Special Needs Housing Reserve Fund

Effective Date

July 1, 2013

Missouri Housing Development Commission
3435 Broadway
Kansas City, MO 64111
Purpose

The purpose of these guidelines is to outline the process that the Missouri Housing Development Commission (MHDC) will use to administer the Special Needs Reserve fund and to establish the procedures for contributions to the fund, for application to the fund for assistance, for working with MHDC to re-establish the financial viability of a property receiving assistance from the fund and finally to establish guidelines whereby a special needs property may be released from the special needs section of the Land Use Restriction Agreement (LURA).

Special Needs Reserve Fund

MHDC is committed to working with developers to establish housing for persons with special needs as detailed in our Qualified Allocation Plan (QAP). In the evaluation and recommendation of applications with special needs units extra care is taken to evaluate the property, the special needs service provider, the intended population and the sources of rental assistance to insure financial viability of the property. The commission realizes; however, that unanticipated events such as the loss of rental assistance can put the property in jeopardy of maintaining financial stability. As a result, MHDC has worked with developers, investors, service providers and lenders to find a solution that will keep these properties financially viable.

The result of these meetings has been the establishment of the special needs reserve fund. All approved properties containing special needs units beginning with properties approved for 2014 will be required to contribute $1,000 for each special needs unit to the fund. This amount should be included by the developer on their application as an additional reserve (for example, if a property has 100 units but only 10 are units are dedicated to special needs housing, the property’s contribution to the reserve fund would be $10,000.00). The reserve will be funded at completion of construction along with other required reserves. The cost of the reserve will not be included in total development costs by MHDC when evaluating compliance with MHDC cost limits.

This reserve should replace rental assistance reserves currently being required by most investors. Any reserve in excess of the $1,000 per unit will not be funded by MHDC tax credits or loan proceeds. If more than the $1,000 per unit is required other sources of funding must be found.

How the fund works

Any special needs property approved in 2014 and subsequent years is eligible to apply to MHDC for assistance (a copy of the application is included as Exhibit A). An application should be submitted as soon as the property owner is notified that there is a potential that the property may be affected by the loss of rental assistance or some other detrimental event, for example, the lead referral agent is no longer able to provide services or referrals to the property or rental assistance is no longer available. This application should be sent to the following MHDC staff.

- Community Initiatives Manager
- Director of Asset Management
- Chief Financial Officer
- Director of Rental Production
Once your application has been completed and submitted, MHDC staff will set up an initial meeting with the applicant, the investor, the current service provider and the primary state entity in the region responsible for the particular special needs group being served to discuss the issue and to establish a plan for resolution. In most instances, the applicant will know well in advance of a problem, for example, the loss of rental assistance, and it is hoped that by early notification and action, MHDC working in concert with the ownership team and the service providers will be able to resolve prior to the event. Some of the potential solutions may include finding a substitute source of rental assistance, finding a new lead referral agency, a new service provider, or changing the targeted special needs group, if possible.

While the parties are seeking an acceptable solution, MHDC will allow the applicant to withdraw monies from the special needs reserve fund for an agreed to period of time depending on the advance notice received and the complexity of the issues to allow the property to continue to operate efficiently.

It should be emphasized that MHDC expects the applicant, the investor and the service provider working in concert with MHDC to do everything possible to maintain the units as special needs units. Creating and maintaining special needs units is a high priority for MHDC and we will do whatever is possible to achieve that goal.

After all reasonable efforts have been made to resolve the issues without finding a solution; MHDC staff will present a request to the board of commissioners to allow the developer to convert the property to a non-special needs property. After approval by the Commission MHDC will release the special needs provision from the LURA.

**Special Needs properties approved prior to 2014**

Properties approved prior to 2014 are not eligible to use proceeds in the special needs reserve fund but in most cases, a special needs reserve was included in the initial underwriting which should mitigate most issues. However; MHDC wants to be sure that owners and investors of these properties are aware that MHDC is committed to the financial feasibility of all affordable housing properties. If one of these properties is experiencing an issue which threatens its ongoing viability, the owner should immediately notify MHDC of the potential issue and MHDC will work with the owner to find a solution.

As stated above, after all reasonable efforts have been made to resolve the issues without finding a solution; MHDC staff will present a request to the board of commissioners to allow the developer to convert the property to a non-special needs property. After approval by the Commission MHDC will release the special needs provision from the LURA.