

**DRAFT**

# **EXECUTIVE SUMMARY**

## **PROPOSED 2005 QUALIFIED ALLOCATION PLAN CHANGES**

### **GENERAL POLICIES AND GUIDELINES**

#### ***I General Policies and Guidelines***

- 1) ***Initial:*** The 2004 Qualified Allocation Plan shall forward commit 2005's credit authority and commit/allocate any remainder 2003 and 2004's credit authority.

***Revision:*** The 2005 Qualified Allocation Plan shall forward commit 2006's credit authority and commit/allocate any remainder 2004 and 2005's credit authority. (*General Policy and Guideline #1*)

- 2) ***Initial:*** Applicants should verify prior to submitting an application to the Corporation for tax credits that they are in compliance with any and all programs they are participating in offered or administered by the Corporation. A request for noncompliance verification must be received by the Corporation at least thirty (30) working days before submission of a tax credit application. An applicant, including all parties associated therewith, must be in compliance with any and all Corporation programs to participate in the application process. Applications will be disqualified that are proposed by an entity with existing major noncompliance findings for any development in which they are associated. The application fee is non-refundable.

***Revision:*** Applicants may verify prior to submitting an application to the Corporation for tax credits that they are in compliance with any and all programs they are participating in offered or administered by the Corporation. A request for noncompliance verification must be received by the Corporation at least forty-five (45) working days before submission of a tax credit application. This request is not mandatory. The applicant's compliance status will be verified upon receipt of the tax credit application. If a request is submitted within the time frame mentioned above, applicable research fees will apply. A charge of \$55.00 per hour will be assessed to cover the cost of researching and processing an applicant's compliance status request. An applicant, including all parties associated therewith, must be in compliance with any and all Corporation programs to participate in the application process. Applications will be disqualified that are proposed by an entity with existing major noncompliance findings for any development in which they are associated. The application fee is non-refundable. (*General Policy and Guideline #2*)

- 3) **Initial:** Applications will be disqualified that are proposed by principals (including consultants) that have previously participated with one or more of the Corporation's programs that has a major noncompliance issue and/or is in foreclosure or has been foreclosed.

**Revision:** Applications will be disqualified that are proposed by principals (including consultants that have previously been a principal) who have participated with one or more of the Corporation's programs that has a major noncompliance issue and/or is in foreclosure or has been foreclosed. Applicants are required to disclose any and all members of the development team who receive fees for their services. All parties are subject to be listed on MHC's website. (*General Policy and Guideline #3*)

- 4) **Initial:** The Corporation will not issue a reservation or commitment to a development requesting tax credits in excess of fifteen percent (15%) of the 2005 per capita component to fill the equity gap.

**Revision:** The Corporation will not issue a reservation or commitment to a development requesting tax credits in excess of fifteen percent (15%) of the 2006 per capita component to fill the equity gap. (*General Policy and Guideline #16*)

- 5) **Initial:** Application and Allocation Fees will be allowed in eligible basis. (*General Policy and Guideline #23*)

**Revision:** MHC is considering retaining its current fee structure; however, we are requesting developer and investor feedback on our assessment of tax credit fees.

- 6) **Initial:** Developments receiving tax credits in 2004 will be required to provide cost certifications after development completion. A cost certification must include all cost categories listed under "Cost Breakdown" in the 2004 tax credit application and conform to the requirements of the Corporation.

**Revision:** Developments receiving tax credits in 2005 will be required to provide cost certifications after development completion. A cost certification must include all cost categories listed under "Cost Breakdown" in the 2005 tax credit application and conform to the requirements of the Corporation. (*General Policy and Guideline #30*)

- 7) **Initial:** As a condition for an allocation of Housing Tax Credits, the Corporation will require the tax credit recipients to complete Form 8821, Tax Information Authorization (Rev 9-98) naming the Corporation as the appointee to receive tax information. The subject form will be included in and submitted with the tax credit recipient's reservation package. On line 3 of subject form, in addition to the type of tax, tax form number, and year of period, the following statement must be included in column (d): "Any related federal tax information pertaining to housing tax credits, including audit findings and assessments."

The Corporation will forward the completed and signed Form 8821 (Rev 9-98) to the IRS at the following address:

Internal Revenue Service  
600 South Maestri Place  
PSP-Stop 42  
New Orleans, LA 70130  
ATTN: LIHC Coordinator

**Revision:** As a condition for an allocation of Housing Tax Credits, the Corporation will require the tax credit recipients to complete Form 8821, Tax Information Authorization (Rev 4-04) naming the Corporation as the appointee to receive tax information. The subject form will be included in and submitted with the tax credit recipient's reservation package. On line 3 of subject form, in addition to the type of tax, tax form number, and year of period, the following statement must be included in column (d): "Any related federal tax information pertaining to housing tax credits, including audit findings and assessments." All applicable items of the form must be completed by the owner.

The Corporation will forward the completed and signed Form 8821 (Rev 4-04) to the IRS at the following address:

Internal Revenue Service  
Memphis Accounts Management Center  
Stop 8423  
5333 Getwell Road  
Memphis, TN 38118  
(*General Policy and Guideline #39*)

- 8) **Add:** The Corporation will conduct its initial financial feasibility review utilizing the current market value of the average tax credit sales price. We will separately consider industry averages for developments with 48 units or less and developments with greater than 48 units. (*General Policy and Guideline #49*)
  
- 9) **Add:** Compliance monitoring requirements for tax credit developments entering their extended low-income use period after the end of their initial 15-year compliance period is included in the Compliance Monitoring section of the QAP entitled "Post Year 15 Compliance Monitoring Plan". (*General Policy and Guideline #50*)

## **APPLICATION CYCLE AND FEES**

## ***I***      ***Application Cycle***

***Initial:*** February 16 - March 15, 2004

***Revision:*** February 14-March 14, 2005

***Initial:*** Credits not allocated or recaptured during the proposed competition will be carried forward to calendar year 2005 subject to Internal Revenue Service ruling.

***Revision:*** Credits not allocated or credits recaptured during the proposed competition will be carried forward calendar year 2006 subject to Internal Revenue Service ruling.

***Initial:*** All inquiries of MHC allocation staff, regarding the QAP application or its process, must be made prior to March 8, 2004. The Corporation will not provide any technical assistance beyond that day.

***Revision:*** All inquiries of MHC allocation staff, regarding the QAP application or its process, must be made prior to March 7, 2005. The Corporation will not provide any technical assistance beyond that day.

## ***II***      ***Fees***

### ***Initial:***      **Refunding of the Servicing Fee**

There will be a ninety percent (90%) refund of the servicing fee if tax credits are returned to the Corporation on/before the first Monday in September and a fifty percent (50%) refund of the servicing fee if tax credits are returned to the Corporation by October 31 of the year in which tax credits were reserved. There will be no refund of the servicing fee for tax credits reserved in a previous year

### ***Revision:***      **Refunding of the Servicing Fee**

There will be a ninety percent (90%) refund of the servicing fee if tax credits are returned to the Corporation prior to the first Monday in September and a fifty percent (50%) refund of the servicing fee if tax credits are returned to the Corporation by October 31 of the year in which tax credits were reserved. There will be no refund of the servicing fee for tax credits reserved in a previous year.

## ***SET-A-SIDES***

- 1) **Initial:** For 2004, the State of Mississippi will allocate credits from its 2005 per capita credit authority, unused credits from previous years, returned credits and national pool credits, if applicable.

**Revision:** For 2005, the State of Mississippi will allocate credits from its 2006 per capita credit authority, unused credits from previous years, returned credits and national pool credits, if applicable.

- 2) **Initial:** Non-profit entities will have available for 2004, ten percent (10%) of 2005's total credit allocation authority.

**Revision:** Non-profit entities will have available for 2005, ten percent (10%) of 2006's total credit allocation authority.

- 3) **Initial:** The Corporation will set-a-side for each of the state's four congressional districts five hundred thousand dollars (\$500,000) of 2005's credit authority with a maximum of three hundred fifty thousand dollars (\$350,000) per development.

**Revision:** The Corporation will set-a-side for each of the state's four congressional districts five hundred thousand dollars (\$500,000) of 2006's credit authority with a maximum of three hundred fifty thousand dollars (\$350,000) per development. The remaining credit authority will be utilized for developments in the statewide set-a-side.

### **SELECTION CRITERIA**

- 1) *Page 19*

Following its determination that a development satisfies the threshold factors, the Corporation will use the Selection Criteria stated below for the purpose of ranking developments during the application cycle. All Developments that have satisfied the threshold factors must score a minimum of seventy-five (75) points out of the total possible one hundred three (103) points using the selection criteria below to be considered for a reservation of tax credits, except for developments satisfying the following criteria:

**Initial:**

- The Corporation will reduce the minimum score required to seventy (70) points for preservation developments that are committed to providing one hundred percent (100%) of the units set-a-side for tenants at or below sixty percent (60%) of the county median gross income for forty (40) years or longer.

**Revision:**

- The Corporation will reduce the minimum score required to sixty-five (65) points for preservation developments that are committed to providing one hundred

percent (100%) of the units set-a-side for tenants at or below sixty percent (60%) of the county median gross income for forty (40) years or longer.

- 2) **Initial:** The development preserves existing developments serving low-income residents that would be lost due to conversion to market rate, loss of rental assistance, foreclosure or default, and mortgage prepayment. To be eligible, the development must be currently in danger of conversion, foreclosure, or default. Documentation of default and endangerment of foreclosure must be provided by the permanent financing entity forcing the foreclosure action.  
(Scoring component #7) **05 pts.**

**Revision:** The development preserves existing developments serving low-income residents that would be lost due to conversion to market rate, loss of rental assistance, foreclosure or default, and mortgage prepayment. To be eligible, the development must have been in danger of conversion, foreclosure, or default. Documentation of default and endangerment of foreclosure must be provided by the permanent financing entity forcing the foreclosure action.

- 3) For developments requesting consideration under the readiness criteria, the applicant must include in the tax credit application the information stated below:  
(Scoring component #12) **10 pts.**

**Initial:**

- f. Documentation of land value and improvements utilizing a certified appraiser for developments involving acquisition/rehabilitation, or documentation of land value utilizing a certified appraiser for developments involving new construction.
- j. Certificate of partnership or corporation from the State of Mississippi or certificate to do business in the State of Mississippi, if applicable (Must be executed by the Secretary of State).

**Revision:**

- f. Documentation of land value and improvements utilizing a certified appraiser for developments involving acquisition/rehabilitation, or documentation of land value and improvements utilizing a certified appraiser for developments involving new construction.
- j. Certificate of partnership or corporation from the State of Mississippi or certificate to do business in the State of Mississippi, if applicable (Must provide stamp filed copy (committal stamp) indicating the Secretary of State's approval).

- 4) Single family leased purchased developments. **15 pts.**  
(Scoring Component # 16)

**Initial:**

Item 9- Letter of support from localities commenting on previously built tax credit developments constructed/rehabilitated by applicants.

**Revision:** Letter of support from localities commenting on previous tax credit developments constructed/rehabilitated by the general partner.

**Initial:**

Item 11- Must be constructed separately from any other tax credit development.

**Revision:** Must have public access and meet R-1 zoning requirements.

**Add:**

Item 12- The owner shall provide a sample lease-purchase agreement advising tenants of the available purchase options at the end of the fifteen (15) year lease period, which may be included in the body of the lease.

- 5) **Initial:** Developer partners with a Housing Authority in the state of Mississippi. (Scoring Component #20) **03 pts.**

**Add:** This partnership should allow material participation by the housing authority. This participation should not be limited to referrals of Section 8 Voucher holders to the proposed development.

- 6) **Initial: One (1) point will be deducted if an applicant proposes a development in an area that has received 3/> tax credit awards in the previous two (2) years. See attached tax credit recipient list for 2003 and 2004.**

**Revision: One (1) point will be deducted if an applicant proposes a development in an area that has received 3/> tax credit awards in the previous two (2) years. See attached tax credit recipient list for 2004 and 2005 credit authority. Preservation developments will not be subject to this one (1) point deduction.**

### **APPLICATION**

**I** Staff will work with the IT Department to make any necessary changes.

**II** **Add-** Preliminary Letter of Intent to Provide Equity Investment to Required Documents Checklist and Certification. ( See revised attachment)

### **FINANCIAL FEASIBILITY STANDARDS**

## ***I*** **Replacement and Operating Reserves**

***Initial:*** Replacement reserves are required for all applications for tax credits. Contributions must be made to a reserve account. Reserves should be funded for the term of the loan of the senior lender. The following minimum contributions must be used:

- Rehabilitation (\$250 per unit per year)
- New Construction (\$200 per unit per year)

Replacement reserves should be used only for capital improvements and system replacements and not used for general maintenance expenses. Capital improvements means improvements to the real estate, the cost of which would exceed \$10,000 such as re-roofing, structural repairs, or major costs to replace or upgrade existing furnishings, but not including replacement of individual appliances or minor repairs. Replacement reserves will increase at a rate of four percent (4%) per year.

***Revision:*** Replacement reserves are required for all applications for tax credits. Contributions must be made to a reserve account. Reserves should be funded for the term of the loan of the senior lender. The following minimum contributions must be used:

- Rehabilitation (\$300 per unit per year)
- New Construction-Elderly (\$250 per unit per year)
- New Construction-Family (\$300 per unit per year)

Replacement reserves should be used only for capital improvements and system replacements and not used for general maintenance expenses. Capital improvements mean improvements to the real estate such as re-roofing, structural repairs, or major costs to replace or upgrade existing furnishings, but not including replacement of individual appliances or minor repairs. The cost of these capital improvements and system requirements should exceed \$5,000 for developments with 24 units or less and exceed \$10,000 for developments above 24 units. Replacement reserves will increase at a rate of four percent (4%) per year.

## **DEVELOPER AND CONSULTANT FEES**

### ***I*** **Developer Fees**

***Initial:*** The Corporation will allow up to a base fee of fifteen percent (15%) of the development's construction costs, including builder's profit, for developer's fees which includes developer's overhead. This base fee may be increased dependent upon a development meeting the following criteria:

***Revision:*** The Corporation will allow a base fee of fifteen percent (15%) of the development's construction costs, including builder's profit, for developer's fees, which



includes developer's overhead and consultant fees. This base fee may be increased dependent upon a development meeting the following criteria:

## **DESIGN QUALITY STANDARDS**

### **I Building Design Criteria**

#### ***Page 53***

#### **7. Plumbing and Mechanical Equipment**

##### ***Initial:***

- c. Through-wall HVAC units are not permitted except in efficiency units or in offices.
- f. All new construction must install central air and heating units.

##### ***Revision:***

- c. Through-wall HVAC units are not permitted except in efficiency units or in offices. However, single package heat pump forced air units are acceptable in all units.
- f. All developments must install central air and heating units.

## **COMPLIANCE MONITORING PLAN SUMMARY**

### **I Monitoring Procedures**

#### **Record Keeping and Record Retention**

##### ***Page 55***

***Initial:*** The owner of an affordable housing development must be required to keep records for each building in the development showing:

***Revision:*** The owner of a Housing Tax Credit (HTC) development must be required to keep records for each building in the development showing:

##### ***Page 56***

***Initial:*** The owner of the affordable housing development is required to keep records of the information described above for at least six (6) years after the due date (with extensions) for filing the federal income tax return for that year.

***Revision:*** The owner of the Housing Tax Credit (HTC) development is required to keep records of the information described above for at least six (6) years after the due date (with extensions) for filing the federal income tax return for that year.

## **Certification and Review**

### ***Page 56***

***Initial:*** The owner of an affordable housing development is required to certify annually to the Corporation that, for the preceding 12-month period the development meets either (a) the 20-50 test under Section 42 (g)(1)(A), as amended, (b) the 40-60 test under Section 42(g)(1)(B), as amended, of (c) the 25-60 test under sections 42(g)(4) of the Code, whichever minimum set a side test is applicable to the development.

***Revision:*** The owner of a Housing Tax Credit (HTC) development is required to certify annually to the Corporation that, for the preceding 12-month period the development meets either (a) the 20-50 test under Section 42(g)(1)(A), as amended, (b) the 40-60 test under Section 42(g)(1)(B), as amended, of (c) the 25-60 test under section 42(g)(4) of the Code, whichever minimum set a side test is applicable to the development.

### ***Page 58***

***Initial:*** These certifications for a building are required at least through the end of the building's fifteen (15) year compliance period.

**Add: Note:** Certification will be required of developments that have begun operating in its Extended Use Period.

## **Inspection**

### ***Page 58***

***Initial:*** The Corporation has the right to perform an on-site inspection of any housing development at least through the end of the compliance period of the buildings in the development.

***Revision:*** The Corporation has the right to perform an on-site inspection of any housing development at least through the end of the compliance period, including any extended use period, of the buildings in the development.

***Initial:*** A building is exempt from the physical inspection requirement if it is financed by Rural Development (RD) under section 515 program, RD inspects the building (under 7 CFR part 1930 (c)) and RD and the Corporation enter into a memorandum of understanding, or other similar agreement, under which RD agrees to notify the Corporation of the inspection results.

**Add:** The Corporation reserves the right to perform physical inspections in lieu of accepting RD inspections results.

## **Notification**

### ***Page 58***

***Initial:*** The Corporation will notify the owner of a housing tax credit development in writing as soon as possible if the Corporation does not receive the required certification, or if the Corporation discovers on inspection, or review, or in some other manner, that the development is not in compliance with the provisions of Section 42, and amended, of the Code.

***Revision:*** The Corporation will notify the owner of a housing tax credit development in writing as soon as possible, generally within 45 days of the deadline date, if the Corporation does not receive the required certification, or if the Corporation discovers on inspection, or review, or in some other manner, that the development is not in compliance with the provisions of Section 42, and amended, of the Code.

### **Add:**

#### **POST YEAR 15 COMPLIANCE MONITORING PLAN**

Separate compliance monitoring requirements are included for tax credit developments entering their extended low-income use period after the completion of their initial 15-year compliance period. This will be evidenced by a signed Declaration of Land Use Restrictive Covenant agreement executed between the Corporation and the owner.

## II **Monitoring Fees**

### ***Page 59***

***Initial:*** Under current monitoring regulations and guidance, the Corporation will charge monitoring fees to all developments. The Corporation may require additional monitoring charges if subsequent guidance or regulations warrant changes to the Corporation's monitoring procedures. For developments receiving tax credits before 2002 no additional fees beyond the initial fee for the first year's allocation and monitoring fees is required for compliance monitoring. This fee is non-refundable and must be provided to the Corporation in the form of certified funds or a cashier's check.

The owner of a development in noncompliance will be responsible for reimbursing the Corporation for all expenses incurred. Expenses for conducting additional on-site inspections will include but are not limited to:

***Revision:*** Under current monitoring regulations and guidance, the Corporation will charge monitoring fees to all developments. The Corporation may require additional monitoring charges if subsequent guidance or regulations warrant changes to the Corporation's monitoring procedures. For developments receiving tax credits before 2004 no additional fees beyond the initial fee for the first year's allocation and monitoring fees is required for compliance monitoring. This fee is non-refundable

and must be provided to the Corporation in the form of certified funds or a cashier's check.

site  
The owner of a development in noncompliance will be responsible for reimbursing the Corporation for all expenses incurred. Expenses for conducting additional on-site inspections/follow-up reviews will include but are not limited to:

**Page 60**

**Initial:**

- f. The Corporation will also assess a late fee of \$100.00 per day per development for every day annual certifications are past due beyond July 1, 2004.

**Revision:**

- f. The Corporation will also assess a late fee of \$100.00 per day per development for every day annual certifications are past due beyond July 1, 2005.

**Add:**

- g. The compliance division will assess a \$15.00 per low-income unit fee to cover staff costs to monitor tax credit developments during the extended low-income use period (15 or more years after the end of the compliance period). This fee will be due on the same date as the Annual Owner Certification package, July 1<sup>st</sup>. This fee is applicable only for properties that have executed an extended use agreement (Declaration of Land Use Restrictive Covenant) with the Corporation. Compliance monitoring requirements for tax credit developments entering their extended low-income use period are explained in the section entitled "Post Year 15 Compliance Monitoring Plan".

**III EFFECTIVE DATE**

**Initial:** The effective date of the monitoring procedure is January 1, 2001, and applies to buildings placed in service for which a low-income housing tax credit is, or has been, allowable at any time. The monitoring procedure does not require monitoring for whether a building or development is in compliance with the requirements of Section 42, as amended of the Code prior to January 1, 1992.

**Revision:** The requirement of Section 42(m)(1)(B)(iii) that allocation plans contain a procedure for monitoring for non-compliance becomes effective on January 1, 1992, and applies to buildings for which a low-income housing credit is, or has been allowable at any time.

However, if an agency becomes aware of noncompliance that occurred prior to January 1, 1992, the Agency is required to notify the Internal Revenue Service.

In addition, the requirements involving tenant file reviews and physical inspections of existing developments and the physical inspection standard are applicable January 1, 2001.

### **ATTACHMENTS AND MISCELLANEOUS**

1. Recipient list attachment will be revised to reflect allocations for years 2004 and 2005 credit authority.
2. All applicable attachments will be revised in accordance with respective changes within the QAP.
3. Staff will address any minor editing and corrections during the final revision of the QAP.

MISSISSIPPI HOME CORPORATION  
2004 2005 QUALIFIED ALLOCATON PLAN  
SAMPLE LETTER OF INTENT TO PROVIDE  
EQUITY INVESTMENT

XXXXXXXXXX  
XXXXXXXXXX  
XXXXXXXXXX  
XXXXXXXXXX

RE: Intent to Provide Equity Investment  
(Development Name)  
(Development Location)

Dear XXXXXXXX:

This letter serves to indicate that \_\_\_\_\_ (Syndicating Firm/Company) has done a preliminary review of the tax credit application to be submitted to the Mississippi Home Corporation (MHC) for consideration of issuing Housing Tax Credits in accordance with Section 42 of the Internal Revenue Code. This letter of intent is specifically for the subject proposed development to be rehabilitated/constructed in \_\_\_\_\_ (city), Mississippi.

We \_\_\_\_\_ (Syndicating Firm/Company) certify that, ~~at a minimum, the four threshold requirements as prescribed in MHC's 2004 Qualified Allocation Plan (QAP) have been reviewed and it is our opinion that the proposed development is viable for syndication.~~ **(Revision: all aspects of the proposed development have been considered.)** Based on our preliminary review, \_\_\_\_\_ (Syndicating Firm/Company) would like to express an interest in possibly syndicating the development provided it receives Housing Tax Credits from the Mississippi Home Corporation (MHC).

Please direct all questions and/or concerns regarding this letter of intent to \_\_\_\_\_ (contact name) at \_\_\_\_\_ (phone number) who serves in the capacity as \_\_\_\_\_ (title) at \_\_\_\_\_ (Syndicating Firm/Company).

Sincerely,

XXXXXXXXXX (Name)  
XXXXXXXXXX (Title)