

SECTION 8: THRESHOLD FACTORS

This section of the Qualified Allocation Plan identifies those requirements (the "threshold factors") that each development must meet in order to be eligible for consideration of a tax credit award.

The Corporation shall only review application packages that satisfy the minimum scoring threshold of at least eighty – five (85) points for assurances that the applicant has satisfied these threshold requirements. If the applicant fails to satisfy the threshold requirements, the development will not be eligible for an allocation of tax credits. The five threshold factors are as follows:

1. Community Notification

All applicants must hold a public hearing in the community in which they are planning to develop or rehabilitate a housing tax credit development. The hearing must be conducted by the owner, developer, or consultant who is directly involved with the proposed development and has a thorough understanding of the tax credit program. Additionally, they must present the drawings to be submitted to MHC for the public's review at the hearings. Failure to comply with these guidelines will disqualify the application from further review.

A. Eligibility Requirements *(These items are incurable)*

1. Hearing must be held within the zip code or a 3 mile radius where the development is planned.
2. Applicants must first publish notice of such hearing in a local or regional newspaper having general circulation in the development area.
3. Must be published at least four (4) days, but no earlier than twenty (20) days prior to the public hearing.
4. The public hearing must be held at least fifteen (15) days prior to the cycle opening date. If scheduled Monday through Friday, the hearings should be held between 5:30 p.m. and 9:00 p.m. to ensure that all interested parties can attend.
5. Signage must meet the specifications listed below:

Applicants must post signage at the proposed site giving notice that a public hearing regarding the proposed development will be held that includes the owner's name, contact person, phone number, the date, time, and place of the hearing, and the fact that the applicant will be applying for housing tax credits. The signage must be posted at the site by the date that the notice of public hearing is published in the newspaper. The sign must be of professional quality, be a minimum size of 36" x 36", be fully legible from the street, and posted near the property entrance or the property line facing the main thoroughfare.

B. Local Government Notice

The developer is required to notify the Mayor or President of the Board of Supervisors and councilperson, alderman and/or local supervisor for the district in which the proposed

development will be located, in advance of the public hearing date. (e.g. For a city, the mayor and councilperson/alderman for the district in which the development is proposed to be located; for a county, the president of the Board of Supervisors and the supervisor for the district in which the proposed development is to be located).

The applicant must provide the Acknowledgement of Notice of Public Hearing form (Form TR-2) properly executed by the appropriate authorities. The form must be executed no later than the date the public hearing notice is published in the newspaper. In the event that an executed form cannot be obtained, the applicant must provide evidence of this notification by documentation of certified mailing to local officials.

C. MHC Submission Requirements

All applicants will be required to submit advance notification regarding the hearing to MHC (Refer to Section 1.4, Item 12). This notification should be emailed to taxcredits@mshc.com no later than the date the notice is published in the newspaper. MHC staff may attend the public hearing as an observer; however, MHC will not offer any comments in support of or objection to the proposed developments.

Each applicant must submit:

1. Affidavit of Compliance with Community Notification,
2. Proof of Publication of the Notice of Public Hearing,
3. Minutes of the Public Hearing,
4. A copy of the attendance roster,
5. A photograph of the signage required at the proposed site,
6. Acknowledgement of Notice of Public Hearing,
7. A written compilation of the comments received from the public hearing that includes the developer's responsive comments, and
8. A developer's statement as to how the concern(s), if any, will be addressed if tax credits are awarded to the development.

Notwithstanding anything in this section, the Corporation will NOT notify an applicant of a deficiency in the public notice requirements that it may discover pursuant to the advance notification requirement (GPAG Section 1.4 item #12). The applicant may use Technical Assistance prior to publication and the installation of signage.

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2. **Site Control** (*At least one must be met with evidence provided with application.*)

A. Contracts

Applicants must provide one of the following types of documentation as evidence that it has control of the proposed site. The entity having control of the proposed site must be the same entity listed as the applicant, and the seller/lessor/optionee must be identifiable in any purchase, lease or option agreement. Also, site control documentation must clearly identify the physical location of the property (i.e. property address, full legal description or plat map identifying street names) and be consistent with the development information provided on the application form. Addendums to any of the contracts must be included or points will be deducted.

1. Fee simple ownership of the proposed development site evidenced by the warranty deed. The owner of the property must be in the application.
2. Lease of the proposed site development for a term meeting or exceeding the 30-year compliance period or for such longer period as the applicant represents in the application that the development will be held for occupancy by low income persons and families.
3. Right to acquire or lease the proposed site development by a valid and binding option or contract and the fee simple owner of the site, provided that such option or contract shall have no conditions within the discretion or control of the owner of the site. The option must be good for a total of one hundred eighty (180) days from the last day of the application cycle.
4. For acquisition and rehabilitation properties that are federally assisted and require a Transfer of Physical Assets (TPA) approval, documentation showing that a transfer request has been submitted must accompany the application in order to have a valid option/purchase contract. Applicant must provide a letter evidencing pending TPA approval from Rural Development (RD) or the local Housing and Urban Development's (HUD) state field office. The only allowable condition to obtaining such transfer approval will be that of obtaining housing tax credits.
5. For RD transfer properties, loan transfers/assumptions shall be evidenced by approval on Form RD 3560-1 (Rev. 02/05), "Application for Partial Release, Subordination or Consent" executed by the State Director or the Multi-Family Housing Program Director or their designee as evidence of final approval.

B. Ownership Structure

Certificate of partnership or corporation for the owner and general partner entities from the State of Mississippi or certificate to do business in the State of Mississippi, if applicable. Stamp filed copy (committal stamp) indicating the Secretary of State's approval must be provided. Additionally, applicants must provide a copy of the Business Structure detailing the principal members of the ownership entity.

3. **Local Zoning and Development Conditions** (*At least one must be met.*)

- Evidence of proper zoning or building permits for the proposed development.
- In the event that zoning and permitting requirements are not applicable to the site of the proposed development:
 - A letter from the local authorities to that effect, and
 - A letter from the utility providers verifying the availability of all requisite public utilities for the proposed development.
- For existing developments, an applicant may submit evidence of a building permit issuance or current documentation from the local authority indicating that building permits are not required in lieu of zoning documentation

The proposed development must be identified as zoned for its intended use as multifamily or single family housing. Documentation must be provided from the local governing authority where the proposed development will be located and dated within one (1) year of the date the application is submitted to MHC. The documentation must include the development's name, physical location (i.e. street address or nearest intersection), intended use, zoning code and description of what the zoning allows. All information must be consistent with the development information provided on the application form.

4. **Documentation of Need**

All applications (new construction and rehabilitation) must contain an independent third party market study. The market study must be recent (no more than one year old from the date of the application). The Market Study must support the number of units identified in the application and provide consideration as to the total number of units the market will absorb should other developments be awarded tax credits in the same market area. All applications must also contain a statement of acceptance from the participating syndicator (*See Attachment 8*). Applicants are not prohibited from changing syndicators; however, a new statement of acceptance will be required from the subsequent syndicator in the event of a change from the initial application.

The market study must include the following items:

- Problem Definition
- Market Area Definition
- Physical/Location Analysis
- Economic Analysis
- Demographic Analysis
- Supply Analysis
- Demand Analysis
- Reconciliation of Supply and Demand
- Identify all housing tax credit developments approved within the previous five

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years of the study available on the Corporation's website at www.mshomecorp.com, and those currently under construction in the market area, and describe those developments' rent levels and lease up experiences.

Please refer to the market study guide in this section for an explanation of the above-referenced items and the checklist that will be used to determine if the minimum standards have been met.

Additionally, applicants are encourage to visit the Resource sections of the National Council of Affordable Housing Market Analysts' (NCAHMA's) website (<http://www.housingonline.com/Resources.aspx>) for additional information on their Model Content Standards for Market Studies, Dictionary of Market Study Terminology, and Market Study Index.

5. Permanent Financing Commitment

- Firm loan commitment letter's for permanent financing for the proposed development. The commitment must have a minimum 15 year term. The letter must not contain any material condition(s) with the exception of those listed below:
 - Obtaining 221(d)(4) guarantees;
 - Obtaining tax credits;
 - Final acquisition of site or land and building, as appropriate;
 - Complete drawings and/or specifications;
 - Firm cost estimates;
 - Appraisal;
 - Environmental review; and
 - All other conditions must receive prior approval from the Corporation at least ten (10) business days before submission of tax credit application.

- To be considered a firm commitment, the document must contain:
 - The verbiage, "***This is a firm commitment for construction/permanent financing of the referenced development.***"
 - The following items:
 - i. The term(s)
 - ii. Conditions
 - iii. Interest rate
 - iv. Disbursement conditions
 - v. Security requirements
 - vi. Repayment provisions
 - Must not be eligible for prepayment of the permanent mortgage prior to the end of the minimum fifteen (15) year compliance period. Refinances are permitted.
 - Must be executed by the lender and accepted by the ownership entity listed in the application form.

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- For HUD financed properties involving a Transfer of Physical Assets (TPA), the application must contain written correspondence from the local agency's state field office which confirms that a transfer package has been submitted and pending approval. The only allowable condition to obtaining such transfer approval will be obtaining housing tax credits.
- For RD new construction developments, a copy of the loan commitment for interim financing. The application must include the Obligation of Funds Analysis Form along with a cover letter from the Multifamily Program Director which confirms the amount of the loan and states that the funds are currently available and defines the term of the loan. This letter must be submitted with the application package and dated within the current calendar year.
- RD loan transfers/assumptions, permanent financing shall be evidenced by approval on Form RD 3560-1 (Rev. 02/05), "Application for Partial Release, Subordination or Consent" executed by the State Director or Multi-Family Housing Program Director or their designee as evidence of final approval. Additionally, a cover letter from the Multifamily Program Director which confirms the amount of the loan and that the funds are currently available must be submitted and dated within the current calendar year.

Additional Sources of Funding without firm commitments at Application

Applicants that anticipate receiving an award of CDBG funds under Mississippi Development Authority's ("MDA") Public Housing Program must submit documentation that includes the amount of funds anticipated and how the proposed development meets the requirements of the Mississippi Development Authority's Public Housing Program CDBG Disaster Recovery Action Plan Amendment 1, or any subsequent Amendments.

Applicants that anticipate receiving an award of other funding sources, such as HOME or Federal Home Loan Bank funds, must provide evidence that they have applied for such funding, including acknowledgement from the funding entity that the application has been received and of the amount requested.

Evidence of the award of any of these Additional Sources of Funding must be provided to the Corporation no later than the due date set out in the reservation package notifying the applicant of an award of Housing Tax Credits.

MHC RESERVES THE RIGHT TO VERIFY ALL FUNDING SOURCES.