MONTANA HOUSING

| | |
|---|---|
| **Meeting Location:** | Virtual / Zoom |
| **Date:** | November 14, 2022 |
| **Time:** | 8:30 a.m. |
| **Board Chair:** | Sheila Rice |
| **Remote Attendance:** | Join our meetings remotely via Zoom and/or phone |
| **Conference Call:** | Dial: 1 646 558 8656 \| Meeting ID: 873 7414 7148 |
| **Register for Webinar:** | https://mt-gov.zoom.us/meeting/register/tZMucO2pqjwrHtznzRBWKzGrI8AzbO94nbRR |
| **Board Offices:** | Montana Housing<br>301 S Park Ave., Room 240, Helena MT 59601<br>Phone: 406.841.2840 |

## AGENDA ITEMS

- Meeting Announcements
- Introductions
- Public Comments - Public comment is welcome on any public matter that is not on the agenda and that is within the jurisdiction of the agency.

## Minutes

- Approve Prior Board Meeting Minutes

## Finance Program (Vicki Bauer)

- Financial Update

## Homeownership Program (Manager: Vicki Bauer)

- Missoula Housing Authority – Lien Purchase Request
- Homeownership Update

## Mortgage Servicing (Manager: Mary Palkovich)

- Servicing Update

## Multifamily Program (Manager: Jason Hanson)

- 2024 Qualified Allocation Plan
- Cabinet Affordable Housing Multifamily Loan Program approval

## Rental Assistance (Cheryl Cohen)

- Rental Assistance Update

## Operations / Executive Director (Joe DeFilippis / Cheryl Cohen)

- Operations Update
- Executive Director Update / Legislative Update
- Community Housing Update

## Miscellaneous

**Meeting Adjourns**

*All agenda items are subject to Board action after public comment requirements are fulfilled.
*We make every effort to hold our meetings at fully accessible facilities. Any person needing reasonable accommodation must notify the Housing Division at 406.841.2840 or TDD 406.841.2702 before the scheduled meeting to allow for arrangements.

# 2023 CALENDAR

| January | | | | | | |
|---|---|---|---|---|---|---|
| Su | Mo | Tu | We | Th | Fr | Sa |
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| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30 | 31 | | | | |

| February | | | | | | |
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| April | | | | | | |
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| May | | | | | | |
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| June | | | | | | |
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| 25 | 26 | 27 | 28 | 29 | 30 | |

| July | | | | | | |
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| 23 | 24 | 25 | 26 | 27 | 28 | 29 |
| 30 | 31 | | | | | |

| August | | | | | | |
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| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 | | |

| September | | | | | | |
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| 24 | 25 | 26 | 27 | 28 | 29 | 30 |

| October | | | | | | |
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| 29 | 30 | 31 | | | | |

| November | | | | | | |
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| 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 26 | 27 | 28 | 29 | 30 | | |

| December | | | | | | |
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| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 24/31 | 25 | 26 | 27 | 28 | 29 | 30 |

## November 2022
14 – Board Meeting via Zoom

## December 2022
No Board Meeting

## January 2023
9 – Board Meeting via Zoom

## February 2023
13 – Board Meeting via Zoom

## March 2023
13 – Board Meeting via Zoom

## April 2023
10 – Board Training – Kalispell TBD
11 - Board Meeting – Kalispell TBD

## May 2023
15-17 – Housing Partnership Conference - Delta Colonial Helena

22 – Letter of Intent Presentation – Helena Great Northern Hotel

23 – Board Meeting – Helena Great Northern Hotel

## June 2023
12 – Board Meeting via Zoom

## July 2023
10 – Board Meeting via Zoom

## August 2023
14 – Board Meeting via Zoom

## September 2023
11 – Board Strategic Planning – Miles City Sleep Inn
12 – Board Meeting – Miles City Sleep Inn

## October 2023
16 – Board Meeting Housing Credit Award Determinations / QAP – via Zoom

## November 2023
13 - No Board Meeting

## December 2023
11 - No Board Meeting

Montana Housing works with community partners across the state, and together we ensure Montana families have access to safe and affordable homes.

MONTANA HOUSING

Zoom
November 14, 2022

**ROLL CALL OF BOARD MEMBERS:**

Sheila Rice, Chairwoman (Present)
Adam Hertz (Present)
Tonya Plummer (Present)
John Wright (Present)
Jeanette McKee (Present)
Bruce Posey (Present)
Cari Yturri (Present)

**STAFF:**

Cheryl Cohen, Executive Director
Joe DeFilippis, Operations Manager
Charlie Brown, Homeownership Program
Bruce Brensdal, Multifamily Program
Kylee Hughes, Exec Assistant
Jason Hanson, Multifamily Program
Vicki Bauer, Homeownership Program
Nicole McKeith, Multifamily Program
Doug Jensen, Homeownership Program
Julie Flynn, Community Housing
Mary Palkovich, Servicing Program

**COUNSEL:**

Greg Gould, Jackson Murdo & Grant
Drew Page, Kutak Rock
John Wagner, Kutak Rock

**UNDERWRITERS:**

Mina Choo, RBC Capital
Patrick Zhang, RBC Capital

**FINANCIAL ADVISORS:**

Gene Slater, CSG Advisors
David Jones, CSG Advisors

**OTHERS:**

Tyler Currence
Cassidy Kipp
Gene Leuwer
Alex Burkhalter
Beki Brandborg
Mindy DeCosse

*These written minutes, together with the audio recordings of this meeting and the Board Packet, constitute the official minutes of the referenced meeting of the Montana Board of Housing (MBOH). References in these written minutes to tapes (e.g., FILE 1 – 4:34) refer to the location in the audio recordings of the meeting where the discussion occurred, and the page numbers refer to the page in the Board Packet. The audio recordings and Board Packet of the MBOH*

*meeting of this date are hereby incorporated by reference and made a part of these minutes. The referenced audio recordings and Board Packet are available on the MBOH website at* Meetings and Minutes.

## CALL MEETING TO ORDER

0:00 Chairwoman Sheila Rice called the Montana Board of Housing (MBOH) meeting to order at 8:30 a.m.

1:12 Introductions of Board members and attendees were made.
5:10 Chairwoman Rice asked for public comment on items not listed on the agenda.

## APPROVAL OF MINUTES

**September 13, 2022 MBOH Board Meeting Minutes – page 4 of packet**
5:29 Motion: Bruce Posey
Second: Cari Yturri
The October 17, 2022 MBOH Board meeting minutes were approved unanimously.

## FINANCE PROGRAM

**Finance Update – page 11 of packet**
12:00 Presenter: Vicki Bauer

## HOMEOWNERSHIP PROGRAM

**Lien Purchase Request – HRC – page 14 of packet**
13:47 Presenter: Vicki Bauer
Motion: Cari Yturri
Second: Bruce Posey
The lien purchase request was approved unanimously

**Homeownership Update – page 16 of packet**
17:55 Presenters: Vicki Bauer

## MORTGAGE SERVICING PROGRAM

**Servicing Update – page 18 of packet**
25:15 Presenter: Mary Palkovich

## MULTIFAMILY PROGRAM

**2024 Qualified Allocation Plan – page 20 of packet**
36:56 Presenters: Nicole McKeith
Motion: Jeanette McKee

Second: Bruce Posey
The 2024 Qualified Allocation Plan was approved unanimously

**Cabinet Affordable Housing MFLP approval – page 73 of packet**
39:54 Presenters: Jason Hanson
Motion: Bruce Posey
Second: Cari Yturri
The MFLP was approved unanimously

**RENTAL ASSISTANCE PROGRAM**
**Rental Assistance Program Update – page 74 of packet**
42:06 Presenters: Cheryl Cohen

**OPERATIONS/ EXECUTIVE DIRECTOR**
**Operations/Executive Director/Community Housing Update – page 77 of packet**
47:57 Presenter: Joe DeFilippis/ Cheryl Cohen

**MEETING ADJOURMENT**
1:08:58 Meeting was adjourned at 9:38 a.m.

_____
Adam Hertz, Secretary

_____
Date

# BOARD AGENDA ITEM

## PROGRAM
Accounting and Finance Program

## AGENDA ITEM
Program Update

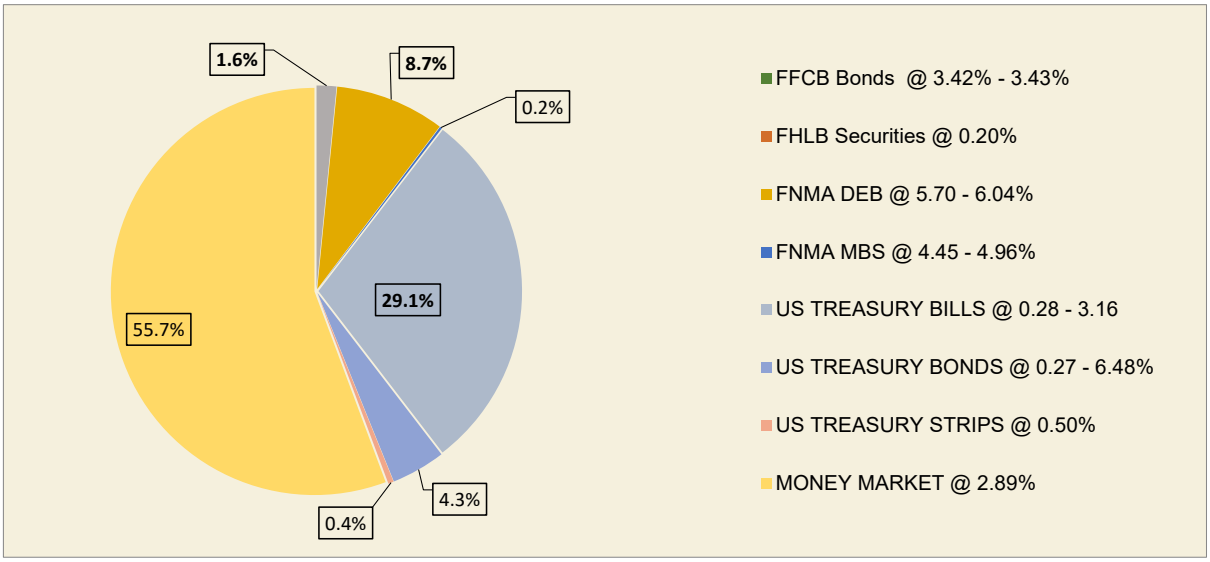
## BACKGROUND
There are a few highlights since last accounting and finance information for August 2022 and the current information for September.

- The Money Market yields have gone from 1.37% to 2.89%
- The weighted average has remained at 2.45%
- The Legislative Audit Division anticipates they will have completed their audit by the end of November and will be ready to release it to be posted on EMMA, the Electronic Municipal Market Access site by the end of December

# Accounting & Finance Dashboard

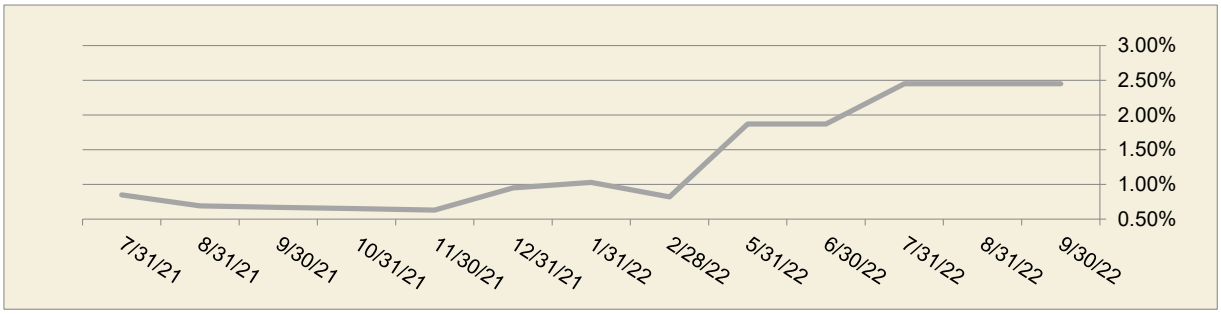
## Data as of September 30, 2022

### INVESTMENT DIVERSIFICATION




FNMA = Federal National Mortgage Association
FHLB = Federal Home Loan Bank
FHLMC = Federal Home Loan Mortgage Corporation
FFCB = Federal Farm Credit Bank

### WEIGHTED AVERAGE YIELD TREND




### PORTFOLIO MATURITY

**For September 30, 2022**

| Available Now | < 1 year | 1 to 5 years | 6 to 10 years | 11 to 15 years | 16 to 20 years | 21 to 25 years | Grand Total |
|---|---|---|---|---|---|---|---|
| $ - | $ 120,654,141 | $ 18,404,000 | $ 2,225,000 | $ 247,138 | $ - | $ - | $ 141,530,279 |

# Montana Board of Housing
# Accounting and Finance
# Investment Maturity Schedule
# September 30, 2022

| Maturity Date | Trustee Bank | Investment Type | Par Value |
|---|---|---|---|
| 6/15/2024 | Wilmington Trust | T-NOTES & BONDS | 1,290,000.00 |
| 8/15/2025 | Wilmington Trust | T-NOTES & BONDS | 4,796,000.00 |
| 4/30/2026 | Wilmington Trust | FNMA DEB | 4,613,000.00 |
| 9/27/2027 | Wilmington Trust | FNMA DEB | 4,070,000.00 |
| 11/26/2027 | Wilmington Trust | FNMA DEB | 3,635,000.00 |
| 7/15/2032 | Wilmington Trust | FHLMC BOND | 2,225,000.00 |
| 2/1/2036 | Wilmington Trust | FNMA MBS | 44,828.80 |
| 3/1/2036 | Wilmington Trust | FNMA MBS | 76,161.65 |
| 5/1/2036 | Wilmington Trust | FNMA MBS | 24,600.09 |
| 7/1/2036 | Wilmington Trust | FNMA MBS | 15,516.61 |
| 8/1/2038 | Wilmington Trust | FNMA MBS | 86,031.03 |
| 11/3/2022 | Wilmington Trust | T-BILLS | 10,100,000.00 |
| 12/29/2022 | Wilmington Trust | T-BILLS | 10,379,000.00 |
| 2/15/2023 | Wilmington Trust | TSTRIPS | 615,000.00 |
| 11/17/2022 | Wilmington Trust | T-BILLS | 14,697,000.00 |
| 6/15/2023 | Wilmington Trust | T-BILLS | 5,590,000.00 |
| 8/10/2023 | Wilmington Trust | T-BILLS | 455,000.00 |
| 9/30/2022 | US Bank Corporate Tr | US BANK MONEY M | 7,502,581.83 |
| 9/30/2022 | Wilmington Trust | WT GOLDMAN SACH | 71,315,558.93 |
| **Total** | | | **141,530,278.94** |

FNMA = Federal National Mortgage Association — Fannie Mae

FHLB = Federal Home Loan Bank

FHLMC = Federal Home Loan Mortgage Corporation — Freddie Mac

FFCB = Federal Farm Credit Bank

# BOARD AGENDA ITEM

## PROGRAM
Homeownership Program

## AGENDA ITEM
Lien Purchase Request - HRC

## BACKGROUND
Montana Board of Housing currently has a loan in its portfolio that has been referred for foreclosure, where we have the first position lien, USDA has a second position lien and Human Resource Council XI (HRC), located in Missoula, has a third position lien. The borrower and owner of the home is deceased, and the heirs are not willing to open probate to sell the home and pay off the loans.

As requested in the attached letter from HRC, they are interested in purchasing the first lien position loan from MBOH, as one of the steps they would need to take for them to eventually own the home, convert it to a Community Land Trust, and sell it to a qualifying buyer.

Montana Housing is not in the habit of selling the loans in its portfolio. Under normal circumstances, staff would proceed to foreclosure, where second and third lien holders have the option to outbid the Board to protect their interest in the property. By selling its loan to HRC, the Board would save the time and expense that would be required for probate to be opened, a special administrator to be assigned and foreclosure to commence, only to end up in the same place, with our loan being paid in full.

### PROPOSAL

Staff requests permission from the Board to allow HRC to purchase the first lien position loan from Montana Board of Housing for the full amount currently due.

Doug Jensen
Program Specialist
Montana Board of Housing
301 S Park Ave.
PO Box 200528
Helena, MT 59620-0528
dojensen@mt.gov

November 3, 2023

Doug,

I'm writing to seek approval from the Board of Directors on MBOH's assignment of their interest in the property, 610 N 5th Street Hamilton, Montana. The borrower is deceased and the property has remained vacant for approximately 2 years. The property has a lien from the Board, from USDA and from HRC, each. HRC has requested a payoff and assignment of interest from MBOH and USDA so that the liens can be consolidated under one entity, HRC. Our attorney has advised us that if the liens were consolidated under HRC, the court could be petitioned to name HRC the Special Administrator, which would put us in the place of the personal representative of the estate.

As the personal representative, HRC would then be able to sell the property, agree to a deed in lieu of foreclosure, or take other action with the property. All other lien holders have to be cleared from the title before the property can be removed from the estate.

If HRC were to sell the property, we could be the buyer as long as the heirs or court's permission is obtained. Also, as Special Administrator, HRC could buy out the interest of the heirs if they are willing.

As to HRC's intentions, this will be greatly affected by the heirs and the court. If all were to go as HRC's would wish, the end result is that we would establish a scattered-site land trust so we can further our efforts in developing affordable housing options for people with lower incomes. As you know HRC is a 501 C 3 non-profit with extensive experience in many aspects of affordable housing development and promotion. We have sponsored 6 LIHTC developments, hundreds of first-time homebuyer and owner occupied rehab loans, a land trust in St Regis, working on another land trust in Superior, 8 USDA low income rental projects and more. Our intent would be to further our charitable mission.

Please let me know if I can answer additional questions.
Respectfully yours,

Ruth Burke
Executive Director

Incapacity Assessment Services
Low Income Advocacy
Workforce Development
Energy Assistance
Owner Occupied Home Rehabilitation Loan Program
Affordable Housing Development
First Time Homebuyer Assistance
2-1-1 Information & Referral
Residential Energy Conservation
Rental Assistance
Summer Food Service

# Homeownership Program Dashboard

## November 14, 2022

## RATES

| | CURRENT | LAST MONTH | LAST YEAR |
|---|---|---|---|
| MBOH* | 6.000 | 5.75 | 2.63 |
| Market | 6.86 | 6.35 | 2.80 |
| 10 yr treasury | 4.14 | 3.62 | 1.53 |
| 30 yr Fannie Mae | 6.84 | 6.05 | 2.57 |

*Current Setaside 5.75, DPA 6.25

## LOAN PROGRAMS

| | Oct RESERVATIONS | AMOUNT | TOTAL NUMBER | AMOUNT | ORIGINAL AMOUNT | BALANCE |
|---|---|---|---|---|---|---|
| **REGULAR PROGRAM** | | | | | | |
| Series 2022C (since 9.23.22) | 33 | 8,043,384 | 52 | 12,540,357 | 32,000,000 | 19,459,643 |
| Series 2022C DPA (since9.23.22) | 17 | 156,920 | 22 | 210,835 | 920,000 | 709,165 |
| 80% Combined (20+) | | | 8 | 1,364,800 | **Since July 2022** | reg bond funds |
| **SET-ASIDE PROGRAMS** | | | | | | |
| MBOH Plus | 2 | 19,750 | 12 | 91,450 | **Since July 2022** | 1,477,863 |
| Set-aside Pool | 2 | 222,168 | 10 | 1,516,322 | **Since July 2022** | Pre-Ullman funds |
| *NeighborWorks* | | | *4* | *609,955* | | |
| *CAP NWMT CLT* | | | | | | |
| *Missoula HRDC XI* | | | | | | |
| *Bozeman HRDC IX* | | | | | | |
| *Home$tart* | *2* | *222,168* | *3* | *449,324* | | |
| *HUD 184* | | | | | | |
| *Dream Makers* | | | | | | |
| *Sparrow Group* | | | *1* | *130,998* | | |
| *City of Billings* | | | *2* | *326,045* | | |
| Foreclosure Prevent | | | | | 50,000 | 50,000 |
| Disabled Accessible | | | | | Ongoing | 862,950 |
| Lot Refi | | | | | 2,000,000 | 726,440 |
| FY22 Habitat | 1 | 128,000 | 9 | 1,623,170 | 3,609,900 | 1,986,730 |
| **OTHER PROGRAMS** | | | | | | |
| Veterans (Orig) | 4 | 1,063,055 | 426 | 84,496,839 | Revolving | 458,428 |
| 911 Mrtg Cr Cert (MCC) | 7 | 1,554,099 | 173 | 45,055,777.00 | 75,000,000 | 29,944,223 |

| | September CHANGES # loans | Princ Bal | 2022 YTD # loans | Princ Bal | |
|---|---|---|---|---|---|
| **Aug Balance** | **5,050** | **470,386,086.56** | **5,113** | **462,354,775.04** | Dec-21 |
| Sept Purchases (1st) | 15 | 3,815,105.00 | 257 | 56,689,327.52 | |
| Sept Purchases (2nd) | 8 | 82,200.00 | 134 | 1,289,178.85 | |
| Sept Amortization | | (1,246,213.56) | | (11,935,223.64) | |
| Sept Payoffs (1st) | (42) | (3,607,978.89) | (375) | (37,861,785.77) | |
| Sept Payoffs (2nd) | (7) | (39,318.19) | (98) | (543,585.32) | |
| Sept Foreclosures | - | - | (7) | (602,805.76) | |
| **Sept Balance** | **5,024** | **469,389,880.92** | **5,024** | **469,389,880.92** | Sep-22 |

## DELINQUENCY AND FORECLOSURE RATES

| | MONTANA BOARD OF HOUSING Sep-22 | Aug-22 | Sep-21 | MORTGAGE BANKERS ASSOC. 6/2022 Montana | Region | Nation |
|---|---|---|---|---|---|---|
| 30 Days | 1.62 | 1.58 | 1.14 | 1.16 | 1.41 | 1.72 |
| 60 Days | 0.90 | 0.75 | 0.91 | 0.38 | 0.43 | 0.52 |
| 90 Days | 2.29 | 2.36 | 3.80 | 0.99 | 1.14 | 1.53 |
| Total Delinquencies | 4.81 | 4.69 | 5.85 | 2.53 | 2.98 | 3.77 |
| In Foreclosure | 0.50 | 0.38 | 0.57 | 0.37 | 0.31 | 0.59 |

*(most recent availble)*

# LOAN PURCHASES BY LENDER

| | Sep-22 | | 2022 YTD | | 2021 | |
|---|---|---|---|---|---|---|
| | 1st | DPA | 1st | DPA | 1st | DPA |
| FIRST SECURITY BOZEMAN 061 | | | | | 1 | 1 |
| 1ST COMMUNITY BK GLASGOW 095 | | | | | 5 | 5 |
| 1ST SECURITY BK MISSOULA 133 | | | 2 | 1 | 5 | 1 |
| VALLEY BANK RONAN 159 | | | 2 | | 4 | |
| YELLOWSTONE BANK BILLINGS 161 | | | | | 1 | |
| BRAVARA BANK 186 | | | 2 | 1 | 5 | 3 |
| STOCKMAN BANK OF MT MILES 524 | 3 | 1 | 40 | 19 | 45 | 27 |
| FIRST INTERSTATE BANK-WY 601 | 1 | 1 | 9 | 1 | 14 | 7 |
| OPPORTUNITY BANK 700 | 2 | 1 | 60 | 33 | 93 | 41 |
| FIRST FEDERAL BANK & TRUST 731 | | | 1 | 1 | 3 | 1 |
| GLACIER BANK KALISPELL 735 | | | 11 | | 8 | 2 |
| WESTERN SECURITY BANK 785 | 1 | | 9 | 2 | 10 | 7 |
| MANN MORTGAGE 835 | 5 | 2 | 61 | 34 | 62 | 36 |
| GUILD MORTGAGE COMPANY 842 | 1 | 1 | 14 | 11 | 23 | 22 |
| UNIVERSAL 843 | 1 | 1 | 9 | 9 | 31 | 27 |
| FAIRWAY INDEPENTENT MRTG 847 | | | 17 | 14 | 19 | 18 |
| CORNERSTONE HOME LENDING 850 | | | 6 | 5 | 7 | 7 |
| PRIME LENDING 851 | | | | | 1 | |
| BAY EQUITY LLC 853 | | | 3 | | 13 | 12 |
| LENDUS LLC 854 | | | 5 | 1 | 12 | 5 |
| PARAMOUNT RES MTG GRP 855 | | | | | 1 | 1 |
| CHERRY CREEK MORTGAGE 856 | | | 1 | | 3 | 1 |
| HOMESTAR FINANCIAL 861 | | | 1 | 1 | | |
| HOMETOWN LENDERS 862 | | | 1 | | | |
| CROSSCOUNTRY MORTGAGE 863 | 1 | 1 | 1 | 1 | | |
| CLEARWATER FEDERAL C U 901 | | | 2 | | 5 | |
| Grand Count | 15 | 8 | 257 | 134 | 371 | 224 |

# MBOH September PORTFOLIO

| | # of loans | $ of loans | % of # | % of $ | |
|---|---|---|---|---|---|
| **FHA** | 2,633 | 301,597,919 | 52% | 64% | |
| **RD** | 900 | 93,028,370 | 18% | 20% | |
| **VA** | 316 | 43,237,618 | 6% | 9% | |
| **HUD184** | 38 | 2,707,150 | 1% | 1% | |
| **PMI** | 35 | 2,463,644 | 1% | 1% | |
| **Uninsured 1st** | 201 | 20,264,228 | 4% | 4% | |
| **Uninsured 2nd** | 901 | 6,090,952 | 18% | 1% | |
| | 5,024 | $ 469,389,881 | | | |
| **Sept 2021 Balance** | 5,190 | $ 467,873,695 | -3.20% | 0.32% | percent of Incr/Decr |
| **Serviced by MBOH** | 4,948 | $ 463,395,109 | 98% | 99% | |

## Weighted Average Interest Rate 3.74%

| | # of loans | $ of loans |
|---|---|---|
| 0 - 2.99% | 1048 | $ 96,485,446 |
| 3 - 3.99% | 1659 | $ 204,513,820 |
| 4 - 4.99% | 877 | $ 95,681,173 |
| 5 - 5.99% | 1029 | $ 59,935,102 |
| 6 - 6.99% | 368 | $ 11,764,499 |
| 7 - 7.99% | 43 | $ 1,009,841 |

| rates up to 4% | | |
|---|---|---|
| 2707 | $ | 300,999,266 |

| rates 4% and above | | |
|---|---|---|
| 2317 | $ | 168,390,615 |

# Mortgage Servicing Program Dashboard
# Effective 10/31/22

| | Last Year | Last Month | This Month |
|---|---|---|---|
| **MONTH** | **OCT 2021** | **SEP 2022** | **OCT 2022** |
| PORTFOLIO TOTAL LOANS | 5,448 | 5,368 | 5,367 |
| MBOH | 5117 | 4991 | 4982 |
| BOI | 315 | 302 | 299 |
| MULTI FAMILY | 16 | 16 | 15 |
| HAF Homeownership Assistant Fund | NA | 59 | 71 |
| PRINCIPAL (all loans) | $524,188,496.93 | $529,611,881.16 | $530,015,535.08 |
| ESCROW (all loans) | $6,584,746.87 | $5,600,112.10 | $6,361,919.60 |
| LOSS DRAFT (all loans) | $769,640.46 | $803,827.27 | $800,336.94 |
| LOANS DELINQUENT (60+ days) | 330 | 243 | 269 |
| ACTUAL FORECLOSURE SALES IN MONTH | 1 | 0 | 1 |
| FORECLOSURES TOTAL CALENDAR YEAR | 8 | 7 | 8 |
| DELINQUENT CONTACTS TO MAKE | 762 | 620 | 661 |
| LATE FEES - NUMBER OF LOANS | 603 | 757 | 734 |
| LATE FEES - TOTAL AMOUNT | $16,546.68 | $20,366.16 | $20,145.03 |
| PAYOFFS | 103 | 51 | 50 |
| NEW LOANS/TRANSFERS | 62 | 43 | 51 |
| | | | |

## 2022 Monthly Servicing Report

| LOSS MITIGATION | OCT 2022 |
|---|---|
| ACTIVE FINANCIALPACKETS | 1 |
| REPAYMENT/SPECIAL FORBEARANCE | 4 |
| COVID19 FORMAL FORBEARANCE (SEP) | 83 |
| HAMPS, PARTIAL CLAIMS & MODS PNDG | 6 |
| CHAPTER 13 BANKRUPTCIES | 10 |
| PRESERVATION PROPERTIES | 7 |
| REAL ESTATE OWNED PROPERTIES | 2 |
| SHORT SALE | 0 |
| DEED IN LIEU | 0 |

**HUD's National Servicing Center TRSII SFDMS Reporting**
**FY 2022 Q2**
**Score**
**93.81% Tier 1 - Grade A**

# BOARD AGENDA ITEM

## PROGRAM
Multifamily Program

## AGENDA ITEM
2024 Qualified Allocation Plan

## BACKGROUND
Every state Housing Credit allocating agency is required by Section 42 to have a Qualified Allocation Plan (QAP). The QAP is the rulebook for the Housing Credit Program, and acts as a standard for our other loan programs.

This year's revision includes several substantial changes. These changes were reviewed and revised with public working groups, and several public comment sessions. A Public Hearing was held on October 20, 2022, after the required 30 day public comment period. Commenters have also submitted written comment.

## PROPOSAL
The 2024 QAP is provided, and staff proposes its approval by the board.

# 2024 Qualified Allocation Plan

Submitted on [date] by:

MONTANA HOUSING

301 S. Park Ave.
P.O. Box 200528
Helena, MT 59620-0528

HOUSING.MT.GOV PHONE 406-841-2840 FAX 406-841-2841

**NOTICE REGARDING APPLICABLE VERSION OF QAP**

This 2024 QAP will govern the Montana Board of Housing's award of low-income housing tax credits ("Housing Credit" or "Credit") allocated to Montana by the federal government for 2024. The process for award of 2024 Housing Credits begins with the deadline for submission of Letters of Intent.

The Applicable QAP for certain other processes, procedures and fees may be the QAP for an earlier or later year.

Please contact MBOH staff with questions regarding the Applicable QAP.

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# I. INTRODUCTION AND APPLICABLE QAP

The Low Income Housing Tax Credit is established under Section 42 of the Internal Revenue Code of 1986 (Section 42). Montana Board of Housing (MBOH) is responsible for allocation the Housing Credit.

This qualified allocation plan (QAP) is established by the MBOH Board.

The plan was released for public comment on _____, ___, a public hearing was held on _____, 20__ and was approved by MBOH at it's _____, 20__ public meeting.

The Governor of Montana, Greg Gianforte, approved the plan as the final 2023 QAP on_____, 20___.

## A. APPLICABLE QAP

The Applicable QAP means:

1. The QAP for the Housing Credit year for which the Application is or was submitted, evaluated and Awarded HCs:
   - for purposes of substantive issues relating to: Award; Development Evaluation Criteria; Scoring; Selection Criteria; and Selection Standard for such Award; and
   - for purposes of the fee amounts charged for: Letter of Intent; Application; Reservation Agreement; Carryover Allocation (Initial Allocation); 10% Cost Certification; and Final Allocation;

2. The most recently adopted QAP for purposes of: Project changes; Reservation Agreement (other than the fee amount); Declaration of Restrictive Covenants; Carryover Allocation (Initial Allocation) (other than the fee amount); 10% Cost Certification (other than the fee amount); Final Allocation (other than the fee amount); Compliance requirements and compliance audits; any post-Award procedures; and fees and fee amounts for post-Credit Refresh Project changes, Reservation Agreement, Declaration of Restrictive Covenants, Carryover Allocation (Initial Allocation), 10% Cost Certification and Final Allocation.

3. The QAP most recently adopted as of the date of submission of a Credit Refresh application for purposes of: a Credit Refresh application; consideration and determination regarding a Credit Request application; payment of MBOH legal fees relating to or required as a result of a Credit Refresh application or Credit Refresh; and Post-Credit Refresh Project changes, Reservation Agreement, Declaration of Restrictive Covenants, Carryover Allocation (Initial Allocation), 10% Cost Certification and Final Allocation (not including fees and fee amounts for such post-award items).

4. For purposes of Application, evaluation, and Awarding Housing Credits with respect to 4% Projects, the Applicable QAP is the version of the QAP most recently and finally adopted as of the date of Application submission.

## B. REQUIRED FORMS

All forms submitted to MBOH in or as part of the application, development, underwriting, allocation, cost certification, compliance, or other processes under this QAP must be the most current version available on the MBOH website.

# II. ELIGIBLE APPLICANTS AND LIMITS

Each Application and Letter of Intent ("LOI") will identify an Applicant who is and will remain responsible to MBOH for the LOI and Application.

## A. FIRST HOUSING CREDIT PROJECT MUST BE COMPLETED

An Applicant who previously received an Award for its first 9% Housing Credit Project in Montana, including projects in which it has an Identity of Interest (the "In-Process Project"), may not receive an Award for another Housing Credit Project until the In-Process Project has been either issued Form(s) 8609 or the Credits have been returned/rescinded. The foregoing rule does not apply to a subsequent Housing Credit Application if the Developer partners with an Experienced Developer who will be entitled under a written agreement to receive at least 50% of the Developer Fee on the subsequent Project.

## B. PROJECT AND DEVELOPER MAXIMUMS

The maximum award of 9% LIHTCs to any one Project is $6,500,000. MBOH will award no more than $6,500,000 to any one Developer based on the percentage of the Developer Fee specified in a written development agreement; this maximum is does not include 4% applications.

## C. APPLICANT CANNOT EXCEED CUMULATIVE CREDIT MAXIMUM

An Applicant is not eligible to submit a LOI or a full Application for 9% Credits if an Award of Credits for the Applicant Project would cause the Applicant's Cumulative Credit amount to exceed the Cumulative Credit Maximum of $25 million in total 9% Credits. The Cumulative Credit Maximum applies in addition to the Maximum Credit Award provisions.

For purposes of the Cumulative Credit Maximum:

1. An Applicant's cumulative Credit amount is the sum of:
    - the Applicant's share(s) of the ten-year amount of Credits awarded to any In-Process Project(s), and the Applicant's share of the ten-year amount of Credits requested for the Applicant Project.
2. The Applicant's share of the ten-year amount of Credits awarded to any In-Process Project is 100%, unless the Applicant is a co-Developer, co-Owner or Consultant; in such event, the Applicant's share is the same percentage of the Project's ten-year Credit amount as the percentage of Developer Fee the Applicant is entitled to receive or the percentage interest that Applicant owns in the Project.

3. Applicant must provide any documents and information as requested by MBOH for purposes of determining whether an Applicant is eligible under this Cumulative Credit Maximum to submit a LOI or Application.

## D. OTHER DISQUALIFYING CONDITIONS

If any member of the Development Team has delinquent late fees due and payable to MBOH at any time from submission of LOI through the Award Board meeting, the LOI or Application will be ineligible for an Award of Credits until such fees are paid in full. If such late fees are not paid in full within ten (10) business days of written notice, the Application will receive no further consideration.

MBOH may reject any Application containing a Development Team member involved in a request for a qualified contract in Montana.

# III. APPLICATION/AWARD PROCESS

## A. LETTERS OF INTENT AND APPLICATIONS

Applicants may apply for an Award of 9% Credits (including an Award for a Project combining 9% Credits and other Credit sources) by submitting a LOI no later than 5:00 pm Mountain Time on the applicable deadline.

Only those Applicants invited to do so by the Board may submit Applications. Applicants must complete and submit the Uniform Application, all Threshold Requirements, full market study and full Application fee by the applicable deadline to be eligible for further consideration.

A single Applicant may apply for Credits by submission of a single Application that combines sub-applications for each property/Credit request included in the Project (for example, Twinned 4%/9% Projects or Housing Credits and another Credit source). Each sub-application must include a separate UniApp that provides the Project numbers attributable to the sub-application's Credit source.

Applicants may not change the general project location(city/town), type (e.g., family or elderly), Applicant and Developer specified in the LOI in any resulting Application unless approved by MBOH. MBOH will consider other information in the LOI (e.g., cost information, number of units, unit sizes, income targeting, rents, hard and soft loan sources) to be the Applicant's best estimates which may be changed in the Application.

## B. INCOMPLETE LETTER OF INTENT OR APPLICATION

Applicant must respond to a written MBOH request (including but not limited to any email request) within 10 working days, unless the request specifies a different time period. Failure to respond within such time period may result in the Application being ineligible.

MBOH staff may ask an Applicant to submit additional information for either an LOI or Application with an incomplete or missing threshold item. Failure to submit the information and paying the applicable fee within the specified time will result in MBOH not considering the Application further.

## C. FIRST AWARD ROUND

The following First Award Round deadlines and events are scheduled in calendar year 2023:

- Letter of Intent Submission — 2nd Monday in April
- Applicant Presentations/Board Invitations to Apply — May MBOH Board Meeting
- Application Submission — First Monday in August
- Award Determination — Late October MBOH Board Meeting

In the event that any deadline falls upon a weekend or holiday observed by Montana State government, the submission deadline will be the next business day thereafter.

## D. SECOND AWARD ROUND (IF ANY)

The Board may decide in its discretion to hold a second award round that is any one or a combination of the following:

- limited to those Applicants that submitted a LOI in the First Award Round but not invited to submit a full Application (a “Semi-Open Round”);
- limited to those Applicants invited to submit an Application but not awarded Housing Credits in the first award round (a “Closed Round”); or
- open to submission of LOIs by any interested party (an “Open Round”).

MBOH will announce such round on its website, including all applicable submission requirements and deadlines/dates.

## E. CHANGES AND WAIVERS

MBOH may extend or change any of the deadlines and dates in the QAP by posting on MBOH’s website. The MBOH Board, in its discretion, may waive any requirement of this QAP if it determines such waiver to be in the best interests of MBOH or the Credit program.

## F. BOARD CONSIDERATION AND DETERMINATION

### 1. LETTER OF INTENT

MBOH staff will present LOIs at the Board meeting in the month specified or established in accordance with the QAP schedule. The Board will provide an opportunity for both Applicants to present and for public comment on proposed Projects and Applications. The Board may ask questions of Applicants and discuss proposed Projects, but such questions, answers and discussions shall not be binding upon MBOH in any later Award determination or other MBOH process. Applicant presentations will include any comments from any party on the Development Team, videos, and presentation materials. Public comment will include in-person comments, live

conference call comments and written comments. Comments are subject to reasonable limitation by the Chair.

After considering the LOIs, presentations, questions and answers and discussion, the Board will select eight Projects to submit Applications based upon consideration of any of the Selection Criteria permitted to be considered for purposes of an Award under this QAP, but no evaluation or scoring of LOIs will be done or considered. The Board may invite additional projects if there is an increase in Housing Credits, or other conditions allows for additional projects to be selected for award.

### 2. AWARD

At the Award Determination Meeting, MBOH staff will provide Project Application information. Applicants should be available to the Board to answer questions regarding their respective Applications but there will be no Applicant presentations. MBOH will provide an opportunity for public comment on proposed Projects and Applications. Applicants will have a brief opportunity to make comments and respond to any information presented regarding their Applications.

MBOH staff materials provided to the Board will show Tribal and Small Rural Projects and other Projects in separate groupings. In considering Applications for Award, the Board may first consider Tribal or Small Rural Projects. After any such initial consideration, the Board will consider Award of remaining Credits to any Applicant. The Board may but is not required by this provision to select any Tribal or Small Rural Project for an Award.

## G. REMAINING CREDITS AND WAITLIST

If the remaining amount of available Credits is insufficient to fully fund an additional Project, before Awarding a Project in an amount less than requested by the Applicant (except for any de minimis reduction) the Board may:

- prioritize the remaining Projects for an Award from the remaining Credits;
- make any remaining Credits available in a future cycle;
- increase the amount of Housing Credits reserved for a previously Awarded Project based upon the Project's application for an increase submitted under Section K;
- elect to Award less than all available Credits;
- elect to not Award any Credits; or
- adopt any other reasonable option permitted under this QAP.

The first priority Project for an Award will be allowed 30 days to re-submit its Application resized to the amount of Credits remaining available. If MBOH determines that the development is financially feasible, it will enter into a Reservation Agreement. If the first priority Project fails to submit or is not feasible, MBOH will invite the next priority Project(s).

If all of the authorized Credits are Awarded after a particular cycle, MBOH may place qualifying Applications which did not receive an Award on a waiting list for potential Award in the event Credits become available at a later date.

## H. FORWARD COMMITTMENTS

MBOH does not commit Credits from future years, except:

- during the current year full Application cycle as the Board determines necessary in an amount up to 10% of the Credits requested to fully fund a Project; or
- at any time outside the competitive cycle for purposes of funding repair or replacement of a Project building due to a life/safety emergency as determined by MBOH.

The Applicant must submit a LOI and the Board must invite the Applicant to submit an Application before making an Award. The Application must meet all QAP requirements.

## I. AMOUNT OF HOUSING CREDIT ALLOCATION

An Award of Housing Credits under this QAP will be limited to the amount of Credits that MBOH deems necessary to make the development financially feasible and viable as a qualified affordable Housing Credit Project throughout the Compliance Period.

In determining the amount of Credits necessary, MBOH will consider:

- the Sources and Uses of funds and the total financing planned for the Project;
- grants made with federal funds directly to a Project, which will reduce basis;
- proceeds expected to be generated by the Housing Credits; and
- the reasonableness of the development and operational costs of the Project.

A similar analysis will be done at the time of 10% Cost Certification and at Final Cost Certification prior to issuing IRS Form(s) 8609. Neither the selection of a Project to receive an Award of Housing Credits nor the amount of Credits to be allocated constitutes a representation or warranty that the Owner or Developer should undertake the development, or that no risk is involved for the Investor.

## J. 4% CREDIT APPLICATIONS FOR TAX EXEMPT BOND/LOAN FINANCED PROJECTS

Applications for projects with tax-exempt financing under the volume limitation on private activity bonds (“4% Projects”) may be submitted at any time. However, MBOH must receive complete Applications and the fee at least six (6) weeks before the scheduled MBOH Board meeting at which the Application is to be considered. Changes to the Application that require MBOH to re-underwrite the Application will restart the minimum period.

Applicants must submit a LOI to request an Inducement Resolution, no fee or mini-market study is required.

Final Allocation of 4% Credits is subject to payment in full of the applicable MBOH fees.

Except as specifically otherwise provided in this QAP, Applications for 4% Projects (including 4% Project Applications that are part of a Twinned 4%/9% Project) must meet all requirements of the Applicable QAP to receive an Allocation of Housing Credits.

## K. REQUEST FOR INCREASE IN AMOUNT OF CREDIT RESERVATION

MBOH may use returned or unreserved Housing Credits to increase the amount reserved for a Project after making the first round Awards based on the following factors:

- The nature and amount of additional costs, loss of anticipated funding sources or other gap in available Project funding.
- Significant factors leading to the need for additional Credits.
- Availability and Applicant's use of measures to mitigate or obtain alternative funding sources to address any funding gap.
- The need for the additional Credits to make the Project feasible.
- Availability of returned or unreserved Housing Credits.
- Any anticipated potential need for returned or unreserved Credits to fund Projects that would otherwise be funded or require greater funding under the Corrective Award set aside.

An Applicant seeking an increase must apply in writing before the Board meeting at which the Applicant seeks consideration. The request must include new financials, supporting documentation for the cost increases (e.g., higher bids than expected, material costs), and supporting documentation addressing each of the above-specified factors. Staff will present a recommendation at a later MBOH Board meeting for consideration. MBOH will not approve any increase beyond that necessary to make the Project feasible.

## L. CREDIT REFRESH REQUIREMENTS

To request a Credit Refresh, the Owner must submit a Credit Refresh application, along with the fee as specified in the Fee Schedule. Upon receipt of the application and staff evaluation, the application will be placed on the agenda for consideration at the next MBOH Board meeting. The Owner or its representative should appear at the meeting to answer Board questions regarding the application and the factors leading to the submission of the application.

The MBOH Board may approve or deny the Credit Refresh or may defer action on the application pending additional information or compliance with specified conditions. The Board may place any one or more conditions on approval or further consideration of an application.

# IV. APPLICABLE FEES

The amount(s) of and due dates for all fees required or imposed by this QAP are as specified in the most current MBOH Housing Credit Fee Schedule (Fee Schedule). All fee amounts may be adjusted by MBOH from time to time and are nonrefundable unless otherwise specified.

The Developer/Owner of any Project awarded Credits will be required to reimburse MBOH for legal fees and other expenses incurred by MBOH with respect to any non-standard request,

change, document, or other matters relating to aspects of qualifying for or obtaining Housing Credits. Such fees and expenses must be paid within 30 days of MBOH's submission of an invoice. MBOH shall not be required to complete any pending process, approval or other action until such fees and expenses are paid in full.

# V. SET ASIDES

## A. NON-PROFIT

Unless otherwise specifically provided in the Board's Award resolution, MBOH will meet the 10% non-profit set-aside requirement with all Awards to Projects involving a Qualified Nonprofit Organization ("nonprofit"). MBOH will not award more than 90% of the state's Credit ceiling to Projects not involving a nonprofit. By submitting an Application involving a nonprofit, the Applicant consents to designation of such Project as the Project receiving the non-profit set aside.

## B. CORRECTIVE AWARD

Such portion of the state's annual federally-allocated Credit ceiling is reserved and set-aside as is necessary for any Project submitted in a prior round or year, if:

- a final order of a court of competent jurisdiction determines or declares that such Applicant was entitled to an Award in such prior round or year or requires MBOH to make an Award or Allocation of Tax Credits to such Project;
- a final order of a court of competent jurisdiction invalidates or sets aside an Award to an approved Project from such prior round or year and a Reservation Agreement was executed by MBOH and such Applicant prior to issuance of such court order, unless such court order determines that such Project was not eligible or qualified under the applicable QAP to receive an Award of Tax Credits; or
- MBOH, upon further consideration of any Award determination as required by and in accordance with the order of a court of competent jurisdiction, determines that such Project was entitled to an Award in such prior round or year.

All requirements and conditions of this Corrective Award set aside provision must be met to receive an Award under this set aside. The amount of any Corrective Award shall be as specified by the court, or if no Award amount is specified by the court, as determined by MBOH in accordance with this QAP. The Corrective Award set aside shall be funded first from returned or unreserved Credits from a prior year. Awards under this Corrective Action set aside may be made from returned or unreserved Credits from a prior year and/or the current year's Credits at any MBOH Board meeting after the final court order has been issued and presented to MBOH. Such Award need not await the annual Application and Award cycle.

Where a court orders that an amount of the current year's Credits be set aside for a Project pending the decision of the court, if the court's decision is not received before the end of the current year, the Credits set aside will become classified as the next year's Credits.

If the court orders MBOH to Award Credits to any Project under this set-aside, the Project must submit an updated Application so MBOH can verify that the amount of Credits requested or some other amount is justified, unless otherwise ordered by the court.

### C. GENERAL RULES REGARDING SET ASIDES

MBOH will determine in which set-aside a Project will be reviewed (subject to its eligibility), regardless of its eligibility for any other set-aside.

In the event there are insufficient Tax Credits available to fully fund all set aside categories, the respective set asides categories shall be funded in the following order of priority: (1) Non-Profit; and (2) Corrective Award.

## VI. THRESHOLD REQUIREMENTS

Threshold Requirements are mandatory for all LOIs and Applications. Except as provided, LOIs and Applications received not meeting all Threshold Requirements or other requirements of this QAP will receive no further consideration.

All projects must have an additional 35 years of affordability (total Extended Use Period of 50 years).

### A. MATERIALS AND INFORMATION SUBMITTED

LOIs must include:

- LOI Fee
- LOI Narrative
- LOI Attachment
- Mini-Market Study & Summary Sheet for 9% Credit projects (MBOH will not accept full market studies)

Applications must include:

1. Application Fee
2. Cover Letter: Summarize the Project, limited to 2 pages.
3. Uniform Application (UniApp)
    a. Complete all required fields in the Funding Portal.
    b. Fully complete all tabs needed for housing credits.
4. Land or Property Control
5. Zoning
    a. Documentation from the city or county affirmatively stating how zoning requirements are met or addressed.
    b. Acquisition/Rehabilitation Projects may provide documentation that the Project will not require a change in zoning requirements.
6. Utilities
    a. Letter or email from providers verifying:
        - Utilities are or will be available to the property.

- The provider has the capacity to handle the load to be added by the Project.
- Present proximity of utilities to the Project location.

b. Documentation must address water, sewer, electricity, and as appropriate, gas, propane, and garbage pickup.
c. Acquisition/Rehabilitation Projects need only provide a letter or email from the utility provider documenting the expected utility load and the providers' ability to meet such additional load.
d. Documentation must not be older than 18 months from application date.
e. MBOH staff may in its discretion require the Applicant to provide updated documentation.
f. Applicants must submit a copy of any updated letters at Reservation or with the next submitted quarterly report.

7. Preliminary Financing Letter
   a. The lender will indicate the proposed terms and conditions of the loan.
   b. The letter must formally express interest in financing the Project sufficient to support the terms and conditions represented in the Application.
8. Equity Letter: Letter of interest with the anticipated price based on the market at time of the Application.
9. Novogradac Rent Limits: Provide Novogradac Rent and Income Calculator results for the project (Novogradac calculator available on MBOH's website).
10. Utility Schedule: Copy of schedule used in UniApp.
11. Qualified Management Company Agreement
    a. Provide a copy of the written agreement evidencing the company's commitment to provide management services.
    b. Upon written notice from MBOH that the Management Company is not a Qualified Management Company, the Applicant must submit to MBOH within ten (10) days a written designation of a Qualified Management Company and a copy of the written agreement.
12. Management Education Certifications: Documentation that at least one member of the Management Company and one other member of the Development Team who is directly and actively involved with the Project has been trained by a Nationally Recognized LIHTC Compliance Training Company within the preceding four years.
13. Full Market Study
    a. Prepared and signed by a disinterested third-party analyst.
    b. Market Studies must be completed within six (6) months prior to the submission date of the Application, must have the market analyst complete a physical inspection of the market area within one (1) year of the Application and must adhere to minimum market study requirements in the MBOH Market Study Requirements.
    c. Documents the following:
       - Vacancy Rate is at or below 7%;
       - Absorption Rate is less than 5 months; and
       - Rents are at least 10% below adjusted market rents.
14. Market Analyst Certification Form
15. Market Study Summary Sheet

16. CMA / Appraisal
    a. A comparative market analysis (CMA) or appraisal done by an independent (non-related party) Montana-licensed real estate professional.
    b. A CMA is required regardless of the manner or method of Acquisition and must cover all real estate.
    c. Land and existing building values must be listed separately.
    d. Must be completed within one year of application.
    e. A CMA is not required if the Application includes documentation demonstrating that a CMA or appraisal is not available for the property.
17. Site Plan
18. Preliminary Floor Plan: Design Professional's preliminary floor plan and elevations/photos of existing properties for the Project.
19. Legal Ownership Entity and Development Team
    a. Organizational document of the entity that will have legal ownership of the project from the state where it is registered or other documents acceptable to Montana Housing.
    b. Organizational Owners Chart, include the following:
        - legal name of entities at all ownership levels
        - type of entity (LLC, LP, LLP, etc.)
        - state organized
        - principal of each entity
        - ownership percentage of each entity and principal
    c. Signature block in a word document (Unsigned)
    d. The Application must list all affordable housing, including Tax Credit Projects in Montana or any other state developed, owned, managed, or consulted on by Applicant and any member of the Development Team, whether or not such Projects were successfully completed.
    e. All Development Team members must sign and the Application must include the completed and signed UniApp Supplement Tax Credit Information Release Form, providing consent to the release of information by other third parties.
20. Broadband
    a. Explain how the project will meet the broadband requirements.
    b. Infrastructure installation is required for all New Construction and Substantial Rehabilitation developments. If this requirement is unfeasible the Applicant must submit a waiver request. This request must contain justification and detailed documentation.
21. Narrative
    a. Addressing each of the Development Evaluation Criteria, demonstrating how the Application meets each of these criteria, and providing a specific explanation.
    b. Narrative references to the Market Study must cite the specific page and paragraph of the Market Study.
22. Public Housing Authority Waiting List: Documentation of the number of households on the current Housing Choice Voucher waiting list from the local public housing authority and/or the contracted HCV provider in which the Project is located.

23. Public Notice
    a. A copy of the public notice, proof of publication from the publisher, and copies of document the notice was published in.
    b. An Applicant must place a notice in the local newspaper of the intent to apply for Housing Credits encouraging submission of public comment to MBOH and including name of Project, number of units, location of Project, for-profit or non-profit status, and, if applicable, intent to request tax-exempt status.
    c. The notice will be placed as a box advertisement in the newspaper within 90 days prior to the due date of the Application and must allow 30 days of submission of comments to MBOH.
    d. The notice must be published twice, with an interval of at least 14 days between the 2 publication dates.
    e. Example of Public Notice:

        (Name of Developer, address, telephone number), a (for-profit/non-profit) organization, hereby notifies all interested persons of (city, town, community name) that we are planning to develop, (Name of Project) an affordable multi- family rental housing complex on the site at (street location). This complex will consist of (number) (one bedroom, two bedroom, or three bedroom) units for (elderly persons/families). This Project (will/will not) be exempt from property taxes.

        An Application (will be/has been) submitted to the Montana Board of Housing for federal Tax Credits financing. You are encouraged to submit comments regarding the need for affordable multi-family rental housing in your area to the Montana Board of Housing, PO Box 200528, Helena, MT 59620-0528; FAX (406) 841-2841, or electronically at https://housing.mt.gov/Contact Comments will be accepted until 5 PM on (specify the date 3 weeks before the MBOH Board Award Determination Meeting (see schedule in Section III.C).
24. Sponsor Application Indemnification & Certification Form.
25. Non-Profit Set-aside: For Applications seeking to qualify for the non-profit set aside.
    - A copy of the IRS determination letter documenting such organization's 501(c)(3) or (4) status.
    - An affidavit by the organization's managing partner or member certifying that the organization is not and during the Compliance Period will not be affiliated with or controlled by a for-profit organization.
    - Documentation that one of the exempt purposes of the organization includes the fostering of low-income housing.
26. Developer Fee Agreement: If the project has co-developers or a consultant, provide a copy of the executed Developer Fee agreement, Consultant Fee agreement, or other documentation demonstrating how the fees will be split or paid.
27. Release of Information Form: For projects that include a Developer with no previous history with the Montana Housing Credit Program.
28. QCT / DDA Map

29. Discretionary Basis Boost: Explanation and justification for a request for discretionary basis boost, if applicable.
30. Elderly Exemption: If the Project is an Elderly Property, specify which exemption for housing for older persons will apply.
31. CNA
    a. A Capital Needs Assessment (CNA) for rehabilitation applications on the USDA Rural Development Capital Needs Assessment template or similar form
    b. A minimum of a 15-year projection for all capital needs that will be replaced, refinished, repaired, upgraded, or otherwise rehabilitated.
    c. Detailed narrative explaining the scope, details, and expectations of the Rehabilitation.
    d. All items will be listed and identified by unit number.
    e. The CNA must be less than 1 year old as of the date of Application submission or include an update within the most recent 6 months.
32. Relocation Plan: For Applications proposing Rehabilitation or replacement of existing units
    - a preliminary relocation plan addressing the logistics of moving tenants out of their residences and providing temporary housing during the Rehabilitation, and
    - the probable length time tenants will be out of their units, and/or replacement and returning tenants to their residences upon completion of the Rehabilitation or replacement.
33. Property Tax Exemption
    a. For Applications proposing a property tax exemption for rental housing providing affordable housing to lower-income tenants pursuant to Mont. Code Ann. § 15-6-221, include documentation of intent to request that the local government unit where the property is located conduct a public hearing as required.
    b. If the Application does not include such documentation, MBOH will underwrite the Project as if no exemption was or will be received.
    c. The Application must also affirmatively commit to providing a minimum of 50% of the Units to tenants at 50% of the area median income, with rents restricted to a maximum of 30% of 50% of area median income, as calculated under Section 42 (does not apply to 4% New Construction Projects, including the 4% Project of Twinned 4%/9% New Construction Projects).
34. Operating Reserve Letter: If the operating reserve requirement is not met, an acceptable third-party source document is required.
35. Eventual Homeownership: For Projects targeted for Eventual Homeownership, provide the documents and information specified in the Eventual Home Ownership section.
36. Development Criteria Items (if applicable)
    - Project Based Rental Subsidy contract or other documentation
    - Small Town / Tribal documentation
    - Affordable Housing Stock documentation
    - Historic Preservation documentation
    - Community Input documentation
    - Qualified Census Tract / Local Community Revitalization Plan documentation
    - Communications / Relationships documentation

- Green Building and Energy Consideration Standard documentation
- Additional Items

## B. OTHER REQUIREMENTS

In addition to Applications or Projects failing to meet other requirements, MBOH will return and will not consider for an Award of Credits:

1. Projects for which the Market Study and other available market information fails to demonstrate adequate market need within the proposed community.
2. Projects that are not financially feasible based upon MBOH underwriting standards.
3. No participation by an entity with a demonstrated track record of quality experience in completed development or management of Tax Credit Projects. MBOH will consider
   - the Applicant, Owner, Developer, General Partner, Management Company, and Consultant and whether housing Projects have been developed and operated with the highest quality either in Montana or another state,
   - existing Projects,
   - amount of active local community participation used to develop Projects, and
   - a management entity with a good compliance track record and specialized training.

   New Developers may meet this requirement through a partner who was a member of the Development Team on a prior Tax Credit Project that has achieved 100% qualified occupancy and for which the applicable state housing finance agency has conducted a compliance audit which revealed no significant problems.
4, No one who is actively involved in the actual construction process has experience with Cold Weather Development and Construction (defined as one or more Projects located above the 40 degrees north parallel), as reported on the MBOH Cold Weather Experience Form.
5. If the Applicant or any member of the Applicant's Development Team is debarred from federal programs or Federal Home Loan Bank, prohibited from applying by another state housing agency for disciplinary reasons, or based on the "Disqualifications" section in Appendix D.

# VII. DEVELOPMENT EVALUATION CRITERIA AND SELECTION

## A. BOARD CONSIDERATION AND DEVELOPMENT EVALUATION CRITERIA

Development Evaluation Criteria is only one of several considerations the MBOH Board takes into account and does not control the selection of Projects that will receive an Award of Tax Credits. For purposes of this QAP and Awards and Allocations, the Selection Criteria include all the requirements, considerations, factors, limitations, Development Evaluation Criteria, set asides, priorities and data set forth in this QAP and all federal requirements.

## 1. FACTORS CONSIDERED BY THE BOARD

In addition to Development Evaluation Criteria in this section, the MBOH Board may consider the following factors in selecting Applications:

- geographical distribution;
- rural or urban location;
- overall income levels targeted by the Projects (including deeper targeting of income levels);
- need for affordable housing in the community, including but not limited to current Vacancy Rates;
- rehabilitation of existing low-income housing stock;
- sustainable energy savings initiatives;
- financial and operational ability of the Applicant to fund, complete and maintain the Project through the Extended Use Period;
- past performance of an Applicant in initiating and completing Tax Credit Projects;
- cost of construction, land and utilities, including but not limited to costs/Credits per square foot/unit;
- the Project is being developed in or near a historic downtown neighborhood;
- frequency of Awards in the respective areas where Projects are located;
- preserving project rental assistance or have or are planning to add Section 811 units to an existing project; and/or
- augmentation and/or sources of funds.

## 2. LOWER INCOME TENANTS

Applications must comply with one of the subsections below.

### INCOME AND RENT LEVEL TARGETING

The units in a Project with any minimum set aside (i.e., 20-50, 60-40, or Average Income) will reflect a weighted average income targeted of 53% or below.

Rents at 40% are allowed to income qualify to 49% AMI. Rents at 50% are allowed to income qualify to 55% AMI (40-60 election must apply).

Projects applying for 4% Credits, or with the Average Income set aside will be allowed to have a weighted average income target of 60% or below.

If the project has a manager's unit, it will be considered a 60% unit and calculated as such.

### PROJECT-BASED RENTAL SUBSIDY

The Project has existing or committed project-based rental subsidy for at least 50% of the units. The Application must provide a copy of the relevant contract or other documentary proof of subsidy from the provider. MBOH staff will verify claimed subsidies with the funding source.

## 3. PROJECT CHARACTERISTICS

Applications must comply with one of the subsections below.

### AMENITIES

An Application will qualify with respect to an amenity or service if a grocery store (convenience store does not count); or medical services appropriate and available to all prospective tenants (e.g., hospital, doctor offices, etc.) and one of the following applies:

- A Project is located within 1½ miles of the specified amenity or essential service.
- Public or contracted transportation (not including taxi or school bus service) is reasonably available to the specified amenity or service (i.e., the Project is located within ¼ mile of fixed bus stop or on a same day call basis) (or letter from provider committing to establish such service); or
- Where applicable, the specified amenity or service is available via a no-charge delivery service to the Project Location (all distances must be as specified in the Project's market study).

*- For scattered site projects, all site locations must meet the criteria.

### SMALL TOWN/TRIBAL DESIGNATED AREA

The site is located in a municipality with a population of less than 10,000 in accordance to the population figures provided by the 2020 American Community Survey.

The site is located in a tribal designated area which is defined as an area of land within an an Indian reservation that is held and governed by a federally recognized Native American tribal nation.

### AFFORDABLE HOUSING STOCK

The Application proposes the preservation of existing affordable housing stock (including as part of a local (not national, state or regional) community revitalization plan or similar plan).

### HISTORIC PRESERVATION

The Application proposes the adaptive re-use and/or rehabilitation of buildings with local, state, tribal and/or federal historic preservation designations.

## 4. LOCAL INVOLVEMENT

Applications must comply with one of the subsections below.

### COMMUNITY INPUT

Application includes documentation of at least one of the following forms of Local Community Input, as shown by evidence provided in the Application:

- local neighborhood meetings held expressly for this Application;

- local charrettes held expressly for this Application with supporting documents, concept drawings, and input from local community;
- other appropriate form of local community input specifically designed to gather local community input for this Application; and/or
- City or County Commission meeting.

In order to to qualify the event must meet the following criteria:

- attendance by at least five people who are associated with neither the Development Team nor the local government (elected officials or staff);
- not part of another public or design meeting unless the minutes demonstrate that a portion of the meeting was specifically dedicated to community input for this Application;
- Application includes minutes, copies of any written or electronic comments received, and documentation outreach efforts;
- held within 6 months before the Application deadline.

### QUALIFIED CENSUS TRACT/LOCAL COMMUNITY REVITALIZATION PLAN

The Project is located in a qualified census tract ("QCT"), and its development contributes to or involves existing housing as part of a local (not national, state or regional) community revitalization plan or similar plan. The Application must include any such local community revitalization plan and identify where in the plan such existing housing may be found.

### COMMUNICATION/RELATIONSHIPS

The Application includes a commitment by a local entity to provide of at least one of the following:

- screening and referring of individuals as prospective tenants;
- on-site service coordination to Project tenants;
- donation of land or sale at a reduced price;
- funds to develop infrastructure or for other uses;
- significant waivers on local government fees; or
- other forms of significant monetary or in-kind support.

For purposes of this item, a local entity includes a provider serving the Project locality from a physical office in the region of the state where the Project is located even if the provider does not maintain a local office in the locality.

## 5. GREEN BUILDING AND ENERGY CONSERVATION STANDARDS

Applicant's justification for green building and energy conservation includes, but is not limited to Energy Star building and appliance initiatives, water saving devices and green construction and materials. For New Construction and Rehabilitation, the Project will include at least 5 of the items as listed and described on the MBOH Green Building and Energy Form in the Uniform Application. The Application must include the completed MBOH Green Building and Energy Form. The Applicant's architect, who is qualified with respect to energy and green building standards, must provide a letter confirming the listed green building items, as shown in the

MBOH Green Building and Energy Form, are incorporated into the Project. For all Projects (New Construction and Rehab), the Form must list each item and specify how many units will receive those items. The Applicant's architect also must provide certification at Final Cost Certification for Form(s) 8609 purposes confirming that the initiatives were incorporated.

### 6. TENANT POPULATIONS WITH SPECIAL HOUSING NEEDS

Applications must comply with one of the subsections below.

#### FAMILY PROJECTS

An Application for a family Project will commit to targeting or meeting at least 10% of its units for at least one of the following identified needs:

- individuals with children or large families (three or more bedrooms);
- meeting Section 504 fully accessible requirements (other than features for persons with hearing or visual disabilities, which can be limited to 5% of units);
- targeted as Permanent Supportive Housing for persons with disabilities (Application must describe the strategy that will be used to market available units to disabled persons throughout the Extended Use Period); or
- targeted to veterans, victims of domestic violence, or youth aging out of foster care.

Units may be counted more than once or in more than one category.

For Permanent Supportive Housing, Owners and Management Companies will:

- not give a preference based on disability type (actual or perceived) or being a client of a particular service provider;
- use standard leases with the same rights available to and responsibilities expected of other households, including duration of tenancy (cannot be transitional);
- ensure participation in any supportive services is entirely voluntary (not a formal or implied condition of occupancy);
- not segregate units within the Project; and
- not engage in medical, therapeutic, or other activities regulated by the U.S. Centers for Medicare & Medicaid Services with respect to the tenants.

#### ELDERLY PROJECTS

Application for a new construction Elderly Project (as defined in federal law) will meet Section 504 fully accessible requirements on 20% of units (other than features for persons with hearing or visual disabilities, which can be limited to 10% of units).

## B. AWARD DETERMINATION

The MBOH Board will select Applications to receive an Award that it determines best meet the most pressing affordable housing needs of low-income people in Montana, taking into consideration:

- all of the requirements, considerations, factors, limitations, Development Evaluation Criteria, set asides, priorities and data (including without limitation the statistical data in the MBOH

Statistical Data Form) set forth in this QAP and all federal requirements (together referred to in this QAP as the "Selection Criteria");
- the Development Evaluation Criteria; and
- all other information provided to the MBOH Board regarding the applicant Projects.

Development Evaluation Criteria is only one of several considerations taken into account by the MBOH Board and does not control the selection of Projects that will receive an Award of Housing Credits.

If the MBOH Board Awards Credits to an Applicant where the Award is not in keeping with the Selection Criteria of this QAP, it will publish a written explanation that will be made available to the general public.

# VIII. UNDERWRITING ASSUMPTIONS AND LIMITATIONS

These underwriting assumptions will be used at Application, 10% Cost Certification and Final Cost Certification.

## A. PRO-FORMA COMPONENTS

### 1. OPERATING EXPENSES

MBOH will evaluate Operating Expenses and Vacancy Rate underwriting assumptions for all Projects for reasonableness, taking into account the type of housing, unit sizes, intended target group of the housing and location. Staff may require the Applicant to provide additional justification and documentation.

### 2. DEBT COVERAGE RATIO

The ratio of net operating income (rental income less Operating Expenses, not including expenses for amortization, depreciation or mortgage-related interest, and reserve payments) to foreclosable, currently amortizing debt service obligations ("Debt Coverage Ratio" or "DCR") should be between:
- 1.15 and 1.35 in the first year of normal operation if projected to trend upward;
- 1.10 and 1.50 during the entire first 15 years of normal operation if projected to trend downward.

Applications must justify DCRs outside these ranges in a narrative. MBOH will consider the reasonableness of the Project's proposed rent levels, Operating Expenses, reserve payments, projected Vacancy Rates, debt service obligations, Soft Costs and amount of Credits requested. If the DCR, as underwritten by MBOH at Application, is above the ranges specified above without acceptable justification, MBOH will reduce the amount of Credits requested or the rent levels proposed.

### 3. TOTAL EXPENSE RATIO

MBOH will consider, on a case by case basis, projects which materially deviate from a 1.10 ratio.

## 4. OPERATING RESERVES

Owners must establish and maintain minimum operating reserves in an amount equal to at least four months of projected Operating Expenses, debt service payments, and annual replacement reserve payments. The specific requirements for reserves, including the term for which reserves must be held, must be included in the limited partnership or operating agreement. Using an acceptable third party source, this requirement can be met by cash, bond, letter of Credit from a financial institution, or a Developer guarantee that a syndicator has accepted the responsibility for a reserve.

## 5. REPLACEMENT RESERVES

Owners must contribute replacement reserves in an amount equal to at least $300 per unit annually. Exceptions may be made for certain special needs or supportive housing developments. Exceptions must be documented and will be reviewed on a case by case basis. The specific requirements for reserves, including the term for which reserves must be held, must be included in the limited partnership or operating agreement.

## 6. UTILITY ALLOWANCES

The Montana Department of Commerce Section 8 Utility Allowances are the only acceptable utility allowances for Applications, unless otherwise provided by USDA Rural Development or an MBOH-approved allowance using the HUD Utility Model (HUSM). Projects may use their own calculated HUSM from LOI to Placed in Service, but as of Placed in Service must have obtained MBOH prior approval of HUSM.

## 7. ADDITIONAL UNDERWRITING ASSUMPTIONS

MBOH will use the following underwriting assumptions for underwriting all Applications.

a. Vacancy rates:
   - 10% - 20 units and less
   - 7% - more than 20 and up to 50 units
   - 5% - more than 50 units or 100% project based rental assistance
b. Income Trending: 2%
c. Expense Trending: 3%
d. Reserves Trending: as proposed in Application but not to exceed 3%
e. Structured Debt for pro-forma not allowed
f. Operating expenses per unit: $3,000-$6,000 annually

## 8. SOURCES AND USES CERTIFICATION

Applicants must certify that they have disclosed all of a project's sources and uses, as well as its total financing, and must disclose to MBOH in writing any planned changes in sources until MBOH issues Form(s) 8609.

## B. SUBSTANTIAL REHABILITATION

Montana's minimum Substantial Rehabilitation standard is expenditures the greater of

- $35,000 of Hard Cost Per Unit for 9% Projects ($30,000 for 4% Projects), or
- an amount which is not less than 30% of the adjusted eligible basis of the building during a 24-month or shorter period.

Rehabilitation 9% Projects must meet all requirements of the capital needs assessment and the Application must also include a list of items in each unit that will be replaced, refinished, repaired, upgraded, or otherwise rehabilitated.

## C. PROJECTS SEEKING PROPERTY TAX EXEMPTIONS

Applications proposing a property tax exemption for rental housing providing affordable housing to lower-income tenants pursuant to Mont. Code Ann. § 15-6-221 must affirmatively commit to providing a minimum of 50% of the Units in the property to tenants at 50% of the area median income, with rents restricted to a maximum of 30% of 50% of area median income, as calculated under Section 42. This requirement does not apply to 4% Projects, including the 4% Project in Twinned Projects.

## D. EVENTUAL HOMEOWNERSHIP

Projects wishing to convert to homeownership at the end of the 15 year compliance period may do so under the provisions of the Code. MBOH will accept no more than one application per calendar year that intends to convert to homeownership. As these projects will be rental housing for a minimum of 15 years, they will be underwritten as a rental project, and are subject to the same underwriting criteria as full-term projects.

The following conditions apply:

- The units must be single family detached, townhouse, or condominium.
- Intention to convert must be expressed at time of application.
- Applicant must submit a comprehensive plan that includes, but is not limited to, provisions for repair or replacement of heating system, water heater, and roof prior to sale.homeownership classes for potential homebuyers; and requirements for extent of stay in rental unit to be eligible for purchase.
- Limitation on equity upon subsequent sales.
- Placing the land into a community land trust (including resident owned cooperatives), with the exception of tribal properties.
- Purchaser must occupy unit as primary residence.
- Units must be initially marketed to existing rental resident. Remaining units not sold to existing renter households must be sold to households earning 80 percent or less of AMI.
- Low income units that are not sold to their residents must remain rental units; subject to low income and rent restrictions for the term of the LURA.

## E. 130% BASIS BOOST

Applications for Projects not located in an area designated by HUD as a difficult development area ("DDA") or a QCT may request Housing Credits calculated at up to 130% of eligible basis.

The documentation must explain why the Project would not be feasible without the boost. MBOH also may consider any one of the following factors:

- a Tribal or Small Rural Project;
- Qualification of the building for Rural Development funding;
- targeting of more than 75% of Project units to 50% or below area median income level;
- includes historical preservation, preservation or replacement of an existing affordable housing Project (replacement must replace the same Project with the same or similar affordability requirements); or
- for purposes of financial feasibility.

## F. NON-HOUSING AMENITIES

Projects may include swimming pools, golf courses, and other similar amenities only if funded by sources other than Housing Credits (this requirement does not apply to garages or car ports).

## G. HOUSING CREDIT PROCEEDS

Applications must estimate expected Credit proceeds. Within 60 days after the partnership or operating agreement is signed by all parties, the Applicant must provide MBOH with a copy of the executed agreement to avoid a late fee. Prior to issuance of IRS Form(s) 8609, MBOH will require the accountant's certification to include gross syndication proceeds and costs of syndication.

## H. DEVELOPMENT COST LIMITATIONS

### 1. HARD COSTS

All Applications must provide justification for development costs. Even for those projects meeting specific QAP limitations, MBOH will evaluate Cost Per Unit and Cost Per Square Foot for all Projects for reasonableness, taking into account the type of housing, other development costs, unit sizes, the intended target group of the housing, where the Project will be located, and other relevant factors.

MBOH may decline to Award Credits to a Project where it determines that costs do not reflect the optimal use of Housing Credits.

#### TOTAL COST PER UNIT LIMIT

Owners must notify and explain to MBOH a greater than a 10% increase in cost per unit, or 5% in any line-item totaling more than $50,000, from the amount at the time of Award. The notification(s) must be part of the Quarterly Report during the period in which those are submitted. Failure to do so may result in being ineligible for a waiver request to the Board.

If a project’s cost per unit is above $350,000 or has an increase that results in the cost per unit of over $350,000, then MBOH will require a waiver request to the Board. In addition, if a project has 20% cost increase from the time of award, a waiver request is also required.

### COMMUNITY SERVICES FACILITY COST EXCLUSION

For purposes of the Total Project Cost Per Unit limit, costs of Community Service Facilities may be deducted from Total Project Costs if the Application includes:

- a calculation of the costs of the Community Service Facility(ies) that is reasonable and consistent with the UniApp for the Project and that specifically itemizes the costs reasonably attributable or allocable to such building or partial building;
- a written certification that the Project's Total Cost Per Unit will be within the limit in this QAP upon exclusion of such Community Service Facility costs;
- the Applicant's agreement that, upon request, it will provide MBOH staff with supporting cost documentation, a CPA certification or other information to support the cost calculation, and will pay the cost of an independent third party expert analysis if required by MBOH; and
- Applicant's agreement that MBOH will deny an exclusion if staff determines that such cost calculation is unreasonable or not supported by appropriate documentation or certification.

## 2. ADDITIONAL COST LIMITATIONS

MBOH will reduce amounts in excess of the following cost limitations, as calculated in UniApp.

### BUILDER'S OVERHEAD

Builder's Overhead, the builder's overhead shown in the Applicant's properly completed UniApp Supplement (Cost Limitations and Requirements), is limited to a maximum of 2% of Construction Costs.

### GENERAL REQUIREMENTS

General Requirements are limited to a maximum of 6% of Construction Costs.

### BUILDER PROFIT

Builder Profit, the builder's profit shown in the Applicant's properly completed UniApp Supplement (Cost Limitations and Requirements), will be limited to a maximum of 6% of Construction Costs.

### DEVELOPER FEES

Developer Fees will be limited to a maximum of 15% of Total Project Costs.

For purposes of this Developer Fee limit, Total Project Costs do not include Developer Fees, Project reserves or land costs. HC Consultant fees (amount must be disclosed) will be included as part of and subject to the limit on Developer Fees. Architectural, engineering, and legal services are considered to be professional services, and fees for such services are not included as Developer Fees for purposes of this limitation.

### DISCLOSURE OF TRANSACTIONS INVOLVING RELATED PARTIES

Applicants and Owners must disclose all transactions with Related Parties; failure to do so may result in the Project not receiving an Award. MBOH may reduce Developer Fees, Builder Profit or other Soft Costs on Projects involving Related Party transactions.

### LIMITATION ON SOFT COSTS

The Soft-Cost-to-Hard-Cost Ratio ("Soft Cost Ratio") for the Project, based upon the Application's UniApp, may not exceed:

- 32% for projects with more than 24 units;
- 37% for projects with 24 or fewer units or Small Rural Projects; or
- 40% for stand-alone 4% Credit Projects.

For Twinned 4%/9% Projects, the Soft Cost ratio is calculated based upon the combined costs for the 4% and 9% Projects and the applicable 32% Large Project limit or 37% Small Rural Project limit. If the Soft Cost Ratio for a Project exceeds the applicable maximum, MBOH will allow the Applicant to specify how and by what amount its Soft Costs will be reduced in writing within ten (10) business days. The Application will reflect such adjustments for all purposes under the HC program. If the Applicant fails to communicate its adjustments within the required time, MBOH will return the Application. Projects must meet this limit at LOI Intent, Application, 10% Cost Certification and Final Cost Certification.

### PROFESSIONAL FEES

The UniApp must address and provide justification for professional fees. MBOH will compare these fees as a percentage to construction costs for reasonableness.

### ADDITIONAL DUE DILIGENCE

MBOH may require due diligence in the form of additional cost certification for Projects MBOH considers to be at high risk for unreasonable costs. This additional due diligence may include audits of contracts among or between Development Team members or contractors and/or sampling of subcontractor invoices to verify consistency with the developer cost certification.

## IX. MBOH COMMUNICATIONS

MBOH may communicate with Applicants to provide interpretive guidance or for purposes of clarifying, verifying or confirming any information.

MBOH may query an Applicant or other persons regarding any concerns related to an Application or the management, construction or operation of a proposed or existing low-income housing Project. Questionable or illegal housing practices or management, or insufficient or inadequate response may be grounds for Disqualification of an Application.

MBOH may contact local community officials to discuss relevant evaluation criteria. MBOH may also contact any other third parties to confirm or seek clarification regarding any information in the Application.

MBOH will provide notice of the Project to the chief executive officer (or the equivalent) of the local jurisdiction within which the Project is proposed to be located and provide such individual a reasonable opportunity to comment on the Project.

# X. RESERVATION, CARRYOVER ALLOCATION, CREDIT REFRESH AND FINAL ALLOCATION

The requirements in this Section apply to all Projects Awarded Credits.

## A. RESERVATION AGREEMENT

After an Award of Credits, MBOH will provide a Reservation Agreement to the Owner. Once the Owner enters into a Reservation Agreement with MBOH, the Owner must then meet the requirements and conditions described and provide the required documentation before it receives a Carryover Allocation (Initial Allocation) or Final Allocation of Housing Credits.

MBOH will revoke an approved Reservation and terminate the Reservation Agreement when a Project fails to make successful progress toward completion or otherwise fails to perform its obligations.

If an unsuccessful Applicant, or a party associated with such Applicant, commences any legal action or proceeding challenging MBOH's Award determination or process, MBOH will make a Carryover Allocation (Initial Allocation) or Final Allocation of Housing Credits as required by an executed Reservation Agreement to the same extent it would have been bound to do in absence of the legal challenge, unless the court determines that such Applicant was not eligible or qualified under the applicable QAP to receive an Award of Housing Credits or MBOH otherwise determines that it is precluded by Court order from doing so. If a court determines in any such action or proceeding that MBOH must Award Credits to one or more unsuccessful Applicants from such round or year, such Award or Awards will be made using any available returned or unreserved Housing Credits or current year's Credits.

## B. CARRYOVER ALLOCATION

MBOH will issue a Carryover Allocation Agreement to the Owner for execution and return to MBOH by December 1 of the year for which the Credits are being Awarded.

To receive a Carryover Allocation, the Owner must submit the executed Reservation Agreement, proof of ownership (evidence of title or right to possession and use of the project property for the duration of the Compliance Period and the Extended Use Period plus one year, e.g., a recorded deed or an executed lease agreement), executed and recorded Restrictive Covenants, and the Reservation fee.

## C. 10% TEST

Deadline for submission of the required 10% information is the first anniversary of the date on which MBOH executed the Carryover Allocation Agreement. Failure to pay the required fee, submit certification for 10% documentation, or to meet the 10% Test will cause forfeiture of Awarded, reserved or allocated Housing Credits. Refer to the 10% checklist on the MBOH website for the most current checklist of requirements.

## D. LURA/DECLARATION OF RESTRICTIVE COVENANTS

When submitted to MBOH, the executed and recorded Declaration of Restrictive Covenants/ Land Use Restriction Agreement (Restrictive Covenants or LURA) must be accompanied by a copy of the most current ALTA survey (if available) and title commitment (if available) for the Project real property. These documents must be submitted by December 1 of the year for which the Award of Credits was made. If not available at such time, these documents must be submitted as soon as available (except where unavailable for tribal trust land).

By execution and recording of the LURA the Owners waives the right to request that MBOH locate a non-profit qualified buyer (the “qualified contract process”). The Extended Use Period specified in the LURA may not be terminated early through the qualified contract process and the Owner must comply with the restrictive covenants for the entire Extended Use Period as provided in the LURA. All projects must have an additional 35 years of affordability (total Extended Use Period of 50 years).

Prior to issuance of Form(s) 8609, documentation must be submitted evidencing the first priority position of the Restrictive Covenants. If such evidence does not show that the Restrictive Covenants are in a first priority position, MBOH will require a subordination agreement from the owner or holder of any prior-recorded lien or encumbrance as a condition of issuance of IRS Form(s) 8609, unless such prior lien or encumbrance is required by a federal agency to have priority over the Restrictive Covenants or MBOH otherwise determines in writing that subordination is not required.

For Projects constructed or to be constructed on leased ground, the LURA is not required to have priority over the ground lease. However, the LURA and ground lease shall include such provisions as are satisfactory to MBOH to assure to the greatest practicable extent that the Project will be subject to all LURA restrictions for the full Extended Use Period.

## E. REFRESHING CREDITS

MBOH may approve conversion of previously awarded Credits from the original Credit year of the Credits Awarded to a more recent Credit year (“Credit Refresh”) for Projects that have been issued a Carryover Allocation (Initial Allocation) and for which MBOH has approved such 10% Cost Certification.

To request a Credit Refresh, the Owner must submit a revised Uniform Application, narrative with justification for request, along with the fee as specified in the Fee Schedule. Upon receipt of

the application and staff evaluation, the application will be placed on the agenda for consideration at the next MBOH Board meeting. The Owner or its representative must appear at the meeting to answer Board questions regarding the application and the factors leading to the submission of the application.

The MBOH Board may approve or deny the Credit Refresh or may defer action on the application pending additional information or compliance with specified conditions. The Board may place any one or more conditions on approval or further consideration of an application.

The amount of Credits reserved through a Credit Refresh shall not exceed the amount of Credits originally allocated or the maximum Credit Award under the Applicable QAP.

In making its determination, MBOH may consider any or all of the following:

- The diligence, or lack of diligence, by the Development Team, Owner or other Project participant in seeking to complete the development, approval, construction and opening of the Project.
- Any factors beyond the control of the Development Team, Owner or other Project participant, significantly contributing to the need for the Credit Refresh.
- The likelihood that the Project will be completed and Placed in Service within a reasonable time, under the circumstances, if approved.
- The likelihood that the Project will not be completed or Placed in Service if denied.
- The need for the Project, as determined in the original Application and Award processes.
- Any significant changes in market conditions or other factors that affect the financial feasibility of or need for the Project.
- Any other factor or factors that the Board deems relevant to the determination.

MBOH may place any one or more conditions on approval or further consideration of an application.

All requirements of the Applicable QAP and applicable law shall apply as if such Reservation were the original.

## F. FINAL ALLOCATIONS/8609

Refer to the 8609 checklist on the MBOH website for the most current checklist of items due.

MBOH will assess a late fee if it does not receive the paperwork within 6 months of the last building Placed in Service date. MBOH may make a site visit and conduct a file audit prior to issuance of Form(s) 8609. Owners must send a copy of each completed and signed Form(s) 8609 back to MBOH within 3 months of issuance.

## G. PUBLIC NOTIFICATION

Any public relations actions by a recipient of Tax Credits must specifically state that a portion of the funding is from MBOH, including radio, television, and printed advertisements (excluding rental ads), public notices, and signs at construction sites.

## H. CHANGES TO PROJECT OR APPLICATION

MBOH must approve any changes in the Implementation Schedule greater than 60 days. Owners must submit notification in writing with justification to MBOH within 10 business days of the change.

MBOH must specifically approve any of the following Substantial Changes in the project as set forth in the Application. The Applicant must notify MBOH in writing at least 30 days before implementing Substantial Changes.

- A member of the Development Team, including the Applicant, occurring prior to Placed in Service;
- A change or amendment to the Developer Fee agreement or Consultant Fee agreement;
- Participating local entity;
- Quality or durability of construction;
- Number of units or unit composition;
- Site or floor plan;
- Square footage of Project building(s);
- Project amenities;
- Income or rent targeting;
- Rental subsidies;
- Addition of any mandatory tenant obligation (*e.g.*, adding payment of utilities);
- Target group;
- Project location;
- Sources and Uses (to the extent any line item of the Sources of Funds or any section of the Uses of Funds of the UniApp changes by 10% or more);
- Common Space square footage, location or purposes;
- Housing Credits required for the Project;
- Extended Use Period;
- Any Application item or information required by the Applicable QAP;
- Any item that would have resulted in a lower Development Evaluation Criteria Score under the Applicable QAP or failure to meet any mandatory Development Evaluation Criteria; and
- Any other significant feature, characteristic or aspect of the Project.

If MBOH staff denies approval of any Project Change, the Applicant may request Board review and must inform MBOH staff if the proposed change requires immediate or urgent review and approval. Any requested changes may incur additional fees.

# XI. QUARTERLY REPORTS

All Applicants receiving Reservations must provide written status reports for each calendar quarter pursuant to the terms of the Reservation Agreement.

Refer to the Quarterly Report Form on the MBOH website for the most current checklist of items and applicable due dates.

# XII. QUALIFIED CONTRACT PROCESS

MBOH has adopted certain requirements and procedures applicable to the qualified contract process. These requirements and procedures are set forth in a separate Montana Board of Housing publication entitled the Montana Board of Housing, Qualified Contract Process November 15, 2021 (the “Qualified Contract Process” or “QCP”). The QCP governs eligibility, submission, consideration, determination and other aspects of a request for a qualified contract as provided in Section 42.

MBOH may update and revise the QCP from time to time through the administrative rule adoption process. Any updated or revised version of the QCP adopted as rule will replace and supersede the November 15, 2021 version of the QCP as provided in the adopted rule. The current version of the QCP is available on the MBOH website.

# APPENDIX: A DEFINITIONS

## APPENDIX A: DEFINITIONS

Terms used in this QAP shall have the same meaning as in Section 42 and implementing regulations unless otherwise indicated. As used in this QAP, the following definitions apply unless the context clearly requires a different meaning:

***"4% Credits"*** means HCs that may be Awarded in accordance with the applicable QAP to Projects with tax-exempt financing under the volume limitation on private activity bonds and, except as otherwise provided by this QAP for Applications combining 4% and 9% Credits, outside the competitive allocation process applicable to 9% Credits.

***"9% Credits***" means HCs that may be Awarded through the competitive allocation process in accordance with the Applicable QAP.

***"Absorption Rate"*** means the number of months projected in the Application's market study for a Project to become fully leased, using the calculations listed in MBOH's full market study requirements.

***"Acquisition"*** means obtaining title, lease or other Land and Property Control over a property for purposes of an HC Project. Acquisition includes purchase, lease, donation or other means of obtaining Land or Property Control.

***"Acquisition/Rehab"*** means Acquisition of a property with one or more existing buildings and renovation meeting Montana's minimum Rehabilitation standard for existing buildings on the property that are part of an HC Project.

***"Allocation"*** means an Initial Allocation or a Final Allocation.

***"Available Annual Credit Allocation"*** is defined as the Credit ceiling allocated to MBOH by the federal government for the previous calendar year.

***"Common Area"*** means any space in the building(s) on the Project property that is not in the units (except manager units), i.e. hallways, stairways, community rooms, laundry rooms, garages/carports, manager units, etc.

***"Community Service Facility"*** means a building or part of a building constructed and included as part of and on the same tract of land as a Project: (a) that provides services designed to serve primarily individuals whose income is within the percentage(s) of area median income to be served by the Project (but are not limited to serving such individuals or Project residents exclusively); and (b) that charges service fees, if any, which are affordable to individuals whose income is within the percentage(s) of area median income to be served by the Project. Community Service Facilities are not required to meet Section 42 Community Service Facility requirements for inclusion in adjusted basis in order to qualify for the cost exclusion under Section 3.F.1 this QAP (except as included in this definition).

***"Construction Costs"*** means all costs listed on the UniApp, Section C, Uses of Funds, under the Site Work and Construction and Rehab sections.

***"Consultant" or "HC Consultant"*** means an individual or entity advising a Developer or Owner with respect to the HC Application and/or development process.

***"Design Professional"*** means a housing/building design professional.

***"Developer"*** means the individual(s) and/or entity(ies) specifically listed and identified as the developer in the Uniform Application, Section A - Applicant Developer/Sponsor, responsible for development, construction and completion of an HC Project.

***"Development Evaluation Criteria"*** means the evaluation criteria set forth in QAP VII. Development Evaluation Criteria and selection.

***"Development Team"*** means and includes the Applicant, Owner, Developer, General Partner, Qualified Management Company, and HC Consultant identified as such in the Application.

***"Disqualify" or "Disqualification"*** means, with respect to an Application, that the Application is returned to the Applicant by MBOH without scoring and without consideration for an Award of HCs, as authorized or required by this QAP.

***"Elderly Property"*** means a Project for which a Fair Housing Act exemption for housing for older persons will apply.

***"Expense Coverage Ratio"*** means, with respect to a Project with no hard debt included in the UniApp, the ratio of the Project's operating income to expenses.

***"Experienced Developer"*** means a Developer who was entitled by written agreement to receive at least 50% of the Developer Fees on a prior low-income housing Tax Credit Project that has achieved 100% qualified occupancy and for which the applicable state housing finance agency has conducted a compliance audit which revealed no significant problems.

***"Final Allocation"*** means, with respect to HCs, MBOH issuance of an IRS Form(s) 8609 (Low Income Housing Credit Allocation Certificate) for a Project after building construction or Rehabilitation has been completed according to the Project Application and any MBOH or MBOH Board-approved changes and the building has been Placed in Service.

***"Form"*** means the most current version of any MBOH Form referenced in this QAP. All Forms are available on the MBOH website or the Funding Portal.

***"Funding Portal"*** means the electronic system designated by MBOH for submission of Applications and related documents, as identified and described on the MBOH website.

***"General Requirements"*** means the contractor's miscellaneous administrative and procedural activities and expenses that do not fall into a major-function construction category and are Project-specific and therefore not part of the contractor's general overhead, categorized in accordance with NCSHA standards and shown in the Applicant's properly completed UniApp Supplement, Section C, Limitations and Requirements.

***"Gut Rehab"*** means a Project that includes the replacement and/or improvement of all major systems of the building, including (a) removing walls/ceilings back to the studs/rafters and replacing them; (b) removing/replacing trim, windows, doors, exterior siding and roof; (c) replacing HVAC, plumbing and electrical systems; and (d) replacing and/or improving the building envelope (i.e., the air barrier and thermal barrier separating exterior from interior space) by either removing materials down to the studs or structural masonry on one side of the exterior walls and subsequently improving the building envelope to meet the whole-building energy performance levels for the project type, or creating a new thermal and air barrier around the building.

***"Hard Costs"*** means and includes building Acquisition costs, Site Work costs and Construction and Rehab costs, as shown in the Applicant's properly completed UniApp, Section C, Uses of Funds.

***"Identity of Interest"*** between an Applicant and an In-Process Project means that the Applicant or a member of the Development Team for the Applicant Project: (i) has an interest in the ownership or developer fee payable for the In-Process Project; (ii) is the sole General

Partner or the Managing General Partner of an entity formed for purposes of the In-Process Project; or (iii) is a Housing Credit Consultant for the development or construction phase of the In-Process Project and is entitled to receive a portion of the Developer Fee. The Applicant does not have an Identity of Interest with an In-Process Project solely because a person or entity involved in or providing support for the Applicant Project is or was also involved in or providing support for the In-Process Project, e.g., participating as a non-profit entity for purposes of obtaining a tax exemption, or providing community or supportive services for the Project, so long as such person or entity is not entitled to a portion of the Developer Fee.

***"Initial Allocation"*** means the Carryover Allocation by MBOH of HCs from a particular year's federal LIHTC allocation to the state for purposes of later Final Allocation to a particular Project, as documented by and subject to the requirements and conditions set forth in a written Reservation Agreement, the Applicable QAP and federal law.

***"In-Process Project"*** means any 9% Credit Project for which MBOH and the taxpayer previously have entered into and executed a Reservation Agreement but for which BOH has not issued Form(s) 8609 or for which MBOH has not rescinded the Credits or the Applicant has not returned the Credits.

***"Land or Property Control"*** means legally binding documentation of title or right to possession and use of the property, or the right to acquire title or right to possession and use of the property, for purposes the Project, including but not limited to documentation of fee ownership, lease, buy/sell agreement, option to purchase or lease, or other right, title or interest that will allow the Owner to acquire Proof of Ownership for purposes of Carryover.

***"Large Project"*** means, for purposes of the Soft Cost Ratio limitation in Section 3.F, a Project with more than 24 Housing Credit units.

***"Letter of Intent" or "LOI"*** means a letter and attachment submitted to MBOH on the MBOH Letter of Intent Form.

***"New Construction"*** means construction of one or more new buildings, and includes Gut Rehab.

***"Owner"*** means the legal entity that owns the Project.

***"Project Square Footage"*** means such portion of the total square feet applicable to low-income Units and Common Areas and used for the applicable square footage calculation in the UniApp under Section B - Program Information, Part X, "Project Uses." Project Square Footage includes all building square footage available to or serving tenants, including units, management unit(s) and offices, Common Area, balconies, patios, storage and parking structures; and should reflect measurement to include total building envelope from outside wall to outside wall.

***"Proof of Ownership"*** means title or right to possession and use of the property for the duration of the Compliance Period and any Extended Use Period plus one year, e.g., a recorded deed or an executed lease agreement.

***"Qualified Management Company"*** means a Management Company that meets the education requirements specified in Appendix B, and is not disqualified by MBOH to serve as a Management Company on existing, new or additional Tax Credit Properties or Projects, based upon the company's: (a) failure to complete timely any required training; (b) failure to have or maintain any required certification; (c) record of noncompliance, or lack of cooperation in correcting or refusal to correct noncompliance, on or with respect to any Tax Credit or other publicly subsidized low-income housing property; or (d) delinquent MBOH late fees (unless the Management Company demonstrates to the satisfaction of MBOH that such noncompliance or lack of cooperation was beyond such company's control).

***"Qualified Nonprofit Organization"*** means, with respect to a Project, an organization exempt from federal income tax under Section 501(c) (3) or (4) of the Internal Revenue Code, which is not and during the Compliance Period will not be affiliated with or controlled by a for-profit organization, whose exempt purposes include the fostering of low income housing, which owns an interest in the Project, which will materially participate in the development and operation of the Project throughout the Compliance Period, and which is not affiliated with or controlled by a for-profit organization.

***"Related Party"*** means an individual or entity whose financial, family or business relationship to the individual or entity in question permit significant influence over the other to an extent that one or more parties might be prevented from fully pursuing its own separate interests. Related parties include but are not limited to: (a) family members (sibling, spouse, domestic partner, ancestor or lineal descendant); (b) a subsidiary, parent or other entity that owns or is owned by the individual or entity; (c) an entity with common control or ownership (e.g., common officers, directors, or shareholders or officers or directors who are family members of each other); (d) an entity owned or controlled through ownership or control of at least a 50% interest by an individual (the interest of the individual and individual's family members are aggregated for such purposes) or the entity (the interest of the entity, its principals and management are aggregated for such purposes); and (e) an individual or entity who has been a Related Party in the last year or who is likely to become a Related Party in the next year.

***"Reservation"*** means the conditional setting aside by MBOH of HCs from a particular year's federal LIHTC allocation to the state for purposes of later Carryover Allocation (Initial Allocation) and/or Final Allocation to a particular Project, as documented by and subject to the requirements and conditions set forth in a written Reservation Agreement, the Applicable QAP and federal law.

***"Selection Criteria"*** means and includes all of the requirements, considerations, factors, limitations, Development Evaluation Criteria, set asides and priorities set forth in this QAP and all federal requirements.

***"Selection Standard"*** means the standard for selection of Projects to receive an Award of HCs set forth in the Award Determination subsection, i.e., the MBOH Board's determination that one or more Projects best meet the most pressing affordable housing needs of people within the state of Montana as more specifically set forth in such subsection.

***"Small Project"*** means, for purposes of the Soft Cost Ratio limitation in Section H.2, a Project with 24 or fewer Housing Credit units.

***"Small Rural Project"*** means a Project: (a) for which the submitted Tax Credit Application requests Tax Credits in an amount up to but no more than 12.5% of the state's Available Annual Credit Allocation, and (b) proposed to be developed and constructed in a location that is not within the city limits of Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, or Missoula.

***"Soft Costs"*** means the costs of professional work and fees, interim costs, financing fees and expenses, syndication costs, soft costs and Developer's fees as shown in the Applicant's properly completed UniApp, Section C - Uses of Funds. Soft Costs do not include operating or replacement reserves.

***"Soft-Cost-to-Hard-Cost Ratio" or "Soft Cost Ratio"*** means total Soft Costs divided by the sum of total Hard Costs (as calculated in the UniApp) and land value (the highest value of what is shown in a comparative market analysis, appraisal or arm's length sale). Land value is added regardless of whether land is donated, leased, purchased or otherwise acquired.

***"Total Project Cost"*** means all costs shown in UniApp Section C, Part II, Uses of Funds line "Total Projects Costs without Grant Admin" (except as provided in Section 3.F.1. with respect to exclusion of Community Service Facility costs). Total Project Cost does not include grant administration costs.

"Tribal" means an application sponsored by a Tribally Designated Housing Entity(TDHE) or other tribally sponsored entity..

***"Twinned Projects" or "Twinned 4%/9% Projects"*** means one or more 4% Projects and one or more 9% Projects developed and constructed on a coordinated basis by a single Development Team where each of the included Projects is legally separate and distinct, physically distinct (e.g., separate buildings, located on separate fee or ground lease parcels, separate condominium units, etc.), financed, developed and constructed pursuant to separate contracts or contract schedules, managed and maintained under separate contracts and with separate accounting and finances, all in accordance with applicable IRS requirements, and where the 4% and 9% Projects share access to and use of facilities, such as for parking, common areas, reciprocal utility or maintenance easements or other similar items, pursuant to recorded covenants, conditions, restrictions, agreements and/or easements providing for or based upon a reasonable allocation of costs between the Projects in accordance with applicable IRS requirements. This definition is intended to be descriptive rather than to establish separate

Montana requirements for such Projects, which Projects must meet all applicable IRS and other legal requirements.

***"UniApp"*** means the most current Uniform Application available on the MBOH website at: https://housing.mt.gov/Multifamily-Development/Uniform-Application.

***"Unit"*** means any residential apartment or single-family home.

***"Vacancy Rate"*** means percentage of vacant affordable units in the Application's market area or in the prope

# APPENDIX: B
# DESIGN REQUIREMENTS

## APPENDIX B: DESIGN REQUIREMENTS

### A. PROJECT ACCESSIBILITY REQUIREMENTS

The Fair Housing Act, including design and accessibility requirements, applies to HC properties. In addition to meeting Fair Housing Act requirements, MBOH requires that all New Construction units and common areas and Rehabilitation that at least replaces interior walls and doors must incorporate the following:

For Rehab, items 3 and 4 below apply to all units and all floors where moving walls, removing wall coverings, or doing new wiring or rewiring.

1. 36 inch doors for all living areas (except pantry, storage, and closets).
2. All door hardware must comply with Fair Housing Act standards for all units.
3. Outlets mounted not less than 18 inches above floor covering.
4. Light switches, control boxes and/or thermostats mounted from 36 to 48 inches above floor covering.
5. Walls adjacent to toilets, bath tubs and shower stalls must be reinforced for later installation of grab bars.
6. All faucets must be lever style.
7. A minimum of a ground floor level half-bath with a 30X48 inch turn space (also required in Rehabilitation unless waived by staff for structural limitations or excessive cost, etc.) (does not apply if there is no living space on the ground floor level).
8. No-step entry to all ground floor level units.

9. Compliance with accessibility requirements must be certified in the architect's letter of certification submitted with the Form(s) 8609 submission. It is suggested but not required that Projects also include parking for caregivers for tenants with disabilities and that a lease addendum provide for moving a household without tenants with disabilities from a handicapped accessible unit to a regular unit if the handicapped accessible unit is needed for rental to a tenant with a disability.

## B. ENERGY, GREEN BUILDING AND OTHER INITIATIVES, GOALS AND REQUIREMENTS

The following items in Subparagraphs 1 through 12 specify voluntary initiatives and goals which MBOH encourages Developers to consider in the planning and development of Projects, as well as certain Project requirements. These items are required only where so indicated by the use of mandatory language (e.g., "must"). Such initiatives, goals and requirements are subject to any further applicable provisions of this QAP.

### 1. INTEGRATED DESIGN PROCESS AND COMMUNITY CONNECTIVITY

Project development and design includes a holistic approach. Processes include neighborhood and community involvement to ensure Project acceptance and enhancement. Integrated design processes ensure higher quality finish Project. Existing neighborhood edges, characteristics, fabric are considered in the Project design. Some considerations may include but are not limited to a community design charrette, incorporating Project into neighborhood fabric, energy modeling, commissioning, infrared testing, etc. (see Required Infrared Testing for Projects Awarded Credits, below).

### 2. VISITABILITY AND UNIVERSAL DESIGN PRINCIPLES

Applicants should consider inclusion of visitability and universal design principles in development of the Project. MBOH encourages strong advertising of accessible features when advertising new construction through the Multiple listing services or through MontanaHousingSearch.com.

### 3. SUSTAINABLE SITE, LOCATION AND DESIGN

The building(s) and Project site, including the surrounding area, provide opportunities for education, alternative transportation, services, and community facilities. This is evidenced, for example, by Projects using existing infrastructure, reusing a building or existing housing, redeveloping a greyfield/brownfield, or developing in an existing neighborhood. Design elements use the site's characteristics and reduce impact on the site allowing for open space and other amenities, such as infill projects, rehabilitating existing building(s), rehabilitating existing housing, providing carpooling opportunities, using well water for landscaping, etc.

Applicantions will

- commit to Energy Star building and appliance initiatives, water saving devices and green construction and materials;

- include the MBOH Green Building and Energy Form listing at least 10 items per V. II. A. 5 and specifying how many units will receive those items; and
- provide a letter from an architect qualified with respect to energy and green building standards confirming the listed green building items.

The Applicant's architect also must provide certification at Final Cost Certification for Form(s) 8609 purposes confirming that the initiatives were incorporated.

## 4. PASSIVE HOUSE STANDARD

There are two Passive House standards currently in use throughout the United States. The first is a voluntary international building standard developed by the Passive House Institute (PHI), located in Darmstadt, Germany. The second one is a voluntary standard developed by Phius located in Chicago IL (both can be referred to as the "Passive House Standard"). The Passive House Standard is composed of several strict performance requirements for new building construction. For the renovation of existing buildings, both PHI and PHIUS have developed a similar if slightly more lenient performance standard. The resulting performance represents a roughly 90% reduction in heating and cooling energy usage and up to a 75% reduction in primary energy usage from existing building stock.

## 5. ENERGY AND WATER CONSERVATION

Design features, product selection and renewable energy options directly reduce use of resources and result in cost savings. Design and product selection exceed applicable energy codes in performance. Examples include but are not limited to Energy Star appliances, drip irrigation, low flow fixtures, dual flush or composting toilets, ground source heat, duct sealing, rainwater collection, and low water consumption plants. At the time of replacement, all appliances must be Energy Star rated.

## 6. MATERIAL AND RESOURCE EFFICIENCY

Material selections are better quality, designed for durability and long term performance with reduced maintenance. Products used are available locally and/or contain recycled content. Construction waste is reduced in the Project through efficient installation or recycling waste during construction. Considerations include but are not limited to construction waste management specification, recycled content products, local materials, reuse existing building materials, certified lumber, and sustainable harvest lumber.

## 7. AMENITIES

Applicants may consider for inclusion in the Project the amenities listed in the Amenities Form to be provided at no charge to tenants in the Project. Luxury amenities will not be considered or funded with Tax Credits. Items deemed luxury amenities include, but are not limited to swimming pools, golf courses, and similar amenities. The added costs of the Project attributable to higher quality amenities will be considered on a Project by Project basis for a cost to benefit assessment, and the cost of each amenity will be calculated on a per unit basis as shown in the applicable Application worksheet.

Amenities provided will not be used for Commercial Purposes, which means use of any Project Amenities, common space or other Project property or facilities by others than Project tenants for which the Project owner or management receives any compensation (e.g., rent payments) for such use, whether in cash or in kind. Commercial Purposes do not include the shared use of Project Amenities under a cost sharing agreement for shared use by limited populations that is reasonable in type, scope and nature, considering the type, capacity and nature of the amenities and shared use in question (e.g., the type of amenities, the number of additional tenants having access and the nature of shared use must not substantially reduce the ability of Project tenants to use and enjoy the amenities as originally provided), where the basis and costs of such amenities are allocated reasonably based upon a documented methodology in accordance with applicable laws, regulations and requirements, and where approved in writing by MBOH staff. All Projects previously Awarded Tax Credits are subject to this restriction but are grandfathered only to the extent Commercial Purposes were specifically included in the Application.

## 8. HEALTHY LIVING ENVIRONMENTS (INDOOR ENVIRONMENTAL QUALITY)

Materials and design contribute to a healthy and comfortable living environment. Mechanical system design, construction methods and materials preserve indoor air quality during construction as well as the long term performance such as fresh air circulation and exhaust fans, bathroom and kitchen fans exhausting air and moisture, material selection with low toxicity and low VOC (volatile organic compounds) paints, sealants, and adhesives.

## 9. SMOKE-FREE HOUSING

Promoting healthy behaviors can also have a large impact on residents at no additional cost to the Developer. Smoke-free policies protect residents against the harmful health impacts of tobacco smoke, greatly reduce the risk of fires, and prevent damage to units caused by tobacco smoke. Such policies also make properties more attractive to those who do not allow smoking in their own homes.

For New Construction Projects, the Owner (and any Management Company) must establish and implement a written policy that prohibits smoking in the units and the indoor Common Areas of the Project, including a non- smoking clause in the lease for every Project unit. The Owner (and any Management Company) rather than MBOH will be responsible to establish, implement and enforce such written policy and lease clause. The Owner and Management Company also must make educational materials on tobacco treatment programs, including the phone number for the Montana Tobacco Quit Line, available to all tenants of the Project. The Montana Tobacco Use Prevention Program Smokefree Housing Project can provide educational materials and smokefree signage to property owners and managers free of charge, as requested. If smoking is allowed outside on the Project property, it is recommended that the written smoking policy require that smoking be restricted to areas no closer than 20 feet from all building entrances and exits. The written policy must provide appropriate exceptions for bona fide cultural or religious practices.

## 10. STATE OF MONTANA BUILDING CODE

All Projects must comply with State of Montana Building Code, whether or not the State of Montana building code has been adopted in the Project's jurisdiction.

## 11. REQUIRED INFRARED TESTING FOR PROJECTS AWARDED CREDITS

For Rehabilitation Projects Awarded HCs: Infrared tests are required on at least 10% of units and a representative sampling of Common Areas both before and after the Rehabilitation. At the time of testing there must be at least 20 degrees temperature difference from outdoors to inside the Unit. Infrared testing must be performed by a certified tester. Testing must demonstrate that improvement has been achieved. MBOH staff may approve changes to the sample size selected. A summary of such testing demonstrating compliance with these requirements must be submitted to MBOH within 30 days of testing and reviewed by MBOH to qualify for issuance of IRS Form(s) 8609.

## 12. BROADBAND

Infrastructure installation is required for all New Construction and Substantial Rehabilitation developments. If this requirement is unfeasible the Applicant must submit a waiver request. This request must contain justification and detailed documentation.

# APPENDIX: C COMPLIANCE MONITORING

## APPENDIX C: COMPLIANCE MONITORING

The following compliance processes and requirements apply to all projects awarded credits.

### MAXIMUM RENTS AND TENANT OBLIGATIONS

Rents and total tenant obligations to the landlord, including any mandatory tenant-paid items, must be limited to the levels and items specified in the Application and/or Declaration of Restrictive Covenants, and dictated by the applicable HUD income and rent levels.

For existing tenants, rent increases in any calendar year shall not exceed the lesser of any rent increases permitted as a result of any increase in the Area Median Income ("AMI") or five percent (5%) of the then-current rent amount. No more than one rent increase per calendar year is allowed. For units that are receiving rental assistance the 5% will apply to tenant paid rent and all rent reasonableness tests will need to be considered for the rental assistance program being used.

MBOH staff may grant exceptions to this limit as necessary to reflect actual cost increases. Exception requests, together with supporting cost and rent documentation, must be submitted at least ninety (90) days in advance of the desired effective date of any requested rent increase in excess of the limit.

Rent increases (whether or not in excess of the foregoing limits) based upon the addition of any mandatory tenant obligation (*e.g.*, adding tenant payment of utilities where not so specified in the Application) are also subject to MBOH approval.

## COMPLIANCE FEES

The compliance monitoring fee is payable annually at the time of the Owner's Submission of the Owner's Certificate of Continuing Program Compliance for the time period being submitted. Refer to the Fee Schedule on the website for current fees.

A late fee will be assessed if the complete Annual Compliance Package is not received by the deadline. Failure to submit corrections on noncompliance by the deadline set by MBOH will result in an initial late fee and an additional per-week fee until all required documentation is received by MBOH. A one-time extension may be granted if a written request is submitted to MBOH no later than 10 days prior to the deadline. If an extension is granted and the extension deadline passes without MBOH receipt of the complete documentation, a per-week fee will be imposed until all required documentation is received by MBOH.

## DATA COLLECTION

The Owner must assist MBOH in meeting federal reporting requirements by collecting and submitting information annually concerning the race, ethnicity, family composition, age, income, use of rental assistance under section 8(o) of the United States Housing Act of 1937 or other similar assistance, disability status, and monthly rental payments of all qualified households.

All property Owners must submit operating income and cost information for the property's latest fiscal period, including a current balance of replacement and operating reserve accounts and, at least annually and upon the request of MBOH, copies of the project's most current financial statements (including profit and loss statement and balance sheet).

## ANNUAL COMPLIANCE SUBMISSION

The Owners Certificate of Continuing Program Compliance must be submitted annually throughout the Extended Use Period for each property. The certificate must be signed by the Owner and notarized.

Owners must file annual certifications on the Form provided by MBOH. MBOH may file an IRS Form 8823 if the Owner fails to submit an annual certification before the deadline.

A checklist of the materials required for submission follows:

- Annual Owner's Certification
- Income/Expense Report
- Reserves Form
- Property Contact Information Form
- HC/Fair Housing Certifications

- Tenant Recertification
- Paying compliance fees

These materials must be submitted to MBOH by the deadline for the property's annual reporting period. Management company policy will outline which staff members are responsible for each of the tasks. This manual will address each of these tasks in some detail.

The Owners Certificate of Continuing Program Compliance, Tenant Income Certifications (TIC) and other Annual Compliance package items must be submitted on or before the 25th of the month following the assigned annual period. Federal regulations stipulate there must be no more than 12 months between certifications.

## MANAGEMENT CHANGES

Written notification of changes to property management companies, managers, site managers, or changes to points of contact must be submitted to MBOH prior to or immediately upon implementation of the change. Changes not received by MBOH prior to change or immediately upon change, or within a 15-day grace period, will result in an initial late fee and monthly late fees thereafter until written notification is received.

Replacement of a Management Company with a company that is not a Qualified Management Company or failure to timely submit such notification to MBOH may trigger issuance of an IRS Form 8823.

## OWNERSHIP CHANGES

Prior to a sale, transfer or exchange, the Owner must notify in writing and obtain the written agreement of any buyer, successor or other person acquiring the project or any interest therein that such acquisition is subject to the requirements of the Restrictive Covenants, Section 42 and the applicable QAP.

The following forms available on MBOH's website are due prior to the sale:

- Property Change Information Form
- Purchaser Agreement
- Release of Information Form

The Owner must provide MBOH with at least 120 days advance written notice prior to offering or listing any project property for sale, assignment, transfer or exchange or entering into any agreement for such transaction. MBOH may notify prospective buyers who may submit offers to purchase such property. The Owner shall notify MBOH within ten business days of the filing of any judicial foreclosure action, receipt of any notice of trustee's sale or receipt or submission of any proposal for a deed in lieu of foreclosure with respect to any project or project property and provide MBOH with copies of the complaint, notice of trustee's sale or deed in lieu of foreclosure proposal, as applicable. MBOH may notify the United States Secretary of the Treasury if it has

reason to believe that any potential foreclosure sale or deed in lieu of foreclosure is part of an arrangement to terminate the LURA restrictions.

Such form, executed by the buyer, successor or other person acquiring the project must be submitted to MBOH prior to closing of the sale, transfer or exchange. The Board may void any sale, transfer or exchange of the project if the buyer, successor or other person fails to assume in writing the requirements of this Agreement and the requirements of Section 42 of the Code.

## EDUCATION REQUIREMENTS

Management Company personnel responsible for providing or explaining information for tenant qualification or qualifying tenants and verifying compliance must be certified in LIHTC compliance by one of the Nationally-Recognized LIHTC Compliance Training Companies. Personnel must must attend a certification class with a Nationally-Recognized LIHTC Compliance Training Company at least once every four years. For each of the other three years, all property managers and property Management Company personnel are strongly encouraged to attend annual MBOH compliance training.

The property Management Company and site manager for an HC property must be trained and certified before the property is Placed in Service. New site managers hired for existing HC properties must be certified within six months. New property management companies hired for existing properties must be certified before they assume management of a property. Training requirements must be met to maintain Qualified Management Company status.

Persons responsible for qualifying tenants and verifying compliance must also attend Fair Housing training at least once every four years. The manager for a HC property must complete such training before the property is Placed in Service.

Such Fair Housing training must include and cover the following subjects and requirements:

1. Protected Classes;
2. Accessibility requirements;
3. Reasonable accommodation/modification;
4. Applicant screening;
5. Disparate impact;
6. Domestic violence issues;
7. Occupancy standards;
8. Section 504; and
9. Service Animals.

In the event a Management Company fails to meet the certification or training requirements MBOH will notify the Management Company and the Owner of such noncompliance and the date by which such noncompliance must be corrected. If such noncompliance is not corrected

by such date, the Owner will be required to pay the applicable fees specified in the Fee Schedule for each week that such noncompliance remains uncorrected.

# APPENDIX: D LEGAL/TECHNICAL REQUIREMENTS

## APPENDIX D: LEGAL/TECHNICAL REQUIREMENTS AND DISQUALIFICATION

### MINIMUM SET ASIDE

A Project must meet the federally-required minimum set aside requirements, i.e., the 20-50 test, 40-60 test or income averaging (IA). IA is available only to the extent permitted and subject to the procedures, restrictions and other requirements specified in MBOH compliance materials.

### EX PARTE COMMUNICATIONS

MBOH Board members should refrain from ex parte communications with interested persons or parties, or their representatives, who may be affected by any matter on which members may take official Board action. Ex parte communications may include communications that take place outside a duly noticed meeting or hearing of the Board, relate to a matter on which the Board may take action to determine to rights or obligations of the person or party, and which convey information or may otherwise influence the Board member regarding the matter.

If a Board member is unable to avoid such communications, the member will be required to disclose at a public meeting of the Board the full content of such communication and the identity of the person making the communication. In addition, the Board member may be disqualified from participating in Board action on the matter. Such communications may also subject the Board to challenge regarding its action on the matter.

Ex parte communications do not include communications regarding general matters of housing, funding for low-income housing, or other Board policy, and do not include Board member speaking appearances, conferences, consulting engagements or other events or settings to the extent not involving communications such as those described above.

The foregoing statement is provided as general information. Ex parte communications are addressed in further detail and governed by the MBOH Ex Parte Communication Policy, available on the MBOH website.

## DISCLAIMER

MBOH is charged with allocating no more Housiong Credits to any given project than is required to make that project economically feasible. This decision shall be made solely at the discretion of MBOH, but in no way represents or warrants to any Applicant, investor, lender, or others that the project is feasible or viable.

MBOH reviews documents submitted in connection with this QAP for its own purposes. In allocation of Housing Credits, MBOH makes no representations to the Owner or anyone else regarding adherence to the Internal Revenue Code, Treasury regulations, or any other laws or regulations governing Housing Credits.

No member, officer, agent, or employee of MBOH shall be personally liable concerning any matters arising out of, or in relation to, allocation of Housing Credits.

If MBOH determines that an Applicant or any member of the Development Team has intentionally submitted false information, MBOH may withdraw an Award or recapture Credits.

## MBOH POLICY ON CIVIL RIGHTS COMPLIANCE

The Owner, Developer, borrowers and any of their employees, agents, or sub-contractors, in doing business with the Montana Board of Housing understand and agree that it is the responsibility of the Owner(s) and such other persons and entities to comply with all applicable Federal Civil Rights laws and regulations, including without limitation applicable provisions of the Fair Housing Laws and Americans With Disabilities Act, and any applicable State and local Civil Rights Laws and regulations. Should requirements, such as design, not be specified by MBOH, it is nonetheless the Owner(s) responsibility to be aware of and comply with all applicable non-discrimination provisions related to any protected class under Federal or Montana law, including design requirements for construction or Rehabilitation, Equal

Opportunity in regard to marketing and tenant selection and reasonable accommodation and modification for those tenants covered under the Laws.

## DISQUALIFICATION

If an entity or individual participating in a Project as a member of the Development Team identified in an Application has a demonstrated poor track record or demonstrated past management weaknesses with respect to developments in Montana or in another state, or has failed in the past to respond timely to an MBOH letter of inquiry with respect to a Project, MBOH may disqualify such entity or individual for up to five years and/or any Application(s) in which they are listed.

### PROVIDING NOTICE

MBOH will provide written notice within thirty (30) days of MBOH learning of any event that will result in a disqualification. If MBOH learns of the event after Application submission and prior to the MBOH Board's Award meeting, MBOH will provide written notice to the Applicant within five (5) business days. The written notice must describe the event giving rise to the disqualification and specify the Development Team member or members affected. If MBOH has learned of the event after Application submission and prior to the MBOH Board's Award meeting, the notice must be provided to the Applicant and affected members of the Development Team and inform such persons or entities that they may respond in writing to MBOH within five (5) business days of the date of the notice or, if earlier, by 3 days prior to the MBOH Board's Award meeting. If MBOH learns of the event outside the period from Application submission to MBOH Board Award meeting, the notice must be provided to the particular Development Team member affected and inform such Development Team member that they may respond in writing to MBOH within thirty (30) days of the date of the notice.

### DEMONSTRATED POOR TRACK RECORD

For purposes of determining a participant's track record, MBOH may contact community officials, Development Team or Development Team member references, Credit bureaus, other state Tax Credit administering agencies and any other sources as MBOH deems appropriate.

### DEMONSTRATED MANAGEMENT WEAKNESSES

MBOH may disqualify Development Team members for any of the following:

- Has not followed-through on the development of a Project from Application to rent-up and operation;
- Has not complied with MBOH submission, compliance or other requirements applicable during Project development, construction and Extended Use Period;
- Has not maintained a Project to Section 42 or other program standards;
- Has or had numerous or outstanding substantial non-compliance issues or IRS 8823s;
- Has not completed required training in a certified compliance training program;
- Has not completed required management compliance retraining at least every four years;
- Has requested income targeting changes that are not supported by unanticipated hardship;

- For Projects Awarded Credits for 2018 or later years, has a debt coverage ratio at 10% cost certification or final allocation that has changed significantly from the debt coverage ratio as underwritten by MBOH at Application;
- Has requested additional Credits more than once;
- Has failed to comply with the Substantial Changes requirements;
- Has significantly diminished the quality and long term viability of a previous Project by lowering costs below a reasonable level;
- Has delinquent late fees due and payable to MBOH;
- Has intentionally provided false information to MBOH in connection with an Application, Project or any related Board inquiry or process;
- Has been a member of the Development Team for a prior Project that exceeded maximum Hard Cost Per Unit or Total Project Cost Per Unit at Final Cost Certification; or
- Has been a member of the Development Team for a prior Project Awarded Credits from 2018 or later years that exceeded the applicable maximum Soft Cost Ratio at Final Cost Certification.

## CONSIDERATIONS

MBOH will consider the following factors in determining whether to disqualify:

- The nature and seriousness of the incident(s);
- The frequency of such incidents;
- The incidents were or were not within the control of the individual or entity;
- The degree and timeliness to and with which the entity or individual responded to correction and educational efforts;
- The responsiveness of the individual or entity in responding timely to fees, penalties and other sanctions imposed;
- The cost or financial harm caused to the Project, the Tax Credit agency or third parties;
- The nature and extent of inconvenience and harm caused to Project tenants;
- The nature and extent of damage or expense caused to Project property;
- The extent to which the Project as completed failed to comply with the Project as represented in the Application or in approved Project changes;
- The extent to which the incident would have affected scoring of the Project Application if known as the time or meeting mandatory QAP requirements;
- The extent to which completion of a Project that received an Award of Credits was substantially delayed or prevented;
- The extent to which Credits that were Awarded were recaptured;
- The extent to which unreasonable or excessive fees, profits or other improper remuneration was derived improperly from a Credit Award or Project; and
- The presence of any other relevant factors or considerations.

# BOARD AGENDA ITEM

## PROGRAM
Multifamily Program

## AGENDA ITEM
Cabinet Affordable Housing MFLP approval

## BACKGROUND

**Cabinet Affordable Housing, located in Libby MT is a 24-unit new construction**
The developer is requesting a Multi Family Loan of 1,180,000. This is a 25-year amortization, 25-year term and based on targeting, appears to be a 3.5% interest rate**.** This loan is in conjunction with the 9% tax credits awarded last month.

### PROPOSAL

Staff supports approving the request for a $1,180,000 Multi Family Loan.

# Section 8 Program Dashboard

## October 31, 2022

### HCV, HUD-VASH, MOD REHAB, PBS8, 811 PRA DEMO PROGRAMS:

### CURRENT PERIOD: October 2022

| SECTION 8 PROGRAMS | Month Sep-2022 | Month Oct-2022 | Change | Year HAP | HUD Budget | Date Fees | Term |
|---|---|---|---|---|---|---|---|
| **Housing Choice Voucher (HCV)** | | | | | 15,426,099 | 118,244 | CY 2022 |
| PBS8 Opt-Out Conversion Funding | | | | | | | |
| Paid Units (3625 Agency contracts) | 2,906 | 2,889 | -17 | | | | |
| Current Month Payment Amount | 1,498,270 | 1,488,005 | -10,265 | 15,091,653 | | 1,184,479 | |
| **Veterans Affairs Supportive Housing (VASH)** | | | | | | | CY2022 |
| Number Units Paid (321 Authorized) | 178 | 177 | -1 | | | 6,832 | |
| Payment Amount | 91,652 | 89,864 | -1,788 | 956,009 | | 73,400 | |
| **Moderate Rehabitation (ModRehab)** | | | | | | | |
| Number Contracts | | | 0 | | | | |
| Paid Units (297 Authorized) | 205 | 199 | -6 | | | 7,679 | |
| Payment Amount | 111,470 | 104,972 | -6,498 | 1,148,088 | | 76,722 | |
| **Mainstream** | | | | | | | |
| Number Units Paid | 35 | 36 | 1 | | | 1491 | |
| Payment Amount | 22,195 | 23,845 | 1,650 | 162,566 | | 11724 | |
| **Project Based VASH** | | | | | | | |
| Number Units Paid | 35 | 39 | 4 | | | 1,287 | |
| Payment Amount | 23,066 | 24,233 | 1,167 | 211,529 | | 11,521 | |
| **Project-Based (PBS8)** | | | | | | **Admin** Earnings | |
| Contracts | 89 | 89 | 0 | | | 83,859 | |
| Units Paid (4132 Authorized with 8bb) | 3,552 | 3,456 | -96 | | | Contract Extension | |
| Payment Amount | 2,140,148 | 2,128,633 | -11,515 | | | | |
| Calendar Year Admin Earnings | | | | | | 840,483 | |
| **811 Project Rental Assistance Demo (FY)** | | | | | 1,900,000 | 157,000 | Five Year |
| Rental Assistance Contracts (RAC) | | | 0 | Disbursed: | 830,440 | Balance: | 1,069,560 |
| Units (grant requires 82) | 29 | 31 | 2 | | | 8 Units Kalispell | |
| Payment Amount | 15,798 | 27,025 | 11,227 | | | 40 Units Missoula | |
| | | | | | | 5 Units Ronan | |
| | | | | | | 21 Units Bozeman/Belgrade | |
| | | | | | | 74 | |

## TOTALS

| | Previous Month | Current Month | Change |
|---|---|---|---|
| Paid Units: | 6,905 | 6,791 | -114 |
| Budgeted Units: | | 8,317 | |
| All Section 8 HAPs | 3,880,404 | 3,862,732 | -17,672 |

| Field Agency | On Waiting List | Under Eligibility Review |
|---|---|---|
| Action for Eastern Montana | 250 | 24 |
| Homefront | 269 | 337 |
| HRDC7 | 250 | 167 |
| HRDC9 Bozeman | 539 | 83 |
| Action, Inc - Butte | 219 | 51 |
| Blaine, Hill, and Liberty Counties | 5 | 41 |
| Helena Housing Authority | 427 | 54 |
| CAPNWMT | 542 | 36 |
| HRDC6 - Lewistown | 3 | 37 |
| HRCXI - Missoula | 791 | 44 |
| Opportunities, Inc. | 37 | 363 |
| **Totals** | **3332** | **1237** |

| | Leased | Allocation | Utilization |
|---|---|---|---|
| Mainstream | 31 | 78 | 39.74% |
| Project-Based VASH | 32 | 42 | 76.19% |
| VASH | 167 | 374 | 44.65% |
| Moderate Rehabilitation | 191 | 248 | 77.02% |

Emergency Housing
Vouchers

| Field Agency | Leased |
|---|---|
| HRCXI - Missoula | 6 |
| HRDC7 - Billings | 10 |
| Action, Inc - Butte | 17 |
| HRDC9 - Bozeman | 4 |
| | |
| CAPNWMT | 7 |
| **Totals** | **44** |

274 referrals
146 vouchers issued
44 Leased as of 10/31/22
30% Success Rate

# BOARD AGENDA ITEM

## PROGRAM
Operations/Executive Director

## BOARD MEETINGS
The next scheduled Board meeting is January 9, 2023 and will be held virtually via Zoom.

## BOARD TRAINING & CONFERENCE OPPORTUNITIES
- Rotunda Day, Q1 2023. Currently reserved for February 21, but this date is during transmittal week. We've contacted the Capitol to see if there are alternative dates available.
- NCSHA Legislative Conference, March TBD, 2023 in Washington D.C.
- Board Training, April 10, 2023 in Kalispell location TBD.
- Montana Housing Partnership Conference, May 15 – 17, 2023 in Helena at the Delta Marriott.

## CONTRACTS / PROCUREMENT
- NeighborWorks Montana for the Montana Emergency Rental Assistance (MERA) program - technical assistance to renters and landlords applying MERA - contract in process as a sole source contract.
- Montana Legal Services Association for the Montana Emergency Rental Assistance (MERA) program and eviction prevention and diversion services – contract in process as a sole source contract.
- We are working on a Limited Solicitation for financial/CPA services for secondary reviews of financial statements prepared internally by our Accounting & Finance Manager. This Limited Solicitation will be in partnership with the Montana Facility Finance Authority (MFFA) and may additionally include an add-on service for review of REAC financial statements for our rental assistance bureau.

## GSE SELLER/SERVICER UPDATE
- Our last quarterly operations call with Freddie Mac was held on Thursday, Nov. 10.
- We are executing a Program Information License Agreement to provide our down payment assistance programs information to Freddie Mac. Freddie Mac has been developing a site where lenders will be able to access all Housing Finance Agency down payment assistance program information in a one-stop-shop.

## PERSONNEL UPDATE
Montana Housing/Commerce is recruiting for the following positions:
- Compliance Specialist 1 FTE (MERA – temporary)
- Property Preservation Specialist 0.5 FTE (Loss Mitigation in Mortgage Servicing)

New team members:
- Rebecca Holland, RAM Loan Specialist, started on October 24.
- Kimberly Robito, Administrative Assistant, started on October 31.
- Shay Berberet, Administrative Assistant, started on October 31.
- Dalton Fulcher, HAF Compliance Reviewer, started on November 7.

# BOARD AGENDA ITEM

Carl O'Loughlin submitted his formal retirement notice with his last day on December 30, 2022. Carl served ~5 years in a 0.5 FTE property preservation position in mortgage servicing, joining MBOH after retiring from Opportunity Bank. From Carl's resignation letter: "Having been in the work force for over 50 years and quickly approaching my 72nd year on this planet I deem it time to join the ranks of the fully retired." We are so grateful for Carl's service and wish him all the best!

## EMERGENCY RENTAL ASSISTANCE UPDATE

- As of November 4, 2022, we have awarded $93.3 million in rent and utility assistance. The average award – including continued assistance – is approximately $8,500 per approved household. About 2,600 applications are currently under review.
- Staff have demonstrated responsible public stewardship of these funds. As of November 4th, 2,538 potentially fraudulent applications requesting over $45.3 million in assistance have been flagged, isolated, and ultimately denied.

## HOMEOWNER ASSISTANCE FUND UPDATE

- As of October 31, 2022, there have been 293 applications submitted to the statewide program and HAF staff have approved and paid over $320,000 in total through all statewide program areas.
- HAF staff are in the final stages of testing the reporting features within the online platform for ease of quarterly Federal Treasury reporting.
- The program will be interviewing for a new reviewer position to assist with the quality and ease of application review in the next couple of weeks.
- Within the month of September, our fraud reviewer has detected and stopped payments to 6 potentially fraudulent applications submitted to the program.

## EXECUTIVE DIRECTOR UPDATE

- Cheryl, Joe and Kylee continue to participate in the Disaster Housing Work Group. We meet bi-weekly with representatives from FEMA, HUD, USDA-RD, Salvation Army, Department of Labor and Industry, Department of Emergency Services and the Department of Environmental Quality. Work group activities have included:
    - DLI survey to their licensed contractors list and making results of survey (with contractor availability and geographic service area) available to flood-impacted counties to share with households needing to obtain bids for repairs from licensed contractors to support FEMA Individualized Assistance applications.
    - Press release issued November 4 with ask to landlords, property owners and short-term rental operators re: temporary housing needs for approximately 300 families whose homes still need habitability repairs.
    - Supporting volunteer efforts for continuing clean-up.
    - Working with DES on needs analysis and cost estimates for possible CDBG-DR appropriation request.

In addition, Cheryl attended a Disaster Recovery session at the NCSHA Annual Conference in Houston, which include HFA feedback on use of Disaster Housing Tax Credits and Community Development Block Grant Disaster Relief funds. She shared notes from this session with stakeholders.

- We are coordinating with the Governor's ARPA Executive Committee and Office of Budget and Public Planning on the potential for an additional allocation of ARPA State Local Fiscal Recovery Funds to provide additional gap financing affordable development consistent with Treasury's Affordable Housing How-To Guide Option 1: SLFRF used for affordable housing projects under the PH-NEI eligible use category are presumptively eligible if the project meets certain core requirements of an expanded list of federal housing programs, including but not limited to National Housing Trust Fund (HTF), HOME Investment Partnership Program (HOME) and Low-Income Housing Tax Credits (LIHTC). We are drafting a program proposal to present at an upcoming Economic Transformation, Stabilization and Workforce Development Advisory Commission.

- Governor's Housing Task Force updates and upcoming meeting schedule for November and December are available on DEQ's website. The Task Force will deliver its second report to the Governor in December on recommended actions state agencies could implement as well as best practices for local jurisdictions.

- Financial team composition for bond issues:
  - RBC Capital Markets, Senior Manager
  - BofA Securities, Co-Manager
  - D.A. Davidson, Co-Manager
  - Rotating Co-Manager for 2022C: Raymond James.
    - The rotating #3 co-manager position is filled by the firm with the highest retail orders between the #3 co-manager and the sales group based on performance on the most recent issue
  - Robert W. Baird, Selling Group
  - Piper Sandler, Selling Group
  - UBS, Selling Group
  - CSG Advisors, Financial Advisors

## LEGISLATIVE UPDATE

- 2023 Legislative Calendar
- LC402: Revise bond allocation plan was moved to Department of Administration and is now listed as LC215: Generally revise bonds.
- See attached Bill Tracker for October 31, 2022.

## COMMUNITY HOUSING UPDATE

- Program dashboard coming in 2023
- HOME and Housing Trust Fund allocations have been made to five projects that will result in 26 newly constructed and 56 rehabilitated apartments
  - HOME funds were oversubscribed by $2 million; all but $100K have been awarded

    - There were not sufficient applications to allocate all of HTF; $2 million remains available
    - Anticipate a late spring round for HTF, as well as Community Development Block Grant funds for housing
- Currently have 8 HTF projects underway to construct and rehabilitate multi-family properties
- There are 7 HOME projects underway to construct and rehabilitate multi-family properties; four organizations are using HOME funds to provide down payment and closing cost assistance to homebuyers
- Currently have 14 CDBG-CV projects underway with one completed; six communities have access to CDBG funds to rehab single-family homes; three other projects benefitting those experiencing homelessness have CDBG-Housing awards.
- Allocation Plan for use of HOME-ARP funds is being drafted

BillTracker

# Housing MT

## Report Date: October 31, 2022

| Bill Number | Bill Sponsor | Current Committee | Last Action | Next Hearing |
|---|---|---|---|---|
| LC0024 | Brad Molnar (R) SD 28 | | 07/26/22 - Draft Request Received | |
| Generally revise residential property tax collection laws | | | | |
| LC0057 | Keith Regier (R) SD 3 | | 10/13/22 - Draft to Requester for Review | |
| Provide property tax assistance to elderly homeowners by fixing appraised value | | | | |
| LC0063 | Steve Fitzpatrick (R) SD 10 | | 10/28/22 - Bill Draft Text Available Electronically | |
| Prohibit rent control of private property | | | | |
| LC0103 | Llew Jones (R) HD 18 | | 07/26/22 - Draft Request Received | |
| Create and define the rules of a Trust Fund to address affordable housing | | | | |
| LC0105 | Llew Jones (R) HD 18 | | 07/26/22 - Draft Request Received | |
| Provide for monthly property tax payment | | | | |
| LC0106 | Llew Jones (R) HD 18 | | 07/26/22 - Draft Request Received | |
| Low income elderly property tax assistance | | | | |
| LC0215 | For Department of Administration by State Administration and Veterans' Affairs Interim Committee | | 08/21/22 - Draft Request Received | |
| Generally revise bonds | | | | |
| LC0227 | For Department of Administration by Economic Affairs Interim Committee | | 10/18/22 - Draft On Hold | |
| Generally revise Montana Mortgage Act | | | | |
| LC0402 | For Department of Commerce by Economic Affairs Interim Committee | | 09/19/22 - Draft Request Received | |
| Revise bond allocation plan | | | | |
| LC0455 | Revenue Interim Committee | | 10/06/22 - Draft in Input/Proofing | |
| Provide for all ages homeowner and renter tax credit | | | | |
| LC0489 | For Department of Revenue by Revenue Interim Committee | | 09/19/22 - Draft Request Received | |
| Require county to approve certain condominiums | | | | |
| LC0614 | Kenneth Bogner (R) SD 19 | | 10/05/22 - Draft Request Received | |
| Generally revise transparency of real property purchases | | | | |

BillTracker

# Housing MT

Report Date: October 31, 2022

| Bill Number | Bill Sponsor | Current Committee | Last Action | Next Hearing |
|---|---|---|---|---|
| LC0618 | Kenneth Bogner (R) SD 19 | | 10/05/22 - Draft Request Received | |
| Revise housing and property covenant laws | | | | |
| LC0624 | Kenneth Bogner (R) SD 19 | | 10/05/22 - Draft Request Received | |
| Generally revise housing laws | | | | |
| LC0678 | Nelly Nicol (R) HD 53 | | 10/07/22 - Draft Request Received | |
| Revise laws related to private housing for developmentally disabled adults | | | | |
| LC0767 | Mark Noland (R) SD 5 | | 10/19/22 - Draft Request Received | |
| Generally revise escrow laws | | | | |
| LC0896 | Kenneth Walsh (R) HD 71 | | 10/31/22 - Draft Request Received | |
| Generally revise workforce housing laws | | | | |