhere to all federal, state, and local laws, as well as any and all applicable regulations, guidance, revenue rulings and the like as may be promulgated by the IRS, HUD, or any other federal or state agency. Participants are solely responsible for ensuring their own compliance with any such laws, regulations, and guidance, and are encouraged to seek the advice of their own legal counsel with respect to such compliance.”*
- **Item #7:** Verbiage added that the Fair Housing Act includes, *“any and all regulations and guidance promulgated by HUD thereunder.”* “Religion” was also added to the list of prohibited discriminations.

- **Item #9:** To be consistent with IRS guidance, MHDC revised the paragraph about informing public officials to read: *“The applicant must provide evidence that the chief executive officer (or the equivalent) of the local jurisdiction within which the development is located has been notified of the application submitted. Examples of executive officers or their equivalents can be found in MHDC’s Developer’s Guide.”*

B. Development Standards

- **Paragraph 1:** The following verbiage was added to the first paragraph: *“MHDC HOME loan and MHDC HOME grant,”* as an addition to the list of MHDC-financed developments.
- **Item #5:** The following was added as a development standard requirement and reads as follows: *“In all rehabilitation proposals, the scope of work shall address work to be done in all units within the development. Should any unit not require work, documentation as such must be noted in the scope of work. No units shall be left unaddressed.”*
- **Item #10:** Added additional language pertaining to the Broadband Rule: *“All applications for MHDC funding must establish the development will include sufficient broadband infrastructure in accordance with Narrowing the Digital Divide. Through Installation of Broadband Infrastructure in New Construction and Substantial Rehabilitation of Multifamily Rental Housing, 81 FR 92626 (the “HUD Broadband Rule”). Applicants are encouraged to review the HUD Broadband Rule and to seek the advice of counsel to determine compliance. The application should specifically address compliance with the HUD Broadband Rule in the narrative and should describe in sufficient detail how the particular development will comply with the HUD Broadband Rule.”*
- **Removed former item #11:** which read, *“Pay at least federal prevailing wage to all laborers and mechanics employed in the construction of the development, as determined and posted by the United States Department of Labor for the locality of the development and current within ten (10) days of construction closing. Developments consisting of buildings with four (4) or fewer floors must use the Davis-Bacon residential construction category and developments consisting of buildings with five (5) or more floors must use the Davis-Bacon building construction category.”*
- **Item #11:** Revised the requirements to have contracts that *“are both reasonable and competitively priced for both hard and soft costs,”* to clarify that, *“Copies of all such contracts must be provided to MHDC.”*
- **Item #16:** The following was added as a development standard requirement: *“All developments requesting and receiving approval for Low-Income Housing Tax Credits (LIHTC), fund balance loans, HOME funds, HTF, or Risk Share insurance are required to pass an environmental review as a condition of financing, and must also commit to identifying and satisfying any existing environmental conditions to the satisfaction of MHDC and/or HUD as detailed in the Developer’s Guide and the MHDC Form 1400 (MHDC Environmental Review Guidelines).*

Developments receiving HOME funds, HTF, or HUD/MHDC Risk Sharing Insurance must comply with all state and federal environmental rules and regulations, specifically including but not limited to, 24 CFR § 50.4, 24 CFR § 58.6, 24 CFR § 58.5 (also known as

the “Statutory Checklist”) and any additional rules, regulations, or procedures required by HUD or MHDC.”

- **Item #18:** Added clarification that the “Compliance Period” is *“(as defined in the Code)”* in the historic credit section.

C. Underwriting Standards

- **2. Development Cost Minimums:**

The statement, *“Bond Developments located in rural areas (non-MSA) must have total construction costs of at least 15% of the total replacement costs. Bond Developments located in urban areas (MSA) must have total construction costs of at least 20% of the total replacement costs,”* was removed and *“4%”* was added to the explanation that the total construction costs must equal or exceed 40% of the total replacements costs requirements is for rehabilitation developments seeking 9% and 4% Credits.

- **5. Increase in Eligible Basis / c. State Designated Difficult Development Areas:**

Updated the State Designated Difficult Development Areas to say: *“15% to 25%”* of the total units to be occupied by households earning between 60% and 80% of the area median income (workforce units).

- **6. Developer and Contractor Fee Limits / a. Developer Fee:**

The guidelines on maximum consultant fees were revised to read: *“If the consultant is not providing development guarantees, whether to any lender or any other partner or member of the ownership entity, then the maximum allowable consultant fee cannot exceed thirty percent (30%) of the total developer fee.”*

- **8. Tax Credit Amount:**

- Clarification made to the following statement to read, *“MHDC staff will underwrite each application using the monthly applicable percentage for acquisition credits for 9% developments, and 4% developments. The applicable percentage rate is fixed at 9% for new and rehabilitation credits for 9% developments.”*
- The statement, *“unless federal legislation is passed prior to Commission approval of applications which allows the applicable percentage to be a minimum of 9%”* was removed.
- Item d. - *“Missouri Eligibility Statements”* was added as part of the stages in the determination of State LIHTC amounts.

- **9. Maximum Credit Amount:**

The section was amended to read: *“The annual federal and state 9% Credit shall be limited to an amount necessary for the feasibility of the development, but in no event can the federal or state 9% Credit be awarded without Commission approval (“Initial Approval Amount”). The maximum amount of Credit that can be allocated to any one development without further Commission approval is the Initial Approval Amount plus 10% of the Initial Approval Amount. (“Maximum Credit Amount”). In MHDC’s sole discretion, for any development determined to be eligible for a basis boost (see Section II.C.5 above), the annual federal and state 9% Credit shall be limited to an amount necessary for the feasibility of the development.*

Bond Developments receiving 4% Credit allocations will not be limited, beyond what is dictated by the Code, in the amount of Federal LIHTC allocated. Bond Developments are subject to an annual State LIHTC and subject to a fiscal year cap total authorization of \$6,000,000. The State LIHTC is not an “as of right” credit and approval is subject to Commission action.

MHDC has the right to lower the amount of annual Federal and State LIHTC for purposes of application review and approval. Further, MHDC has the right to lower the amount of State LIHTC as a result of statutory changes or limitations placed on the State LIHTC by the Commission or the state legislature.”

○ **13. Development Financing Commitments - Letters of Intent (LOI):**

The following statement was added, “This includes sources that will be contributed outside of the typical timeline of the proposal. For those sources that do not have a hard commitment (ie. City HOME Funds or Federal Home Loan Bank loans and grants), MHDC must be made aware of the approval process and alternative financing in the event the funds are not approved.”

○ **Item #14 Service Escrow:**

Service Escrow was added to Underwriting Standards and states, “If the developer proposes an escrow for services, and that escrow is not funded by a grant specific to the development services, the developer must contribute at least 50% of the escrow amount from the developer fee. Developments requesting priority status will be reviewed on a case by case basis and extent of services will be taken into consideration. Developments offering services, but not selecting the priority and not receiving a services grant, will be one hundred percent (100%) developer funded and should be deducted from the Developer’s Fee.”

III. Reservation Process

A. Housing Priorities

The following was added to the first paragraph: *“An application seeking a boost (up to 30%) in tax credits must explain the need for the additional tax credits in the FIN-100 and the Exhibit A to Form 2013.”*

○ **2. Special Needs Priority (eligible for up to 30% boost in eligible basis):**

- **Paragraph 1** - Revised eligible developments definition to read, *“at least 10% of total units,” will receive a preference in funding.”*
- **Paragraph 1** - Revised the definition of a special needs tenant to provide clarity that, a person with special needs is a person that *“is diagnosed with mental illness;”* and in addition to sex trafficking, added, *“human trafficking.”*
- **Paragraph 2** - Added the following statement: *“MHDC acknowledges that circumstances may require a change in the Lead Referral Agency during the life of the development, but the developer should contact MHDC’s Asset Management department in the event a change is necessary.”*

minimum set-aside of units will be waived and a maximum set-aside of 30% established. Developers should engage a lead referral agency to assist with the design and management of these units.”

○ **6. Veteran’s Housing (eligible for up to 30% boost in eligible basis):**

Veteran’s Housing added as a priority. The following definition was included: “Applicants developing Service-Enriched Housing targeting Veterans are eligible for this priority. Developments must offer significant services tailored to the Veteran tenant population. Provided services should enhance Veteran tenant housing stability and independence. A substance abuse program must be included in the proposal.

At time of application, letter(s) of intent for service commitment(s) shall be in-place with a provider(s) who specialize in, or have substantial experience in, providing services to veteran populations. If the applicant does not engage with a third-party service provider, support must be provided in the application which demonstrates the substantial experience the applicant has with providing services to Veteran populations.

Developments applying under the Veteran’s Housing priority are subject to any and all requirements of the Service-Enriched priority in addition to any specific requirements that are set forth for the Veteran’s Housing priority.

Developments wanting to be considered under the Veteran’s Housing priority must fully complete the applicable sections of the application including, but not limited to, all sections required by the Service-Enriched priority.

In addition applicants must provide the following with their application:

i. A detailed supportive services plan detailing: the type of services to be provided, who will provide them, how they will be provided, and how they will be funded. The plan should include, but is not limited to, a description of how the development will meet the needs of Veteran tenants, including access to supportive services, transportation, and proximity to community amenities. MHDC prefers the services be onsite or near the proposed development;

ii. Letters of intent from those service providers associated with the development’s Veterans programs; and

iii. Service coordinator job description.”

○ **10. 50% AMI:**

- Revised priority to say that a preference for funding will be given to applications that set aside 15% of total units to households earning less than or equal to 50% of area median income.
- Clarified that rents for households, “in units set aside for the 50% AMI Priority,” must be at least 15% less than rents actually charged to households earning up to 60% of area median income.

○ **11. Workforce Housing (eligible for 30% boost in eligible basis):**

Revised verbiage to say that a development qualifies for the Workforce Housing priority if 15% to 25% of the total units in the development are set aside for households earning 60% and 80% of the area median income.

B. Selection Criteria

- **Paragraph 1** - Added that *“overall sustainability”* is part of the Energy Efficiency selection criteria.
- **Paragraph 2** – Under *“States must give preference among selected developments”*, clarified the Qualified Census Tract preference by adding *“which is in-place at the time of application”* to the development contributing to a concerted community revitalization plan.
- **2. Development Characteristics**
 - **a. Tenant Population / Item ii** - *“Diagnosed”* was added to the item of consideration to read, *“Individuals diagnosed with mental illness”*
 - **d. Site / Item ii** – Revised part of site considerations to include, *“habitat and wetland preservation, noise, proximity to floodplains, and proximity to other potentially hazardous land uses.”*
 - **e. Design / Item iii** - Revised to include, *“Wi-Fi access, community space, proximity to services, health and fitness space, playgrounds, picnic shelters, community gardens, trails, and proximity to transit options.”*
- **3. Market Characteristics**
 - **a. Development Location**
 - **Item ii** - Added that important considerations for location includes location in a qualified census tract, *“only if the development will contribute to a concerted community revitalization plan that is in-place at the time of application.”*
 - **Item v** - Clarified that location consideration involving existing stable neighborhoods includes, *“Brownfield redevelopment in stable neighborhoods.”*
- **6. Community Impact**
 - **Paragraph 1** - Clarified to read, *“Impact may be weighed using:”*
 - **a. Local Jurisdiction and Community Comments** - Revised to read: *“Local Jurisdiction and Community Comments. Comments from the local jurisdiction, including but not limited to chief executive officers and community members.”*

C. Application Review

- **1. Initial Review**
 - **c. Consistent with Applicable Law** – Added as an introductory paragraph to state: *“As previously stated in the Participant Standards the submitted proposal must comply with all federal, state, and local laws, as well as any and all applicable regulations, guidance, revenue rulings and the like as may be promulgated by the IRS, HUD, or any other federal or state agency. Participants are solely responsible for ensuring their own compliance with any such laws, regulations, and notices, and are encouraged to seek the advice of their own legal counsel with respect to such compliance. Examples of such requirements include, but are not limited to:”*

- **Fair Housing Requirements** – revised to read, *“As previously stated in the Participant Standards the submitted proposal must comply with the Fair Housing Act.”*
 - **Tax Credit Accountability Act** – *“AHAP”* added to the list of programs subject to the Tax Credit Accountability Act.
- **3. Secondary Documentation Review**
 - b. Local Jurisdiction Contact Verification –**
 - Public Official Contact Verification was amended to say *“Local Jurisdiction Contact Verification”*.
 - The response letter verification was clarified to say *“a copy of the letter sent to the official and evidence the letter was received”*.
 - The statement, *“Other letters or resolutions of support are not required, but are welcome”* was removed.
 - **4. Site Review**
Added the sentence, *“Additional supporting documentation may be required if any environmental concerns are identified.”*
 - **6. Notification**
Added that MHDC must *“provide such individual(s) a reasonable opportunity to comment on the project”* and noted that MHDC will *“make the list of applications available online through www.mhdc.com for review and comment.”*

IV. Allocation Process

A. Carryover Allocation

Added that the Carryover Allocation defines, *“the Building Identification Number(s) (BINs).”*

D. Owner Elections

- **1. Applicable Credit Percentage**
Clarified that in Bond Developments where the applicable credit percentage is elected at the month in which the bonds are issued, *“original hard copies of the Election of Applicable Percentage form signed by the owner and notarized and Issuer Statement Relating to Election of Applicable Percentage Election Statement from the bond issuer must be submitted to MHDC staff before the close of the fifth calendar day following the month in which the bonds are issued. Once both documents are received, MHDC staff will issue a letter to the owner confirming the month and rate that is locked.”*

End of proposed changes to the FY2018 Draft Qualified Allocation Plan