2019 Underwriting Outlook

Strength, Dignity, Quality of Life

MISSOURI HOUSING DEVELOPMENT COMMISSION

EQUAL HOUSING OPPORTUNITY
Underwriting in The Absence of State LIHTC
- Key Areas of Critical Focus

- Race to Carryover Deadline Post QAP Approval
- Site Characteristics & Eligibility of Federal Funds
- Rural vs. Non-Rural Considerations
- Cost Containment
- Development Size and Credit Request
- Tax Credit Price
- Leveraging with “Federal” Funds
- Partnering with Non-profit Service Providers
- Financing with Tax-Exempt Bonds – With and without MHDC administered funds
- Rehab Proposals – Substantial vs. Def. Maintenance
Race to Carryover Deadline Post QAP Approval

• Developer Due Diligence Before **9-27-2019**
  ▫ Development Site
  ▫ FIN 125 Checklist Items
  ▫ FIN 100 Feasibility

• MHDC Due Diligence
  ▫ Site Visit
  ▫ Public Hearings
  ▫ Underwriter and Department Presentations
  ▫ Commission Meeting to Approve Recommendations
  ▫ Meeting Executed Carryover Deadline of 12-31-2019
Site Review Characteristics & Eligibility of Federal Funds

• Site review and eligibility for federal gap funds
• More flexibility of MHDC resources during initial underwriting than in previous rounds

• Option Agreement vs. Contract requirement for all applications with obvious exceptions
  ▫ For example, land already owned by applicant as evidenced by a deed
Rural vs. Non-Rural Considerations

- The need for gap funds even at maximum tax credit eligibility
- Need for gap funds expected to be more pronounced in the outstate region
- Geographic Region allocation goals
Cost Containment

• Building quality, safe, and decent affordable housing with limited resources

• Focus on individual budget line items

• MHDC Oversight and Cost Containment
  • Construction Inspections
  • Change Orders
  • Rent increases
  • Construction Cost Review
  • Appraisal
Development Size and Credit Request

- Underwriting a proposal using the maximum eligible tax credit amount
- “Larger” developments will potentially require “larger” amounts of federal credits and gap funds
- Limited amount of federal credits and gap funding to spread around
Tax Credit Price

• Sensitivity of minor change in tax credit pricing to development’s feasibility

• Need to haggle for a competitive tax credit price
Leveraging with “Federal” Funds

• Could play a significant role in the financial feasibility & viability of some applications

• Could result in some delays in closing schedule
  ▫ Developer’s attitude towards Federal Funds in the light of potential delays in closing
  ▫ MHDC’s view of potential delays
  ▫ Mitigating delays through “team work”
Partnering with Non-profit Service Providers

• Free services and the operating budget
  ▫ Will play a major role in the financial feasibility and viability of some applications

• Ability to take on hard debt. i.e. Fund Balance at 3.25%
Financing with Tax-Exempt Bonds - With and without MHDC administered funds

- Non-rolling 4% applications will be competing with 9% applications for limited gap funds
- Amount of request in MHDC soft debt for Tax Exempt Bond financing
- Rolling 4% applications will be received through August 31, 2020
- Same underwriting standards and approval process apply to rolling 4% applications
- Public Hearings for 4% rolling applications
Contact Information

• Frank Quagraine
  ▫ Director of Rental Production
  ▫ 816-759-7210
  ▫ fquagraine@mhdc.com

• Gus Metz
  ▫ Chief Underwriter/AHAP Administrator
  ▫ 816-759-6878
  ▫ gmetz@mhdc.com
Thank You and Good Luck!