

# Low-Income Housing Tax Credits

2020 Developer's Workshop | February 2, 2021



*Strength, Dignity, Quality of Life*

**MISSOURI HOUSING**

DEVELOPMENT COMMISSION



# Development Process

## *Typical Schedule*

### 9% Projects

- Commission Approval
- Conditional Reservation
- Firm Submission
- Firm Commitment
- **Carryover Allocation Agreement**
- Construction Closing
- **10 Percent Test**
- Conversion/Final Closing
- Issuance of 8609

### 4% Project (Tax-Exempt Bonds)

- Commission Approval
- Conditional Reservation
- Firm Submission
- Issuance of Firm Commitment/Tax Credit Authorization Agreement
- **Issuance of 42(m) letter**
- Construction Closing
- Rate Lock Request
- Conversion/Final Closing
- Issuance of 8609

# Development Process 2020

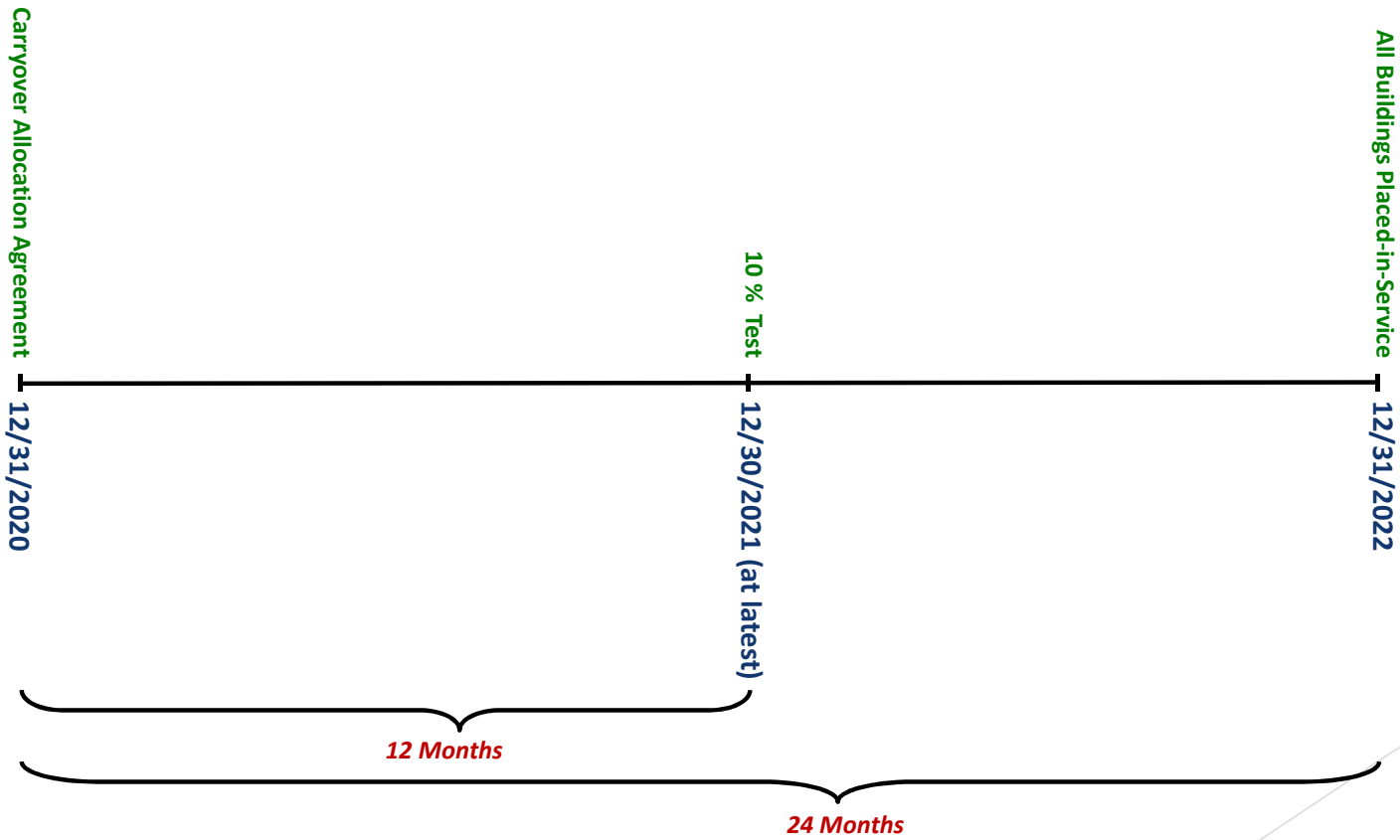
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# Credit Allocation Timeline



# Minimum Set-Aside

- ▶ The project has elected one of three set-aside preferences:
  - ▶ 20/50 Minimum Set-Aside
  - ▶ 40/60 Minimum Set-Aside
  - ▶ Average-Income Minimum Set-Aside
    - Income limits will be allowed to range from 30% to 80% AMGI.
    - The process & requirements for Average-Income election is different.
    - Submit statement
    - Legal opinion letter
    - Review the Average-Income recorded webinar & slides online at [www.mhdc.com](http://www.mhdc.com)

# Carryover Allocation Agreement (9% Credits)

- **Federal & State Carryover Allocation Agreements were executed during calendar year 2020.** The date that MHDC signed the Carryover is the **effective date** of the document.
- A development receiving a Federal Carryover in 2020 is required to complete the development and place it in service no later than **December 31, 2022.**
  - Any concerns about meeting this place-in-service deadline, need to be discussed with your underwriter immediately.
  - Any necessary modifications will be made at Firm Commitment issuance.
- The tax credit fee of 7 percent of the Federal LIHTC amount shown in the Federal Carryover is due with the executed Firm.
- Building Identification Numbers (BINs) and Applicable Fraction per building established.
  - Assigned BINs to be used on all building-level documentation.

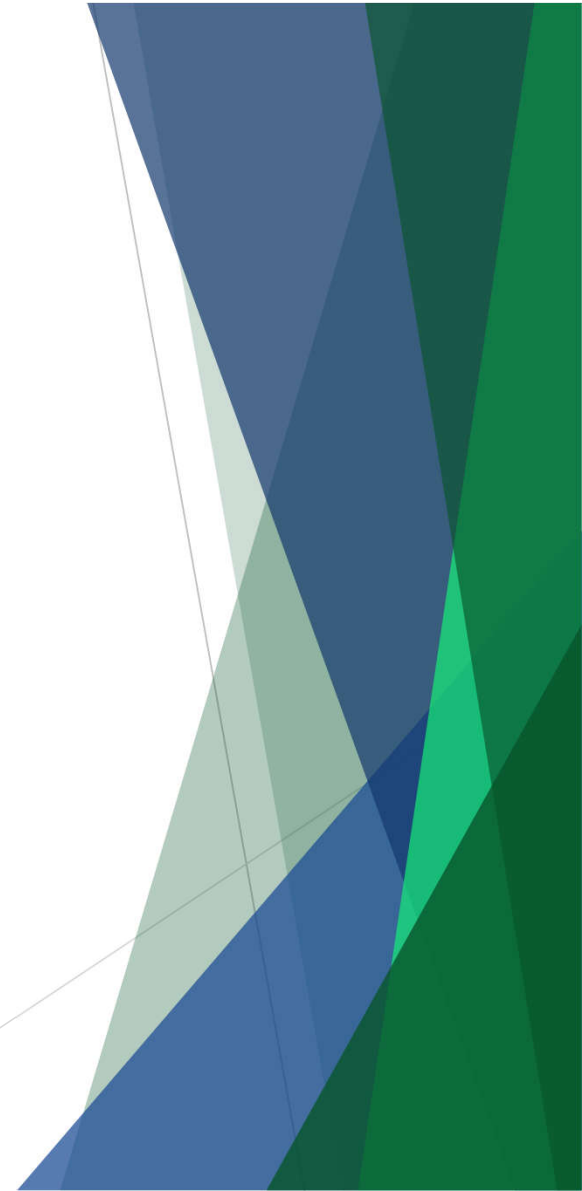
# Firm Submission – Plan Review Worksheet Form 3345 (4% or 9% Credits)

- Detailed building and unit information in the project.
- Required at three points:
  - Conditional Submission
    - Signed by Owner
  - Firm Submission
    - Signed by Owner
  - Cost Certification
    - Must be signed by Owner and Management Company
- If a revision of the unit numbers are required after the signed Cost Certification version is submitted MHDC may assess a fee of **\$25 per unit number change** for incorrect information.

# Acquisition Credits (4% or 9% Credits)

## Legal Acquisition Opinion Letter

- If receiving acquisition credits, an attorney opinion must be submitted to MHDC prior to construction closing.
- Opinion must give detailed reasons for each specific requirement as to why the development will qualify for acquisition credits, set forth in Code Section 42(d)(2)(B).



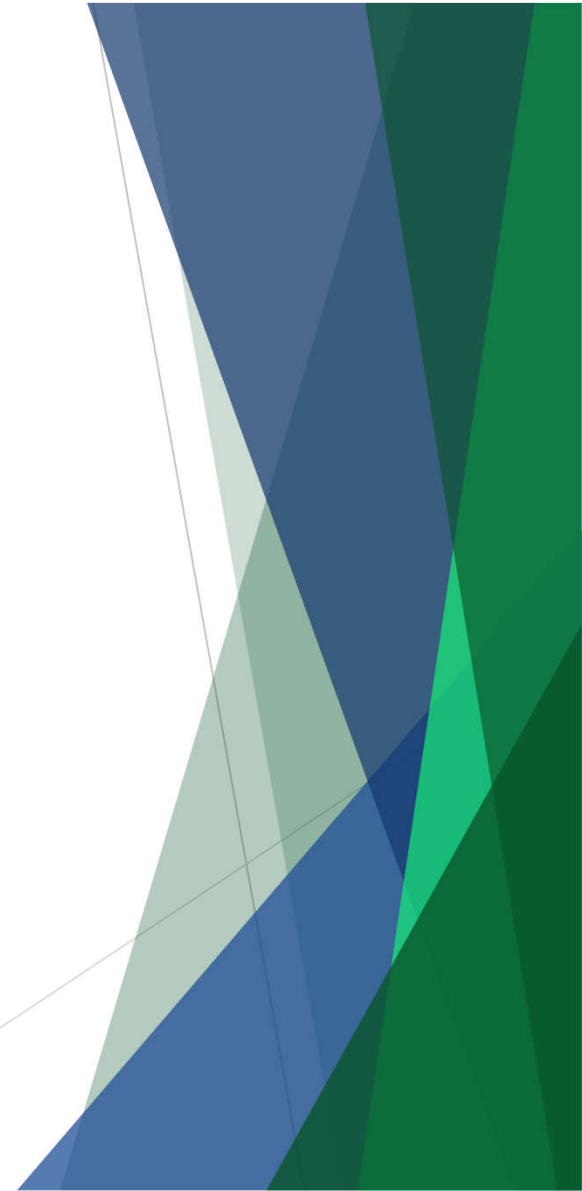


## Ten Percent Test (9% Credits)

- More than 10 percent of the reasonably expected basis (equal to land plus depreciable basis) must be spent within 12 months from the effective-date of the Federal Carryover.
- Ten Percent Test documentation must be submitted to MHDC no later than the end of the 13<sup>th</sup> month after the effective-date of the Federal Carryover.
- Submit electronic documents to [LIHTC@mhdc.com](mailto:LIHTC@mhdc.com).
- One original signed hard copy of 10 Percent Test must be submitted.

# Tax Credit Authorization Agreement (4% Credits/TE Bonds)

- ▶ Requirement for all 4% Credit developments.
- ▶ Two Tax Credit Authorization Agreements – One Federal and One State.
- ▶ Overview of project commitments.
- ▶ The Authorizations will be sent with the Firm Commitment.
- ▶ The Agreements must be executed prior to construction closing.



## 42(m) Letter Request (4% Credits/TE Bonds)

- Must be on bond issuer's letterhead and include bond amount, mailing address of issuer, and printed name of letter's signatory.
- Original must be received by MHDC at least five (5) business days prior to construction closing.
- MHDC will issue 42(m) letter to bond issuer prior to construction closing.
- Building Identification Numbers (BINs) and Applicable Fraction per building established.
  - Assigned BINs to be used on all building-level documentation.

# 4 Percent Minimum Rate (4% Credits/TE Bonds)

- December 28<sup>th</sup>, 2020 the Consolidated Appropriations Act of 2021 was signed.
  - The 4% minimum rate was approved.
    - In the case of any new or existing building to which paragraph (2) does not apply and **which is placed in service by the taxpayer after December 31, 2020**, the applicable percentage shall not be less than 4 percent.
  - Effective Date applies to –
    - Any building which receives an **allocation of housing credit dollar amount** after December 31, 2020, and
    - In the case of any building any portion of which is financed with an obligation described in section 42(h)(4)(A), any such building if any such obligation which so finances such building is **issued** after December 31, 2020.

# Cost Certification

- Should be submitted to MHDC no later than the last day of the second full month after the date of substantial completion of the last building in the development.
- Submit electronic documents to [LIHTC@mhdc.com](mailto:LIHTC@mhdc.com).
  - Must submit on completed MHDC templates, recreated or altered documents will not be accepted.
  - Required to submit final Excel version.
- Two signed original hard copies must be submitted.
- Allow at least four (4) weeks for processing of the Cost Certification.

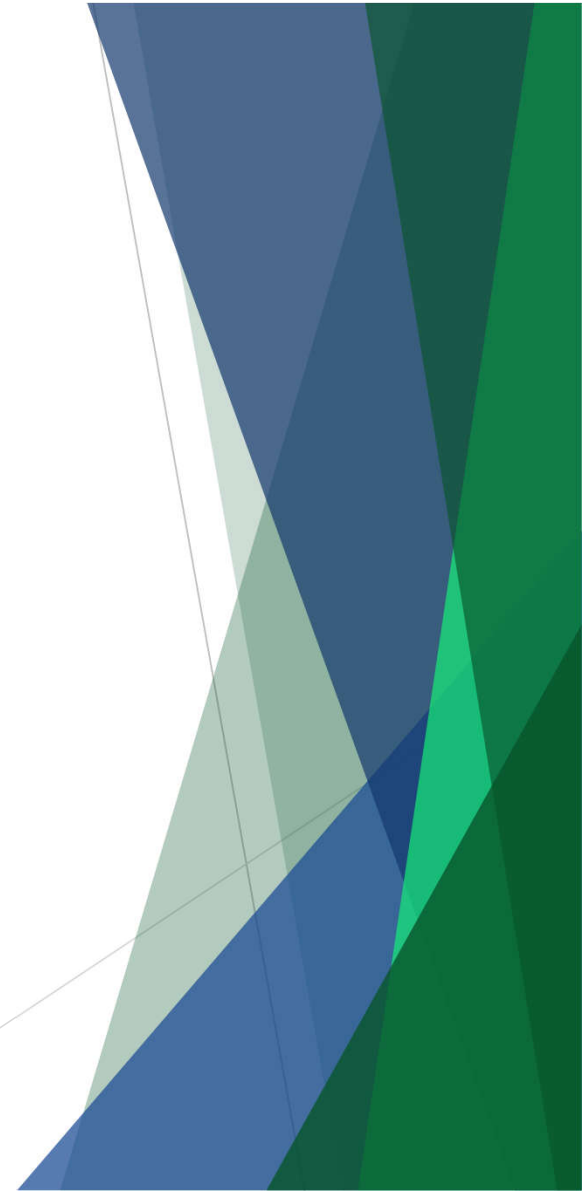
# Issuance of IRS 8609

- If there is an MHDC loan, 8609(s) will not be issued until conversion/final closing of the loan.
- If no MHDC loan, 8609(s) will not be issued until all documents on the MHDC checklist have been received and approved.



# Forms

- Current LIHTC forms available on MHDC website.
  - Current versions of forms posted must be used and submitted.



## Contact Information

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