

2021 QAP & Developer Guide Highlights



Strength, Dignity, Quality of Life

MISSOURI HOUSING

DEVELOPMENT COMMISSION





QAP & Developer Guide Notes

- QAP & Developer Guide Changes
 - Scoring Rubric “Model” – 3nd Year
 - Everything else
- Recap
 - New items of importance
 - Old items of importance

QAP & Developer Guide Notes

- State LIHTC – same as 2020
 - 70% of requested Federal amount for 9% State LIHTC
 - 3 Million cap for 4% State LIHTC – **up to 100% match of Federal amount**

QAP & Developer Guide Notes

- Registration for download of FIN-100
 - Posted at MHDC.com under “Application Forms and Checklist”
 - Only have one workbook open at a time
- New Checklist – FIN-125
- Don’t use old documents - please

QAP & Developer Guide Notes

- Deadline for submission – 10/08/2021
- Applications using the Accelerated Redemption Model (ARM) – designate within Tax Credit Addendum
 - **Separate Alternate FIN-100, Alternate FIN-100 Addendum, Alternate Self-Scoring and LOI with ARM pricing**
 - One application fee
- **Flash Drive – no CDs**

QAP & Developer Guide Notes

- 4% LIHTC Applications
 - Due 10/08/21: if requesting funds from MHDC in addition to 4% LIHTC – including 4% State LIHTC
 - Rolling: if requesting only 4% Federal LIHTC from MDHC – 10/1/2021 – 8/31/2022

QAP & Developer Guide Notes

- FIN-100 vs Exhibits
 - **FIN-100 is the signed “application” and is the “record”** if there is a discrepancy between the FIN-100 and exhibits.

QAP & Developer Guide Notes

- Examples of discrepancy between FIN-100 and exhibits
 - Developer provides a narrative that the development will have rents for 15% of units at 30% AMI. However, all the rents in the FIN-100 are set at 60% AMI. No points will be given for 30% units (income targeting)
 - Developer provides exhibits for Service Enriched Priority but does not indicate in the application they are applying for the Service Enriched Priority – No points will be awarded that have to do with the Service Enriched Priority

QAP & Developer Guide Notes

- Rehabilitation Cost Minimums
 - 9% & 4% Projects - Construction costs must be at least 40% of total replacements costs
 - MHDC, on a case by case basis, with reasonable and well-documented justification, permit exceptions – **waiver before submission**

QAP & Developer Guide Notes

- Consultant Fee Cap
 - Maximum 30% of total “developer fee” if no guarantees
 - All projects with consultant - complete MHDC Developer/Consultant Fee Structure Exhibit – must complete new area for fee detail

QAP & Developer Guide Notes

- Social Service Escrows
 - Service Enriched Priority
 - Funded 50% by developer – comes out of developer fee
 - Non-Service Enriched Priority
 - Funded 100% by developer – comes out of developer fee
 - This will maximize use of MHDC resources
 - Please label correctly – separate line items

QAP & Developer Guide Notes

- Homeless Assistance and Supportive Services Program
 - Only for applications that qualify for Set-Aside Preference with 15% or more units (Special Need / Vulnerable Population)
 - Applied for in FIN-100 on Non-Profit tab

QAP & Developer Guide Notes

- Homeless Assistance and Supportive Services Program
 - **Funds will be placed in escrow with MHDC**
 - Funds allowed to be drawn down yearly after development is placed in service
 - Initial budget required at application
 - **Yearly requirements**
 - Budget
 - Narrative
 - MHDC Reporting Form(s)



QAP & Developer Guide Notes

- Homeless Assistance and Supportive Services Program
 - Rental Assistance
 - Non-MHDC – strongly encouraged

QAP & Developer Guide Notes

- Homeless Assistance and Supportive Services Program – Rental Assistance – MHDC
 - Cannot be funded with Homeless Assistance and Supportive Services Program funds (HOME funds)
 - Can be funded with tax credit equity
 - **Not guaranteed if you do not meet with MHDC before application submission**
 - Evaluated and pre-approval by Rental Production team including the Special Needs Coordinator (Remona Miller)
 - Does not qualify for Rental Assistance pts.



QAP & Developer Guide Notes

- 811 Project Rental Assistance
 - Previously Discussed – Jenni Miller
 - **Does not qualify for Rental Assistance points**

QAP & Developer Guide Notes

- Phased Developments
 - If the proposed development is a new construction phased development, the previously approved development (i.e. Phase I or Phase II) must be 90% or greater leased up and have cost certified at least 90 days before the subsequent phased proposal can be submitted for consideration for funding

QAP & Developer Guide

- Deficient Threshold Documents = disqualification
 - Executed FIN-100
 - Application Fee
 - Development Narrative (see QAP and Developer's Guide)
 - Financing Commitments – all non-MHDC sources listed FIN-100 – including all Tax Credit equity
 - Local Jurisdiction Contact Verification

QAP & Developer Guide

- Secondary Review
 - 5 incomplete or missing secondary review documents = rejected application
- Market Studies
 - **Up to 1 week late** with pre-approved waiver – must have signed waiver in application when submitted

QAP & Developer Guide Notes

- Must be in “Good Standing with Other Entities”
 - Owner and/or General Partner
 - Debarred – Missouri or other state
 - Suspended
 - Ineligible
- Conversion / Permanent Loan Closing
 - All reserves will be funded before conversion can occur and 8609s can be issued

QAP & Developer Guide

- Income Averaging
 - 2019 New Form - Acknowledgment for the Election of Average-Income Minimum Set-Aside
 - #1 – Election irrevocable
 - #2 - All buildings part of multiple building project on IRS Form 8609

QAP & Developer Guide

- Income Averaging Continued
 - Mixed Income - Income Averaging
 - #3a - Acknowledgment in the form of a legal opinion that the unit mix complies with the Code
 - #3b - MHDC signed waiver request included in the application to permit market rate units in the unit mix of the proposed income-averaging development

QAP & Developer's Guide

- Self-Scoring Document
 - Required Exhibit
 - Objective – 3 parts
 - Threshold Documents
 - Yes = Pass
 - No = Fail
 - Priority Scoring
 - Yes = 45 pts
 - No = 0 pts
 - **Comment Section**

QAP & Developer's Guide

- General Scoring
 - Income Targeting
 - Must first select Geographic Region
 - Then determine possible points
 - **PBS8/RD/PH/Income Averaging do qualify**
 - **This is an income category and not rent category**
 - **Targeting selection will be memorialized in legal documents if approved**

QAP & Developer's Guide

- Site Location
 - Cost Burden / Underserved County points will be automatically populated according to “County” selection at the top of the worksheet
- Credit Efficiency
 - Applicant will not score
 - MHDC will use 2021 application data to calculate safe harbors
 - (4% or 9% **qualified** basis + 4% **qualified** acquisition basis)
X Applicable Fraction / LIHTC bedrooms



QAP & Developer's Guide

- Zoning – deleted for 2021
- Total Development Costs – no points for 2021



QAP & Developer's Guide

- Subjective Categories
 - Complete the questions at the bottom of the worksheet concerning subjective categories
 - This will be used for MHDC purposes and you will not “self-score” in these categories

Scoring - Phase I - Threshold Docs

- Missing Threshold Documents will result in an application being eliminated from consideration – Application package must include:
 - Executed FIN-100
 - Application Fee
 - Development Narrative
 - See Developer's Guide
 - Financing Commitments
 - All Non-MHDC Financing Sources – including Tax Credit equity

Scoring - Phase I - Threshold Docs

- Local Jurisdiction Contact Verification – Chief Executive, State Senator, State Representative and ED local Housing Authority
 - Certified notification keeps it simple
 - Letter of support can replace notification – should be on letter head
 - Resolution of support can replace notification – must be signed by Chief Executive

Scoring - Phase I - Threshold Docs

- Emails as verification
 - Email must include a detailed development description in the same manner as a notification by mail
 - Email must be able to prove that the correct contact has been notified. This means it must be a returned email from the contact containing the original detailed development description from the developer and the email address from the contact official should make it obvious it is from the contact official

Scoring - Phase I - Threshold Docs

- Public Notification of Councilpersons or Alderpersons in SL or KC
 - Notification of councilperson or alderperson for the district of the location of development
 - Notification of all councilpersons or alderpersons for districts adjoining the district where the development is located

Scoring - Phase I - Threshold Docs

- Economic Impact to Missouri – located in FIN-100 – all applicants must complete – this is different than points of Economic Development
 - Description of the proposed services
 - # of employees in MO
 - percent and amount of hard and soft costs – MO-based firms
 - Months for construction
 - Projected Missouri savings in Medicaid expenses – Sr. and Permanent Supportive Housing



Scoring - Phase I - Secondary Docs

- If 5 or more secondary review documents are missing or are incomplete at the time the application is submitted, the application will be rejected
- See Developer Guide for complete list and information



Scoring - Phase II - Priority Group

- 45 points for selecting a priority group – MHDC must agree that the application qualifies for priority
- 90 pt minimum threshold required



Scoring - Phase II - Priority Group

- Workforce Housing
- Preservation
- Non-Profit as defined in QAP
- Service Enriched
- Set-Aside Preference
- CDBG-DR
- HOME CHDO
- Opportunity Area
- Opportunity Zone

Scoring - Phase II - Priority Group

- Workforce Housing
 - 15% - 25% of total units
 - 60% - 80% income limits
 - Rents above LIHTC rents
 - **Cannot select income averaging**

Scoring - Phase II - Priority Group

- Non-Profit
 - As defined in the QAP and Developer Guide
- Service Enriched, including Veteran Housing
- Special Needs, Vulnerable Populations and Independence Enabling
- Preservation
 - Letter from MHDC/RD/HUD
 - Letter if doing Subsidized Replacement Housing

Scoring - Phase II - Priority Group

- CDBG-DR
 - LOI from DED
- HOME CHDO
 - If Tax Credit proposal, hard or soft debt, loan is not forgivable
- Opportunity Area
 - Family
 - Affirmative marketing plan
 - High performing schools
 - Transportation
 - Employment
 - 15% or lower poverty rate

Scoring - Phase II - Priority Group

- Opportunity Zone
 - Listed on DED web-site
 - Opportunity Zone fund investments
 - Letter from authorized official affirming “Fund”
 - See Developer Guide

Scoring - Phase II - Non-Priority Group

Zero (0) points





General Scoring - Phase III

- 3 categories
 - Development Characteristics
 - Use of Resources
 - Development Team

Development Characteristics

- Income Targeting 0 – 10 pts
 - Percent compared to all units in development
 - Points for % of units at 30%, 40% or 50%
 - Points for only one category – Maximum 10 pts
 - SL and KC metro – $\geq 10\%$ of units
 - Rural MSAs - $\geq 7.5\%$ of units
 - Rural - $\geq 5\%$ of units
 - **PBS8, RD, PHA and Income Averaging do qualify**



Development Characteristics

- Mixed Income Development – 10 pts
 - 10% Market Units – Includes...
 - 80% units in Workforce Housing priorities
 - 80% units in Income Averaging developments
 - All non-tax credit units

Development Characteristics

- Tenant Ownership – 5 pts
 - SF proposals most prevalent
 - **100% of all units in development must be offered for potential homeownership**
 - Detailed Tenant Ownership Plan
 - See Homeownership Policy – best practices



Development Characteristics

- Services – 0-5 pts – 1 pts for each parameter listed below (see QAP/Developer's Guide for details)
 - Housing Stability
 - Increase Income and /or Employment
 - Physical and/or Mental health
 - Quality of Life
 - Social and Community Connection

Development Characteristics

- Special Needs / Vulnerable Population – 5 pts
 - 15% or more of units for SN or Vulnerable population
- Previous Phase Success – 1 pt
 - Only 2nd phases

Development Characteristics

- Site Location – 0-15 pts
 - Cost Burdened Area (0 – 10 pts)
 - Points for different percentages of cost burden in county
 - See MHDC.com for Cost Burden Data
 - Opportunity Area
 - Full 7 pts if you qualify per the MHDC Developer Guide
 - Rural Underserved Counties – 5 pts

Development Characteristics

- Economic Development – see QAP and Developer’s Guide for details
 - Economic development within Primary Market Area. Must show on map - 1 pt.
 - Economic development is within 2 miles (SL, KC, MSA-Rural or 5 miles (Rural) of housing proposal. Must show on map. (“as a crow flies”) – 1 pt.
 - Transportation linking housing proposal with economic development project(s) - Within 1/2 mile of each – 1 pt.

Development Characteristics

- Economic Development – see QAP and Developer’s Guide for details
 - Proof of direct coordination with the economic development project, proof of correspondence and coordination should be provided in the form of a letter from the economic development project stating how the affordable housing proposal will support their workforce. To qualify for these points, the location of the economic development project(s) must be within the PMA of the housing development. 2 pts.

Development Characteristics

- Preservation – 10 pts
 - Must have letter of preservation – MHDC and (HUD or RD)
- Extended Compliance – 0-5 pts
 - 5-9 yrs: 1 pt
 - 10-14 yrs: 3 pts
 - >15 yrs: 5 pts

Use of Resources

- Leveraged Funds - Max of 10 pts between Construction & Perm – must be a source – **Dollars \$\$\$**
- Leveraged Funds – Permanent – 0-10 pts
 - $\geq 2.5\%$, $\geq 5\%$ or $\geq 7.5\%$, as percent of total development costs
 - Includes: Grant funds, capital campaign funds, federal funds, rebates/incentive program funds, municipal funds
 - Loans below 10-yr Treasury Rate (**as of Firm Submission**) plus 200/300/400 basis points

Use of Resources

- Leveraged Funds – Construction – 1-5 pts
 - Loans below 2-yr Treasury Rate (**as of Firm Submission**) plus 200/300/400 basis points
 - Amount of qualified construction loan must be equal to or greater than 50% of Total Development Costs

Use of Resources

- Leveraged Funds
 - If fees associated with a loan exceed 1% of the loan value, it does not qualify for leveraged funds.
 - Bifurcated loans from the same lender do not qualify for leveraged funds.

Use of Resources

- Leveraged Funds

- If there is a construction loan and a permanent loan of which one of the two is requesting consideration as leveraged funds and they are from the same lender or there is an identity of interest between the construction and permanent lenders, in order for the loan requesting consideration as leveraged funds to qualify, the other loan must be at or below the following:
 - Construction Loan: 2-year Treasury Rate (as of Firm Submission) plus 450 basis pts.
 - Permanent Loan: 10-year Treasury Rate (as of Firm Submission) plus 450 basis pts.
 - And...



Use of Resources

- Leveraged Funds
 - LOIs must reference the projected interest rate in terms of basis points below either the 2 year Treasury Rate and/or the 10 year Treasury Rate at Firm Submission.

Use of Resources

- Leveraged Funds

CONSTRUCTION LOAN			
You may qualify for only one (1) of the categories from this Construction Loan table	<= 200 Basis Points plus 2 yr. Treasury Rate as of Firm Submission	< =300 Basis Points plus 2 yr. Treasury Rate as of Firm Submission	<=400 Basis Points plus 2 yr. Treasury Rate as of Firm Submission
Percentage of Leveraged Funds	Points	Points	Points
Greater than or equal to 50% of Total Development Costs	5	3	1

Use of Resources

- Leveraged Funds

PERMANENT LOAN			
You may qualify for only one (1) of the categories from this Permanent Loan table	<= 200 Basis Points plus 10 yr. Treasury Rate as of Firm Submission	<=300 Basis Points plus 10 yr. Treasury Rate as of Firm Submission	<=400 Basis Points plus 10 yr. Treasury Rate as of Firm Submission
Percentage of Leveraged Funds	Points	Points	Points
Greater than 2.5% of Total Development Costs	3	2	1
Greater than 5% of Total Development Costs	5	4	3
Greater than 7.5% of Total Development Costs	10	7	5

Use of Resources

- Qualified Federal Historic Tax Credits – 5 pts
 - Must not include State LIHTC & State Historic Tax Credits
- Qualified National Housing Trust Fund Applications – 3 pts
 - 30 year affordability
 - **Must have pre-approved MHDC Desktop Environmental Review with application**

Use of Resources

- HOME CHDO – 10 pts (no LIHTC)
- Total Development Costs – **no points for 2021**
- Rental Assistance – 5 pts
 - 15% or more units must have rental assistance
 - Includes: PBS8, RD and PH

Use of Resources

- Credit Efficiency – 0/3/7 pts
 - Tax Credit request per affordable bedroom
 - Minimum bedroom size of 100 sq. ft. to qualify for points
 - Safe Harbor
 - **MHDC will use 2021 application data**
 - 7 points for below above Safe Harbor
 - 3 points for being within Safe Harbor
 - 0 points for being below the Safe Harbor
 - New Construction - Family, New Construction - Sr., Rehab - Family and Rehab - Sr. have different Safe Harbor limits

Development Team

- Non-Profit and HOME CHDO – 5 pts
 - Must qualify per MHDC
 - Non-Profit set-aside - substantially participate – see Developer Guide
 - Contact MHDC to confirm for Non-Profit set-aside
 - Being service provider in and of itself does not qualify
 - Contact MHDC to confirm for HOME CHDO
 - **4% TE Bonds Applications do not qualify**

Development Team

- Development Team Prior Performance – 0-25 pts
 - Begin with 25 points
 - New developers – evaluated based on previous work in the affordable housing industry
 - Team is evaluated
 - Developers / Contractors / Management Agents / Syndicators

Phase IV - Underwriting

- Examples of some additional items to be considered in Phase IV
 - Site / Location
 - Funding request when compared to average regional requests
 - Type of priority(ies) selected
 - Need for rehab
 - Market / Need
 - Others as applicable per QAP

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