

## 9% Low-Income Housing Tax Credit Gap Financing

### AMENDED Program Guidelines

<b>Program Summary</b>	MSHDA will make available \$28,500,000 of gap funding for projects that are participating in the 9% Low-Income Housing Tax Credit (“LIHTC”) program. The source of gap funding will be general funds and will not trigger any additional cross cutting requirements beyond what is including in these program guidelines. Applicants should be aware that other sources in the project may still trigger cross cutting requirements.
<b>Eligible Developments</b>	Eligible Developments are described as the following: <ol style="list-style-type: none"><li>1. Projects awarded 9% LIHTC under IRS Code Section 42</li><li>2. Owners that have not received an unconditional form 8609 from MSHDA as of the effective date of the legislation (3/8/2023).</li></ol>
<b>Application Opening Date</b>	<p>Applications for funding will be accepted and reviewed in the following order. Applications will be accepted beginning on the date stated below up and until the next application window opens. For example, a project that received an initial LIHTC reservation on or before December 31, 2020 will be eligible to submit an application anytime starting April 3, 2023 and prior to May 1, 2023. Projects that submit a complete application will be reviewed on a first-come-first-served basis. Complete applications received before 5:00pm on the same day will be considered received at the same time for first-come, first-served ranking purposes. Applications that are received at the same time will be ranked and prioritized according to the amount of gap funding per affordable unit, and projects with the lowest gap funding per affordable unit will be given preference. If a tie remains, preference will be given to the project that produces the highest number of affordable units.</p> <ol style="list-style-type: none"><li>1. On April 3, 2023, applications will be accepted from owners that received an initial LIHTC reservation on or before December 31, 2020;</li><li>2. On May 1, 2023, applications will be accepted from owners that received an initial LIHTC reservation on or before December 31, 2021;</li><li>3. On June 1, 2023, applications will be accepted from owners that received an initial LIHTC reservation on or before December 31, 2022</li><li>4. On July 3, 2023, applications will be accepted from owners that received an initial LIHTC reservation after December 31, 2022</li></ol> <p>Prior to each application date noted above, MSHDA will post updates to let potential applicants know how much funding has been committed and how much funding is still uncommitted.</p>

<b>How to Apply</b>	Applicants that are seeking Gap Funding will be submitted through the 9% LIHTC Gap Funding Sharepoint portal that MSHDA will open. More details will be available on the MSHDA website. In order to electronically submit an application package for the 9% LIHTC Gap Funding Program you must first complete the form on the website. Upon hitting "Submit" a folder will be created and an email will be sent to the members you identify, with directions for submitting the application package electronically through Sharepoint.
<b>Application Materials</b>	<p>Applicants under this program must submit all of the following to the Sharepoint folder:</p> <ol style="list-style-type: none"> <li>1. LIHTC Program Application</li> <li>2. Updated Trade Payment Breakdown, dated within 30 days. Alternatively, applicants can submit a final Cost Certification if it has been completed.</li> <li>3. Current Site Control, expiring no earlier than 90 days from the date of application (if the Applicant has already acquired the property, a copy of the recorded deed must be submitted)</li> <li>4. Financing Commitments, from all sources, dated within 30 days, provided, however, if the initial closing on the financing has already occurred, copies of the fully executed Operating Agreement/Partnership Agreement, Promissory Note(s), and Mortgage(s) must be submitted</li> <li>5. Equity Investor Letter, dated within 30 days provided, however, if the initial closing on the financing has already occurred, a copy of the fully executed Operating Agreement/Partnership Agreement must be submitted</li> <li>6. Certification to Application</li> <li>7. Gap Funding Calculation Worksheet</li> </ol> <p>Once all required items above have been uploaded, Applicants must complete the required form to notify MSHDA staff that the complete application has been submitted and the Sharepoint folder can be locked.</p>
<b>Gap Funding Terms</b>	Gap funding will take the form of a grant or forgivable loan. The recipient of the grant or forgivable loan may be any entity selected by the applicant, provided, however, if the recipient is an entity other than the owner, the funds must be received by the selected non-owner recipient and contributed or loaned to the owner. The term of the grant will extend until the end of the 15-year LIHTC compliance period. Loans will be forgivable at the end of the 15-year LIHTC compliance period. Grants or loans will be subject to recapture if the development ceases to qualify as a LIHTC development and/or is subject to LIHTC recapture from the IRS.
<b>Grant/Loan Documentation</b>	Grants or forgivable loans made to projects under this program may be documented with such items as a grant agreement, subordinate note, and/or other necessary documentation (as determined by MSHDA). MSHDA will provide a list of other due diligence requirements upon application approval. If the initial closing on the financing has not yet occurred, execution of these documents and funding of the loan/grant will be completed in conjunction with the project closing on other sources of

financing (such as the senior loan, LIHTC equity, and any other available sources). If the initial closing on the financing has already occurred, consents and acknowledgments from the equity investor and first priority lender may be required.

**Gap Funding Limits**

**For projects that have closed on their financing:** The maximum gap allocation amount is the lesser of \$20,000 per affordable housing units in the development or the amount needed to be financially feasible.

**For projects that have not closed on their financing:** The maximum gap allocation amount is the lesser of \$60,000 per affordable housing unit in the development or the amount needed to be financially feasible. Developments will be eligible for gap funding according to the graduated scale below, and will be required to defer more developer fee or contribute more to the project as the per unit gap funding request increases. Third party-funders or municipalities that wish to contribute new additional funding to the project in order to assist in reducing the amount of the deferred developer fee or owner contribution will be eligible to do so by submitting a letter outlining the additional new funding they are committing to the project and how much of the new funding is being specifically devoted to reducing the deferred developer fee and/or owner contribution. Additional new funding is defined as funding that has not yet been represented on the most recent pro-forma that MSHDA has received prior to the gap funding request. Funding that is moved from the 4% side to the 9% side of a 4%/9% transaction will not count as additional new funding.

Gap per LIHTC unit (\$60k/LIHTC unit max)	Minimum DDF/Owner Contribution
\$0 - \$20,000	40%
\$20,001 - \$30,000	50%
\$30,001 - \$40,000	60%
\$40,001 - \$50,000	65%
\$50,001 - \$60,000	70%

**Developer/Owner Contribution**

Projects will be required to include the following:

- Projects that have not yet closed on financing will be required to include an owner contribution or a deferred developer fee in accordance with the table in the Gap Funding Limits section directly above. The minimum required owner contribution and/or deferred developer fee will be equal to at least 40% of the total developer fee the project is eligible to receive.
- Projects that have closed on financing will be required to defer 50% of the total developer fee the project is eligible to receive. Gap funding will not be used for reducing deferred developer fee and owner contributions/loans, in the aggregate, below 50% of the total developer fee the project is eligible to receive.

	An owner contribution will not include funding that comes from the third party (unless otherwise allowed in the Gap Funding Limits section above), but may include a GP Equity Contribution, a sponsor note, a related-party seller note, or other similar owner contribution.
<b>Rural Projects</b>	A minimum of \$4,275,000 of gap funding will be set-aside for projects in rural communities as designated by the US Department of Agriculture and Rural Development. Projects will be counted towards meeting this set-aside as they are approved for funding.
<b>Local Support</b>	All applications for funding must include a letter of support from the local municipality in which the property or project is located. Developments located on tribal land must include a letter from the local tribal jurisdiction.
<b>Deadline Extensions/Exchanges</b>	Through 12/31/2023, projects that need an exchange of LIHTC will be eligible for a reduced exchange of LIHTC fee equal to 2.5% of the total LIHTC reservation amount.