

2022 QAP & Developer Guide Highlights



QAP & Developer Guide Notes

- QAP & Developer Guide Changes
 - Scoring Rubric “Model” – 4th Year
 - Everything else
- Recap
 - New items of importance
 - Old items of importance

QAP & Developer Guide Notes

- State LIHTC
 - 45% 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 – 9/23/2022
- 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 9/23/22: if requesting funds from MHDC in addition to 4% LIHTC – including 4% State LIHTC
 - Rolling: if requesting only 4% Federal LIHTC from MDHC – 10/1/2022 – 8/31/2023

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 15% 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

- HOME-ARP Funds
 - Must commit 15% of units to qualifying population
 - Homeless;
 - At-risk of homelessness;
 - Fleeing Domestic Violence;
 - Receiving services would prevent homelessness; or
 - Veterans that meet any of the above.

QAP & Developer Guide Notes

- HOME-ARP Funds
 - HOME-ARP will be used for the development of and support of affordable housing, as currently permitted under the HOME program.

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 Notes

- 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 Notes

- Secondary Review
 - 5 incomplete or missing secondary review documents = rejected application

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 Notes

- 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 Notes

- 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 Guide Notes

- 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 Guide Notes

- 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 Guide Notes

■ 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 2022 application data to calculate safe harbors
- (4% or 9% **qualified** basis + 4% **qualified** acquisition basis) X Applicable Fraction / LIHTC bedrooms
- Safe harbor for 2022 is +/-10%

QAP & Developer Guide Notes

- Zoning – deleted for 2022
- Total Development Costs – no points for 2022

QAP & Developer Guide Notes

- 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 – Threshold 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 point 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
 - Permanent Supportive Housing is synonymous with Special Needs
- Preservation
 - Letter from MHDC/RD/HUD
 - Letter if doing Subsidized Replacement Housing

Scoring – Phase II – Priority Group

- CDBG-DR
 - LOI from DED – Additional info at MHDC.com & DED.MO.gov
- 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 and PHA qualify for points
 - Income Averaging developments do not qualify for points

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

- Permanent Supportive Housing - SN/Vulnerable Population – 5 pts
 - 15% or more of units for PSH (SN) or Vulnerable population
- Previous Phase Success – 1 pt
 - For 2022 any phase can score 1 pt if previous phase(s) have a vacancy rate <5% with a waiting list and any phase located within ½ mile driving distance from phase 1.

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 the crow flies”) – 1 pt.
 - Transportation linking housing proposal with economic development project(s) - Within ½ 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, or other deemed appropriate by MHDC, 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 \$\$\$**
- **Private Loans will not qualify for points in 2022**
- 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

Use of Resources

- Leveraged Funds

- If fees associated with a loan exceed 1% of the loan value, it does not qualify for leveraged funds.

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
 - No Desktop Reviews will be completed for NHTF
 - Must adhere to program requirements (income/rent/affordability)

Use of Resources

- HOME CHDO – 10 pts (no LIHTC)
- Total Development Costs – **no points for 2022**
- Rental Assistance – 5 pts
 - 15% or more units must have rental assistance
 - Includes: PBS8, RD and PH
 - Minimum 3 years

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 - +/-10% for 2022 scoring
 - MHDC will use 2022 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 the service provider in and of itself does not qualify
 - No minimum ownership percentage required – “Material Participation” is the threshold
 - 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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