



Strength, Dignity, Quality of Life
MISSOURI HOUSING
DEVELOPMENT COMMISSION

Income-Averaging: MHDC Draft Policy

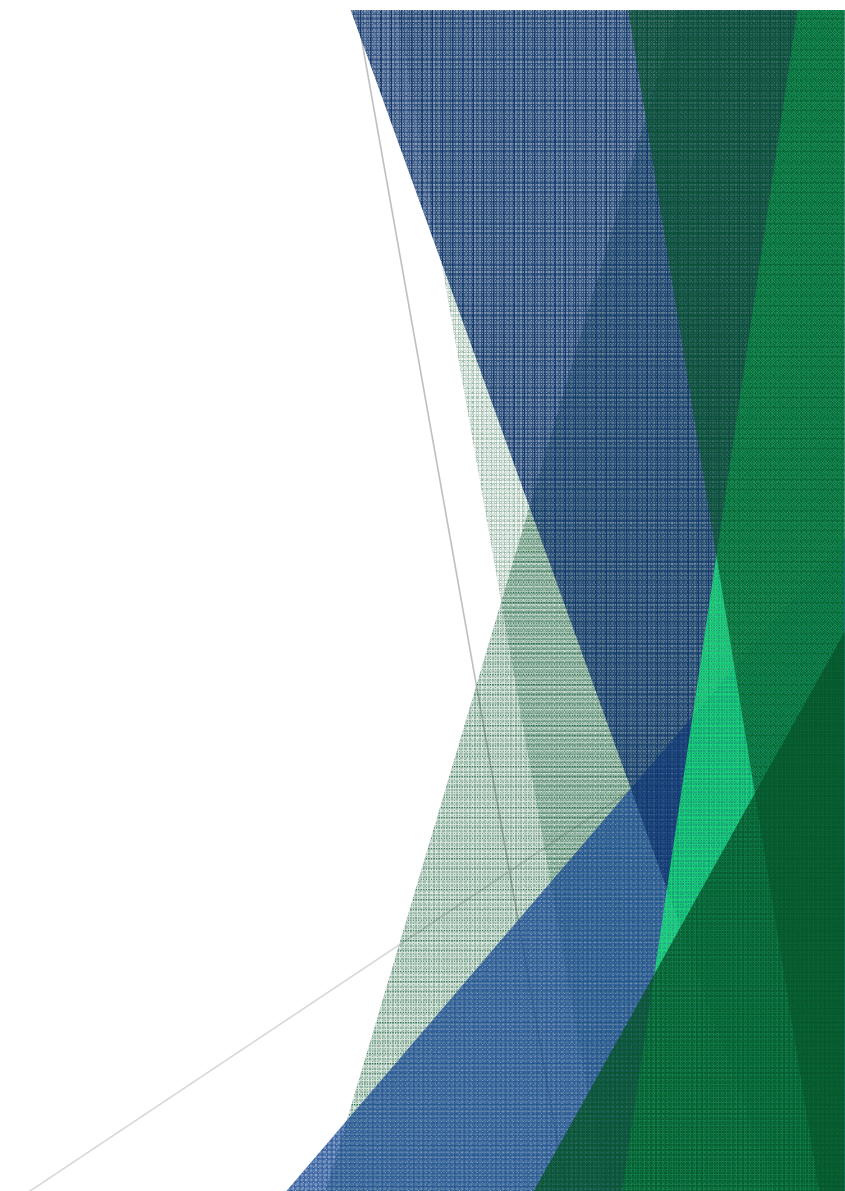
Presented by MHDC Staff | August 15, 2018

Housekeeping

- ▶ Attendees will be in “listen-only” mode.
- ▶ If you have questions during the webinar, you may submit them through the questions pane.
- ▶ If your question or comment was not addressed during the webinar, please feel free to submit it at: comments@mhdc.com.

Agenda

1. What is Income-Averaging?
2. MHDC Draft Policy
3. Questions / Comments
4. Next Steps



What is Income-Averaging?

- ▶ Income-averaging is a new, third, minimum set-aside option for the federal Low-Income Housing Tax Credit (LIHTC) developments.
- ▶ Enacted in March 2018 through the Consolidated Appropriates Act of 2018, or the Omnibus bill.
- ▶ Income-Averaging, or the Average Income (AI) minimum set-aside, requires at least 40% of units in a project to be rent restricted and have household income limits that average at or below 60% area median income (AMI).
 - ▶ Income limits are designated in 10% increments from 20% to 80% AMI.
- ▶ The AI minimum set-aside is applied to the designated income/rent levels of the units, not the tenant households.

Missouri Housing Development Commission (MHDC) Draft Policy

- ▶ At time of application, a development intending to elect the AI minimum set-aside will:
 - ▶ Designate in the application what minimum set-aside election will be made on IRS Form 8609.
 - ▶ Acknowledge the minimum set-aside election made on the application is irrevocable.
 - ▶ Acknowledge that if AI is the minimum set-aside election, the ownership entity must also elect that all buildings in the applicant's development are "part of a multiple building project" on IRS Form 8609.
 - ▶ Submit statements from every non-MHDC funding source acknowledging the intent to operate the development under the AI minimum set-aside.

MHDC Draft Policy (Continued)

- ▶ At time of application, a development intending to elect the AI minimum set-aside will (continued):
 - ▶ Submit a statement from the proposed management company, acknowledging the intent to operate the development under the AI minimum set-aside.
 - ▶ Acknowledge that if a development:
 1. Contains market units (above 80% AMI); and
 2. Intends to operate the development under the AI set-aside, the development must submit a legal opinion letter before firm commitment that the proposed unit mix is in compliance with the Code.
 - ▶ The market study submitted with the application must affirmatively support the operation of the development under the AI minimum set-aside.

MHDC Draft Policy (Continued)

- ▶ The AI minimum set-aside election will not be allowed for resyndicated developments.
- ▶ Subject to final Commission approval, the election of the AI minimum set-aside will only be allowed for developments approved under the 2019 Qualified Allocation Plan (QAP) and subsequent QAPs.
- ▶ Developments that elect the AI minimum set-aside will be subject to an increased per-unit compliance monitoring fee.

MHDC Draft Policy (Continued)

- ▶ The management company for a development that elects the AI minimum set-aside will be required to provide certification of additional training on the AI minimum set-aside prior to lease-up of the development. MHDC will provide future guidance on which trainings are acceptable.
- ▶ The unit designations will be allowed to float throughout the project, but AMI designation and bedroom composition for each unit will remain fixed and will be recorded in the Land Use Restriction Agreement (LURA).

MHDC Draft Policy (Continued)

EXAMPLE:

2 Buildings; 12 Units

- 6 Two-Bedroom Units @ 50% AMI
- 6 Two-Bedroom Units @ 70% AMI

Unit AMI and Bedroom Size Recorded in LURA

Average: 60% AMI ✓

Initial AMI Unit Designations

Unit 101 50%	Unit 102 70%	Unit 201 70%	Unit 202 50%
Unit 103 50%	Unit 104 70%	Unit 203 50%	Unit 204 70%
Unit 105 70%	Unit 106 50%	Unit 205 70%	Unit 206 50%

MHDC Draft Policy (Continued)

EXAMPLE:

2 Buildings; 12 Units

6 Two-Bedroom Units @ 50% AMI

6 Two-Bedroom Units @ 70% AMI

Average: 60% AMI

Unit AMI and Bedroom Size Recorded in LURA

Initial AMI Unit Designations

Unit 101 50%	Unit 102 70%	Unit 201 70%	Unit 202 50%
Unit 103 50%	Unit 104 70%	Unit 203 50%	Unit 204 70%
Unit 105 70%	Unit 106 50%	Unit 205 70%	Unit 206 50%

AMI Unit Designations During Affordability Period

Unit 101 70%	Unit 102 50%	Unit 201 50%	Unit 202 70%
Unit 103 70%	Unit 104 70%	Unit 203 50%	Unit 204 50%
Unit 105 50%	Unit 106 70%	Unit 205 50%	Unit 206 70%

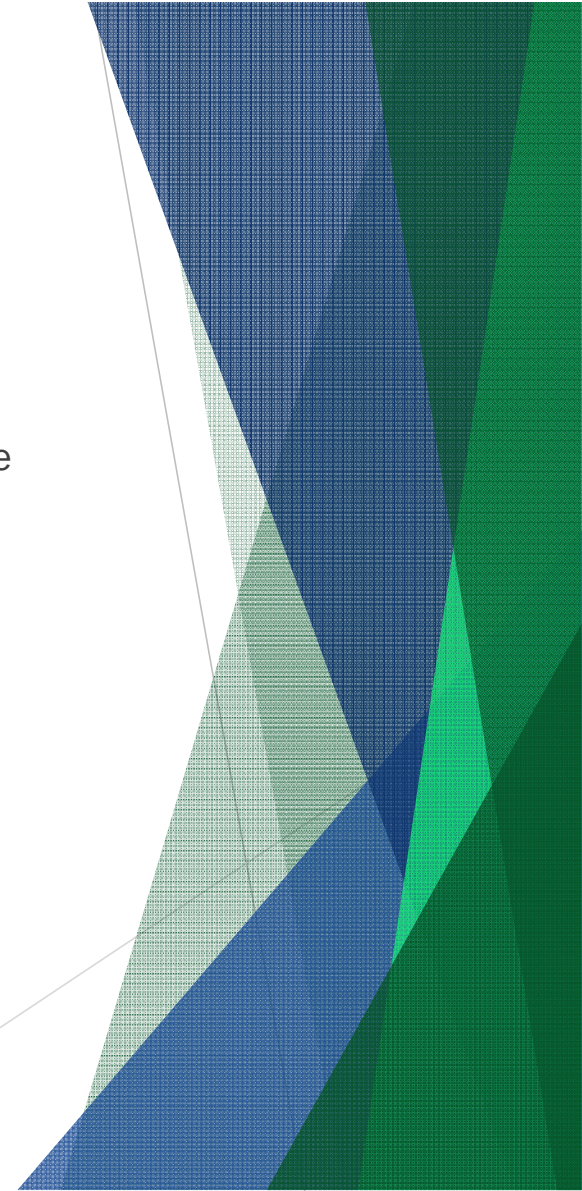
MHDC Draft Policy (Continued)

- ▶ 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.
- ▶ With the allowance of the AI minimum set-aside election, the Workforce Housing Priority as well as the 50% AMI priority will be removed from the 2019 and subsequent QAPs.
- ▶ The management company shall maintain, and regularly update, a list indicating AI set-aside unit designations. This list will assist in monitoring ongoing minimum set-aside compliance. An up-to-date copy of this list must be made available on site during periodic audits conducted by MHDC.

MHDC Draft Policy (Continued)

Other Considerations

- ▶ MHDC will not likely require, but will strongly recommend, that a development proposing to operate under the AI minimum set-aside election does not configure their unit designation average at exactly 60% AMI.



MHDC Draft Policy (Continued)

Other Considerations

EXAMPLE:

2 Buildings; 12 Units

6 Units @ 50% AMI

6 Units @ 70% AMI

Average: 60% AMI



Initial AMI Unit Designations

Unit 101 50%	Unit 102 70%	Unit 201 70%	Unit 202 50%
Unit 103 50%	Unit 104 70%	Unit 203 50%	Unit 204 70%
Unit 105 70%	Unit 106 50%	Unit 205 70%	Unit 206 50%

50%
50%
50%
50%
50%
70%
70%
70%
70%
70%
70%

AVG: 60%



MHDC Draft Policy (Continued)

Other Considerations

EXAMPLE:

2 Buildings; 12 Units

5 Units @ 50% AMI

6 Units @ 70% AMI

Average: 60.91% AMI



Affordability Period Unit Designations

Unit 101 <i>Unqualified</i>	Unit 102 70%	Unit 201 70%	Unit 202 50%
Unit 103 50%	Unit 104 70%	Unit 203 50%	Unit 204 70%
Unit 105 70%	Unit 106 50%	Unit 205 70%	Unit 206 50%

50%
50%
50%
50%
50%
70%
70%
70%
70%
70%

AVG: 60.91%



Average is over 60% AMI
Does not meet AI Minimum
Set-Aside Test!

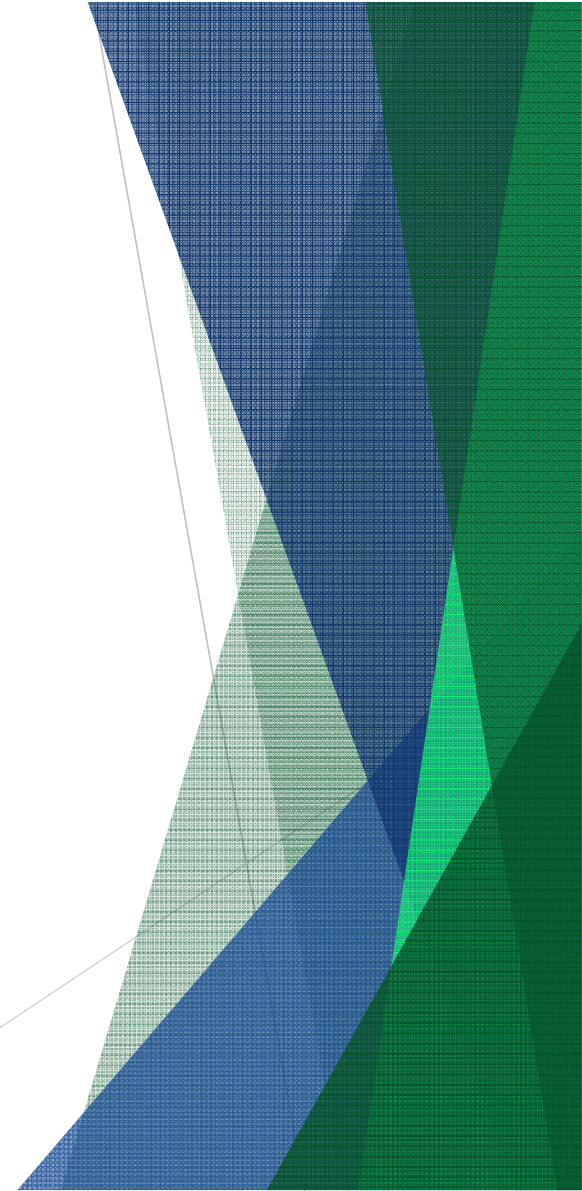
Failure to meet Minimum Set-
Aside Test = loss of previously
claimed accelerated credits
for that building, and
ineligibility to claim future
credits

MHDC Draft Policy (Continued)

Other Considerations

- ▶ **Bond Developments:** Please note that the law did not change the minimum set-aside for bond-financed developments, but the AI minimum set-aside election is permissible to use with Tax-Exempt Bond developments. The development must meet both the bond and the LIHTC requirements. Bond minimum set-aside requirements remain 40/60 or 20/50.
- ▶ **Use with other Program Funding:** Please note that calculation method for determining income/rent limits for LIHTC units may not align with other programs, specifically HOME and the NHTF. MHDC will monitor those designated units for the most restrictive applicable funding source.

Questions/Comments



Next Steps

Questions, comments, and suggestions until August 22, 2018.

comments@mhdc.com

Going forward, final policy for income-averaging will be included in:

- ▶ 2019 QAP;
- ▶ MHDC policies and procedures; and
- ▶ program documents and forms.



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