

2021 QUALIFIED ALLOCATION PLAN

STAFF REPORT

INTRODUCTION

The 2021 Qualified Allocation Plan (“QAP”) represents an interim step to bridge a timing gap between the next Low-Income Housing Tax Credit (“LIHTC”) funding round and a full QAP re-write. Towards the end of 2019 and moving into the beginning of 2020, MSHDA and the development community were on track to make significant amendments to the 2019-2020 QAP. Multiple discussions had taken place and stakeholder focus groups had been conducted as well as an Information Hearing. MSHDA Staff received and carefully considered many comments that would shape the next QAP.

However, in mid-March of 2020, just as MSHDA staff were working on the finishing touches to a Draft QAP, the Coronavirus pandemic began. With much uncertainty ahead, staff made the decision to pause the QAP revision process in order to better analyze the impact that the Coronavirus pandemic would have on the state.

At this time, the driving need for an amendment to the QAP is (1) to schedule the next LIHTC Funding Round in order to keep affordable housing development moving forward, and (2) to make some very focused changes to the QAP to align it with MSHDA’s Rental Development strategy and respond to housing needs throughout the state. These two areas will define the changes being made to this “interim” QAP that will govern awards from the 2021 LIHTC ceiling.

FUNDING ROUND DEADLINE

The 2021 QAP is establishing a funding round deadline of February 1, 2021 to allocate the entire 2021 LIHTC ceiling. This is different from prior QAPs that have traditionally split the calendar year LIHTC ceiling into two funding rounds. This is being done in order to assist with re-starting the economy by putting the LIHTC resource to work sooner and allow the next QAP re-write to take place as soon as possible.

FOCUSING ON AFFORDABLE HOUSING PRODUCTION

As part of MSHDA’s Rental Development strategy and to respond to critical housing needs throughout the state, the 2021 QAP takes steps to focus more resources on increasing the production of affordable units. With that in mind, the 2021 QAP increases the amount of LIHTC in the Open Category and splits it into an Open Category for projects located in urban areas and an Open Category for project located outside of urban areas. The result is a win-win for both urban areas and non-urban areas where (a) projects seeking to produce units in urban areas will have greater access to credits than under the previous QAP and (b) projects seeking to produce units outside of urban areas will now have a more direct access point with their own “Balance of State” category to compete under rather than being required to compete against higher scoring projects in urban areas.

MARKET STUDY PROCESS CHANGES

Although not directly related to the 2021 QAP, MSHDA is making changes to its marketing process for 9% LIHTC-only and Pass-Through Program applications. Rather than 9% LIHTC and Pass-Through applicants being required to order the market study through MSHDA, the process is being modified to give more control and responsibility to the developer. With the new process, developers will select the market analyst from a MSHDA approved list of vendors and will contract directly with the market analyst they select to complete the study. Market Studies will be due with the rest of the LIHTC application on the February 1, 2021 funding round due date.