

# Underwriting

## Post Commission Approval



**MISSOURI HOUSING**

**DEVELOPMENT COMMISSION**



# Communication

- First point of contact post development approval should be your underwriter
  - Respect
  - We are a team
  - Influences future scoring for “Developer Team Evaluation”

# Scoring

- Maintain basic structure of the development's Commission Approval
  - Development Costs
  - Rents (30%, 50%, etc.)
  - Mixed Income
  - Leveraged Funds
  - Services
  - Set-Aside Preferences
  - NHTF – 30 year Regulatory Agreement

# Workflow

- MHDC timeline after Conditional Commitment
  - Carry Over Modifications
  - Appraisals
  - Environmental Review
  - Release of HOME funds
  - Construction Cost Review
  - Firm Commitments
  - Closing
  - Cost Certification

# Carry Over

- Completed already
- Place in service before December 31, 2022
- Discuss with underwriter possible delays in development completion
- Modifications may be necessary

# Appraisals

- Must be equal to or greater than amount in #2013 under acquisition
- Break out land from building if rehab
- If debt > appraisal, the acquisition cost on the #2013 can equal the total debt owed on property but the developer fee will be based on appraised amount of the property (applies to only Sec. 8, RD and TC Resyndicated properties)

# Environmental Review

- HOME Projects
  - MHDC Environmental Consultant
  - No Firm until HUD Release of Funds
  - No choice limiting actions
- Non-HOME Projects
  - No MHDC Environmental Consultant
  - Not as stringent as HOME and NHTF
    - Noise
    - Wetland
    - Historical Review

# Firm Submission

- Use 2020 Updated Checklist
  - Will be sent with Conditional Commitment
  - Email all Firm documents to underwriter
  - Note Original Documents – still sent to MHDC
  - Note format of Electronic Documents
  - Date of Firm Submission will not be acknowledged until package (including plans and specs) is complete and deficiencies corrected
  - Communicate delays and/or significant changes with underwriter



# Firm Submission - Timeline

- Varies – somewhat dependent on when Firm Submission occurs and staff workload
  - Expenses – initial review completed at application submission – changes in expenses from Conditional should be noted in the #2013A Exhibit
  - Appraisals – ordered early – no Firm until complete
  - Review of plans and specs – no Firm until complete

## Firm FIN-100

- Update Conditional Commitment FIN-100
- Unit Designation – Development Plan – Primary Unit and Secondary Unit
  - Workforce housing unit = Workforce housing unit and market rate unit
  - 80% AMI Income Averaging unit = LIHTC unit (not workforce) and MHDC Prgrm unit

## Firm FIN-100 (unit designation cont.)

- AMGI Designation
  - Regular LIHTC – 60% unit – if other, will be held to developer selection
  - Income Averaging – developer designated
  - Rental Assistance – RD/PH/PBS8 – May not be 30% AMI - usually cannot hold aPBS8 unit for a 30% AMI tenant

# Firm FIN-100

- Building Info – Development Plan
  - Must name all buildings differently
  - Building Number should be a number – not building “A” or “B”
  - Cannot name units in the same building the same name
  - Cannot name units TBD

# FIN-100 / Building Description

Building Information

Building Name: Building 1

Address: [Empty]

City: [Empty] State: MO

Zip+4 (No Dashes): [Empty] County: [Empty]

Census Tract: [Empty]

Tax Credit type claimed: New Construction

Is this an existing Building?: No

Is this a Re-Syndication?: No

Structure Type: Building without Elevator

Projected Placed In Service Date: 8/2021

Number Of:  
Stories: 2 Elevators: 0

Use / Square Footage

Building Use: Residential

Residential  
This field will change based on units entered on the tab VIIa Development Plan, It will remain 0 until units are entered

Residential SqFt: 17160

Non-Residential  
Common Area: 1840  
Community: 0  
Commerical: 0

Total  
Total Building SqFt: 19000

Copy OK Cancel

# FIN-100 / Unit Description

## Rental Unit Worksheet

PLEASE LIST ONLY 1 UNIT PER LINE (Unit List will grow as you add units)

Unit Detail									Primary Unit Designation			Secondary Unit Designation											AMGI Designation			
Unit Count	Building #	Unit Number	# of Bedrooms	# Bathrooms	Sq Ft per Unit	Unit Rent	Utility Allow	Monthly Gross Rent	MHDC Prgrm	Market	Employee	LJHTC	HOME	NHTF	Rural Dev.	AHAP	SA - Vuln. Pop	SA - Special Needs	Companion Living	IEH	Workforce	PBS8		Accessible	Public Housing	
1	1	1	3	2	1108	500	125	625	x			x	x													60%
2	1	2	2	1	1037	540	102	642	x			x										x				80%
3	1	3	2	1	1037	440	102	542	x			x	x													60%
4	1	4	3	2	1108	530	125	655	x			x	x													60%
5	1	5	3	2	1108	560	125	685	x			x										x				80%
6	1	6	2	1	1037	467	102	569	x			x														60%
7	1	7	2	1	1037	467	102	569	x			x														60%
8	1	8	3	2	1108	490	125	615	x			x														60%
9	1	9	3	2	1108	490	125	615	x			x														60%
10	1	10	2	1	1037	467	102	569	x			x														60%
11	1	11	2	1	1037	467	102	569	x			x														60%
12	1	12	3	2	1108	490	125	615	x			x														60%
13	1	13	3	2	1108	410	125	535	x			x						x								30%
14	1	14	2	1	1037	540	102	642	x			x										x				80%
15	1	15	2	1	1037	372	102	474	x			x						x								30%
16	1	16	3	2	1108	490	125	615	x			x														60%
17	2	17	3	2	1108	490	125	615	x			x														60%
18	2	18	2	1	1037	467	102	569	x			x														60%
19	2	19	2	1	1037	540	102	642	x			x										x				80%
20	2	20	3	2	1108	440	125	565	x			x	x													60%
21	2	21	3	2	1108	490	125	615	x			x														60%
22	2	22	2	1	1037	372	102	474	x			x						x								30%
23	2	23	2	1	1037	467	102	569	x			x														60%
24	2	24	3	2	1108	560	125	685	x			x										x				80%
25	2	25	3	2	1108	490	125	615	x			x														60%
26	2	26	2	1	1037	540	102	642	x			x										x				80%
27	2	27	2	1	1037	467	102	569	x			x														60%
28	2	28	3	2	1108	495	125	620	x			x	x													60%
29	2	29	3	2	1108	500	125	625	x			x	x													60%
30	2	30	2	1	1037	540	102	642	x			x										x				80%
31	2	31	2	1	1037	372	102	474	x			x						x								30%
32	2	32	3	2	1108	500	125	625	x			x	x													60%

# Firm Submission Costs

- Pre-development costs
  - Pre-development costs must be pre-approved by MHDC and they must be detailed in the Firm Submission
  - Very seldom approved
  - If not approved they will not be approved later on a draw request

# Firm Submission Costs

- MHDC/Developer is the steward of money we allocate
  - Affects prior performance evaluation
  - “Smell” test: If this was my money, would I approve of how it is being spent



# Firm Commitment - Memos

- Must resolve any outstanding items before Firm Commitment is issued – cure deficiencies and answer MHDC questions ASAP - communicate
  - Architecture
    - Plans/Spec
    - Cost Review
  - Environmental
  - Tax Credit
  - Asset Management
  - Set-Aside Preference and/or Service Enriched (if applicable)

## Firm Submission - Items required by 3<sup>rd</sup> parties that contradict MHDC standards

- Communicate to Underwriters before submission for discussion
  - Contingency
  - Replacement reserves
  - Operating reserves
  - Soft debt service placement in waterfall
  - Appraisals
  - All others

# Firm Submission - Items to Note

- Significant changes must be discussed with underwriter – communicate early
  - Information within the Development Characteristics Worksheet – exhibit in Firm Commitment
  - Unit Size
    - 3345 = FIN-100
  - Rents
  - Site(s)
  - LRA / Service Provider(s) & Plans
  - Other amenities



## Firm Submission - Items to Note

- Early draft of LPA - helps
- Time extension cause delays
- Should have entire development team on board and in agreement before submitting Firm
- Appraisal Issues – must be resolved before Firm Commitment
- MHDC will send draft Firm



## Firm Submission - Set-Aside Preference and Service Enriched Housing

- Service plan improvements may be suggested
- Clarify any ambiguities that MHDC noted in our initial application review

# Construction Period

- First draw
  - Should closely match Firm Commitment and FIN-115
  - Construction disbursement staff works with underwriter

# Construction Period

- Some change orders need discussed with your underwriter
  - Additional work for drywall – no need to contact underwriter
  - Change from \$25K to \$50K FF& E – contact underwriter
  - Change in project configuration – contact underwriter
  - Common sense approach

## Cost Certification - 8609s

- Surprises equal delay
- Categories should closely match original Firm Commitment and FIN-115
- Income during construction will need documented at cost certification





# Monthly Progress Reports

- Due by the 20<sup>th</sup> of each month after Conditional approval
- An important source of information used by multiple departments within MHDC
- Influences future scoring for “Developer Team Evaluation”

# Resources

- Web Site: [www.mhdc.com](http://www.mhdc.com)
- QAP
- Developer's Guide
- FAQ
- Underwriter
- Frank Quagraine or Gus Metz

# Underwriter Contact Information

- Gus Metz / 816-759-6878 / [gmetz@mhdc.com](mailto:gmetz@mhdc.com)
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**Questions?**