



Rental Development

**NOTICE OF FUNDING AVAILABILITY
Updated 3-28-24**

**And
General Guidelines
For**

Gap Financing Program – Round 18

I. Important Notice:

Developments not requiring gap financing from MSHDA, or other MSHDA preservation developments not requiring gap financing in excess of what would be recaptured by MSHDA in the event of refinancing may apply for financing at any time.

All application packages are to be submitted electronically on or before the due date identified in Section II below. To submit the application package electronically, please complete and submit the form located at the following link to set up a file. <https://forms.office.com/g/hv9Hext7ad> Upon hitting "Submit" on the form an email response will be sent to you with instructions for uploading your electronic files.

II. INTRODUCTION

In an effort to generate statewide rental housing production and achieve deep income targeting for lower income households, MSHDA will make available HOME, and Housing Trust Fund (HTF), (collectively referred to as "Gap Funding") to be utilized in Round 18 of the Gap Financing Program. Participation in the Gap Financing Program requires the applicant to also obtain tax-exempt bond funded permanent financing from MSHDA. In Round 18, MSHDA is planning to utilize just over ~~\$19.3~~ **\$23.3** million in HOME and almost ~~\$8.6~~ **\$12.6** million in HTF resources, for a total of ~~\$27.9~~ **\$35.9** million in gap funding.

A minimum of fifteen percent of the Authority's annual HOME allocation will be set-aside for CHDO eligible proposals. All other terms of the Gap Financing Program apply to the CHDO proposals.

Additionally, MSHDA reserves the right to use up to \$4 million in Mortgage Resource Funds (MRF) or any remaining Public Act 5 (PA5) funding at its sole discretion where it is determined necessary to facilitate the financing of a developments that encounter challenges with the cross-cutting requirements of the HOME and/or HTF program. By applying in the Round 18 NOFA, applicants will be agreeing to utilize whatever resource (HOME, HTF, MRF, PA5) or any combination of resources that MSHDA determines is necessary in order to efficiently utilize all the resources available.

PLEASE NOTE: Should additional funding be made available, MSHDA reserves the right to amend this NOFA, which includes adding or subtracting funding amounts from this NOFA, in order to promote the most efficient use of resources. Should an amendment to this NOFA be necessary, MSHDA will post the amended NOFA on its website as a means of noticing stakeholders and the public about changes. Should the amount of MSHDA Gap resources exceed the number of project applications that can feasibly utilize them, MSHDA reserves the right to move the remaining gap resources to a future funding round or NOFA.

III. PROJECTED FUNDING ROUND TIMELINE

The application process will consist of phases as described in the MSHDA Multifamily Direct Lending Parameters (Lending Parameters). The phases are: 1) Notice of Intent to Apply; 2) Application Submission; 3) Commitment Review; 4) MSHDA Board Consideration; 5) Pre-Closing; 6) Initial Closing; 7) Construction; and 8) Final Closing.

Round 18:

April 1, 2024	Notice of Intent to Apply package due.
June 3, 2024	Notice of Intent to Apply rankings released, and applicants invited to submit full application.
July 1, 2024	Capital Needs Assessment (CNA) orders and Market Study orders due.
September 2, 2024	Application Submission package due.
November 4, 2024	Application rankings released.
Within 90 days	Achieve Loan Committee.
Within 90 days	MSHDA Board presentation/decision.
Within 90 days of Board Approval	Initial Closing on all financing.

STRICT ADHERENCE TO THE ABOVE TIMELINE IS REQUIRED FOR A DEVELOPMENT IN THE NOFA TO REMAIN ELIGIBLE FOR GAP FUNDING. ANY DEVIATION FROM THE ABOVE TIMELINE MAY RESULT IN THE DEVELOPMENT’S APPLICATION BEING REMOVED FROM CONSIDERATION AND ANOTHER DEVELOPMENT BEING PROCESSED IN ITS PLACE. WRITTEN WAIVER REQUESTS OF DOCUMENT SUBMISSION DEADLINES WILL BE CONSIDERED AND DECISIONS MADE AT THE SOLE DISCRETION OF MSHDA STAFF.

IV. PROJECT FINANCING STRUCTURE

All eligible developments will be required to utilize a following funding sources, at a minimum:

- Tax-Exempt Bond senior construction/permanent mortgage through MSHDA’s Direct Lending program
- 4% Low-Income Housing Tax Credit funding

V. FUNDING CATEGORIES

Total gap funding resources at MSHDA’s discretion will be allocated to projects that qualify in the following areas:

- **\$8 million will be available for Strategic Developments. This may include, but is not limited to, applications that demonstrate transformative neighborhood revitalization, and/or unique financial funding and leveraging opportunities, and/or the opportunity to promote significant job growth in proximity to such housing, and/or projects representing a new and strategic partnership supporting an emerging developer. Projects may choose to apply in both this Strategic Development category as well as the three Categories listed below.**
- \$14.9 million will be available for projects that are creating new housing units (new construction or adaptive reuse of existing buildings) in large and medium sized cities

- throughout the state. In order to qualify, projects must be located in areas that do not meet the USDA RD **Multifamily Housing** definition of a rural area.
- \$10 million will be available for projects that are creating new housing units (new construction or adaptive reuse of existing buildings) in rural areas throughout the state. In order to qualify, projects must be located in areas that meet the USDA RD Multifamily **Housing** definition of a rural area.
 - \$3 million will be available for projects that are Preserving existing affordable housing regardless of geographic location throughout the state.

Projects will only be eligible to apply in one of the categories above.

With the exception of the Strategic Development Category, ~~if~~ if application demand exceeds the amount of funding that is available in any of the categories above, applications will be ranked and funded within the category according to their soft-to-hard debt ratio. Those applications with the lowest soft-debt-to-hard-debt ratio will be funded first.

Should the amount of MSHDA gap resources in any of the categories listed above exceed the amount requested in that category, MSHDA will make the excess gap funding available for the category creating new housing units where demand exists, move the funding to a future NOFA, ~~or~~ utilize the excess funding for NOFA 18 projects that are not otherwise in a position to receive funding but meet certain strategic objectives, **or move the excess funding to the Category designated for Strategic Developments.**

Should the total amount of MSHDA Gap resources in the NOFA exceed the number of project applications that can feasibly utilize those resources, MSHDA reserves the right to move the remaining gap resources to a future funding round NOFA.

MSHDA reserves the right under this NOFA to award funding to projects that meet certain strategic and/or time sensitive objectives, but which do not otherwise rank competitively under this NOFA for funding. This may be accomplished through adding additional funding to this NOFA, utilizing any excess funding from the Funding Categories listed above, or reducing the amount available in any of the Funding Categories to fund projects that meet strategic objectives.

A single Housing Partnerships region will not be eligible to receive more than 50% of the total funding (~~\$27.9~~ **\$35.9** million) being made available. A map of the Housing Partnerships regions can be found at the end of this document. This is being implemented to ensure that the funding is distributed widely throughout the state.

VI. GAP FINANCING TERMS

All HOME and HTF loans will be made as subordinate loans bearing simple interest at 1% annually. To the extent utilized, MRF resources are loaned at simple interest of 3% annually. Gap funding loans are made with a 50-year term. Applicants should note that developments receiving federal funding may be subject to federal cross-cutting guidelines.

Please see Section II.B.2 of the MSHDA Multifamily Direct Lending Parameters for further detail about the terms of MSHDA Gap Funding Loans.

VII. DEVELOPER/OWNER CONTRIBUTION

A minimum capital contribution/deferred developer fee/reduced developer fee from the sponsor may be required based on a certain percentage of the soft-to-hard debt ratio as follows:

Minimum Capital Contribution/Deferred Developer Fee/Reduced Developer Fee Requirement	Soft-to-Hard Debt Ratio
0%	0.00% - 9.99%
10%	10.00% - 19.99%
20%	20.00% - 39.99%
30%	40.00% - 59.99%
40%	60% - 79.99%
50%	80% - Above

Note: With the exception of any tax credit equity source and existing reserves utilized, other non-MSHDA funding sources will be applied against the minimum sponsor funding requirement.

VIII. EVALUATION CRITERIA

All applications will be reviewed and ranked in their respective category, as listed in Section V above. Consideration will be given to those projects needing the least amount of MSHDA gap financing and/or those that can support the greatest amount of tax-exempt bond financing (**aka the soft-to-hard debt ratio**). **In the Strategic Development category, other considerations beyond the soft-to-hard debt ratio such as demonstrating transformative neighborhood revitalization, and/or unique financial funding and leveraging opportunities, and/or the opportunity to promote significant job growth in proximity to such housing, and/or projects representing a new and strategic partnership supporting an emerging developer may be taken into account to determine the award.**

All requirements of the MSHDA Multifamily Direct Lending Parameters and review criteria including, but not limited to, development team capacity and design standards will apply to the evaluation of all applications submitted under this NOFA.

IX. COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO) SET-ASIDE

CHDO proposals will compete against each other for the CHDO Set Aside amount that is required. If one or more CHDO proposal's gap need exceeds the CHDO set aside, then MSHDA may either choose to make additional gap funding available in order to meet their CHDO funding requirement, or the development will compete against the overall funding round itself, but only for the difference between the proposal's total gap need and the CHDO set aside, as applicable. Once the Set-Aside is met, any remaining lower ranking CHDO proposals in the round would have to rank greater than those under the non-set-aside round of the NOFA to receive an award.

If no CHDO proposals apply or those that do are not acceptable, and/or if any Set-Aside funding remains un-awarded, the un-awarded HOME set aside may be made available to CHDO proposals seeking HOME funding under the 9% PSH Set-Aside or MSHDA may choose to take other routes to meet the CHDO requirements at its discretion.