Draft Qualified Action Plan (QAP)

Summary of Stakeholder Comments/Suggestions/Questions

May 26, 2023

Services / Permanent Supportive Housing

We believe that scoring would be more consistent if permanent supportive housing competed with permanent supportive housing; service-enriched housing competed with service-enriched housing. We also wonder if MHDC might consider a pre-qualification process in order for a proposal to qualify for this category, which would help ensure that developers have expertise in, and can actually deliver, high-quality permanent supportive housing in a well-managed development. We would like MHDC to extract the attached "XVb. Service Enriched" worksheet from the Fin 100 form and unlock the cells so developers can have 3rd party service providers fill out the application worksheet. If the worksheet can be unlocked, developers can ensure the printed version submitted in applications is readable.

We encourage MHDC to include veterans as part of the permanent supportive housing priority and enable developers to get 5 points for choosing to set aside 15% or more of their units specifically for veterans.

These Tabs should be removed from the FIN-100 workbook and made a separate file that is included with the back-up information for those two categories. They are cumbersome to work in/read/print and do not allow for an easy way for the NP groups to complete them on their own or with the developer.

Preservation

An addition to this section that would allow for projects that are redeveloping existing housing that is beyond repair but has become affordable due to the quality of living. Anecdotally, there is a lot of housing across that state that is not LIHTC and is not receiving project based vouchers that would be considered naturally occurring affordable housing. If a developer is willing to come in and redevelop the project and maintain the affordability, MHDC should allow the project to qualify under this priority.

Economic Development

This scoring category needs clearer guidelines. Last year, we had a project excluded from receiving points in this category due to unclear guidelines. We were informed that although we provided documentation depicting the estimated number of jobs previously created, and expected to be created by an approved economic development near our site, we did not determine how many jobs have been/are to be created within a 2 year window. Additionally, we were informed that we needed to show direct correspondence with the economic development. This is also not described in the QAP or Developer Guide as a requirement.

Distinguish between senior and family developments in scoring. Distinguish between new construction and rehab projects in scoring. Submit a package of information as opposed to a support letter. Accordingly, we recommend that instead of support letters, applicants provide a package of information about the economic activity that their project will help generate, and about how residents can/will contribute to economic growth in the direct vicinity of the development

Requirement to have specific language about employees commuting and inability to find affordable housing is burdensome, particularly if the economic development is new to the area as the company likely won't have a good idea on the new employees. Last years version was preferred.

Eligible projects must have opened within last 2 years or planned to open in next 2 years. The additional requirement for direct coordination letter states that "an applicant providing a direct coordination letter from a current employer certifying 10% or more of employees are unable to find affordable housing in the community and must commute 15 or more miles are eligible for economic development points." How would a project that is planned to open in 18-24 month be able to determine that if they haven't started hiring employees yet? Is this required for only economic development projects that are already placed in service or is it required for all applicants requesting the 2 points for direct coordination letter? Also, why limit it to projects that opened within the last 2 years?

It is not clear from our reading of the Economic Development scoring language whether a LIHTC project must be located within two miles (KC/STL/Rural MSA) or five miles (Rural) of an economic development project to be eligible for points. Is this an all or nothing rule?

Credit Efficiency

It does not seem sensible to score 4% LIHTC projects based on their efficiency of utilizing the federal 4% credit (as from MHDC's perspective, it has no impact on the state's bottom line). Additionally, if a project is located within a QCT or DDA, and thus receives a 30% basis boost, the project would likely be deemed as "inefficient" as it is receiving more federal credits than a project not in a boost. In my opinion, MHDC should award developers that utilize their very limited state 4% credit instead. The changing of this calculation from Federal Credits per LIHTC bedroom, to State Credits per LIHTC bedroom, would achieve the goal that I believe is the intent of this scoring section (which is to bring the most amount of affordable housing to the state while utilizing the fewest state resources as possible). This change would also invalidate my previous comment on projects in "boost" areas being disadvantaged. For example, this should be written in a way that encourages developers to not utilize more resources than they need. Currently, the only effect that it has is by encouraging developers to build in areas that are not HUD designated QCT's or DDA's.

We believe the formula should be changed from "eligible basis per tax credit bedroom," which is easily manipulated, to some other less easily manipulated calculation.

Transit

I believe it is very important to assign points in a standalone section for affordable housing's proximity to transit. The parameters of the "economic development project" are related to the affordable housing project being located within a certain proximity to the new "economic development project", and scoring for transit, in that case, is tied specifically to the existence of that "economic development project". In general, affordable housing's proximity to transit, regardless of whether or not there is a new "economic development project" involved, is also critically importantly. Transit proximity enables those residing in affordable housing tremendous access to new and existing employment opportunities, education and health care. Therefore, and with all due respect, it would be tremendous to have a standalone scoring element that considers whether or not new affordable housing has proximate transit access, regardless of a new "economic development project".

MHDC's current scoring criteria for the LIHTC Program does not include points for access to public transit or transit-oriented development, despite the fact that transit access is of primary importance to workers. The current project ranking environment is holding back the growth of transit-oriented communities in the St. Louis region and throughout the state including other areas like Kansas City. We strongly encourage MHDC to add in metrics/scoring opportunities for proposed developments with access to transit.

There are currently not criteria or considerations regarding LIHTC and a development's access to transit. I strongly encourage you to reconsider that position. East-West Gateway Council of Governments recently conducted an equity assessment of transportation for the St. Louis Region. Access to transit is a key element in the reports findings. These findings also support your identified goals under the scoring criteria for Services and Supportive Housing. Ability to access is a key missing element.

Access to transit is critical for low-income individuals, many of whom don't have cars. Getting around in our region is much more difficult without a car, and adding access to transit into the ranking system is one tool to help alleviate this problem.

I would love to see the QAP prioritize transit oriented development. To that end, please prioritize transit-oriented development by including proximity to public transit in your scoring, and excluding or reducing the score of things like parking lots, which take up space and reduce access to public transit and walking.

As MHDC updates its project scoring criteria, please factor transit-oriented development into the decision-making process.

I believe that the MHDC should amend their housing development criteria to better promote housing which is close to transit lines.

We respectfully request the Missouri Housing Development Commission consider providing point values within the scoring criteria of the Qualified Allocation Plan to projects located near public transportation options or are proposed to be transit oriented developments (TOD).

Leveraged Funds

City investment in the form of a PILOT, TIF, Property Tax Abatement, Etc, should be eligible sources in order to qualify for points under this category.

We recommend MHDC consider allowing construction and permanent loans with below market interest rates to score points for leveraged funds as was allowed in 2021.

Would MHDC consider crediting municipal tax abatement, which constitutes a local contribution, as leverage funds?

MBE/WBE

MHDC should publish details on actual past participation.

Credits Available & Credit Pricing

We believe the fairest way for new construction vs. rehabilitation proposals to be allocated is through competition with “like” developments – that is, evaluating new construction and rehab projects in separate pools. It may also make sense for senior developments to compete against senior developments, and family projects vs. family projects.

Credit-acceleration should be made permanent and optional for all applicants.

There is no mention of an equity pricing floor in the QAP, and it is unclear what impact, if any, such floor has on the evaluation or award of credits, or exactly how it will be calculated going forward. Can this be clarified in a public setting or written communication?

We respectfully request that MHDC award $6MM of state 4% LIHTCs in accordance with the legislative prescription.

Increase the amount of state credits available to projects. We strongly recommend that MHDC increase or remove the unit cap for proposed projects.

Increase or remove the unit cap on projects. We strongly urge MHDC to match state credits at 100% of the federal credit amount.

Developer Fee

The current developer fee limit places a severe restriction on developer's ability to finance projects. We request a much more straight forward methodology of calculating this fee while allowing a developer to be more flexible.

We would like to see developer fee limits increase from 15% of the first $4MM to 15% of the first $5MM on new construction projects, and from $2M to $2.5MM and $4MM to $5MM for Acquisition/Rehab projects, with per unit limits increased 20% for each level. Could developer fees potentially be tied to the Consumer Price Index in some way?

Please consider raising developer fee limits to reflect inflationary environment and increasing operating costs.

Please consider increasing developer fee limits. Developer Fees have remained stagnant and do not reflect substantial increases in operating costs experienced by developers – increases in payroll, insurance, rent, utilities, interest on predevelopment loans have all affected developers over the past several years with no increase in revenue per project.

Please consider increasing the developer fee limits to keep up with inflation. Contractor fees increase proportionally with hard costs while developer fee limits have not changed for several years. Developers are also experiencing rising operating costs and often have to defer fees to fund cost overruns beyond contingency making actual fee expectations very risky and uncertain.

Please consider increasing contractor fee limits. While contractor fees increase proportionally with vertical cost increases, some general requirements such as insurance have increased exponentially beyond construction cost increases. We feel that increasing the total from 14% to 16% would be appropriate.

With the amount of cost and risk to develop increasing drastically over the past few years, it is important that the compensation developers are entitled to should increase correspondingly. After being in place for *15 years*, it is requested that MHDC address the developer fee calculation in order to make it relevant in today's market.

An update in the calculation of the allowable developer fee, either by providing the option to calculate the fee as a percentage of total eligible basis (recommend 15%) or by increasing the amount of developer fee per unit, would go a long way toward bringing Missouri comparable with neighboring states.

Sustainability

We respectfully suggests that the draft QAP be amended to increase the third-party green certification requirement threshold to LEED Silver (and the equivalent change in Enterprise Communities and the National Green Building Standard certifications).

Compliance

How does MHDC Asset Management delineate between justified noncompliance hits and unjustified ones when property management organizations have made a case successfully that a noncompliance hit was not warranted?

What is the internal mechanism for removing an automated noncompliance hit after a management firm has shown that such a hit was not warranted?

Is the portfolio occupancy calculation referring to any single property falling below 90%, or is it an aggregate calculation?

Could MHDC establish a process to ensure that third-party managers are not penalized when developers stop funding repairs?

HOME

HOME Funds should be prioritized on projects that are already subject to Part 50 or Part 58 environmental review requirements (CNI, local HOME awards, RAD projects, etc.)

NHTF

Replace this scoring section with a deeper income targeting section which would ride with the LURA.

Mixed Income

Can you elect mixed income, not electing the Average Income Minimum Set-Aside and still set rents for these units at or below 80% AMI? Several funding sources such as CDBG and FHLB allow or give points for being at or below 80% AMI.

Non-Profit

4% LIHTC projects should remain able to qualify under this designation in order to score points under the Non-Profit Set-aside category of Phase 3 scoring.

Will nonprofits no longer receive points for being nonprofits in the scoring matrix? I think it makes to still provide some points for non-profits.

Rental Assistance

MHDC should allow for the flexibility for developers to adjust rents post-award until lease up begins. Given the 10 points currently awarded for mixed-income developments that may then be boosted by 5 points given developers' ability to self-fund a short-term rental reserve, we would recommend restricting the rental assistance points to deals with publicly-funded rental assistance contracts that are 10 years or longer.

Opportunity Zone

We would eliminate the Opportunity Zone Set Aside.

Development Standards

Make IECC 2018 required when no code or a lesser code is required by the municipality.

Give extra points for rehab/new construction projects that include Passive House design.

Require projects to include no-cost additions: WaterSense labeled plumbing fixtures, Native landscaping, and Low/No VOC paints.

Comments

We commend MHDC for requiring new projects to achieve third-party green certification. This has resulted in the construction of better-quality buildings that consider environmental objectives, as well as resident health and comfort.

After the fifth year (2024), we would appreciate a broader and deeper review of the rubric and how well outcomes align with state housing need, and recommendations for how MHDC could tailor the rubric to ensure that the state is receiving the housing outcomes it needs.

We would eliminate the requirement for original signatures.

MHDC should only contract for an appraisal on a project in which they will be in first mortgage position. Another option could be for MHDC to rely on the lender's appraisal to save money and time.

We would suggest that going forward, MHDC consider a "2 Year" QAP.

We would like MHDC to provide 8-10 weeks from the opening of the round to application due date, which would be more in line with neighboring states and provide additional time for high quality responses.

We strongly recommend that MHDC improve its stakeholder engagement process and extend the QAP commenting period.

We suggest that the cost of any Letter(s) of Credit used as Completion Assurance and Builder's Risk Insurance be accounted for outside the General Requirements.

The macros [in the Fin-100] are still causing issues. Please consider revamping this file and removing the macros. Excel formulas could be utilized instead which would make the workbook function much more efficiently without issues.

Please consider merging [the Developer's Guide and QAP] into one as a lot of the information overlaps. Most other states have one single "QAP" that developers reference for guidance.

Please simplify the various locations and ways to show the organizational structure of the ownership entity into one simple Organizational Chart as back up for the entity entered into the application.

Please remove [the 2013] from the FIN-100 workbook along with the macros needed to run it. We understand MHDC likes to have a snap shot of the development to include as an attachment to other documents that could be easily accomplished outside of the FIN-100.

Please remove [the Fin-100 Addendum] and make the separate non-related portions of that document, back-up items as needed.

Stakeholder Comments/Suggestions/Questions Received during Webinar

Will you be making the recording available?

To clarify the Economic Development, 10% of employees commuting 15+ miles: it is a new option that would qualify a development for points and NOT a necessary condition, correct?

Can you clarify MHDC's stance on income averaging? Did you say that units above 60% would be considered market rate and not eligible for LIHTC?