

## Draft Qualified Allocation Plan

### Summary of Changes

May 15, 2023

What follows is a summary of proposed changes to the Draft Qualified Allocation Plan.

All necessary dates have been changed to reflect current funding years.

References to “non-profit” and “non profit” and associated language have been changed to reflect Internal Revenue Service use of “nonprofit”.

Website addresses have been updated throughout the Draft QAP.

Highlighted text is language taken directly from the Draft QAP.

### QAP Changes

#### Cover Page

Effective date changed TDB

#### I. General Information

##### C. Credit Types and Availability

Removed years/amounts of credits made available under the QAP.

##### D. Notice of Funding Availability

Changed the date “Rolling Applications” will be accepted to October 1, 2023 – August 31, 2024.

##### E. Deadline and Application Fee

Changed the application deadline TBD.

#### II. Standards

##### B. Development Standards

14. Removed language referring to the publication date of HUD Final Rule amending HOME Program regulations.

##### C. Underwriting Standards

5. Restated qualifications for State Designated Difficult to Development Areas.

13. Removed language allowing the continued use of 811 Project Rental Assistance (PRA) for qualifying developments.

#### III. Housing Priorities

##### 1. Nonprofit Involvement Set-aside

Added language to clarify eligibility for nonprofit involvement set-aside.

**Nonprofit Involvement Set-aside.** Pursuant to the Code, at least 10% of the 9% Credit available must be allocated to developments that involve a qualified nonprofit organization (“Nonprofit Priority”). Pursuant to the Code, 4% TE Bond applications do not qualify for the Nonprofit Involvement Set-aside.

## 5. Preservation

Updated first year of the Credit Period.

Have a previous allocation of low-income housing tax credits in which the first year of the Credit Period (as defined in §42(f)(1) of the Code) was 2006 or earlier, and be in or have completed the final year of the Compliance Period for all buildings in the development.

Amended timeline for preservation letter request.

All requests to MHDC for preservation letters must be made no later than 45 days prior to application submission deadline.

## 6. CDBG-DR

Added language to identify two distinct DR programs and respective application requirements and availability of resources.

Applications that include leveraging CDBG-DR funds as a source are strongly encouraged. CDBG has established two separate DR programs, which cover different geographic regions of the state.

- For applicants proposing to utilize CDBG-DR 4317, applicants must obtain a Letter of Intent (LOI) from the Missouri Department of Economic Development (DED) and include this letter with their LIHTC application submission. LOIs will only be issued for projects located within one of the five DR-4317 Most Impacted and Distressed ZIP codes: 63935, 63965, 64850, 65616, 65775. This is the final application cycle that DED anticipates accepting applications for funding in partnership with MHDC for CDBG-DR 4317 resources.
- For applicants proposing to utilize the CDBG-DR 4451 funding, these applications must obtain a Letter of Intent from the lead applicant, Jefferson City. Projects must be located within the DR-4451 Most Impacted and Distressed county of Cole.

CDBG Disaster Recovery (CDBG-DR) funding is authorized under Title I of the Housing and Community Development Act of 1974, as amended. Applicants interested in leveraging LIHTC equity with this funding source should refer to MHDC’s Developer’s Guide, as well as DED’s Multifamily Rental Recovery policy for more information regarding the CDBG-DR program, available at <https://ded.mo.gov/programs/cdbg/grant-information#mini-panel-cdbg-grant-information1>

## Reservation Process

### A. Document Review – PHASE I

#### 1. Document Review Guidelines

Removed language allowing digital media forms other than a USB flash drive.

#### 2. Threshold Documents

Replace Narrative with Questionnaire to align documents.

**Development Questionnaire.** A questionnaire meeting the requirements set forth in the Developer's Guide. An incomplete questionnaire will result in the application being eliminated from consideration.

### C. General Scoring – PHASE III

#### Mixed Income Development

Added language to define eligibility for this point category.

Developments that have at least 10% market rate units or Income Averaging Units at 80% AMI will be awarded ten (10) points. Internal Revenue Code requires that mixed income multi-family developments must be located on contiguous sites.

#### Tenant Ownership

Modified language to define eligible housing types for this category.

Developments of single-family and duplex homes intended for 100% eventual tenant ownership at the end of the 15-year compliance period will receive 5 points. To qualify for the points, the owner must provide a detailed tenant ownership plan that complies with the Internal Revenue Code and is acceptable to MHDC. Additional details are provided within MHDC's "Homeownership Policy."

#### Economic Development

Modified and expanded language to better define availability of Economic Development points.

Up to 5 points may be awarded to applicants that prove an intentional link to a new and planned economic development project. This link will be demonstrated by its proximity to the development, direct transportation connections between the housing and jobs, and demonstrated coordination between the housing and economic development project. Both family and senior developments ages 55+ and 62+ are eligible for economic development points. The economic development project should be no more than two years old, or planned to open within two years. The economic development project should create new job opportunities for a total of at least 20 employees. The economic development is not to be a short term or temporary activity. These jobs may include entry level or service workers who could benefit from the planned affordable housing. 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. Each applicant requesting points in this category must include an exhibit that includes the name of one qualifying targeted economic development project. Also, include a supplemental exhibit that includes up to ten pages of media releases, marketing materials, or direct correspondence showing the number of new jobs being created by the economic development project and the need for housing. This can come from internet searches, local economic development agencies, or the economic development itself. The supplemental exhibit should not include hyperlinks or non-related material.

Points will be awarded based on the below criteria:

- 2 Points – A direct coordination letter, on letterhead, must be provided to qualify for any of the 5 points. Proof of direct coordination with the economic development project is to be provided in the form of a letter from the economic development project, or other correspondence deemed appropriate in the sole discretion of MHDC (i.e. letter from local Economic Development Authority), to the developer team stating how the affordable housing proposal will support their workforce, the month and year the project went or will go into service and the number of new jobs created (must be 20 or more). 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. This information may also be in the supplemental material provided. The letter must contain the information described in order to qualify for points.

- 1 Point – Primary Market Map - The Primary Market Area Map in the Market Study is to be provided as a separate map and is to show the location of the housing development and the location of the target economic development project is within the same Primary Market Area.
- 1 Point – Map Mileage - A separate map showing the location of the housing development and the location of the target economic development project is within:
  - 2 miles of the housing development site for SL, KC and MSA-Rural Regions.
  - 5 miles of the housing development site for Rural Region.
- 1 Point – Map Routes - A separate map highlighting public transit routes, greenways, or other significant transportation modes connecting the economic development project and the housing development. One of the routes must begin and end within ½ mile walking distance of the housing development and of the economic development project.

The affordable housing development cannot be considered as the economic development project.

### **National Housing Trust Fund**

Clarified eligibility for National Housing Trust Fund category.

Developments that request at minimum 5% of TDC in National Housing Trust Fund funds will be awarded three (3) points. If points are awarded in this category and Phase IV feasibility review removes National Housing Trust Fund as a source, the development must adhere to the National Housing Trust Fund program requirements including rent/income restrictions and affordability terms. Please see Developer’s Guide for additional details.

### **Rental Assistance**

Clarified eligibility for Rental Assistance Category.

Development proposals that include committed rental assistance for at least 15% of units will be awarded five (5) points. Developments with Rural Development, Project Based Section 8 or Public Housing will be eligible for the points in this category. MHDC requires rental assistance commitments for at least three year terms. Longer commitments will be viewed more favorably in the Underwriting Phase.

### **DEVELOPMENT TEAM**

Removed nonprofit eligibility for points in this category.

Developments that qualify for the HOME CHDO set-aside will be awarded five (5) points.

### **D. Underwriting/Selection Criteria – Phase IV**

Clarifying signage is required at new construction and rehabilitation sites.

During the application review, MHDC staff may conduct a review of each proposed new construction or rehabilitation site (“MHDC Site Review”). Each proposed site location must have a sign posted identifying it as a proposed MHDC development. The sign should be posted from the time MHDC receives the application until the Commission votes to approve or not approve the application. At a minimum, the sign must identify the developer and have a contact name and phone number. The MHDC Site Review will consist of a determination regarding the feasibility, marketability, appropriateness of the site(s) for the intended population, and assessment of any perceived environmental issues. For rehabilitation and conversion applications, MHDC staff expects to be able to enter the buildings. Additional supporting documentation may be required if any environmental concerns are identified.

## Geographic Region

Updated allocation distribution to reflect 2020 Census data.

- a. **St. Louis Region - 33%:** Franklin, Jefferson, St. Charles, St. Louis City and St. Louis counties.
- b. **Kansas City Region - 20%:** Cass, Clay, Jackson, Platte and Ray counties.
- c. **MSA-Rural Region – 20%:** Cape Girardeau MSA (Cape Girardeau and Bollinger counties), Columbia MSA (Boone, Cooper and Howard counties), Jefferson City MSA (Callaway, Cole, Moniteau and Osage counties), Joplin MSA (Jasper and Newton counties), Springfield MSA (Christian, Dallas, Greene, Polk and Webster counties) and St. Joseph MSA (Andrew, Buchanan and DeKalb counties).
- d. **Rural Region - 27%:** All other counties.

## MBE/WBE (Minority-Owned Business Enterprise/Women-Owned Business Enterprise)

Updated to reflect 2022 approved applications percentage.

In 2022, 33% of the total number of applications approved were MBE or WBE Developer proposals. MHDC will continue outreach and/or workshop opportunities for MBE/WBE developers and businesses. An MBE or WBE Developer Application is one where: (1) the Developer is an MBE or WBE; (2) the Developer Group includes an MBE or WBE; (3) there is a Developer Mentor/Protégé relationship. In addition, all applicants must commit to meet the MBE/WBE participation requirements. See the Developer Guide for further details about the MBE/WBE Initiative.

## IV. Allocation Process

### C. Tax Credit Issuance

Revised conditions to be met prior to issuance of IRS Form 8609(s) and Missouri Eligibility Statement(s).

The owner has provided a complete copy of the executed, MHDC-approved, limited partnership agreement or operating agreement and all with all exhibits and schedules.

### E. Owner Elections

Updated to include the fixed floor of 4%.

**Applicable Credit Percentage.** The applicable percentage for New Construction and Rehabilitation credits is a permanently fixed floor of 9% (except for Bond Developments). The applicable percentage for Acquisition credits is a permanently fixed floor of 4%.

For Bond Developments, the applicable credit percentage is a permanently fixed floor of 4%.

### F. Land Use Restriction Agreement

Updated to reflect continued practice of remote closings.

Section 42(h)(6) of the Code requires LIHTC developments be subject to “an extended low-income housing commitment.” MHDC complies with this requirement with the execution and recording of a LIHTC LURA. The LIHTC LURA sets forth the low-income unit set-asides, the percentages of median income to be served, AMGI unit designations, the special housing needs or vulnerable persons units committed to, if any, and any other such requirements MHDC may include as covenants running with the land for a **minimum of thirty (30) years** (or additional years if the development owner has committed to a longer use period). MHDC staff will use the information submitted with the application, Firm Submission, the signed Firm Commitment, and items submitted in connection with the construction closing to prepare the LIHTC LURA. The LIHTC LURA will be prepared and sent to the development owner to review and will be signed by MHDC staff and the owner in preparation for the construction loan closing. The LIHTC LURA cannot be altered in any manner without the consent of MHDC staff.

## **G. Bond Developments**

Updated request timeline to be consistent with Developer's Guide.

If the bonds will be issued by a local Industrial Development Authority ("IDA"), MHDC, as the State Housing Agency, must perform an evaluation of the development according to the requirements of §42(m) of the Code. The IDA must submit a request on original letterhead to MHDC staff no later than five (5) business days prior to bond closing asking MHDC to issue the 42(m) Letter. MHDC staff will issue Building Identification Number(s) in the 42(m) Letter.