

## Pass-Through Gap Financing Program for Existing Tax Credit Developments

### Program Guidelines

<b>Program Summary</b>	MSHDA will make available \$21,375,000 of gap funding for projects that are preserving the existing supply of affordable housing tax credit units throughout the state through MSHDA's Pass-Through Bond program. The source of gap funding will be general funds and will not trigger any additional cross cutting requirements beyond what is included 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. Properties that previously obtained tax credits under Section 42 of the Internal Revenue Code of 1986;</li><li>2. Properties subject to an existing use restriction from previously obtained tax credits, and</li><li>3. Properties that receive an allocation of volume cap through the Authority's Pass-Through Bond Program</li></ol> Projects that have already closed on their financing will not be eligible to apply for these gap funding resources.
<b>Application Opening Date</b>	Applications for funding will be reviewed on a first-come, first-served basis beginning on April 17, 2023.  Complete applications that are 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 requested at the time of application, and projects with the lowest gap funding per affordable unit will be given preference. Gap funding requests will not be allowed to be increased from what is requested in the initial application. If a tie still remains, preference will be given to the project that produces the highest number of affordable units.
<b>How to Apply</b>	Pass-Through applications that are seeking Gap Funding will be submitted through the Pass-Through Gap Financing Program for Existing Tax Credit Developments 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 Pass-Through 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 will submit the following:</p> <ol style="list-style-type: none"> <li>1. 2022-2023 LIHTC Program Application</li> <li>2. LIHTC Scoring Summary for 2022-2023 (projects are only required to achieve a minimum score of 30 points)</li> <li>3. Addendum I – Low-Income Housing Tax Credit Program (Exhibit 37 must be completed as well)</li> <li>4. Pass-Through Gap Funding Calculation Worksheet – Existing Tax Credit Developments</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>Complete Application</b>	<p>In order to be accepted for consideration and to secure its place in line, a complete application must be submitted. Applications that are incomplete including those that lack required documentation and/or financing commitments will not be accepted for processing.</p>
<b>Gap Funding Terms</b>	<p>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.</p> <p>If funding is structured as a grant, Applicants must structure the funding so that it does not result in a reduction in LIHTC eligible basis.</p>
<b>Grant/Loan Documentation</b>	<p>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. Execution of these documents will be completed in conjunction with the project closing on other sources of financing (such as the Tax-Exempt Bond loan, LIHTC equity, and any other available sources).</p>
<b>Gap Funding Limits</b>	<p>The maximum gap allocation amount is \$40,000 per affordable housing unit in the development. For developments located in Difficult Development Areas, Qualified Census Tracts, or High-Cost Areas, as of December 31, 2022, the maximum gap allocation amount is not to exceed \$60,000 per affordable unit. For the purpose of this program, High-Cost Areas are designated by the United States Department of Housing and Urban Development’s Office of Multi-Family Production, and Qualified Census Tracts and Difficult Development Areas shall have the meaning set forth in IRC § 42(d)(5)(B)(ii) &amp; (iii).</p>
<b>Developer/Owner Contribution</b>	<p>Projects will be required to include an owner contribution and/or a deferred developer fee that is equal to at least 30% of the total developer fee the project is eligible for.</p>

	An owner contribution will not include funding that comes from the third party, but may include a GP Equity Contribution, a sponsor note, a related-party seller note, or other similar owner contribution.
<b>Approval/Closing Timeline</b>	Projects will generally be expected to achieve an Inducement Resolution within 90-days of application submittal and a Commitment Resolution within 120 days after Inducement. MSHDA reserves the right to modify or waive these deadlines as necessary. Projects that MSHDA determines are not making forward progress and proceeding on an expeditious timeframe may lose their position in line so that other applications that are further along can utilize the gap funding resources. The goal of this section will be to balance fairness in the application process with the goal of putting the resources to use expeditiously.
<b>Rural Projects</b>	A minimum of \$3,206,250 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.