MONTANA HOUSING

MONTANA BOARD OF HOUSING – BOARD MEETING

Date:	Monday November 13, 2023
Time:	8:30 a.m.
Board Chair:	Bruce Posey
Remote Attendance:	Join our meetings remotely via Zoom and/or phone.
Conference Call:	Dial: 1 646 558 8656 | Meeting ID: 889 6030 0837 | Password: 270270
Register for Webinar:	https://mt-gov.zoom.us/meeting/register/tZwkcemrrjsiGdNla6Rt3kjnDTqb5hG5NDbT
Board Offices:	Montana Housing 301 S Park Ave., Room 240, Helena MT 59601 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

Homeownership Program (Acting Homeownership Manager: Charlie Brown)

- 2023C Single Family Bond Resolution No. 23-1113 SF03_2023C
- Participating Lender Approvals – Lower, LLC
- Homeownership Update

Mortgage Servicing Program (Manager: Mary Palkovich)

- Servicing Update

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

Multifamily Program (Manager: Jason Hanson)

- ❖ 2025 Qualified Allocation Plan approval
- ❖ The Manor Resolution No. 23-1113-MF10
- ❖ Forest Acres Coal Trust Loan
- ❖ Multifamily Update

Operations / Executive Director (Joe DeFilippis / Cheryl Cohen)

- ❖ Operations Update
- ❖ Executive Director Update

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

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October 2023

14–17 – NCSHA Annual Conference - Boston

23 – Board Meeting Housing Credit Award Determinations – Delta Colonial Helena

24 – Board Training and Strategic Planning – Delta Colonial Helena

November 2023

13 – Board Meeting via Zoom

December 2023

11 – Board Meeting via Zoom

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

2024 CALENDAR

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

January 2024

7-12: NCSHA HFA Institute, WA D.C. (MBOH staff)

8: Board Meeting via Zoom

February 2024

12: Board Meeting via Zoom

March 2024

4-6: NCSHA Legislative Conference, Hilton Washington D.C. (Executive Director; Board Members)

11: Board Meeting via Zoom

April 2024

8: Board Training, TBD Bozeman MT ((Potential Topic: Affirmatively Furthering Fair Housing / FHEA)

9: Board Meeting, TBD Bozeman MT

May 2024

5-7: Mountain Plains Regional Housing Summit, TBD CO (MBOH staff and Board Members welcome)

13: Board meeting Letter of Intent Presentations

14: Board meeting LOI decisions

20-22: Housing Partnership Conference, Missoula MT Holiday Inn (MBOH staff and Board Members welcome)

June 2024

10-13: NCSHA Housing Credit Connect – Atlanta GA (MBOH staff)

17: Board Meeting via Zoom

July 2024

8: Board Meeting via Zoom

August 2024

12: Board Meeting via Zoom

September 2024

9: Board Meeting via Zoom

28-1: NCSHA Annual Conference – Phoenix AZ (MBOH staff and Board Members welcome)

October 2024

20: Board Strategic Planning, TBD Dillion MT

21: Board Meeting Housing Credit Award Determinations / QAP, TBD Dillion MT

November 2024

4: Board Meeting via Zoom

December 2024

9: No Board Meeting (subject to change)

MONTANA HOUSING

Zoom
November 13, 2023

ROLL CALL OF BOARD MEMBERS:

Bruce Posey, Chair (Present)
Sheila Rice (Present)
John Grant (Present)
Amber Parish (Present)
Cari Yturri (Present)
Jeanette McKee (Present)
Tonya Plummer (Excused)

STAFF:

Cheryl Cohen, Executive Director
Joe DeFilippis, Operations Manager
Megan Surginer, Office Manager
Jason Hanson, Multifamily Program
Mary Palkovich, Servicing Program
Vicki Bauer, Accounting Program
Charlie Brown, Homeownership Program
Julie Flynn, CDD Program
Nicole Mckeith, Multifamily Program
Kellie Guarigilia, Multifamily Program
Bruce Brensdal, Multifamily Program
Brian Lundin, Multifamily Program
Nicole Newman, CDD Program

COUNSEL:

Greg Gould, Jackson Murdo & Grant

OTHERS:

Austin Richardson
Colton Behr
Drew Page
Logan Anderson
Julia Hope
John Wagner
Andrew Chanania
David Jones
Tyler Currence
Larry Phillips
Valerie Steichen
Patrick Zhang
Christiane Rudmann
Patrick Zhang
Greg Pappas
Gene Slater
Mina Choo
Connie Dedrick

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.]

MONTANA HOUSING

CALL MEETING TO ORDER

0:00 Chair Bruce Posey called the Montana Board of Housing (MBOH) meeting to order at 8:30 a.m.
1:05 Introductions of Board members and attendees were made.
4:42 Chair Posey asked for public comment on items not listed on the agenda.

APPROVAL OF MINUTES

October 23, 2023 MBOH Board Meeting Minutes – page 6 of packet

5:33 Motion: Cari Yturri
Second: Sheila Rice
The October 23, 2023 MBOH Board meeting minutes were approved unanimously.

HOMEOWNERSHIP PROGRAM

Approval of Bond Resolution No. 23-1113 SF03_2023C—page 11 of packet

6:29 Presenters: Charlie Brown
Motion: Sheila Rice
Second: Jeanette
The motion to approve resolution No. 23-1113 SF03_2023C was approved unanimously.

Participating Lender Approval – Lower, LLC– Page 13

8:58 Presenters: Charlie Brown
Motion: Amber Parish
Second: Sheila Rice
The motion to approve Lower, LLC as a participating Lender for the Montana Board of Housing passed unanimously.

Homeownership Update – page 18 of packet

11:37 Presenters: Charlie Brown

MORTGAGE SERVICING PROGRAM

Servicing Update – page 20 of packet

13:50 Presenter: Mary Palkovich

MULTIFAMILY PROGRAM

2025 Qualified Allocation Plan – page 21 of packet

17:08 Presenters: Jason Hanson
Motion: Cari Yturri
Second: Jeanette McKee
The motion to approve 2025 Qualified Allocation Plan was approved unanimously.

MONTANA HOUSING

The Board's approval of the 2025 Qualified Allocation Plan includes the following corrective amendments and authorization:

1. P. 5, I.A.1, first bullet, third line: strike "limitation" and insert "limitations".

2. P. 6, first 3 lines, item 4: Strike item 4 in its entirety and reinsert language at end of Development Evaluation Criteria, Section 4, Design Requirements, on p. 21.

3. P. 28, Limitation on Soft Costs, immediately below first bullet, insert: "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."

4. P. 47, Section B., Maximum Rents and Tenant Obligations, 2nd paragraph, last sentence, after "exceptions;" insert "the Owner or management company seeking an exception must submit a written request for an exception".

5. P. 51, Section H, 3rd paragraph, strike "This manual will address each of these tasks in some detail."

6. P. 51, Section I.1(i), 3rd line, after "Section" strike "F" and insert "42(g)(1)(C)".

7. P. 55, Section J.1(i) 6th line, after "42 CFR 5.703)" strike "[or once applicable, NSPIRE]" and insert "(as effective January 1, 2001) or the National Standards for the Physical Inspection of Real Estate (NSPIRE) if adopted by the IRS for purposes of the low-income housing tax credit program."

8. P. 55, Section K(3)(i), line 9, after "subsection I(1)(ii) and" strike "C(1)(vii)" and insert "I(1)(vii)".

In addition to the foregoing amendments, MBOH Staff is authorized to make any necessary corrections, technical amendments, and other non-substantive revisions to the 2025 QAP prior to submission of the 2025 QAP to the Governor's Office for approval.

MONTANA HOUSING

Approval of Bond Resolution: The Manor in Hamilton MT—page 82 of packet
26:41 Presenters: Jason Hanson
Motion: Sheila Rice
Second: John Grant
The motion to approve The Manor Bond Resolution passed unanimously.

Approval of Coal Trust Multifamily Homes Loan: Forest Acres Trailer Park—page 107 of packet
29:27 Presenters: Jason Hanson
Motion: Sheila Rice
Second: Cari Yturri
The motion to approve the Forest Acres Coal Trust Loan passed unanimously.

Multifamily Update – page 111 of packet
47:10 Presenters: Jason Hanson

<u>OPERATIONS/ EXECUTIVE DIRECTOR</u>
Operations/Executive Director Update – page 113 of packet
50:21 Presenters: Cheryl Cohen, Joe DeFilippis

<u>MEETING ADJOURNMENT</u>
01:07:22 Meeting was adjourned at 9:47 a.m.

DocuSigned by:
Amber Parish
39DD66266A1641F
Amber Parish, Secretary

12/11/2023
Date

BOARD AGENDA ITEM

PROGRAM

Homeownership Program

AGENDA ITEM

Approval of Bond Resolution No. 23-1113 SF03_2023C

BACKGROUND

The attached Resolution approves the issuance of fixed or variable rate Mortgage Revenue Bonds in an aggregate principal amount not to exceed $75,000,000 to finance loans or refund previously issued bonds or for both.

The resolution is written to give us the flexibility to issue bonds under any of the three indentures and to refund bonds from any of the three indentures.

Kutak prepared this resolution in the same form as the one approved for the 2023B issue. Even though this resolution allows for a Floating Rate Note as a variable rate option, we intend to issue fixed interest rate bonds under the SFI Indenture to purchase new money mortgage loans.

As of October 18, 2023, we had fully reserved the 2023B issue that closed on October 24, 2023, and we have reserved $7,200,737 of mortgages to be funded with the 2023C issue. We have already started working with the finance team to structure the next issue, monitoring and changing interest rates to keep us competitive while mitigating risk. This resolution will allow us to move forward with the 2023C bond issue, which we anticipate closing in December.

Our current lending rates are 6.25% for first mortgages with no DPA, 6.50% for first mortgages with DPA and the set-aside rate is set at 6.00%. Set-aside loans are being funded with recycled pre-Ullman funds.

PROPOSAL

Staff requests that the Board approve the attached resolution.

RESOLUTION NO. 23-1113 SF03_2023C

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING THE ISSUANCE AND DELIVERY OF, AND AUTHORIZING THE DETERMINATION OF CERTAIN TERMS OF, ONE OR MORE NEW ISSUES OF SINGLE FAMILY BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $75,000,000, WITH FIXED OR VARIABLE RATES, TO FINANCE LOANS, REFUND OUTSTANDING BONDS OR BOTH; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING THE SUPPLEMENTAL TRUST INDENTURE, PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT IF THE BONDS ARE SOLD TO THE PUBLIC, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATED THERETO; AUTHORIZING THE EXECUTION OF SUCH DOCUMENTS; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO.

WHEREAS, the Montana Board of Housing (the “Board”) is authorized pursuant to the Montana Housing Act of 1975, Montana Code Annotated, Sections 90-6-101 through 90-6-127, as amended (the “Act”), to issue and refund its bonds and to purchase mortgage loans or mortgage-backed securities in order to finance single family housing which will provide decent, safe and sanitary housing for persons and families of lower income in the State of Montana (the “State”); and

WHEREAS, the Board has previously implemented mortgage purchase programs in order to finance single family dwellings in the State for families and persons of lower income; and

WHEREAS, the Board intends to issue its Single Family Mortgage Bonds, Single Family Program Bonds or Single Family Homeownership Bonds, in one or more series or subseries in an aggregate principal amount not to exceed $75,000,000 with fixed or variable rates (the “New Series Bonds”), under the provisions of either the Trust Indenture dated March 7, 1977, as restated and amended, the Trust Indenture dated August 16, 1979, as amended, or the Trust Indenture dated as of December 1, 2009 (each, the “General Indenture”), each between the Board and Wilmington Trust, National Association (as successor trustee), as trustee, which New Series Bonds will be used to finance mortgage loans to provide additional moneys to finance single family dwellings in the State pursuant to the Mortgage Purchase and Servicing Guide and the forms of the Invitation to Participate and Notice of Acceptance previously approved by the Board, and to fund certain reserve funds, if necessary, or to refund bonds previously issued for such purpose; and

WHEREAS, a Supplemental Trust Indenture (the “Supplemental Indenture”) (together with the General Indenture under which the New Series Bonds are to be issued, which it supplements, the “Trust Indenture”), between the Board and Wilmington Trust, National Association (as successor trustee), as Trustee, will be prepared in substantially the form of such document previously approved by the Board and used in connection with the issuance of the Single Family Mortgage Bonds, 2023 Series B (the “2023 Series B Bonds”) with appropriate changes as hereinafter described, whereby the Board would issue the New Series Bonds subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, if the New Series Bonds are to be sold to the public, a Preliminary Official Statement (the “Preliminary Official Statement”) will be prepared in substantially the form of such document previously approved by the Board and used in connection with the marketing of the 2023 Series B Bonds, containing certain information relating to the Board, the Trust Indenture and the New Series Bonds, and which will be distributed to the prospective purchasers of such New Series Bonds and others by a group of investment dealers and brokers represented by RBC Capital Markets, LLC (the “Underwriters”); and

WHEREAS, a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") will be prepared in substantially the form of such document previously approved by the Board and used in connection with the sale of the 2023 Series B Bonds containing the agreement of the Board to annually update certain financial and operating information in the final Official Statement (as hereinafter described) and to timely provide notice of the occurrence of certain specified events; and

WHEREAS, a purchase contract (the "Purchase Contract"), to be dated the date of sale of the New Series Bonds, between the Board and the Underwriters (or if the New Series Bonds are sold to a single institutional investor, such investor) will be prepared in substantially the form of such document previously approved by the Board and used in connection with the sale of the 2023 Series B Bonds, pursuant to which the Board would agree to sell and the New Series Bonds purchaser would agree to purchase the New Series Bonds, at the prices and upon the terms and conditions therein set forth;

NOW, THEREFORE, BE IT RESOLVED BY THE MONTANA BOARD OF HOUSING as follows:

Section 1. Findings.

(a) The Board hereby finds and determines:

(i) that the homes to be financed through the issuance of New Series Bonds, and the purchase by the Board from proceeds thereof of mortgage loans or mortgage-backed securities as contemplated by the Trust Indenture, constitute "housing developments" within the meaning of Section 90-6-103(8) of the Act; and

(ii) that the housing market area to be served by homes to be financed as aforesaid consists of the entire State of Montana.

(b) In accordance with Section 90-6-109 of the Act, the Board previously found and hereby confirms:

(i) that there exists a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of lower income can afford within the general housing market area to be served;

(ii) that private enterprise has not provided an adequate supply of decent, safe and sanitary housing in the housing market area at rentals or prices which persons or families of lower income can afford, or provided sufficient mortgage financing for homes for occupancy by persons or families of lower income;

(iii) that the conditions, restrictions and limitations contained in the Trust Indenture and contained in the program documents relating to the mortgage loans financed thereby and to be financed are sufficient to ensure that the homes will be well planned and well designed so as to constitute decent, safe and sanitary housing and that the "housing sponsors" (as defined in Section 90-6-103(10) of the Act) are financially responsible;

(iv) that the homes financed and to be financed which are referred to in paragraph (a) above will be of public use and will provide a public benefit, taking into account the existence of local government comprehensive plans, housing and land use plans and regulations, area-wide plans and other public desires;

(v) that the homes financed and to be financed with the proceeds of the New Series Bonds do not involve the construction of “second homes,” which are defined in the Act to mean homes which would not qualify as the primary residence of the taxpayer for federal income tax purposes relating to capital gains on the sale or exchange of residential property; and

(vi) that the findings required by Section 90-6-109(1)(f) of the Act are inapplicable because the homes financed by the New Series Bonds do not involve direct loans.

Section 2. Approval of Supplemental Indenture. A Supplemental Indenture for each series of New Series Bonds is hereby approved in the form described above (and reflecting the provisions of the New Series Bonds consistent with the parameters set forth in the following Section) and the Chair or the Vice Chair of the Board is hereby authorized and directed to execute and deliver the Supplemental Indenture with such changes, insertions or omissions therein as may be approved by such Chair or Vice Chair, such approval to be evidenced conclusively by such execution of the Supplemental Indenture, and the Secretary or any other member of the Board or the Treasurer is hereby authorized and directed to attest thereto.

Section 3. Authorization of Bonds. The issuance, sale and delivery of the Board’s New Series Bonds, in one or more series or subseries, is hereby authorized and approved, subject to the following provisions. The New Series Bonds shall be issued in an aggregate principal amount (not to exceed $75,000,000), mature on the date or dates (but no more than 40 years from the date of issuance), bear interest at the rate or rates (which may be fixed or variable rate, such weighted average interest rates initially not exceeding 7.0% per annum and in no case shall the interest rate on any maturity exceed 14%), be sold to the bond purchaser(s) for an amount (but not less than 98.5% of the principal amount of the Bonds), be subject to optional, special optional, mandatory and sinking fund redemption, be subject to mandatory or optional tenders and convertible into fixed or variable rate bonds, be issued under the related General Indenture, and have such other terms and provisions, all as are determined by the Chair and Executive Director (with the advice of such members of the Board as are available upon the pricing of such New Series Bonds) and definitively set forth in the related Supplemental Indenture or Purchase Contract upon execution and delivery as authorized in Sections 2 and 5 hereof. The New Series Bonds shall be executed and delivered substantially in the form set forth in the Trust Indenture, with such additions, omissions and changes as are required or permitted by the Trust Indenture. The New Series Bonds shall be executed in the name of the Board by the Chair or the Vice Chair of the Board, and attested to by the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer (as such term is defined in the Trust Indenture) for purposes of executing and attesting the New Series Bonds. Such signatures may be in facsimile, provided, however, that such New Series Bonds shall not be valid or obligatory for any purpose until authenticated by the manual signature of an authorized officer of the Trustee.

Section 4. Approval of Preliminary Official Statement and Official Statement. If the New Series Bonds are to be sold to the public through the Underwriters, a Preliminary Official Statement for a series of New Series Bonds is hereby approved in the form described above, with such changes, insertions or omissions therein as may be approved by the Executive Director, and the Chair or the Vice Chair of the Board is hereby authorized to execute and deliver a final official statement (the “final Official Statement”) substantially in the form of the Preliminary Official Statement with such changes, insertions or omissions therein as may be approved by the Chair or Vice Chair, such approval to be evidenced conclusively by such execution of the final Official Statement.

Section 5. Approval of Purchase Contract and Sale of the Bonds. A Purchase Contract for a series of New Series Bonds is hereby approved in the form described above and the execution of the Purchase Contract by the Chair, the Vice Chair or Executive Director of the Board is hereby authorized and directed in order to effectuate the sale of the related New Series Bonds with such changes, insertions or omissions therein as may be approved by such person, such approval to be evidenced conclusively by such execution of the Purchase Contract.

Section 6. Authorization of Standby Bond Purchase Agreement, Continuing Covenant Agreement and/or Remarketing Agreement. If any New Series Bonds are subject to optional or mandatory tender, the Chair or Vice Chair of the Board or the Executive Director are authorized to negotiate, execute and deliver one or more (1) standby bond purchase or similar agreements with a financial institution, with a rating of no less than "A1" or the equivalent by Moody's Investors Service, Inc., whereby such institution agrees to purchase (or provide the Board with funds to purchase) tendered bonds, (2) continuing covenant agreements with the purchaser of such New Series Bonds which agreements may set forth additional covenants with respect to such New Series Bonds, and/or (3) remarketing agreements with any Board approved underwriter with respect to the remarketing of any tendered bonds; such agreements to have such terms and conditions, and provide for the payment by the Board of such fees, as are determined by the Chair and Executive Director to be in the best interests of the Board, such determinations to be evidenced conclusively by the execution thereof.

Section 7. Approval of Continuing Disclosure Agreement. A Continuing Disclosure Agreement for a series of New Series Bonds is hereby approved in the form described above, and the Chair or Vice Chair of the Board or the Executive Director is authorized and directed to execute and deliver the same with such changes, insertions or omissions therein as may be approved by such person, such approval to be evidenced conclusively by such execution of the Continuing Disclosure Agreement.

Section 8. Approval of Program Documents. The Executive Director and Single Family Program Manager are hereby authorized to continue to use the form of the Mortgage Purchase and Servicing Guide, Invitation to Participate and Notice of Acceptance presently in use, and to the extent they deem necessary and appropriate, the Executive Director and Single Family Program Manager are authorized to execute and deliver the same, with such changes, insertions or omissions therein as may be approved by such person, to continue the Single Family Program.

Section 9. Ratification of Prior Actions. All action previously taken by the officers, members or staff of the Board with respect to the Trust Indenture, a Preliminary Official Statement, a Purchase Contract and the New Series Bonds is hereby approved, confirmed and ratified.

Section 10. Execution of Documents. In the event of the absence or disability of the Chair, the Vice Chair or the Treasurer of the Board, or if for any other reason any of them are unable to execute the documents referred to in this Resolution, such documents may be executed by another member of the Board or by the Single Family Program Manager or the Accounting and Finance Manager, with the same effect as if done by the Chair, the Vice Chair or the Treasurer of the Board and without the further authorization of the Board. The execution of such documents by such member shall be conclusive evidence of his or her authority to so act.

Section 11. Execution of Tax Certificate and Declaration of Intent. The Chair, the Vice Chair or the Executive Director of the Board is hereby authorized to issue certifications as to the Board's reasonable expectations regarding the amount and use of the proceeds of the New Series Bonds as described in Section 148 of the Internal Revenue Code of 1986, as amended. The Board also hereby declares its intention, within the meaning of Section 1.150-2 of the Internal Revenue Code regulations, to facilitate continuous funding of its Single Family Program (as described above) by, from time to time, financing mortgage loans and then issuing bonds in an amount to be determined by the Board in one or more series within 18 months thereof to reimburse itself for such financing, which reimbursement amount is presently expected to not exceed $75,000,000 (or such greater reimbursement amount as may from time to time be determined by written declaration of the Executive Director), provided that this declaration does not obligate the Board to issue any such bonds.

Section 12. Additional Actions Authorized. The Chair, the Vice Chair, the Secretary or any other member of the Board, and the Executive Director and Treasurer, the Single Family Program Manager and the Accounting and Finance Manager, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required under the terms of the Trust Indenture and a Purchase Contract, to take such other action (including, without limitation, making any bond designations) as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof and the members and officers named above are hereby designated as Authorized Officers for such purposes.

Section 13. Effective Date. This Resolution shall become effective immediately.

ADOPTED by the Montana Board of Housing this 13th day of November, 2023.

MONTANA BOARD OF HOUSING

By ____
Chair

Attest:

By ____________________________________
Treasurer/Executive Director

4876-2760-1800.1

BOARD AGENDA ITEM

PROGRAM

Homeownership Program

AGENDA ITEM

Lender Approval – Lower, LLC

BACKGROUND

Lower, LLC was incorporated on August 14, 2013 in Maryland as Amerihome Financial, LLC. They then became known as Homeside Financial, LLC on September 5, 2014 and Lower, LLC on August 10, 2021. Lower, LLC has their corporate office in Columbia, MD with branches in multiple states. They are approved as a title II, non-supervised direct endorsement mortgagee with HUD. In addition, Lower, LLC is an approved issuer and servicer with Ginnie Mae (GNMA) as well as an approved seller/servicer with Fannie Mae (FNMA) and Freddie Mac.

Lower, LLC has branch offices in Billings and Great Falls, and they are interested in participating in the Board's mortgage loan and Mortgage Credit Certificate (MCC) programs. They are approved to underwrite FHA, RD, and VA loans and they will sell the servicing of our loans to Montana Board of Housing.

Lower, LLC's application material, quality control plan and financials have been reviewed and approved by staff, and they meet all requirements for becoming a Board of Housing Participating Lender.

Their full application and financial information are available for Board members to review upon request.

PROPOSAL

Staff requests for the Board to approve Lower, LLC as a participating lender for Montana Board of Housing.

HOMEOWNERSHIP PROGRAM DASHBOARD

November 6, 2023

RATES

	CURRENT	LAST MONTH	LAST YEAR
MBOH*	6.250	6.00	6.000
Market	6.99	7.31	6.856
10 yr treasury	4.67	4.78	4.170
30 yr Fannie Mae	6.91	7.20	6.844

*Current Setaside 6.00, DPA 6.50

LOAN RESERVATIONS

	Oct/Nov NUMBER	Oct/Nov AMOUNT	TOTAL NUMBER	TOTAL AMOUNT	ORIGINAL AMOUNT	BALANCE
REGULAR PROGRAM						
Series 2023C (since 10.19.23)	29	7,108,937	29	7,108,937	40,000,000	32,891,063
Series 2023C DPA (since 10.19.23)	9	91,800	9	91,800	1,000,000	908,200
80% Combined (20+)	2	308,800	6	1,099,704	**Since July 2023**	reg bond funds
SET-ASIDE PROGRAMS						
MBOH Plus	9	88,365	34	351,643	**Since July 2023**	1,257,763
Set-aside Pool			14	2,832,826	**Since July 2023**	Pre-Ullman funds
NeighborWorks	*2*	*344,678*	*5*	*1,087,533*		
CAP NWMT CLT	*1*	*132,504*	*2*	*280,652*		
Missoula HRDC XI						
Bozeman HRDC IX						
Home$tart			*4*	*838,727*		
HUD 184						
Dream Makers						
Sparrow Group						
City of Billings	*1*	*244,200*	*3*	*625,914*		
Foreclosure Prevent					50,000	50,000
Disabled Accessible					Ongoing	862,950
Lot Refi					2,000,000	726,440
FY24 Habitat	5	807,000	9	1,393,562	3,751,000	2,357,438
OTHER PROGRAMS						
Veterans (Orig)	1	421,325	439	88,130,781	Revolving	217,966
912 Mrtg Cr Cert (MCC)	1	440,000	22	5,889,002.00	62,500,000	56,610,998

LOAN PURCHASES BY LENDER

	Sep-23		2023 YTD		2022	
	1st	DPA	1st	DPA	1st	DPA
1ST SECURITY BK MISSOULA 133	2	1	7	2	2	1
VALLEY BANK RONAN 159			2		3	
FIRST MONTANA BANK 172			1	1		
BRAVARA BANK 186			2		2	1
STOCKMAN BANK OF MT MILES 524	8	4	38	22	51	25
FIRST INTERSTATE BANK-WY 601			3	1	11	1
US BANK 617			1			
OPPORTUNITY BANK 700	13	8	71	36	86	44
FIRST FEDERAL BANK & TRUST 731	1		1		1	1
GLACIER BANK KALISPELL 735	1		5		17	
WESTERN SECURITY BANK 785			4	3	11	3
MANN MORTGAGE 835	8	5	38	19	80	43
GUILD MORTGAGE COMPANY 842	2	2	13	13	16	13
UNIVERSAL 843	6	5	14	9	16	11
FAIRWAY INDEPENTENT MRTG 847	1	1	15	14	24	21
CORNERSTONE HOME LENDING 850	3	2	7	6	8	6
PRIME LENDING 851			4	4	2	1
BAY EQUITY LLC 853			3		7	1
LENDUS LLC 854					5	1
PARAMOUNT RES MTG GRP 855			3	3	2	1
CHERRY CREEK MORTGAGE 856					1	
HOMESTAR FINANCIAL 861			1	1	1	1
HOMETOWN LENDERS 862					2	1
CROSSCOUNTRY MORTGAGE 863	3		12	5	5	4
GUARANTEED RATE 864	2		6	3		
FIRST COLONY MORTGAGE 865			6	6		
CLEARWATER FEDERAL C U 901					2	
INTREPID CREDIT UNION 903	1		4			
Grand Count	**51**	**28**	**261**	**148**	**355**	**180**

PORTFOLIO CHANGES

	September # loans	September Princ Bal	2023 YTD # loans	2023 YTD Princ Bal	
August Balance	**5,174**	**506,172,500.07**	**5,052**	**480,053,770.57**	Dec-22
September Purchases (1st)	51	15,253,877.04	267	66,940,624.21	
September Purchases (2nd)	28	311,455.00	148	1,533,697.60	
September Amortization		(1,345,067.38)		(12,295,990.32)	
September Payoffs (1st)	(21)	(2,538,304.00)	(183)	(17,343,652.89)	
September Payoffs (2nd)	(7)	(36,206.75)	(47)	(256,621.28)	
September Foreclosures	-	-	(12)	(813,573.91)	
September Balance	**5,225**	**517,818,253.98**	**5,225**	**517,818,253.98**	Sep-23

SEPTEMBER PORTFOLIO SUMMARY

	# of loans	$ of loans	% of #	% of $	
FHA	2,694	336,368,395	51.6%	65.0%	
RD	861	89,507,317	16.5%	17.3%	
VA	347	54,255,957	6.6%	10.5%	
HUD184	37	2,444,986	0.7%	0.5%	
PMI	33	2,234,581	0.6%	0.4%	
Uninsured 1st	231	25,653,781	4.4%	5.0%	
Uninsured 2nd	1,022	7,353,237	19.6%	1.4%	
	5,225	$ 517,818,254			
September 2022 Portfolio Balance	5,024	$ 469,389,881	4.00%	10.32%	percent of Incr/Decr

Servicer	# of loans	$ of loans	% of #	% of $
MBOH	5,149	$ 511,779,672	99%	99%
First Security Bozeman	3	$ 75,483	0%	0%
First Boulder Valley Bank	1	$ 43,534	0%	0%
Valley Bank Ronan	40	$ 4,051,145	1%	1%
Manhattan Bank	1	$ 80,622	0%	0%
Pioneer Federal Savings	19	$ 705,752	0%	0%
Guild Mortgage	12	$ 1,082,045	0%	0%
	5,225	517,818,254		

Weighted Average Interest Rate 4.006%

	# of loans	$ of loans
0 - 2.99%	1047	$ 92,957,477
3 - 3.99%	1539	$ 185,363,117
4 - 4.99%	812	$ 87,345,609
5 - 5.99%	1360	$ 127,666,872
6 - 6.99%	427	$ 23,635,813
7 - 7.99%	40	$ 849,367

	# of loans	$ of loans
rates up to 4%	2586	$ 278,320,594
rates 4% and above	2639	$ 239,497,661

RAM PROGRAM SEPTEMBER ACTIVITY

Loan Requests		Loans Outstanding		Life of Program		Avail Balance
0	0	45	2,715,741.77	236	15,271,126	3,743,949.34

DELINQUENCY AND FORECLOSURE RATES

	MONTANA BOARD OF HOUSING			MORTGAGE BANKERS ASSOC. 6/2023		*(most recent availble)*
	Sep-23	Aug-23	Sep-22	Montana	Region	Nation
30 Days	1.42	1.08	1.63	1.28	1.52	1.81
60 Days	0.69	0.73	0.90	0.35	0.46	0.57
90 Days	1.95	1.93	2.29	0.68	0.83	1.08
Total Delinquencies	4.06	3.74	4.82	2.31	2.81	3.46
In Foreclosure	0.19	0.20	0.49	0.35	0.27	0.53

Mortgage Servicing Program Dashboard
Effective 10/31/23

2023 Monthly Servicing Report

	Last Year	Last Month	This Month
MONTH	Oct-22	Sep-23	Oct-23
PORTFOLIO TOTAL LOANS	5367	5768	5836
MBOH	4982	5227	5281
BOI	299	303	302
MULTI FAMILY	15	16	16
HAF-Homeownership Assistance Fund	71	222	237
PRINCIPAL (all loans)	$530,015,535.08	$590,417,764.00	$604,440,700.97
ESCROW (all loans)	$6,361,919.60	$6,397,278.96	$7,229,882.47
LOSS DRAFT (all loans)	$800,336.94	$760,992.56	$763,261.49
LOANS DELINQUENT (60+ days)	269	236	254
ACTUAL FORECLOSURE SALES IN MONTH	1	0	0
FORECLOSURES TOTAL CALENDAR YEAR	8	9	9
DELINQUENT CONTACTS TO MAKE	661	690	712
LATE FEES - NUMBER OF LOANS	734	766	904
LATE FEES - TOTAL AMOUNT REVENUE	$20,145.03	$22,623.85	$26,650.88
PAYOFFS	50	29	37
NEW LOANS	51	110	105

HUD's National Servicing Center TRSII SFDMS Reporting
FY 2023 Q3 Final Score 95.45% - Grade A

LOSS MITIGATION	Oct-22	Sep-23	Oct-23
ACTIVE FINANCIALPACKETS	1	0	0
REPAYMENT/SPECIAL FORBEARANCE	4	0	0
COVID19 FORMAL FORBEARANCE (SEP)	96	64	35
HAMPS, PARTIAL CLAIMS & MODS PNDG	6	23	23
CHAPTER 13 BANKRUPTCIES	10	9	10
PRESERVATION PROPERTIES	7	7	10
REAL ESTATE OWNED PROPERTIES	2	1	1
SHORT SALE	0	0	0
DEED IN LIEU	0	0	0

BOARD AGENDA ITEM

PROGRAM
Multifamily Program

AGENDA ITEM
2025 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. The Board reviewed these changes at the October 23, 2023 meeting, and a summary of changes was provided in the October Board packet.

A Public Hearing was held on October 24, 2023, and the public comment period was held from October 2, 2023 through October 27, 2023.

PROPOSAL
Staff requests the Board's approval of the 2025 Qualified Allocation Plan.

2025 Qualified Allocation Plan

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 2025 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 2025. The process for award of 2025 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 of the Housing Credit.

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

The QAP was released for public comment on October 2, 2023, a public hearing was held on October 24th, 2023 and was approved by MBOH at its November 13, 2023 public meeting.

The Governor of Montana, Greg Gianforte, approved the plan as the final 2025 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; including but not limited to underwriting assumptions and limitation unless specifically noted; 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 QAP most recently adopted (both approved by the Montana Governor and adopted by the Board as an administrative rule) (Adopted) for purposes of: notice and approval of Substantial Changes to a Project; 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. A staff discretionary waiver or exception is allowed on any item in the Design Appendix (except where otherwise stated), pending justification documentation from the developer. Must demonstrate substantional cause if not meeting the minimum requirements.

5. For purposes of Application, evaluation, and Awarding Housing Credits with respect to 4% Projects, the QAP most recently 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, 10% 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 (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 an In-Process Project that was its first 9% Housing Credit Project in Montana, including projects in which it has an Identity of Interest, 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 of 9% Credits to any one Developer in any Credit year based on the percentage of the Developer Fee specified in a written development agreement. This maximum does not apply to 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 $25 million in total 9% Credits (Cumulative Credit Maximum). 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 greater of 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 Determination 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

1. 9% CREDIT 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 with all Threshold requirements no later than 5:00 pm Mountain Time on the applicable deadline.

Only those Applicants invited to do so by the Board may submit full Applications for 9% Credits. Invited Applicants must complete and submit an Application with all Threshold Requirements no later than 5:00 pm Mountain Time on the applicable deadline.

2. 4% CREDIT APPLICATIONS

Applicants may apply at any time for an Award of 4% Credits for projects with tax-exempt financing under the volume limitation on private activity bonds. Applications funded with private activity bonds will be awarded in the order they are submitted. Applicants must submit a LOI to request an Inducement Resolution, but no fee or mini-market study is required with the LOI.

No invitation is required to submit a full Application for 4% Credits. Applicants must submit a full Application with all Threshold requirements 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.

3. COMBINED APPLICATIONS

A single Applicant may apply for Credits by submission of a single LOI and Application that combines sub-applications for each property/Credit request included in the Project. Each combined sub-application must include a separate UniApp that provides the Project numbers attributable to each sub-application's Credit source. Applicants for Credits for Twinned 4%/9% Projects must submit separate Applications for 4% and 9% Credits. The narrative included must include justification regarding the need for both credit types.

4. PROJECT CHANGES FROM LOI TO FULL APPLICATION

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 a 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 for 9% Applications are scheduled in calendar year 2024:

• 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 for 9% Applications 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 LOI's for 9% Credits at the Board meeting in the month specified or established in accordance with the QAP schedule. The Board will provide an opportunity for 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 and discussion 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, answers and discussion, the Board will select eight Projects to submit Applications according to the Selection Standard and based upon consideration of any of the Selection Criteria permitted to be considered for purposes of an Award under this QAP, but no formal 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 allow for additional Projects to be selected for Award.

2. AWARD

At the Award determination meeting, MBOH staff will provide information for 9% Project Applications. 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 Projects, Small Rural Projects and other Projects in separate groupings. In considering Applications for Award, the Board may first consider Tribal or Small Rural Projects. The Board may, but is not required by this provision to select any Tribal or Small Rural Project for an Award. After any such initial consideration, the

Board will consider Award of remaining Credits to any Applicant. The Board will select Applications to receive an Award of 9% Credits, if any, in accordance with the Award determination process set forth in Section VII (Award Determination).

G. REMAINING CREDITS

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 Subsection K;
- elect to Award less than all available Credits;
- elect to not Award any such remaining Credits; or
- adopt any other reasonable option permitted under this QAP.

If the Board prioritizes remaining Projects for an Award, 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 or a later priority Project fails to submit or is not feasible, MBOH will invite the next priority Project(s) to submit a resized Application.

H. FORWARD COMMITMENTS

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. MAXIMUM BOND AMOUNT FOR 4% CREDIT PROJECTS

The amount of private activity bonds allowed per Project may not exceed 60% of Total Project Costs.

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 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 Owner seeking an increase must submit a written application at least 30 days before the Board meeting at which the Owner seeks consideration. The request must include new financials, supporting documentation for the cost increases (e.g., higher than expected bids or 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 REQUEST

An Owner may apply for and the Board will consider a Credit Refresh as provided in Section X.

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. NONPROFIT

Unless otherwise specifically provided in the Board's Award resolution, MBOH will meet the 10% nonprofit set-aside requirement with all Awards to Projects involving a Qualified Nonprofit Organization. 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 nonprofit 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 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 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 Credits available to fully fund all set aside categories, the respective set asides categories shall be funded in the following order of priority: (1) Nonprofit; 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 beyond the initial 15-year Compliance Period (total Extended Use Period of 50 years).

A. MATERIALS AND INFORMATION SUBMITTED

Submit all requirements in OneDrive. Notify staff to request OneDrive submittal folder two weeks prior to deadline.

1. LOI'S

LOIs must include:

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

2. FULL APPLICATION

Applications must include:

1. Application Fee
2. Cover Letter: Summarize the Project, limited to 2 pages.
3. Uniform Application (UniApp)
    a. 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 and Rehabilitation Projects may meet this requirement by providing 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 applicable, gas, propane, and garbage pickup.
    c. Acquisition/Rehabilitation and 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.
7. Preliminary Financing Letter
    a. Letter from lender stating the proposed loan terms and conditions.
    b. The letter must formally express interest in financing the Project as 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 full market study requirements in the MBOH Mini/Full Market Study Requirements available on the MBOH website.
    c. Documents the following:
        - Vacancy Rate is at or below 7%;
        - Absorption Rate is less than 5 months; and
        - Proposed Project Rents are at least 10% below adjusted market rents.

14. Market Analyst Certification Form
15. Market Study Summary Sheet
16. Appraisal/CMA
    a. Meets the requirements of the Appraisal checklist available on the MBOH website; CMA may be accepted when an Appraisal is not feasible.
    b. Completed Appraisal checklist
17. Site Plan
18. Preliminary Floor Plan: Design Professional's preliminary floor plan and elevations/photos of existing properties for the Project.
19. Parking Plan & Laundry Services
    a. Short narrative that describes reasoning for providing number of parking spaces, and adherence to parking requirements of local zoning and ADA.
    b. Short narrative that describes laundry services being provided.
20. 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 organized 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 in which entity is organized
        - principal of each entity
        - ownership percentage of each entity and principal
    c. Signature block for Project Owner entitie(s) in a WORD document.
    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.
21. Broadband
    a. Explain how the project will meet the broadband requirements.
    b. Infrastructure installation is required for all New Construction and Rehabilitation Projects. If this requirement is unfeasible the Applicant must submit a waiver request. This request must contain justification and detailed documentation.
22. Narrative addressing each of the Development Evaluation Criteria in Section VII and providing a specific explanation demonstrating how the Application meets each of these criteria.
    a. Documentation of each of the following Development Evaluation Criteria items (if applicable):
        - Project-based rental subsidy contract or other document(s)
        - Location in Small Town or Tribal Area

- Local community revitalization or similar plan (affordable housing stock and/or QCT)
- State, tribal and/or federal historic preservation designations
- Local community input
- Location in QCT
- Local entity commitment (communications/relationships)
- Design requirements (applicable certifications)
- Any additional Development Evaluation Criteria items requiring documentation.

b. Narrative references to the Market Study must cite the specific page and paragraph of the Market Study.

23. 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.
24. Public Notice
    a. Public Notice to the community in which the Project is located must be provided. Acceptable forms of public notice include: box advertisement in newspaper, attendance at neighborhood community meetings, social media post in 3 community group pages, or other form of notice acceptable to MBOH.
    b. The notice form chosen must be released within 90 days to the Full Application Due date.
    c. Public Notice information must include:

        (Name of Developer, address, telephone number), a (for-profit/nonprofit) 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
25. Sponsor Application Indemnification & Certification Form.
26. Nonprofit Set-aside: Applications seeking to qualify for the nonprofit set aside must provide:
    - 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.

27. 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 development/consulting fees will be split or paid.
28. Release of Information Form: For projects that include a Developer with no previous history with the Montana Housing Credit Program.
29. QCT / DDA Map
30. Discretionary Basis Boost: Explanation and justification for a request for discretionary basis boost, if applicable.
31. Elderly Exemption: If the Project is an Elderly Property, specify which exemption for housing for older persons will apply.
32. 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.
33. Relocation Plan: For Applications proposing Rehabilitation or replacement of existing Units
    - a preliminary relocation plan addressing the logistics of moving tenants out of their Units and providing temporary housing during the Rehabilitation or replacement, the probable length of time tenants will be out of their Units, and returning tenants to their Units or replacement Units upon completion of the Rehabilitation or replacement.
34. 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 narrative of intent to request the exemption.
    b. If the Application does not include such documentation, MBOH will underwrite the Project as if no exemption was or will be received.
35. Operating Reserve Letter: If the operating reserve requirement is not met, an acceptable third-party source document is required.
36. Eventual Homeownership: For Projects targeted for Eventual Homeownership, provide the documents and information specified in the Eventual Home Ownership section.

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. Projects with no participation by an entity with a demonstrated track record of quality experience in completed development or management of Tax Credit Projects. In evaluating the track record of participating entities, MBOH will consider
   - whether the Applicant, Owner, Developer, General Partner, Management Company, and Consultant have developed and operated housing Projects with the highest quality either in Montana or another state,
   - amount of active local community participation used to develop Projects, and
   - the compliance track record and specialized training of the proposed Management Company.New Developers may meet this requirement through a partner who is an Experienced Developer.
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 "Disqualification" section in Appendix D.

VII. DEVELOPMENT EVALUATION CRITERIA AND SELECTION

A. BOARD CONSIDERATION, FACTORS AND DEVELOPMENT EVALUATION CRITERIA

The Development Evaluation Criteria are only one of several considerations the MBOH Board takes into account and do not control the selection of Projects that will receive an Award of Credits. For purposes of this QAP and selections, 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.
In addition to Development Evaluation Criteria in the following subsections, the MBOH Board may consider the following factors in selecting Applications:

- geographical distribution;
- rural or urban location;
- QCT or DDA location;
- overall income levels targeted by the Projects (including but not limited to 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;
- preservation of project rental assistance or retention or addition of Section 811 units in or to an existing project; and/or
- augmentation and/or sources of funds.

DEVELOPMENT EVALUATION CRITERIA

1. LOWER INCOME TENANTS

All Projects must meet the federally-required minimum set aside requirements, *i.e.*, the 20-50 test, 40-60 test or income averaging (IA) and related MBOH procedures, restrictions and requirements.

In addition, 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 or 40-60) will reflect a weighted Average Income targeted of 53% or below.

Rents at 20% are allowed to income qualify up to 29%, 30% are allowed to income qualify up to 39%; 40% are allowed to income qualify to 49% AMI; 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. Average Income will not be allowed unless 100% of the units are restricted.

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.

2. PROJECT CHARACTERISTICS

Applications must comply with one of the subsections below.

AMENITIES

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

- The Project is located within 1½ miles of the Amenity.
- Public or contracted transportation (not including taxi or school bus service) is reasonably available to the Amenity (i.e., the Project is located within ¼ mile of fixed bus stop or on a same day call basis, the Applicant submits a letter from a transportation provider committing to establish such service; or
- The Amenity 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 (Small Town); or

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

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.

3. 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 qualify the event must meet the following criteria:

- 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 of 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 an office in the Project locality.

4. DESIGN REQUIREMENTS

Refer to the Design Appendix for applicable design requirements. Any requirement deemed mandatory is required for all Projects.

5. 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 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 by tenant need category; 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 Property 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 regarding previous Credit allocations in the MBOH Statistical Data Form provided to the Board for purposes of the Award Determination meeting) set forth in this QAP and all federal requirements (together referred to in this QAP as the “Selection Criteria”); and
- all other information provided to the MBOH Board regarding the applicant Projects.

The Development Evaluation Criteria are only one of several considerations taken into account by the MBOH Board and do 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 COVERAGE RATIO

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

Project replacement and operating reserves and reserve accounts required by applicable law, the QAP or the LURA must be retained by the Project (and transferred to the new owner as applicable) in or as part of any sale, transfer or exchange of the Project. The Owner shall not withdraw or retain any such reserves or reserve accounts in or as part of any sale, transfer or exchange of the Project and the the Board may void any sale, transfer or exchange of the Project that violates this requirement.

5. REPLACEMENT RESERVES

Owners must contribute replacement reserves in an amount equal to at least $350 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 MBOH approved utility allowances are the following:

- Montana Department of Commerce Section 8 Utility Allowances
- USDA Rural Development
- HUD Utility Schedule Model (HUSM)
- Energy Consumption Model (ECM)

Refer to the ECM Form on the MBOH website for the most current checklist of required items.

Projects may use their own calculated HUSM from LOI to Placed in Service, but as of Placed in Service must have obtained MBOH approval of HUSM according to the following timelines. Requests for approval of HUSM allowance amounts and annual approval requests must be submitted to MBOH at least 90 days before the projected start date or anniversary approval date. Numbers used for approval request submission must not be more than 30 days old at time of submission. Utility allowances provided by utility providers will not be considered or accepted.

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. Operating expenses per unit: $3,000-$8,000 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

All Acquisition/Rehabilitation and Rehabilitation Projects must meet the following minimum expenditure standard (Substantial Rehabilitation Standard). Newer Construction Acquisition/Rehabilitation projects may apply for a staff discretionary waiver for a lesser per unit amount. The Substantial Rehabilitation Standard is expenditures of:

- $50,000 of Hard Cost Per Unit for 9% & 4% Projects

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

C. 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. 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 for which a deed conveying title to the homebuyer can be recorded.
- 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 homeowner retention of 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 after transfer.
- 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.

D. 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:

- 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 AMI 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
- achievement of financial feasibility.

E. NON-HOUSING AMENITIES; NO COMMERCIAL USE OF AMENITIES

Luxury amenities will not be considered or funded with Credits. Luxury amenities include, but are not limited to swimming pools, golf courses, and similar 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). Standard parking spaces required by zoning must be included in tenant paid rent.

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.

F. 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.

G. 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 PROJECT COST PER UNIT LIMIT

Total Project Cost may not exceed $350,000 per Unit (Total Project Cost Per Unit Limit) unless and to the extent that Owner obtains a waiver from the MBOH Board. If a Project’s Total Project Cost per unit is above $350,000 or has an increase that results in Total Project Cost per Unit of over $350,000, Owner must request a waiver from the MBOH Board. In addition, if a Project has a 20% Total Project Cost per Unit increase increase from the time of Award, a waiver request from theMBOH Board is also required.

Owners must notify and explain to MBOH a greater than 10% increase in Total Project Cost per Unit from the amount at the time of Award. The notification(s) must be included in the Quarterly Report for the period in which the increase occurs. Failure to notify and explain such cost increases to MBOH may result in being ineligible for a waiver.

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 Cost 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 Project 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 Cost.

For purposes of this Developer Fee limit, Total Project Cost does 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:

- 40% for 4%, 9% or Twinned Projects

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, Application, 10% Cost Certification and Final Cost Certification. The board may approve a waiver to the Soft Cost cap on a case-by-case basis; this limit applies to all current and prior projects.

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 (Reservation Agreement) to the Owner. The Owner must return the signed Reservation Agreement to MBOH by March 1 of the year following the Award (or by such other date specified by MBOH as necessary to preserve the Credits). The Owner must meet the requirements and conditions described and provide the documentation required by the Reservation Agreement to receive 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 under the Reservation Agreement and the Applicable QAP.

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

To receive a Carryover Allocation, the Owner must submit to MBOH, no later than December 1 of the year following the Award (or by such other date specified by MBOH as necessary to preserve the Credits), the executed Reservation Agreement, Proof of Ownership, executed and recorded Restrictive Covenants, and the Reservation fee. MBOH will issue a Carryover Allocation Agreement to the Owner for execution and return to MBOH. The Carryover Allocation Agreement must be executed and returned to MBOH prior to December 31 of the same year.

C. 10% COST CERTIFICATION

The Owner must submit certification and related documentation as required by the Carryover Allocation Agreement demonstrating that Owner meets the 10% test under Section 42 (10% Cost Certification) no later than the first anniversary of the date on which MBOH executed the Carryover Allocation Agreement. Refer to the 10% checklist on the MBOH website for the most current checklist of 10% Cost Certification submission requirements. Failure to submit any required documentation, pay the required fee, submit certification for 10% documentation, or meet the 10% Test will cause forfeiture of Awarded, reserved or allocated Housing Credits.

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 documentation confirming that the proposed LURA contains the accurate legal description of the Project land (e.g., most current ALTA Survey or title commitment).

By execution and recording of the LURA the Owner waives the right to request that MBOH locate a nonprofit qualified buyer as provided in Section 42 (Qqualified 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 beyond the initial 15-year Compliance Period (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 and for which MBOH has approved the 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.

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.

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.
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 required for issuance fo Form(s) 8609. Final Allocation of all Credits is subject to payment in full of the applicable fees specified in the Fee Schedule.

MBOH will assess a late fee if it does not receive all required items 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 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 listed changes (Substantial Changes) in the project as set forth in the Application. The Applicant must notify MBOH in writing at least 30 days before implementing any change to or of:

- A member of the Development Team, including the Applicant, occurring prior to Placed in Service;
- Developer Fee agreement or Consultant Fee agreement;
- Participating local entity;
- Total Project Cost per Unit in a percentage or dollar amount that requires notification to MBOH or a waiver of the Total Project Cost Per Unit Limit;
- 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;
- 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 Area square footage, location or purposes;
- Housing Credits required for the Project;
- Extended Use Period;
- 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 or Threshold Requirement; or
- Any other significant feature, characteristic or aspect of the Project.

If MBOH staff denies approval of any such Substantial 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

Refer to the Quarterly Report Form on the MBOH website for the most current checklist of items and applicable due dates. The quarterly reporting reporting requirements apply to all Projects that have an award of credits. The Project must submit the written quarterly status reports by the 10^{th} day of every calendar quarter. Late reports will result in a fine in accordance with the Fee Schedule.

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/Rehabilitation" means Acquisition of a property with one or more existing buildings and renovation meeting the Substantial Rehabilitation Standard for existing buildings on the property that are part of a Project.

"Adaptive Reuse" means the process of reusing an existing building for a purpose other than which it was originally built or designed for.

"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 the development cost limitations provisions of this QAP (except as included in this definition).

"Construction Costs" means all costs listed on the UniApp, 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, Applicant Developer/Sponsor section, responsible for development, construction and completion of an HC Project.

"Development Evaluation Criteria" means the development evaluation criteria set forth in the Development Evaluation Criteria and Selection section of this QAP.

"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 an elderly property Project as defined in federal law 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.

"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, Limitations and Requirements.

"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, 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 nonprofit 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" or "Carryover 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 MBOH 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, 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.

"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 Program Information, 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 evidence of 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" or "Nonprofit" 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.

"Rehabilitation" or "Rehab" means an Acquisition/Rehabilitation or rehabilitation Project that meets the Substantial Rehabilitation Standard..

"Related Party" means an individual or entity whose financial, family or business relationship to the individual or entity in question permits 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, priorities and data 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. The Selection Standard also applies for purposes of the selection of Projects invited to submit full Applications through the LOI process.

"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, 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 Uses of Funds line "Total Projects Costs without Grant Admin" (except as provided in the Development Cost Limitations provisions of this QAP 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

APPENDIX: B
DESIGN REQUIREMENTS

BASELINE PROJECT REQUIREMENTS:

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.

Information herein describing the requirements also applies to Acquisition/Rehabilitation per the International Existing Building Code; Each requirement applies if existing construction is being replaced or walls are being removed and remodeled.

Words and phrases used in this Design Requirements Appendix have the meaning set forth in the IBC or applicable adopted governing code.

PROJECT ACCESSIBILITY REQUIREMENTS:

At least 5% of Project total number of Units must be "accessible" as defined in the International Building Code (IBC) Section A117.1 as well as the applicable adopted governing code; even when project funding does not require section 504 compliance.

Accessible, type A or B units all must:

1. Provide open area under kitchen sink, at the workspace and lavatory locations in the accessible unit.

2. Have water closet flush controls on the open side of the room.

3. Design all applicable described operable parts no less than 15” above the finished floor & no greater than 48” above the finished floor, regardless of floor level.

PROJECT ADAPTABILITY REQUIREMENTS:

Blocking (reinforcement in the wall framing) is required at all bathrooms for future grab bar installation, regardless of the location in the building.

36” wide doors and cased or drywall openings intended for user passage are required at all Units and all Common Area doors at all levels of a Project regardless of the location in the building. The exceptions are linen, storage, clothes closets not greater than 24” deep max, and pantries not designed for user pass through.

Lever door hardware with push button locking (other than dwelling unit entry or patio/deck door where deadbolt is allowed) required at all Units regardless of the location in the building. This includes all types of closet doors except bi-pass doors.

TYPE B SPECIFIC REQUIREMENTS

Type “B” Units are limited to the ground floor only when there is no elevator. If an elevator is present, then all Units on all levels accessed by the elevator are to be type “B”.

Ensure all Units labeled as a type “B” have the abiltiy to add a strobe along with the horn to a Unit by modifying the device if a reasonable accommodation is requested.

Removeable cabinets are required at all type “B” Units. This is to ensure the adaptability of the kitchen in the future if a reasonable accomodation is requested. Removeable cabinets can be achieved per the Fair Housing Act Design Manual detail graphic on how to install the base cabinet. The countertop and sink or lavatory must remain in place and flooring and wall protection must be present when the cabinet is removed in order to qualify as removeable.

Electrical panel: the operable parts must be at a max 48” above the finished floor in all type “B”, “accessible” or type “A” Units per code in accordance with all applicable codes.

PROJECT VISITABLE REQUIREMENTS:

No step entry required at all building entries, patio and decks, unless project complies with site impracticality per the International Building Code determination which must be verified by Architect.

PROJECT LIVEABLILITY REQUIREMENTS:

WINDOWS

Egress windows are required in all bedrooms. Historic preservation projects may allow operable windows, if dimensionally the width and height cannot meet code.

ENERGY SAVING MEASURES

The following are required in all Units:

1) Energy star appliances
    - dishwasher, refrigerator/freezer, clothes washer, range hood
    - energy star ceiling fans – living rooms only
    - energy star bathroom exhaust fans
2) Energy conservation
    - led exterior lighting
3) Water conservation
    - Water flow saving devices: kitchen faucets=1.5gpm, shower heads=1.5gpm, other faucets=1.0gpm
    - Water closet = 1.28 gpf
    - Rain sensing landscape irrigation system
    - Water efficient landscaping entire project
    - On-site recycling of construction materials during construction for cardboard and wood at a minimum.

HEALTHY INTERIOR ENVIRONMENT

The following healthy interior measures are required:

LOW VOC PAINTS, STAINS, ADHESIVES & SEALANTS INTERIOR ONLY

Interior paints, coatings & primers must have a VOC content less than or equal to the thresholds provided by the most recent version of SCAQMD 1113 available at time of product specification for all interior paints, coatings and primers.

VOC emissions verified as compliant with CDPH Standard Method for all wall finish paints.

All wallpaper used must be phthalate free.

Interior adhesives and sealants must have a VOC content less than or equal to the thresholds provided by the most recent version of SCAQMD 1168 available at time of product specification for all interior adhesives and sealants.

SMOKE FREE LIVING

For all 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.

PASSIVE RADON SYSTEM

At minimum all Projects require a passive radon system. The developer is required to provide compliance documentation from an accredited professional Radon Mitigation Specialist.

LEAD BASED PAINT

Must comply with HUD's "Requirements for Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance," known as the Lead Safe Housing Rule, 24 CFR Part 35. Developer must provide MBOH with documentation from a certified professional Abatement Contractor of Project compliance with the Lead Safe Housing Rule.

ASBESTOS

Must comply with 'Level of Environmental' review as outlined in HUD's adopted policies for Rehabilitation, and any applicable Jurisdictional Requirements.

Montana Department of Environmental Quality (DEQ) administers the following:

- National Emissions Standards for Hazardous Air Pollutants (NESHAP) 40 CFR Part 61, subparts A (General Provisions) and M (National Emission Standard for Asbestos)
- Administrative Rules of Montana (ARM) Title 17, Chapter 74, Subchapter 3 (Asbestos Control)
- Montana Code Annotated (MCA), Title 75, Chapter 2, Part 5 (Asbestos Control)

The most restrictive requirement applies. Developer must provide documentation from an accredited professional Abatement Contractor Project compliance with the applicable regulations.

UNIT FUNCTIONALITY

The following are required of all Units:

1. One linen closet in a common area (not in a bedroom)
   a. No greater than 24" in depth clear; minimum of 24" wide door

2. One pantry cabinet or closet
   - No greater than 24" in depth; minimum of 24" wide door

3. Accessible common laundry for entire building which includes clothes washers & clothes dryers
   - One clothes washer & one clothes dryer per every 4 Units in a Project & must be on an accessible route
     - If the Project chooses to provide equipment in Unit, must construct a closet with a depth of a minimum 36" deep clear inside (appliance specification must be verified), using a 6'-0" wide door opening for side by side applications and where allowed by code, stackable units will use the same depth as noted above with a 3'-0" wide door opening

DURABILITY

The following are required of all Units:

1. Flooring
   Hard surfaces must be a minimum of 12 milimeter wear layer (0.3 mm). All hard surface flooring must be floor score certified for air quality. Carpet must be a minimum of 26 ounces (face weight). Must be green label plus certified for all carpet related flooring. No exceptions will be considered for flooring.

2. Cabinets
   Cabinets are required at a minimum to comply with Architectural Woodwork Institute standards at the economy grade level. Must have no added formaldehyde. Must contain cabinet fronts made from solid wood. Must have front stiles pocket-drilled and assembled with screws for rugged durability. Side and back panels must be made from 3/8" vinyl covered particleboard minimum.

AMENITIES ON SITE

FAMILY HOUSING

One on-site play area required. Play structure must have fall protection. One bench is required within the play area.

SENIOR HOUSING

Covered outdoor seating is required and a Common Area room for library space or seating area.

PARKING

The parking plan that is required by local code is the minimum requirement. Any type of parking that is being charged for and is excluded from basis will not be considered.

GREEN INITIATIVES:

Developer must choose and comply with one option as a discretionary additional requirement for the development.

ENERGY CONSERVATION

CHOOSE 1 OF THE FOLLOWING 3 FOR NEW CONSTRUCTION PROJECTS

1. Building envelope components exceeding the adopted International Energy Conservation Code (IECC); includes windows, doors, insulation values in roof and walls and crawlspace, basement or slab on grade. Each must be 5% over the applicable IECC value.
2. Energy Star Certification per the applicable Energy Star Homes Program Revision and Implementation Timeline (see energystar.gov)
3. Enterprise Green Communities certification per the applicable Enterprise Green Communities Criteria based on project timeline (see greencommunitiesonline.org)

CHOOSE 1 OF THE FOLLOWING 2 FOR REHABILITATION PROJECTS

BLOWER DOOR

Blower Door testing and certification of 50% of the total Units for Projects with a total Unit count of nine or more on Rehabilitation Projects. The Developer or Builder must notify MBOH at least one week in advance of the date and time that tests will be performed and MBOH staff must be permitted to attend and observe such testing. Proof of such testing must be submitted to MBOH to qualify for issuance of Form 8609(s), demonstrating at least meeting the State Adopted IECC level of Air Changes per Hour (ACH) at the time the project is awarded.

INFRARED

Owner to hire a qualified energy consultant to perform Infrared tests on the existing building before and after the construction. MBOH will be notified and invited to attend one week in advance of the tests. Test 50% of the dwelling units total on the site and representative sampling of the Common Areas as applicable to one building on the site. Tests will be submitted to MBOH within 30 days after the tests.

CERTIFICATION

Upon Project completion, the architect and the Owner must each certify the Project by providing their signature on their letterhead per the MBOH Architect Certification within the Uniform Application that indicates all mandatory and discretionary work is completed and installed. If the Owner has hired a third party, that party must certify.

APPENDIX: C COMPLIANCE MONITORING

APPENDIX C: COMPLIANCE MONITORING

A. OVERVIEW

Federal law requires the Montana Board of Housing (MBOH) to monitor compliance and outline procedures for notifying the Internal Revenue Service (IRS) of any instances of non-compliance. The Qualified Allocation Plan (QAP) authorizes MBOH to conduct compliance monitoring and outlines procedures for notifying the IRS of instances of non-compliance. The following compliance processes and requirements apply to all Projects Awarded Credits

For additional information regarding MBOH compliance requirements and procedures, see the Montana Housing Compliance Manual (2024) (Compliance Manual), copies of which may be obtained by contacting the Board of Housing by mail at P.O. Box 200528, Helena, MT 59620-0528, by telephone at (406) 841-2845 or (406) 841-2838, or at the board's web site www.housing.mt.gov.

B. 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 (1) the Application and/or Declaration of Restrictive Covenants, (2) the applicable HUD income and rent levels and (3) the Applicable QAP, including the Payment Subsidy limitation below. The requirements within this section applies to all existing projects and new projects.

A Project must adjust rents to accommodate tenants that receive subsidy through state and/or federally assisted voucher-based programs (Voucher Holders). State and/or federally assisted voucher-based programs include but are not limited to Housing Choice Vouchers, Veterans Affairs Supportive Housing, Mainstream, Emergency Housing Voucher, and any other similar iteration or program. Voucher-based programs specify the maximum allowable rent (Payment Standard) corresponding to the voucher size of the participant based on county payment standards. A Project must adjust the rent amount for a Voucher Holder and may not charge the Voucher Holder rent exceeding the Payment Standard applicable to the Voucher Holder if the Project rent amount is within the greater of 5% or $50 of the current voucher Payment Standard applicable to the Voucher Holder. MBOH staff may grant exceptions; together with supporting documentation that justifies a substantial financial hardship to the property.

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 ten percent (10%) of the then-current rent amount. No more than one rent increase per calendar year is allowed. Tenants must be notified 60 days in advance of any increase. For units that are receiving rental assistance the 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.

C. 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.

D. 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.

A property management company must be a Qualified Management Company. 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.

E. 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 Owner shall notify MBOH of any such sale, transfer or exchange and submit the following forms (available on MBOH's website) within ten business days of the closing of any such sale, transfer or exchange:

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

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 the Restrictive Covenants, Section 42 of the Code and the Applicable QAP.

The Owner must provide MBOH with at least 120 days advance written notice prior to offering or listing any Project or Project real property for sale, assignment, transfer or exchange or entering into any agreement for such transaction. MBOH may notify prospective buyers of any proposed offering or listing and such prospective buyers may submit offers to Owner 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.

F. EDUCATION REQUIREMENTS

During the legislative session of 2023, the Montana Legislature passed HB 0358, titled “An act revising property manager license laws; exempting from the property manager license requirement owners of real estate, related owners, and entities owned by related owners; eliminating the exemption for persons acting as managers of certain government-subsidized housing; amending Section 37-51-602, MCA; and providing an immediate effective date and a retroactive applicability date.” The most significantchange under HB 0358 was removal of the exemption from licensing requirements for managers “of a housing complex for low-income individuals subsidized either directly or indirectly by the state, any agency or political subdivision of the state, or the government or an agency of the United States.” Prior to the passage of HB 0358, property managers of affordable housing properties were exempt from the property management licensing requirements, but HB 0358 has eliminated this exemption. The legislation became effective January 1, 2023, and any manager hired January 1, 2023 or later must have ther required property manager’s license.

Qualified 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 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 Qualified 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 cmompany 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.

G. RECORDKEEPING AND RECORD RETENTION

1. **Recordkeeping**: Owners must keep records for each qualified low-income building in the Project that show for each year in the compliance period:
   (i) the total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);
   (ii) the percentage of residential rental units in the building that are low-income units;
   (iii) the rent charged on each residential rental unit in the building (including any utility allowances);
   (iv) the number of occupants in each low-income unit, but only if rent is determined by the number of occupants in each unit under Section 42(g)(2) (as in effect before the amendments made by the Omnibus Budget Reconciliation Act of 1989);
   (v) the low-income unit vacancies in the building and information that shows when, and to whom, the next available units were rented;
   (vi) the annual income certification of each low-income tenant per unit (for an exception to this requirement, see Section 42(g)(8)(B));
   (vii) documentation to support each low-income tenant's income certification (other than as covered by the special rule for a 100% low-income building) as determined under Section 8 or by a public housing authority;
   (viii) the eligible basis and qualified basis of the building at the end of the first year of the credit period; and
   (ix) the character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d).
2. **Record retention**: Owners must retain the records described in G(1) for at least six (6) years after the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the credit period, however, must be retained for at least six (6) years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.
3. **Inspection record retention**: Owners must retain the original local health, safety, or building code violation reports or notices that were issued by the State or local government unit (as described in Treasury Regulation § 1.42-5 (c)(1)(vi)) for MBOH's inspection under the inspection provisions of this appendix. Retention of the original violation reports or notices is not required once MBOH reviews the violation reports or

notices and completes its inspection, unless the violation remains uncorrected.

4. **Data Collection:** All property Owners must submit, as part of the annual compliance submission, 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 (may include at the board's request profit and loss statement and balance sheet).

H. 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 the 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.

I. CERTIFICATION AND REVIEW

1. **Certification**: Owners must certify at least annually to MBOH that, for the preceding twelve (12) month period:
   - (i) the Project met the requirements of the 20-50 test under Section 42(g)(1)(A), the 40-60 test under Section 42(g)(1)(B), whichever is applicable to the Project (see Section F if Average Income is selected as the minimum set-aside on IRS Form 8609);
   - (ii) there was no change in the applicable fraction (as defined in Section 42(c)(1)(B)) of any building in the Project, or that there was a change, and a description of the

change;

(iii) the Owner has received an annual income certification from each low-income tenant, and documentation to support that certification consistent with Treasury Regulation § 1.42-5(b)(1)(vii) (other than as covered by the special rule for a one hundred percent (100%) low-income building);

(iv) each low-income Unit in the Project was rent-restricted under Section 42(g)(2);

(v) all Units in the Project were for use by the general public, including the requirement that no finding of discrimination under the Fair Housing Act occurred for the Project (meaning an adverse final decision by HUD or a substantially equivalent state or local fair housing agency or MBOH, or an adverse judgment from a federal court);

(vi) the buildings and low-income Units in the Project were suitable for occupancy, taking into account local health, safety, and building codes and inspection standards specified in subsection J, and the State or local government unit responsible for making local health, safety, or building code inspections did not issue a violation report for any building or low-income Unit in the Project (Owner must attach any violation report or notice to its annual certification and state whether the violation has been corrected);

(vii) there was no change in the eligible basis (as defined in Section 42(d)) of any building in the Project, or if there was a change, the nature of the change;

(viii) all tenant facilities included in the eligible basis under Section 42(d) of any building in the Project were provided on a comparable basis without charge to all tenants in the building;

(ix) if a low-income Unit in the building became vacant during the year, that reasonable attempts were or are being made to rent that unit or the next available Unit of comparable or smaller size to tenants having a qualifying income before any Units in the Project were or will be rented to tenants not having a qualifying income;

(x) if the income of tenants of a low-income Unit in the Project increased above the limit allowed in Section 42(g)(2)(D)(ii), the next available Unit of comparable or smaller size in the Project was or will be rented to tenants having a qualifying income; and

(xi) an extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an Owner cannot refuse to lease a Unit in the Project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937;

(xii) all low-income units in the project were used on a non-transient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(B)(iii) or single-room-occupancy units rented on a month-by-month basis under Section 42(i)(3)(B)(iv));

(xiii) no tenants in low-income Units were evicted or had their tenancies terminated other than for good cause and no tenants had an increase in the gross rent with respect to a low- income Unit not otherwise permitted under Section 42;

(xiv) the Project complied with the Violence Against Women Reauthorization Act of

2013 and tenant protections were incorporated into the lease forms, tenant selection plans, and policies related to Unit transfers;

(xv) the Owner meets the requirements of the nonprofit set-aside if the Project was allocated as such; and

(xvi) no unauthorized changes in ownership or management agent(s) have occurred.

2. **Review and Inspection**: MBOH must perform the following reviews and inspections:
   (i) MBOH will review the certifications submitted under Subsections H and I for compliance with the requirements of Section 42. MBOH may review the low-income certifications at its discretion.
   (ii) With respect to each tax credit Project, MBOH will conduct on-site inspections and review low-income certifications (including documentation to support the low-income certifications and the rent records for the tenants).
   (iii) On-site inspections conducted by MBOH must satisfy both the requirements of Treasury Regulation § 1.42-5(d) and the requirements of subsections (iii)(A) through (D) below. The low-Income certification review conducted by MBOH must satisfy the requirements of subsections (iii)(A) through (D) below.
      (A) Timing. MBOH must conduct on-site inspections of all buildings in the low- income housing Project and must review low-income certifications of the low-income housing Project:
         (1) By the end of the second calendar year following the year the last building in the low-income housing Project is placed in service; and
         (2) At least once every 3 years thereafter.
      (B) Number of low-income units. MBOH must conduct on-site inspections and low- income certification review of not fewer than the lesser of:
         (1) 20% of the low-income Units in the low-income housing Project rounded up to the nearest whole number of Units: or
         (2) the minimum number of low-income Units in the low-income housing Project set forth in the following table:

Units in Property	Sample Size	22-24	14
1	1	25-27	15
2	2	28-30	16
3	3	31-35	17
4	4	36-39	18
5	5	40-45	19
6-7	6	46-51	20
8	7	52-59	21
9-10	8	60-67	22
11-12	9	68-78	23
13-14	10	79-92	24
15-16	11	93-110	25
17-18	12	111-120	26
19-21	13	121-166	27

(C) Selection of low-income Units for inspection and low-income certifications for review:

(1) Random Selection. MBOH will randomly select low-income Units and tenant records to be inspected and reviewed. MBOH generally will not select the same low-income Units of a low-income housing Project for on-site inspection and low-income certification review, because doing so would give prohibited advanced notice. MBOH may choose a different number of Units for on-site inspections and for low-income certification review, provided it chooses at least the minimum number of low-income Units in each case. MBOH must select the units for inspections and for low-income certification separately and in a random manner.

(2) Advance notification limited to reasonable notice. MBOH must select the low-income Units to inspect and low-income certifications to review in a manner that does not give advance notice that a particular low-income Unit (or low-income certifications for a particular low-income Unit) will or will not be inspected (or reviewed) for a particular year. MBOH may notify the Owner of the low-income Units for on-site inspection only on the day of inspection. However, MBOH may give an Owner reasonable notice that an inspection of the Project and of not-yet-identified low-income Units or review of low-income certifications will occur. The notice serves to enable the Owner to assemble needed documentation for low-income certifications for review and to notify tenants of the possibility of physical inspection of their Units.

(3) Meaning of reasonable notice. For purposes of subsection C(2), reasonable notice is generally no more than 15 days. The notice period begins on the date MBOH informs the Owner that an on-site inspection of a Project and low-income Units or low-income certification review will occur. Notice of more than 15 days, however, may be reasonable in extraordinary circumstances that are beyond MBOH's control and that prevent MBOH from carrying out within 15 days an on-site inspection or low-income certification review. Extraordinary circumstances include, but are not limited to, natural disasters and severe weather conditions. In the event of extraordinary circumstances that result in a reasonable-notice period longer than 15 days, MBOH must select the relevant Units and conduct the same-day on-site inspection or low-income certification review as soon as practicable.

(4) Applicability of reasonable notice limitation when the same units are chosen for inspection and file review. If MBOH chooses to select the same units for on-site inspections and low-income certification review, MBOH may complete both the inspections and review before the end

of the day on which the units are selected.

3. **Frequency and form of certification**: The certifications and reviews required by this subsection will be made annually covering each year of the fifteen (15) year compliance period and pthe project's extended use period. The Owner certifications will be made under penalty of perjury.

J. INSPECTIONS

1. **In general**: MBOH has the right to perform an on-site inspection of any tax credit Project at least through the end of the extended use period.
   (i) **Inspection standard**: For the on-site inspections of buildings and low-income Units required by this appendix, MBOH will review any local health, safety, or building code violations reports or notices retained by the Owner in order to determine whether the buildings and units satisfy, as determined by MBOH, the uniform physical condition standards for public housing established by HUD (24 CFR 5.703) [or once applicable, NSPIRE].

The HUD physical condition standards do not supersede or preempt local health, safety, and building codes. A tax credit project under Section 42 must continue to satisfy these codes. MBOH will report any violation of these codes to the IRS.

K. NOTIFICATION OF NONCOMPLIANCE

1. **In general**: MBOH will give the notice described in subsection K(2) to the Owner of a tax credit Project and the notice described in subsection K(3) to the IRS.
2. **Notice to Owner**: MBOH will provide prompt written notice to the Owner of a tax credit Project if MBOH does not receive the certification described in subsection I(1), or does not receive or is not permitted to inspect the tenant income certifications, supporting documentation, and rent records described in subsection I(2)(ii), or discovers by inspection, review, or in some other manner, that the project is not in compliance with the provisions of Section 42. If the project is within the compliance period (first 15 years of affordability period), the Owner will receive notice from MBOH of any filing of IRS Form 8823 for non-compliance.
3. **Notice to Internal Revenue Service:**
   (i) <u>In general</u>: During the project's compliance period, MBOH will file IRS Form 8823, "Low-Income Housing Credit Agencies Report of Noncompliance," with the IRS no later than 45 days after the end of the correction period (as described in subsection K(4), including extensions permitted under that paragraph) and no earlier than the end of the correction period, whether or not the noncompliance or failure to certify is corrected. MBOH will explain on IRS Form 8823 the nature of the noncompliance or failure to certify and indicate whether the Owner has corrected the noncompliance or failure to certify. Any change in either the applicable fraction or eligible basis under subsection I(1)(ii) and C(1)(vii), respectively, that results in a decrease in the qualified basis of the project under Section 42(c)(1)(A) is noncompliance that will be reported to the IRS under subsection K(3). If the noncompliance or failure to certify is corrected within three

(3) years after the end of the correction period, MBOH will file IRS Form 8823 with the IRS reporting the correction of the noncompliance or failure to certify.

(ii) MBOH retention of records: MBOH will retain records of noncompliance or failure to certify for six (6) years beyond MBOH's filing of the respective IRS Form 8823. In all other cases, MBOH will retain the certifications and records described in subsection I for three (3) years from the end of the calendar year MBOH receives the certifications and records.

4. **Correction period**: The Owner must supply any missing certifications and bring the project into compliance with the provisions of Section 42 within 30 days after the date of the MBOH notice to Owner prvded under subsection K(2). MBOH may extend the correction period for up to six (6) months for good cause.

APPENDIX: D
LEGAL/TECHNICAL REQUIREMENTS

APPENDIX D: LEGAL/TECHNICAL REQUIREMENTS AND DISQUALIFICATION

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 affordable housing 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 or otherwise receive and rely upon information from community officials, Development Team or Development Team member references, Credit bureaus, other local, state or federal agencies, including Tax Credit administering agencies, local health authorities, Public Housing Authorities and other agencies administering housing subsidy programs, including Montana Department of Commerce, and any other sources as MBOH deems appropriate.

DEMONSTRATED MANAGEMENT WEAKNESSES

MBOH may disqualify Development Team members <u>for any of the following</u>:

- 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 Change 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 or an Award of Credits 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
The Manor in Hamilton MT bond resolution approval.

BACKGROUND
This project will acquire and rehabilitate The Manor, a 3-story single structure in Hamilton, MT offering affordable rent-assisted homes to 60 seniors. Rehabilitation will bring the project up to certain applicable current codes such as fire suppression, ventilation, insulation, and energy efficiency. Further, it will comply with the Housing Trust Fund's minimum rehabilitation standards, address critical deficiencies identified by the most recent HUD REAC inspection, and improve physical conditions for the Period of Affordability terms and conditions as required by funding agencies. Another critical component of this project will be to secure this project's affordability well into the future through deed restrictions and land use restriction agreements, and renewing the HUD HAP contract which expires in May of 2024.

This project has submitted a full application that has been reviewed and meets the requirements of the current QAP. All 60 units will target 30, 50 and 60% AMI. Rehabilitation cost per unit is $95,783.

The developer is requesting approval of a bond resolution for a not to exceed amount of $8,500,000 with an expected estimated bond issue of $7,000,000. The difference being a buffer for unexpected increases during pre-development.

STAFF RECOMMENDATION (if any)
Staff supports proposal noted above.

MOTION OPTION(S)
1. Move to approve resolution 23-1113-MF10 (the Manor)
2. No motion, proposal fails.

THE MANOR HAMILTON MT

FROM THE SUBJECT LOOKING NORTH AND SOUTH

FROM THE SUBJECT LOOKING EAST AND WEST

RESOLUTION NO. 23-1113-MF10

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A BORROWING, AND REPAYMENT THEREOF, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $8,500,000; APPROVING A FUNDING LOAN AGREEMENT, BORROWER LOAN AGREEMENT AND OTHER RELATED DOCUMENTS; AUTHORIZING THE EXECUTION OF SUCH DOCUMENTS; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO.

WHEREAS, the Montana Board of Housing (the "Board") is authorized pursuant to the Montana Housing Act of 1975, Montana Code Annotated, Sections 90-6-101 through 90-6-127, as amended (the "Act"), to borrow and issue evidences of indebtedness concerning repayment thereof and to make loans and purchase mortgage loans in order to finance housing which will provide decent, safe and sanitary housing for persons and families of lower income in the State of Montana; and

WHEREAS, the Board intends to borrow on a non-recourse limited obligation basis from Glacier Bank (or such other financial institution as is approved by the Chair, Vice Chair or Executive Director and Treasurer) (the "Funding Lender") an aggregate principal amount not to exceed $8,500,000, the proceeds of which will be used to finance a mortgage loan for the acquisition, rehabilitation and equipping of The Manor, a 60-unit affordable housing development located in Hamilton, Montana (the "Project"); and

WHEREAS, the borrowing by the Board will be pursuant to a Funding Loan Agreement, among the Board, the Funding Lender and a fiscal agent to be determined by the Board (the "Fiscal Agent") (the "Funding Loan Agreement"), and the agreement to repay such borrowing shall be reflected in a non-recourse revenue debt obligation (the "Obligation") to be issued to the Funding Lender pursuant thereto, which Funding Loan Agreement and Obligation will be in substantially the form approved by the Board with respect to the Highland Manor financing in 2023 (the "Highland Manor Financing"), subject to the terms, conditions and limitations established herein and in the Funding Loan Agreement; and

WHEREAS, the proceeds of the borrowing will be used to finance a loan (the "Mortgage Loan") to Sapphire Manor LLLP, a Montana registered limited liability limited partnership, or a similar affiliate of Sapphire Lutheran Homes (collectively, the "Borrower"), pursuant to a Borrower Loan Agreement, by and among the Board, the Borrower and the Funding Lender (the "Borrower Loan Agreement"), which will be in substantially the form used in the Highland Manor Financing; and

WHEREAS, the interest on the Obligation is intended to qualify for a federal tax exemption under Section 142 of the Internal Revenue Code of 1986 (the "Code"), and to ensure that the

Obligation maintains its tax exempt status, the Borrower will enter into a Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement"), which will be in substantially the same form as such agreement approved by the Board with respect to the Highland Manor Financing.

NOW, THEREFORE, BE IT RESOLVED BY THE MONTANA BOARD OF HOUSING AS FOLLOWS:

Section 1. Public Hearing and Findings.

(a) The Board hereby finds and determines that the Project financed through the above described borrowing and issuance of the Obligation constitutes a "housing development" within the meaning of Section 90-6-103(8) of the Act; and

(b) In accordance with Section 90-6-109 of the Act, following a public hearing, the Board finds:

(i) that there exists a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of lower income can afford within the general housing market area to be served;

(ii) that private enterprise has not provided an adequate supply of decent, safe and sanitary housing in the housing market area at rentals or prices which persons or families of lower income can afford or provided sufficient mortgage financing for homes for occupancy by persons or families of lower income;

(iii) that the conditions, restrictions and limitations contained in the Funding Loan Agreement and contained in the program documents relating to the mortgage loan financed thereby and to be financed are sufficient to ensure that the Project will be well planned and well designed so as to constitute decent, safe and sanitary housing and that the "housing sponsors" (as defined in Section 90-6-103(10) of the Act) are financially responsible;

(iv) that the Project to be financed which is referred to in paragraph (a) above will be of public use and will provide a public benefit, taking into account the existence of local government comprehensive plans, housing and land use plans and regulations, area-wide plans and other public desires;

(v) that the Project to be financed with the proceeds of the Obligation does not involve the construction of "second homes," which are defined in the Act to mean homes which would not qualify as the primary residence of the taxpayer for federal income tax purposes relating to capital gains on the sale or exchange of residential property; and

(vi) that if the Mortgage Loan constitutes a direct loan, in accordance with Section 90-6-109(1)(f), by virtue of the Board effectuating the loan of the Obligation proceeds to the Borrower pursuant to the Borrower Loan Agreement, the Project qualifies for federal funds through its receipt of 4% federal low-income housing tax credits.

Section 2. Approval of Funding Loan Agreement. The Funding Loan Agreement is hereby approved in the form hereinabove described, and the Chair, the Vice Chair or the Executive Director and Treasurer of the Board (each an "Authorized Officer") is hereby authorized and directed to select a Fiscal Agent and to execute and deliver the Funding Loan Agreement, with such changes, insertions or omissions therein as may be approved by such signatory, such approval to be evidenced conclusively by such execution of the Funding Loan Agreement.

Section 3. Authorization and Execution of the Obligation. The execution and delivery of the Board's Obligation to the Funding Lender is hereby authorized and approved. The final amount and terms of the Obligation shall be determined by an Authorized Officer, consistent with the terms of the Funding Loan Agreement and subject to the following conditions. The Obligation shall not be a general obligation of the Board but shall be a limited non-recourse obligation payable solely and only from Mortgage Loan payments and any other moneys pledged under the Funding Loan Agreement by the Borrower as required by the Borrower Loan Agreement. The Obligation shall mature no later than 40 years from its date of issuance, bear interest at a fixed or floating rate no greater than the net rate paid on the Mortgage Loan (i.e., net of fees due to the Board and any other parties), be in a principal amount not to exceed $8,500,000, be subject to prepayment and have the other terms and provisions as described to the Board, and definitively set forth in the Funding Loan Agreement upon execution and delivery as aforesaid in Section 2 hereof. The Obligation shall be executed and delivered substantially in the form set forth in the Funding Loan Agreement, with such additions, omissions and changes as are required or permitted by the Funding Loan Agreement and approved by the signatories thereto. The Obligation shall be executed in the name of the Board by the Chair or the Vice Chair of the Board, and attested to by the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Governmental Lender Representative (as such term is defined in the Funding Loan Agreement) for purposes of executing and attesting the Obligation, and their execution shall evidence their approval of the final terms thereof. Such signatures may be by facsimile; provided, however, that such Obligation shall not be valid or obligatory for any purpose unless the attestation by the authorized officer of the Board shall be a manual signature or the Obligation is authenticated by the manual signature of an authorized officer of the Fiscal Agent.

Section 4. Approval of Borrower Loan Agreement. The Borrower Loan Agreement is hereby approved in the form hereinabove described, and an Authorized Officer is hereby authorized to execute and deliver the Borrower Loan Agreement, with such changes, insertions or omissions therein as may be approved by such person, such approval to be evidenced conclusively by such execution of the Borrower Loan Agreement.

Section 5. Approval of Regulatory Agreement. The Regulatory Agreement is hereby approved in the form hereinabove described, and an Authorized Officer is authorized and directed to execute and deliver the same, with such changes, insertions or omissions therein as may be approved by such person, such approval to be evidenced conclusively by such execution of the Regulatory Agreement.

Section 6. Ratification of Prior Actions. All action previously taken by the officers, members or staff of the Board within the authority granted herein, with respect to the Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement and the Obligation is hereby approved, confirmed and ratified.

Section 7. Execution of Documents. In the event of the absence or disability of an Authorized Officer, or if for any other reason any of them are unable to execute the documents referred to in this Resolution, such documents may be executed by another member of the Board or by the Multifamily Program Manager or the Accounting and Finance Manager, with the same effect as if done by an Authorized Officer and without the further authorization of the Board. The execution of such documents by such member shall be conclusive evidence of his or her authority to so act.

Section 8. Execution of No-Arbitrage Certificate. An Authorized Officer is hereby authorized to issue certifications as to the Board's reasonable expectations regarding the amount and use of the proceeds of the Obligation as described in Section 148 of the Code.

Section 9. Additional Actions Authorized. The Chair, the Vice Chair, the Secretary or any other member of the Board, and the Executive Director and Treasurer, the Multifamily Program Manager and the Accounting and Finance Manager, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required under the terms of the Funding Loan Agreement and the Borrower Loan Agreement, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof, and the members and officers named above are hereby designated as Authorized Governmental Lender Representatives for such purposes. With respect to the issuance of the Bonds authorized by this Resolution, such Authorized Governmental Lender Representatives are also authorized, with the advice of General Counsel or Bond Counsel, to interpret and apply the Board's Policy for Conduit Multifamily Housing Revenue Bonds (the "Policy") and to waive any requirement of the Policy to the extent such interpretation, application or waiver is consistent with the purpose of the Policy.

Section 10. Effective Date. This Resolution shall become effective immediately.

[Remainder of Page Intentionally Left Blank]

ADOPTED by the Montana Board of Housing this ____ day of November, 2023.

MONTANA BOARD OF HOUSING

By ______________________________________
Bruce Posey, Chair

Attest:

By ______________________________________
Cheryl Cohen, Executive Director

Sapphire Lutheran Homes

The Manor • Canyon View • The Remington • Sapphire

"A Christian oriented retirement center which provides compassionate, innovative services and amenities for seniors enabling them to enhance and maintain their quality of life."

September 25, 2023

Bruce Posey, Board Chair
Montana Board of Housing
301 S. Park Ave
Helena MT 59620-0523

RE: **The Manor** 4% LIHTC Application

Dear Mr. Posey:
Sapphire Lutheran Homes, Inc. (SLH) respectfully submits this application for an allocation of 4% Low-Income Housing Tax Credits to preserve The Manor, a 60-unit senior housing development in Hamilton, MT.

The Manor's 60 apartments have served Hamilton's senior community with 42 one-bedroom and 18 two-bedroom apartments since it was built in 1977. Currently, there are no deed restrictions or other covenants ensuring affordability. It is a critical component of Hamilton's affordable housing stock. Approximately 1,583 individuals in Hamilton are age 62 and older and have incomes is below 60% of AMI. This means that The Manor serves roughly 4% of eligible Hamilton seniors. Losing 4% of Hamilton's affordable senior housing stock would represent an insurmountable loss - particularly for vulnerable elderly low-income residents now housed in The Manor. We simply can't afford to lose it.

This 46-year-old property needs significant capital investments that will ensure continues to serve the Hamilton community for the next 50 years, and this preservation project is critical to addressing certain physical deficiencies noted in the most recent REAC inspection, make updates to comply with current codes such as ADA upgrades and fire suppression systems, health and safety, energy efficiency, and other improvements that will improve resident's quality of life.

The current HUD HAP contract providing rental assistance expires in May 2024, and the deficiencies identified in the REAC inspection jeopardize their ability to renew this HUD contract. Losing this rental assistance would be devastating to these 60 senior households. The one-bedroom market rate rent of $1,104 per year totals $13,248 annually. Twelve households currently living in The Manor earn below $10,000 per year, meaning the average market rate rent would exceed these seniors' annual income by $3,248 per year. However, by preserving The Manor's project-based rental assistance, a single-member household making $10,000 per year would only pay 30% of their income - or $250 per month for a one-bedroom apartment. This is 77% below average market rate rent. Without The Manor, these seniors would be unable to afford tent in the County.

Sapphire Lutheran Homes' mission is to create vibrant communities where residents live engaged, purposeful lives in a compassionate, environment dedicated to dignity and vitality throughout life. Preserving 60 affordable senior housing units with rental assistance in a community with a population of 4,659 (1,714 over the age of 60) is critical to our community's long-term prospects.

We thank you and your staff for your consideration of this worthy project. Please do not hesitate to contact me at (406) 363-2800 or charden@stjohnsunited.org.

Sincerely,

Cole Harden, Executive Director
Sapphire Lutheran Homes

City			**Hamilton**
County			**Ravalli**
Project Name			**The Manor**
Developer / General Ptnr			**Sapphire Lutheran Homes**
Set-aside			Non-Profit
HC Requested			3,969,300
Project Type			Elderly
Construction Type			Acq / Rehab
Projected Construction Start			Jun-24
Projected Completion			Jun-25
Unit Numbers		**Target**	
	1-bdrm	30%	6
	1-bdrm	50% (Low HM)	15
	1-bdrm	60%	21
	2-bdrm	30%	3
	2-bdrm	50% (Low HM)	6
	2-bdrm	60%	9
	other	mgr(60%)	-
	Total Units		60
	Average Income Targeting		52.00%
Square Footage			
Income Restricted Units			35,256
Managers Unit(s)			-
Supportive Services			-
Common Space			9,849
Market/Commercial			-
	Total		45,105
Unit Rents			
	1-bdrm	30%	945
	1-bdrm	50% (Low HM)	945
	1-bdrm	60%	945
	2-bdrm	30%	1,134
	2-bdrm	50% (Low HM)	1,134
	2-bdrm	60%	1,134
	other	mgr(60%)	-
Total Monthly Rents			60,102
vacancy factor			5.00%
Adjusted Rent			57,097
other/commercial income			1,000
total rent			58,097
x 12 months			12
Total Annual Income			697,163

City	**Hamilton**
County	**Ravalli**
Project Name	**The Manor**
Developer / General Ptnr	**Sapphire Lutheran Homes**

Expenses

Administration	31,935
Management	44,520
Maintenance	21,171
Operating	222,601
Taxes	-
Replacement Reserve	18,000
Total Expenses	338,227
Net Income Before Debt Service	358,936

Financing Sources

Hard Loan	3,450,000
Hard Loan	200,000
Soft Loan	200,000
Soft Loan	-
State HOME	1,900,000
State CDBG	750,000
State NHTF	1,450,000
Other	240,000
Deferred Dev Fee	503,714
HC Equity Competitive	-
HC Equity Non-Competitive	3,413,262
Total Sources:	12,106,976
% of Project Financed by HC:	28.19%

Return on Sale of HTC

HTC Requested	3,969,300
HTC Equity	3,413,262
HTC Return on Sale	0.860

Ratios

Rent (Income)	697,163
Operating	320,227
Replacement	18,000
Net Income	358,936
Total Debt Service	306,624
Debt Coverage Ratio (DCR)	1.17
Total Expense Ratio	1.08

City	**Hamilton**
County	**Ravalli**
Project Name	**The Manor**
Developer / General Ptnr	**Sapphire Lutheran Homes**

Project Costs

Land	650,000
Building/Acquisition	2,450,000
Site Work	329,360
Construction / Rehab	5,417,644
Soft Costs	2,172,547
Developer Fees	725,000
Reserves	362,425
Total Project Costs	12,106,976
Supportive Services Costs	-
Residential Costs	12,106,976

Costs versus Sources

Total Project Costs	12,106,976
Total Financing Sources	12,106,976
Difference	-

Project Cost Limitations

	Limits	
General Requirements	6.00%	4.90%
Contractor Overhead	2.00%	1.63%
Contractor Profit	6.00%	4.90%
Developer Fees	15.00%	6.99%
Soft Cost	32 or 37 or 40%	32.66%

Per Unit Comparison

	Limits	
Cost per unit total	n/a	201,783
Cost per unit residential only	$350,000	201,783
Cost per unit Const / Rehab	n/a	95,783
Credits per unit	n/a	66,155
Operating Cost per unit	$3,000 min	5,337
Replacement Reserves	$300 min	300

Per Square Foot Comparison

Construction / Rehab per sq ft	120.11
Total Project Cost per sq ft	268.42
Credits per sq ft	88.00
Credits per sq ft (residential only)	112.59

Utilities Paid by (Tenant / Owner) Owner

City	**Hamilton**
County	**Ravalli**
Project Name	**The Manor**
Developer / General Ptnr	**Sapphire Lutheran Homes**

Market Study Data:

Vacancy Rates	1.5%
Absorption Rate	12 units per month
Months to Absorb	1
Average Project Rent	1,002
Average Market Rent	1,213
Units needed for Targeted AMI's	195
Market Rents	
1-bdrms	1,104
2-bdrms	1,321

Development Evaluation Criteria and Selection

Lower Income Tenants	
Income and Rent Level Targeting.	52%
Project-Based Rental Subsidy.	YES
Project Characteristics	
Amenities	Grocery & Medical
Small Town / Tribal Designation Area	Small Town
Affordable Housing Stock	Preservation
Historic Preservation	na
Local Involvement	
Community Input	Local Community Input
QCT / Local Community Revitalization Plan	na
Communication / Relationships	Local Entity Participation
Green Building and Energy Conservation Standards	Green & Energy Std Met
Tenant Populations with Special Housing Needs	
Family Projects	na
Elderly Projects	Elderly Project

MARKET STUDY SUMMARY

Market Study Company:	Prior & Associates
Project Name:	The Manor
Project Market Area:	Ravalli County

Is the project, as proposed, viable? YES

Average (comparable/acheivable) market unit rents in immediate area and the percent the proposed project rents are below these rents.

	Market Rents	% Project Rents Below
0 bedroom		
1 bedroom	$ 1,104	14.4%
2 bedroom	$ 1,321	14.2%
3 bedroom		
4 bedroom		
5 bedroom		

Reference page: 71

# of all New Units Needed:	195	Reference page:	59
# of units needed for the targeted AMI of the project:	195	Reference page:	59
Vacancy Rate:	1.5%	Reference page:	54
Months to Lease-up:	N/A	Reference page:	N/A
Capture Rate: (projected income eligible tenants who will move in next year/proposed units)	30.8%	Reference page:	59
Absorption Rate: (proposed units/existing LIH, market area units required)	73.8%	Reference page:	59
Penetration Rate: (existing LIH units/total eligible households)	11.8%	Reference page:	60
Number of LI households that can afford rent of proposed project:	592	Reference page:	59

Distance (miles) to: (only fill this out at full market study)

1 miles to grocery store (convenience store does not count)

0 miles to medical services appropriate and available to all prospective tenants (e.g., hospital, doctor offices, etc.) and are one of the following:

☑ 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).

All other services and distance to each.

	Other Service	Distance (mi)
1	Medical Clinic	0
2	Hospital	0
3	Park	0
4	Police Station	0
5	Senior Center	1
6	Neighborhood Shopping	1
7	Library	1
8	Fire Department	1
9	Convenience Store	1
10	City Hall	1
11	Community Shopping	1
13	Aquatic Center	1
14	Senior Center	2
15	Walmart	41
16	Mall	42
17	University	42
18	College	43
19	ESL	43
20	Bus Stop	
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AMENITIES FORM

Project Name: The Manor

All Units	Yes/No	Incremental Cost Per Unit	Benefit
Air Conditioning	Yes	$ 6,500.00	quality of life
Carport/Garage	No		
Dishwasher	No		
Disposal	No		
Extra storage outside unit	No		
Microwave	No		
Patios or Balconies	No		
Washer/dryer hookups	No		
Washer/dryer in unit	No		

Project Wide	Yes/No	Incremental Cost Total	Benefit
Basketball hoop/pad	No		
Car plug ins	No		
Community Garden	No		
Community Room	Yes	$ -	already exist
Computer(s) for tenant use	No		
Library	No		
On site Manager	Yes	$ 742.00	per year per unit cost
Outdoor community area	Yes	$ -	alredy exist
Play Area	No		
Hotspot/Wi-Fi	Yes		Existing equipment & service
Other:			

City of Hamilton

223 South Second Street
Hamilton, MT 59840

September 15, 2023

Julie Flynn
Community Housing Program Manager
Montana Housing
301 S. Park Ave
Helena, MT 59620

As Hamilton City Planner, this letter is to display my strong support regarding the application and need for an allocation of HOME Investment Partnership program funds (HOME) to help with the development of The Manor housing preservation project in Hamilton, MT.

Sapphire Lutheran Homes was awarded $1,450,000 National Housing Trust Fund dollars in August 2023 and is in the process of completing an application for 4% LIHTC funds. The City of Hamilton is also preparing an application for Community Development Block Grant (CDBG) funds to assist this project. If successful in these applications, these funds will help to finance the preservation of The Manor, a 60-unit affordable residential community dedicated exclusively to seniors in our community. This property plays a critical role in Hamilton's affordable housing stock and its loss would be a significant blow to our seniors and our community at large.

Preserving this project will ensure we don't lose ground in our efforts to address the city's growing need for affordable housing. The City of Hamilton has been experiencing an increase of population for the past several years and the market rate rent for apartments like those offered by The Manor are unaffordable for most of our senior population. Like much of Montana, the City of Hamilton has been experiencing rapid growth in the last 5-years, with the 65+ population being the single biggest age cohort, making up 30% of the City's population as of 2021. This project will directly further the City's goals to maintain Hamilton's supply of affordable housing units, as documented in the City's 2022 comprehensive plan. The Manor is currently served by City water, sewer, and transportation services and the City is committed to continued provision of these services.

It is my sincere desire that The Manor be seriously considered for an allocation of HOME funds to help finance the development of the project. This facility will help to maintain a healthy community and provide the opportunity for safe and affordable housing that seniors in the Hamilton community can be proud to live in.

Sincerely,

Matthew Rohrbach
Hamilton City Planner
406.363.2101 ext. 218
mrohrbach@cityofhamilton.net

City of Hamilton

223 South Second Street
Hamilton, MT 59840

September 15, 2023

Julie Flynn
Community Housing Program Manager
Montana Housing
301 S. Park Ave
Helena, MT 59620

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Sincerely,

Matthew Rohrbach
Hamilton City Planner
406.363.2101 ext. 218
mrohrbach@cityofhamilton.net

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

May 22, 2023

Julie Flynn
Community Housing Program Manager
Montana Housing
301 S. Park Ave
Helena, MT 59620

RE: The Manor Affordable Senior Housing in Hamilton, MT

Dear Ms. Flynn:

Please accept this letter as support for the proposed rehabilitation project at The Manor. In planning this project to preserve a critical resource of affordable senior housing in Hamilton, I am aware the project sponsors are applying to Montana Housing for an allocation of Housing Trust Fund and other resources from your office. Your consideration of this application will be greatly appreciated, and I urge you to award these much-needed resources to this worthy project.

This effort to preserve 60 affordable housing options for seniors is most welcome, as we are in dire need of quality options for seniors at the low-to moderate-income levels. Furthermore, with this demographic increasing so rapidly, we need act now to make sure our seniors are not being overlooked and underserved in affordable housing. The Manor is a critical component of Hamilton's affordable housing stock and its loss would be catastrophic for our small community.

The ability to offer affordable housing to those on a limited income is extremely important in our aging community; housing is a quality-of-life issue that makes a strong statement about our priorities as a community. Preserving The Manor will ensure the availability of affordable, modern and efficient homes in a safe environment.

On behalf of our organization and the constituents we serve, we are pleased to stand in support of The Manor project. Please let me know if you have any questions or wish to discuss this subject in more detail.

Thank you in advance for your consideration of this worthy proposal.

Sincerely,

Ruth Burke
Executive Director
District XI HRC

May 22, 2023

Julie Flynn
Community Housing
301 S. Park Avenue
Helena, Montana 59620

Dear Ms. Flynn,

I have previously been on the Board of Directors at Sapphire Homes and I am in support for the senior housing in Hamilton and the proposed project to renovate The Manor at Sapphire Homes.

As you are aware affordable housing can mean several things and there are different ways to provide this housing. Sapphire works diligently to provide affordable housing for older people and they deserve quality living conditions despite their income.

We at Habitat for Humanity of Ravalli county also provide affordable housing to individuals and families in our area.

Please provide the financing of this project to upgrade The Manor low income living.

Thank you.

WBean

William H. Bean
Executive Director/ CEO
Habitat for Humanity of Ravalli County
131 Old Corvallis Road
Hamilton, MT 59840
406-375-1926

May 22, 2023

Julie Flynn
Community Housing Program Manager
Montana Housing
301 S. Park Ave
Helena, MT 59620

RE: The Manor Affordable Senior Housing in Hamilton, MT

Dear Ms. Flynn,

Please accept this letter as our support for the proposed rehabilitation project at The Manor. This project will be used to continue a critical resource for affordable senior housing in Hamilton. We are aware that the project sponsors are applying to Montana Housing for an allocation of the Housing Trust Fund and other resources from your office. Please give this your utmost consideration of this application, as this is a much needed service in our local community.

This will be used to preserve 60 affordable housing options for seniors and we are in dire need of quality options for seniors at the low to moderate income levels. Our community is experiencing rapid growth and we need to be sure to not overlook the underserved seniors with affordable housing. We believe The Manor serves this critical component and its loss would be catastrophic for our small community.

The ability to provide those with limited income in our area is needed and we feel that by preserving the Manor we can attain that goal.

Our organization supports The Manor project for our community. Please let us know if you have and questions or wish to contact us to discuss this project in more details.

Thank you again for your time in this consideration.

Kiwanis Club of the Bitterroot Valley.

Bill Rummel - Board member.

May 24, 2023

Julie Flynn
Community Housing Program Manager
Montana Housing
301 S. Park Avenue
Helena, MT 59620

RE: The Manor Affordable Senior Housing Hamilton Application

Dear Ms. Flynn:

I am informed that the project sponsors are applying to Montana Housing for an allocation of Housing Trust Fund and other resources from your office. Please give this application careful consideration and approval.

The general maintenance and upkeep on the Manor over the past decades have been excellent due to care and commitment of management to serve senior residents with excellence. Due to the age of the Manor, today it needs costly renovation for safety and modernization as described in the application.

The Manor is an essential component of available affordable housing in Hamilton and surrounding community. The need for housing for low-moderate income levels is growing rapidly, thus preserving these 60 affordable housing options for seniors is critical.

Preserving the Manor will ensure the availability of affordable, modern and efficient homes in a safe environment.

Please accept this letter as my expression of support for the proposed rehabilitation project at the Manor.

Sincerely,

Lyn J McKee
Former Administrator
Sapphire Lutheran Homes, Inc.

A brief History: In the 80's, Bitterroot Manor (approximately 10 years old) was the only local option in Hamilton for senior housing. Several local community organizations and churches began exploring possibilities to create an affordable housing campus for seniors to meet the current and growing local needs. This group organized and incorporated (Sapphire Lutheran Homes, Inc. a 501-c3 organization) with 16 member organizations and 35 corporate representatives. Through many small personal donations, we were able to purchase the property adjoining the Manor.

This amazing community venture came into fruition approximately 1989; affordable homes and lifestyle options for seniors including optional services and amenities that enable them to continue or regain opportunities to participate in the community. They have choices of excellent food/dining, choices of activities, interaction with their peers and someone to assist in case of emergency 24/7 and more. The Manor Residents were welcomed to participate in the amenities at Sapphire; some for a small fee.

In 2003, Sapphire purchased the Manor which then made it possible to provide by Sapphire's staff all of the same amenities as received by the rest of the Sapphire campus. Enhancing our vision and outreach, the Manor is now part of this larger campus and has the opportunity to benefit from these services.

We sincerely need assistance to rehabilitate this aging building in order to continue serving the Manor residents and our aging community.

May 22, 2023

Julie Flynn
Community Housing Program Manager
Montana Housing
301 S. Park Ave
Helena, MT 59620

RE: The Manor Affordable Senior Housing in Hamilton, MT

Dear Ms. Flynn:

This letter is being sent to express support for the proposed rehabilitation project of Sapphire Lutheran Home's, The Manor. Quality affordable housing in the Bitterroot valley for low to moderate income levels are extremely scarce.

The 60 units at the Manor are a critical component to senior living in the Hamilton and surrounding small towns. Please give strong consideration for Sapphire Lutheran Home's application to the Montana Housing's use of the Housing Trust Fund. The choice you make will be a quality-of-life decision for those living in the Manor and future residence.

As the General Manager of Ravalli Electric Cooperative, I see a strong influx of people into our area. The demographics of those moving to our area, are those who soon will utilize a senior living environment. Waiting on a project such as this will only exacerbate the problem of affordable housing for low-income seniors.

On behalf of Ravalli Electric Cooperative, I am supporting The Manor project. Please let me know if you have any questions or wish to discuss this worthy project in more detail.

Sincerely,

Mark S. Grotbo
General Manager
Ravalli Electric Cooperative

May 19, 2023

Julie Flynn
Community Housing Program Manager
Montana Housing
301 S. Park Ave
Helena, MT 59620

RE: The Manor Affordable Senior Housing in Hamilton, MT

Dear Ms. Flynn:

Please accept this letter as my sincere expression of support for the proposed rehabilitation project at The Manor. In planning this project to preserve a critical resource of affordable senior housing in Hamilton, I am aware the project sponsors are applying to Montana Housing for an allocation of Housing Trust Fund and other resources from your office. Your utmost consideration of this application will be greatly appreciated and I urge you to award these much-needed resources to this worthy project.

This effort to preserve 60 affordable housing options for seniors is most welcome, as we are in dire need of quality options for seniors at the low-to moderate-income levels. Furthermore, with this demographic increasing so rapidly, our community needs to act now to make sure our seniors are not being overlooked and underserved in the area of affordable housing. The Manor is a critical component of Hamilton's affordable housing stock and its loss would be catastrophic for our small community.

The ability to offer affordable housing to those on a limited income is extremely important in helping to distinguish our community; housing is a quality-of-life issue that makes a strong statement about our priorities as a community. Preserving The Manor will ensure the availability of affordable, modern and efficient homes in a safe environment.

On behalf of our organization and the constituents we serve, we are pleased to stand in support of The Manor project. Please let me know if you have any questions or wish to discuss this subject in more detail.

Thank you in advance for your consideration of this worthy proposal.

Sincerely,

Cathy Orr
Executive Director
Ravalli County Council on Aging
406-363-5690

Montana Community Housing

Helena Montana

Julie Flynn,

Re: Manor Affordable Senior Housing—Hamilton Montana

Dear Ms. Flynn, *May 22, 2023*

This letter is meant to show support for the above proposed rehabilitation housing project at the Manor in Hamilton. It appears to be a worthy project and hopefully the Montana Housing Organization will approve this needed project in our town, Hamilton Montana. Preserving 60 affordable housing options for seniors is most welcomed and sorely needed in our community. The Manor is of sincere importance to this community and has an excellent reputation. People and seniors with limited income are certainly present in Hamilton and we at the Rotary Club of Hamilton are well aware of this and it is obvious to us our Hamilton and Valley seniors need this assistance. It is a quality of life issue. Our Rotary Club has dedicated itself to community service in Hamilton since the early 1980's. and we stand behind this responsible project. I know our many members most of which are seniors would strongly support this proposed project. It is very much needed. Thank you for your consideration.

Ken Riemer

President

Hamilton Rotary Club

406-214-5498

BOARD AGENDA ITEM

PROGRAM

Multifamily Program

AGENDA ITEM

Forest Acres Trailer Park, Whitefish MT Coal Trust Multifamily Homes Loan Program approval

BACKGROUND

Forest Acres Trailer Park is a 100-unit mobile home park located in Whitefish MT. The purchase price of the park is $8,500,000. After purchase of the property, the developer intends to add an additional 20 units, which can be supported by existing water and sewer infrastructure. The developer is proposing an increase of lot rent from the current $450 to $650 per unit and has submitted comparative lot rent data (see below) as required by the CTMH Program. Sewer and water will be included in lot rent.

Proposal:

Board Meeting:	November 13, 2023
Borrower:	Colton & Cheryl Behr (LLC to be formed)
Program:	Coal Trust Multifamily Homes Loan Program
Type:	Permanent Amortizing
Amount:	$7,500,000.00
Term:	16 years
Amortization Period:	40 years
Rate:	3.9125% based on October 2023 application submission
Security:	1ST lien position non-recourse
Property Taxes:	Yes, will be subject to property taxes
Loan Fees:	1% of Loan amount paid at closing
Escrows:	Will be held with Montana Housing
Underwriting Assumptions:	As outlined in Housing Credit Qualified Allocation Plan
Closing and Stabilization Conditions:	Funds will be disbursed at closing

Lot rents for the area are as follows:

Meadow Manor - $795/month (does not include water/sewer/trash)

West Evergreen Estates - $695/month (includes water/sewer/trash)

Spruce Park Management - $585/month (includes water/sewer/trash)

Ridgewood Terrace - $532/month (includes water/sewer/trash)

Twin Acres - $425/month (does not include water/sewer/trash)

STAFF RECOMMENDATION (if any)

Staff have been working closely with the developer to complete all information required within the Uniform Application. Additional information was submitted the week of November 7, which included changes in projected operating expenses and vacancy rate assumptions, resulting in changes in Debt Coverage Ratio.

Given some of the late adjustments submitted, the project has not been fully underwritten and reviewed by staff. Staff are continuing to work with the developer to review proposed operating expenses, resulting debt coverage ratio, proposed lot rent increases, loan to value ratio and to gain further details about the developer's experience with mobile home parks.

The project has a financing contingency deadline of November 13, 2023, and the developer is hoping to close in December. However, there is a second buyer interested in purchasing the mobile home park. According to the developer, the second buyer is proposing a change in use of the land to develop new single-family homes.

While our process typically includes a complete staff underwriting of a project prior to bringing a proposal for the Board's consideration, given the potential risk of displacement of the mobile home park owners and the financing contingency deadline, staff have opted to bring this proposal today for the Board's consideration.

Staff recommends discussion and decision by the Board pertaining to the debt coverage ratio, lot rents and the loan to value ratio.

MOTION OPTION(S)

1. Move to approve an up to $7,500,000 Coal Trust Multifamily Homes Loan in first lien position with a 40-year amortization, 16-year term and at a 3.9125% interest rate and the funds will be disbursed at time of closing. Approval is contingent upon staff completing underwriting and review of the project, and all remaining required information provided including property appraisal. Should the Board consider this option, staff would provide updates on the project underwriting and final determination at a subsequent Board meeting.
2. Move to not approve the project.

Cover Letter

Forest Acres Trailer Park Acquisition
4870 US Highway 93 South, Whitefish, MT

Forest Acres is an existing 100 space trailer park located between Whitefish and Kalispell off Highway 93. Trailer spaces are large and the setting is wooded. Occupants are a mix of families, couples and individuals. The park was built in the 80s and is in need of system updates deferred maintenance expenditures and general clean up and enforcement of tenant rules.

Borrow funding to acquire the existing mobile home park with 100 Occupants that all own their own trailers and pay lot rents of $450. Purchase price is $8,500,000. The park is approved for 120 units with an existing sewer capacity of 120-130 units.

The post-acquisition plan will be to raise rents over the course of the first year to bring them closer to the market rate of around $650 including water and sewer. This will help fund the necessary deferred maintenance and expansion to 120 units. See DCR analysis.

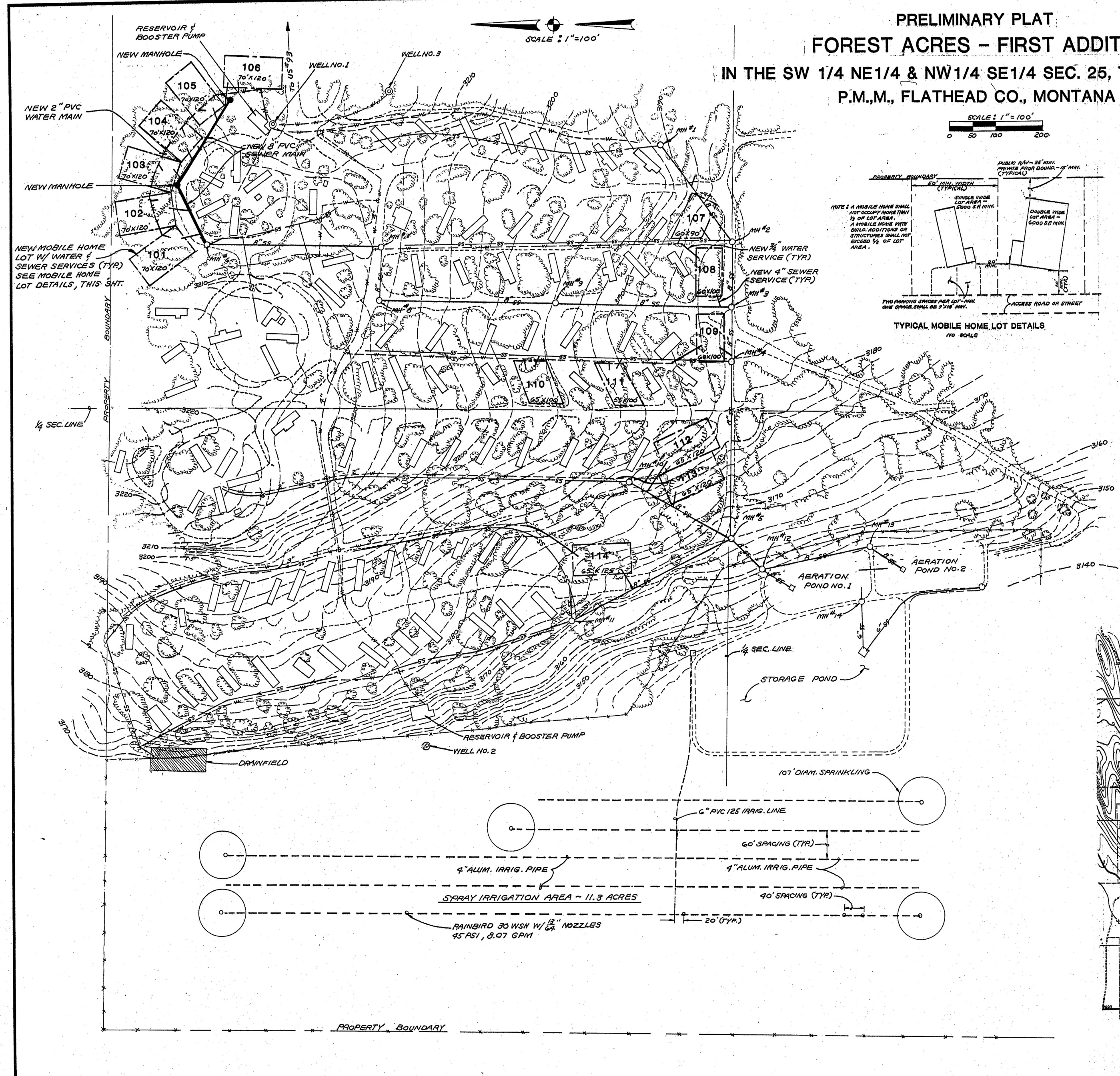
Other Parks in the Flathead Valley:
West Evergreen Estates- $695/mos including water sewer trash
Twin Acres- $425/mos not including water sewer trash
Meadow Manor- $795/mos Not including water sewer trash
Ridgewood Terrace: $532/mos includes water sewer trash
Unknown (Spruce Park Management)- $585/mos includes water sewer trash

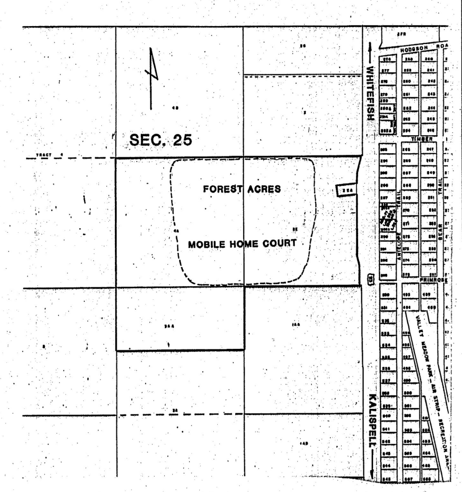
Work with Flathead County to expand the park to 120 units. No loan funds needed for this expansion. Estimated cost will be around $350,000 which will come from cash flow and borrower funds.
The backup offer would like to close the park and utilize the sewer capacity to create single family homes.
A new park manager has been identified as RE/MAX Rocky Mountain. Brian Murphy and Nikki Marengo have over 20 years' experience and are kept up to date with Fair Housing laws, ethics and Real estate continuing education. A new engineering firm, A-Pec Engineering, has also been hired to take over management of the water and sewer systems.

Forest Acres easily offers the most affordable housing near Whitefish. Trailer payments and costs vary but most trailer costs combined with new lot rents will be below $1,200 with an average trailer size of 2.5 bedrooms. Two bedroom apartment rents with utilities are more than double in Whitefish and north of Kalispell. The result of this loan and acquisition will be a low cost per unit way to preserve the most affordable housing for the Montanans in the immediate area. The loan cost per unit for the Coal Trus at acquisition is $75,000 per door and drops to $62,500 per door with expansion to 120 spaces.

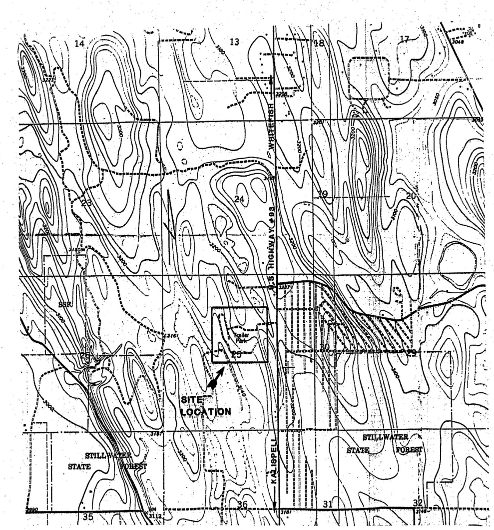
4A
2EA
2E
2ED
HIGHWAY 93
93
3AA
OPEN SPACE A
WHITEFISH
21
AAB
Timbered Ter
Flathead County | Maxar
POWERED

PRELIMINARY PLAT
FOREST ACRES - FIRST ADDITION
IN THE SW 1/4 NE1/4 & NW1/4 SE1/4 SEC. 25, T.30N. R.22W
P.M.,M., FLATHEAD CO., MONTANA





VICINITY MAP
SCALE: 1"=600'



LOCATION MAP
SCALE: 1"=2000'

CARVER ENGINEERING, INC.
Consulting Engineers
720 Second Street East
Kalispell, Montana 59901
(406) 257-6202

Revision(s)

Drawn By L.D.
Checked By
Date 3/16/92
Project Number 20102.00

Project Title FOREST ACRES FIRST ADDITION
Sheet Title PRELIMINARY PLAT

Page 1 of 1 page(s)

Multi Family Program Dashboard
November 13, 2023

Funds For Coal Trust, MFLP, Housing Montana Fund

	Available	
Coal Trust	$35,751,671	
Coal Trust Applications	$15,600,000	
MFLP	$732,239	
HMF - AHRLF	$105,235	
HMF - TANF	$0	Assumes transfer TANF funds to HMF - AHRLF

Projects Underway

Program	Project	City	Year Awarded	Recipient	Status*
Coal Trust	Forest Acres Trailer Park	Whitefish	TBD	General One Construction	Up for approval
Coal Trust	Stan's Garden Community	Belgrade	TBD	NeighborWorks	Application
Coal Trust	Whitefish	Whitefish	TBD	Housing Authority	Application coming in
9%/CT	Twin Creek	Helena	2024	United Housing Partners	Awarded in 2023
9%/CT	Riverstone Senior	Hamilton	2024	Housing Solutions	Awarded in 2023
9%	Elmore Roberts	Great Falls	2024	Community Preservation Partners	Awarded in 2023
9%	7th & Aspen	Bozeman	2024	Boundry Dev & HRDC	Awarded in 2023
9%/CT	Mitchell Court	Billings	2024	GL Development	Awarded in 2023
Coal Trust	Welcome Way Apartments	Darby	2023	Summit Housing Group	Approved October 2023
4%	The Manor	Hamilton	TBD	Sapphire Lutheran Homes	Up for approval
4%	Parkview Village	Great Falls	2023	Vitus Development, LLC	Approved August
4%	Baxter	Bozeman	2023	Devco Preservation	Approved in September
4%	North 3rd Apartments	Bozeman	2023	Devco Preservation	Approved in July
4%/HMF	15Patrick	Bozeman	2023	Rueter Walton Development	Approved in July
4%	Big Fork Senior	Big Fork	2023	Bigfork Senior Housing	Approved in May
4%	Union Place	Missoula	2023	Union Place Apartments LLC	Closed July 2023
4%	Sunshine Village	Great Falls	2023	Community Preservation Partners	Closed June 2023
4%	South Forty	Billings	2023	Lincoln Avenue Capital	Closed May 2023
9%	ANHA LIHTC #2	Crow Agency	2023	Apsaalook Nation HA	Awarded in 2022
9%/ MFLP	Cabinet Affordable	Libby	2023	Cabinet Affordable Housing	Awarded in 2022
9%/CT	Carter Commons	Great Falls	2023	Carter Commons, LLLP	Awarded in 2022
9%/4%	Creek Side Apartments	Missoula	2023	Homeword	Awarded in 2022
9%/MFLP	Meadowlark Senior	Butte	2023	Northwest Real Estate Capital Grou	Awarded in 2022
9%/MFLP	Riverview Apts	Big Sky	2022	Blueline	Under Construction
9%	Bicentennial Apts	Dillon	2022	Dawson Holdings	Under Construction
9%	Baatz Block Apts	Great Falls	2022	Homeword	Credit Refresh-pending 10% submission
9%	Tapestry Apts	Billings	2022	CLDI	Under Construction
9%/4%	Junegrass 4/9	Kalispell	2022	GMD/Homeward	Under Construction
9%/ARPA	Laurel Depot	Laurel	2021	GL/North Fork Dev.	Under Construction
9%/ARPA	MRM Unified Campus	Billings	2021	MT Rescue Mission	Under Construction
9%/ARPA	Jackson Court	Billsings	2021	GL Development	Under Construction
9%/ARPA	AHNA LIHTC 1	Crow Agency	2021	Apsaalooke Nation HA	Closed September 2022
9%/MFLP	Creekside Commons	Kalispell	2021	Housing Solutions	Under Construction
9%	Crowley Flats	Lewistown	2021	Homeword	Under Construction
4%	Comstock I, II & III	Bozeman	2022	Devco Preservation	Closed November 2022
4%/ARPA	Spruce Grove	Laurel/Bridger	2022	GL Development	Under Construction
4%	Bridger Peaks	Bozeman	2022	Devco Preservation	Under Construction
4%/ARPA	Highland Manor	Havre	2021	Echo Enterprise	Closed October 2023
4%	Castlebar	Bozeman	2021	Devco Preservation	Under Construction
4%/ARPA	Villagio	Missoula	2021	Blueline/Missoula HA	Under Construction
4%	Bitterroot Valley Apartments	Hamilton	2021	Summit Housing Group	8609 submittted
4%/ARPA	Trinity	Missoula	2021	Blueline.Homeword/Missoula HA	Under Construction

Coal Trust Requests	Dollar Amount Requsted	Status
Whitefish	$7,500,000	Up for approval
Belgrade	$4,100,000	Application submitted
Whitefish	$4,000,000	Application coming in
Darby	$2,100,000	Approved
Hamilton	$1,550,000	Approved
Billings	$1,700,000	Approved
Helena	$7,686,748	Approved
Helena	$474,940	Approved
Great Falls	$1,700,000	Approved
Total Current Requests	$30,811,688	

Events and Deadlines

BOARD AGENDA ITEM

PROGRAM

Operations/Executive Director

BOARD MEETINGS

The next board meeting will be Monday, December 11, 2023, at 8:30 am via Zoom. Additionally, at the October 24 Board meeting, we requested Board members review the proposed 2024 MBOH Board Calendar and to let us know by November 13, 2023, of any concerns or conflicts. We did discuss having the May LOI presentation in-person in Helena instead of Zoom.

BOARD TRAINING & CONFERENCE OPPORTUNITIES

- The NCSHA 2024 Legislative Conference (LegCon) will be held March 4 – 6, 2024 in Washington, D.C. LegCon is an opportunity for Board members to connect with and educate our legislators about the impact of federal housing programs in our state; the agenda will also include sessions with federal officials and industry leaders to gain their insights on the 2024 legislative agenda. Board members interested in attending LegCon can notify Cheryl Cohen and Megan Surginer. The full agenda and registration are not yet available.
- Staff are beginning to develop Board training content for 2024. For the April Board training session, we are looking to include the following:
    - Board governance best practices, potentially by John Wagner, Kutak
    - Refresher sessions on Conflict of Interest and Ex Parte Communications
    - Affirmatively Furthering Fair Housing, potentially by Kate Boyd with FHEO
    - Board members may also be interested in taking online courses on various programs, such as the Novogradac LIHTC 101 on-demand training
      Board members are encouraged to share ideas for future trainings and any specific training requests with Cheryl Cohen.

CONTRACTS / PROCUREMENT

- Emphasys renewal due December 31. Draft renewal contract was sent to Emphasys for review on October 11.
- Master Servicer RFP update – we received three (3) responses. The evaluation committee is currently reviewing those responses. Details of this RFP can be found on our website at https://housing.mt.gov/Meetings-Events-Training/Request-For-Proposal. Staff will present a recommendation for a Master Servicer at the December 11, 2023, board meeting.

EVENT	DATE
RFP Issued	9/6/2023
Deadline for Receipt of Written Questions	9/20/2023
Deadline for Posting Written Responses to the State's Website	9/27/2023
RFP Response Due Date	10/4/2023
RFP Offeror Interviews	12/1/2023
Public Notice of Intent to Award Contract	12/3/2023
MBOH Board Meeting for Master Servicer Selection	12/11/2023
Due Diligence selected Master Servicer complete	2/28/2024
Intended date for contract award*	3/15/2024

*The dates above identified by an asterisk are included for planning purposes. These dates are subject to change.

PERSONNEL UPDATE

Montana Housing is actively recruiting for:

- Accounting & Finance Supervisor
- Multifamily Asset Manager
- Executive Assistant
- Quality Control Specialist (internal recruitment)

EMERGENCY RENTAL ASSISTANCE UPDATE

- As of November 6, 2023, we have awarded nearly $136.9 million in rent and utility assistance.
- Over $48.5 million in potentially fraudulent applicants (2,770 applications) have been flagged, isolated, and ultimately denied. The team continues to actively pursue payment returns for overpaid situations (i.e., renter moves out before the three months future rent assistance has ended).
- The Montana Eviction Intervention Program through MLSA will be funded for at least another year.
- The Department is continuing to review other possible eligible uses for any remaining MERA funding per Treasury guidance in FAQ #46 targeted to very low-income families.

HOMEOWNER ASSISTANCE FUND UPDATE

- As of November 6, 2023, there have been 979 applications submitted to the statewide program and HAF staff have approved and paid over $3.3 million in total through all statewide program areas.
- HAF Home Repair program is receiving steady monthly applications and is progressing towards the next step of inspections being performed.

- User acceptance testing is being conducted to ensure the November program rollouts will be as smooth as possible.

COMMUNITY HOUSING UPDATE

- Montana's HOME-ARP allocation from HUD is $11,309,211 (HUD's final amount following a $150,557 reduction due to a HUD administrative error), or which 8.8% will be used to administer the funds through September 30, 2030.
    - These funds are a one-time allocation from HUD to address homelessness in Montana. After an extensive consultation process with providers, Montana's HOME-ARP Allocation Plan was approved in April 2023. Staff provided an application workshop in June and applications were accepted through October 31, 2023.
    - We received five applications requesting a total of $7.5 million for construction of permanent supportive housing, non-congregate shelter and supportive services. Total project costs for these proposed projects is $23 million, providing a 1:3 leverage. Staff is reviewing applications now and plan to make recommendations to the Director of Commerce by the end of the year.
    - Because the amount requested is less than the amount available, there will be a second application deadline. Further details about the timing of that will be communicated to the public later this year.
- Community Housing HOME, HTF and CDBG-Housing awards. A total of five (5) projects were submitted by the September 15, 2023 deadline, requesting $6.55 million in HOME funds, an additional two (2) projects requested $1.69 million in HTF, and three (3) projects requested $2.25 million in CDBG. Staff presented recommendations to the Commerce Director on October 26, 2023. The Director concurred with all the staff recommendations and award letters will be issued following the Governor's Office final review.
- Community Housing is still accepting applications for the Emergency Shelter Facility Grant (ESFG) program, which has ~$5 million to grant to non-profits proposing capital improvements or expansion of shelter space. Based on public comment received during the rule-making process, we extended the application deadline to November 30, 2023.

EXECUTIVE DIRECTOR UPDATE

- FEMA / HUD Pre-Disaster Housing Planning Initiative.
    - Commerce and Department of Emergency Services (DES) staff held a half day working session on November 1. 2023 to review the gap analysis performed by the FEMA / HUD consultant team. We discussed all "high priority" gaps and outlined action items, lead agency and deadline for deliverables, as well as potential resource requests and a review of existing statute for any changes that might be considered under the Executive Planning Process in the lead up to the next legislative session.

  - Summit in Chicago, IL. November 7-8. The following team members attended the Summit:
    - Cheryl Cohen, Montana Housing Division Administrator
    - Melissa Higgins, ARPA Housing Program Executive (Melissa is also working on CDBG-DR)
    - Rosie Goldich, Community MT CDBG Coordinator
    - Allison Taylor, DES Public Assistance Recovery Manager
  - Disaster Housing Construction Challenges in America (MIT Center for Transportation & Logistics).
  - Housing Recovery Toolkit (MIT Urban Risk Lab).

- MBOH Performance Audit. Cheryl Cohen and Jason Hanson met with the auditors, Amber Robbins and Christine Rudmann, on November 3, 2023, and discussed the following:
  - General takeaways from their interviews with board members
  - Aggregate results of their survey of LIHTC applicants
  - General takeaways from their interviews with other states

  We are working to schedule a meeting with the auditors and the Commerce Research Information Services (RIS) team to discuss and provide input on their upcoming spatial analysis to identify areas in Montana where affordable housing is most suitable

- Governor's Housing Task Force.
  - The Housing Task Force reconveyed on Tuesday, October 17, 2023. Details about this meeting and upcoming meetings is available at https://deq.mt.gov/about/Housing-Task-Force.
    - LEG 2023 Bill Summary
    - Ben Gill, Workbook: Montana Housing Situation Report.
      If there is interest from the Board, Ben Gill can join our December Board meeting to walk us through this situational report.
  - The next Housing Task Force meeting will be Wednesday, January 17, 2023, from 10:00 – 11:30 am, via Teams/Zoom.
    - The Task Force will be breaking up into two sub-groups, one focusing on Housing Successes in the 2023 legislative session and another focusing on Continued Housing Development Issues.

2024 CALENDAR

January

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December 2023

11: Board Meeting via Zoom

January 2024

7-12: NCSHA HFA Institute, WA D.C. (MBOH staff)

8: Board Meeting via Zoom

February 2024

12: Board Meeting via Zoom

March 2024

4-6: NCSHA Legislative Conference, Hilton Washington D.C. (Executive Director; Board Members)

11: Board Meeting via Zoom

April 2024

8: Board Training, TBD Bozeman MT

9: Board Meeting, TBD Bozeman MT

May 2024

5-7: Mountain Plains Regional Housing Summit, TBD CO (MBOH staff and Board Members welcome)

13: Board meeting Letter of Intent Presentations, TBD Helena MT

14: Board meeting LOI decisions, TBD Helena MT

20-22: Housing Partnership Conference, Missoula MT Holiday Inn (MBOH staff and Board Members welcome)

June 2024

10-13: NCSHA Housing Credit Connect – Atlanta GA (MBOH staff)

17: Board Meeting via Zoom

July 2024

8: Board Meeting via Zoom

August 2024

12: Board Meeting via Zoom

September 2024

9: Board Meeting via Zoom

28-1: NCSHA Annual Conference – Phoenix AZ (MBOH staff and Board Members)

October 2024

20: Board Strategic Planning, TBD Dillion MT

21: Board Meeting Housing Credit Award Determinations / QAP, TBD Dillion MT

November 2024

4: Board Meeting via Zoom

December 2024

9: No Board Meeting (subject to change)

MIT Center for Transportation & Logistics | Report

DISASTER HOUSING CONSTRUCTION CHALLENGES IN AMERICA

Exploring the Role of Factory-Built Housing

Michael Windle
Sarah Quraishi
Jarrod Goentzel

October 2019

MIT Center for Transportation & Logistics
MIT Humanitarian Supply Chain Lab

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DISASTER HOUSING CONSTRUCTION CHALLENGES IN AMERICA

Exploring the Role of Factory-Built Housing

Context

In April 2017, the MIT Lincoln Laboratory (a federally funded research and development center) initiated a research project titled "Alternatives for FEMA Disaster-Related Housing Assistance." MIT's work supports one of the 13 working groups involved with the Federal Emergency Management Agency's (FEMA) Housing Assistance Initiative. FEMA tasked MIT to provide a comprehensive, systematic analysis of FEMA's existing housing program and use this analysis to design more survivor-centric and cost-effective methods. This report represents just one piece of the broader MIT research project with FEMA, which involved the following groups:

- MIT Lincoln Laboratory
- MIT Urban Risk Lab
- MIT Digital Structures
- MIT Department of Urban Studies and Planning
- MIT Sloan School of Management
- MIT Center for Transportation & Logistics

Authors

This report was authored by Michael Windle and Sarah Quraishi under the supervision of Dr. Jarrod Goentzel. This report was made possible as part of a sponsored research project with FEMA as part of Air Force Prime Contract FA8702-15-D-0001 with MIT Lincoln Laboratory.

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Disclaimer

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About Us

The mission of the MIT Humanitarian Supply Chain Lab (HSCL) is to understand and improve the supply chain systems behind public services and private markets to meet human needs.

The HSCL is part of the Massachusetts Institute of Technology (MIT) Center for Transportation & Logistics (CTL). Launched in 1973, the MIT CTL is a solutions-oriented environment where students, faculty, and industry leaders pool their knowledge and experience to advance supply chain education and research. Through the Global Supply Chain and Logistics Excellence (SCALE) Network, CTL maintains an international network of:

- Six centers of excellence
- 80+ researchers and faculty from multiple disciplines
- Over 150 corporate partnerships
- More than 170 master's students annually
- Over 1,000 alumni worldwide

Executive Summary

Disaster housing is a persistent challenge facing America's emergency management community. Reports aggregated by the Department of Homeland Security (DHS) indicate that states and territories have ranked housing as the second-least proficient of 32 core capabilities for preparedness. These same reports identified housing as a national area of preparedness improvement every year since 2012. Amidst this disaster housing environment, America is also facing several non-disaster housing challenges: construction workforce shortages, construction labor productivity stagnation, low levels of housing inventory, and high levels of cost-burdened households.

With a focus on new construction (as opposed to repairs), this report examines the distinction between temporary and permanent housing and explores the potential for factory-built housing to be utilized, at scale, as a regular tool for disaster recovery. For this report, "factory-built housing" is defined to include modular, panelized, and pre-assembled housing construction methods and to exclude both site-built housing and manufactured housing. Wider use of factory-built housing after disasters has the potential to be faster and cheaper, act as a resource after catastrophic events, and help states both address affordable housing challenges as well as improve overall community resiliency.

The speedy provision of post-disaster housing is complicated by the array of ordinances, regulations, and permitting practices that emergency managers navigate after each disaster. The disaster housing tool that the Federal Emergency Management Agency (FEMA) has used most frequently when providing direct housing support is manufactured homes. These homes fall under America's only national pre-emptive code, commonly called the "HUD Code," due to oversight provided by the Department of Housing and Urban Development (HUD). This pre-emptive code assists with FEMA's ability to provide direct housing in communities across the United States by reducing, but not eliminating, regulatory delays to installation of direct temporary housing.

Manufactured homes – though designed to be permanent – are utilized on a temporary basis to provide disaster survivors with direct housing. Manufactured homes are capable of providing housing for a family for more than 50 years, but Congress, via the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), requires FEMA's temporary housing assistance to last no longer than 18 months. FEMA's use of manufactured homes comes at an average cost of roughly \$110,000 to \$129,000 each. (See Appendix C for cost estimate information.)

Factory-built homes could potentially become an alternative to manufactured homes, and they have been utilized after disasters in several pilot programs with varying success. Should emergency managers and policymakers want to utilize factory-built homes more frequently after disasters, they must first overcome several significant barriers. Lack of a pre-emptive building code – and the norm of state and local adoption of differing building codes – reduces the ability of emergency managers to develop a uniform inventory of homes deployable to meet disaster needs across the United States. Tabulation of U.S. Census Bureau figures reveals that America currently only produces 3% of its single-family houses as factory-built homes, which limits its staying power as a tool for emergency managers. The historical average of 3% of new single-family homes being factory-built indicates that this industry is not yet widely accepted as an alternative to site-built homes in America. Finally, disaster restrictions distinguishing temporary housing from permanent housing reduce the use of factory-built homes after disasters, even as temporary housing solutions already reach levels of permanency and as some states seek to develop combined solutions for disaster housing and affordable housing.

When provided with flexible federal recovery dollars, states have occasionally leveraged factory-built houses to address combined disaster housing and affordable housing challenges. These flexible dollars, however, do not arrive until long after a disaster occurs – after temporary housing assistance is likely to be discontinued.

For example, after 2008's Hurricane Ike, Congress appropriated roughly $1.3 billion in flexible housing construction and repair dollars via HUD's Community Development Block Grant Disaster Recovery (CDBG-DR), yet virtually none of these funds were expended until after the 18-month timeline for temporary housing. As CDBG-DR dollars have a goal of targeting unmet long-term recovery needs, a long-term timeline seems appropriate. However, CDBG-DR funds that address unmet permanent housing needs are generally not available until well after FEMA's temporary housing support ends.

A state's desire to deploy disaster housing to meet both disaster and affordable housing needs is incompatible with Congress's emphasis that disaster housing be temporary. The United States emphasizes local primacy where state, local, tribal, and territory officials direct their community's disaster response and recovery efforts. When it comes to disaster housing, however, states have minimal responsibility for direct financial costs. Additionally, state and local governments drive standards amidst a decentralized building code environment.

These overlapping roles and competing perspectives between states, tribes and territories and the federal government highlight a "piecemeal" approach to disaster housing, and effectively excludes factory-built homes as a viable option for post-disaster housing. Should emergency managers and policymakers want to more broadly leverage factory-built housing in their recovery toolkit for future disasters, they will have to address these challenges in a way that also meets the preferences of disaster survivors, the most important decision maker in the recovery process.

Though emergency managers are not primarily tasked with addressing these housing circumstances, improvements in the toolkit of disaster housing options may also help address the broader non-disaster-caused housing challenges in America. Doing so would influence overall community resiliency, an additional goal for emergency managers.

This report concludes with recommendations for emergency managers; housing agencies; policymakers at state, local, tribal, territorial, and federal levels; leaders in the building code community; home construction companies; and others who have a goal of addressing challenges around disaster housing. Recommendations are grouped into three categories and are summarized below:

Process Improvement

1. Develop a common process to track the impact that state, local, tribal, and territory rules and ordinances have on implementation speed of post-disaster housing.
2. Develop criteria for when state, local, tribal, and territory officials should enact uniform rebuilding standards and processes across counties, cities, and local municipalities impacted by large disasters.
3. Develop public-private partnerships to more effectively leverage factory-built housing after catastrophic events.

Decision Support

4. Create a measurement of the total cost of sheltering and housing services received by a family, during disaster and non-disaster times, provided by all levels of government.
5. Support research on moral hazard and the incentive effects of providing permanent housing in a disaster context.
6. Conduct an assessment of when disaster housing programs defined and intended to be temporary actually achieve levels of permanency.
7. Update analysis of the cost, time, and labor benefits of different housing construction methods.

Direction Setting

8. Develop a strategy to engage America's shrinking construction workforce in disaster rebuilding.
9. Determine if and how the federal government should provide further support to the factory-built housing industry.
10. Analyze and develop a strategy to consider what place (if any) temporary-to-permanent rebuilding should have in America's emergency management toolkit.
11. Develop a long-term vision on the role emergency management and disaster housing should have in addressing long-term vulnerability reduction and non-disaster affordable housing challenges.

Background

Prior to FEMA's creation in 1979, state, local, tribal, and territorial governments led disaster response and recovery. The first major unified piece of disaster legislation, the Federal Disaster Relief Act, positioned the federal government to **"supplement the efforts and available resources of states and local governments"** in "carrying out their responsibilities" over disaster response and recovery.[1] The U.S. Census Bureau has identified more than 89,000 local governments in the United States.[2] With this level of variety, state and local leaders are more knowledgeable about a community's nuanced needs, resources, and cultures than employees of the federal government could be from hundreds or thousands of miles away.

Contrary to the usual role of state, local, tribal, and territorial governments leading disaster response and recovery, in housing matters, states view the federal government as the leader. In a 2017 survey, 53% of states and territories viewed housing as mostly or entirely a federal responsibility.[3] This may be in part because states are not responsible for much of the direct financial costs of disaster housing. For example, **states pay none of the costs related to disaster housing rental and repair programs.**[4] As the Congressional Research Service noted in 2017, states do not "contribute to the costs of disaster housing through any cost-shares with regard to rental or repair expenditures" and also do not "have any obligation to assist in the physical establishment of temporary manufactured housing communities." The tension over who is responsible for post-disaster housing is only one facet of housing being **a persistent challenge facing the emergency management community.** Multiple recent reports from the Department of Homeland Security (DHS) have captured the broader extent of the problem:

- States and territories have ranked housing as the second-least proficient of 32 core capabilities for preparedness. (2017 State Preparedness Report)[5]
- Housing is one of the nation's five persistent preparedness challenges. (2018 National Preparedness Report)
- Housing has been identified as a national area of preparedness improvement – every year since 2012. (National Preparedness Reports)

On top of decisions by disaster survivors, key policy choices have driven the evolution of disaster housing programs in the United States. This report examines how, even absent any specific statutory authority referencing types of housing technology, the reliance on the federal government for disaster housing significantly narrows the range of options. This virtually excludes the possibility for modular and panelized houses to be used at scale after disasters.[6] This report explores the potential for factory-built housing[7] to play a larger role in America's disaster housing strategy. **While factory-built houses have been utilized after disasters in several pilot programs, they remain largely outside the scope of regularly implemented housing assistance options**.

This report's intended audience is emergency managers; housing agencies; policymakers at local, state, and federal levels; leaders in the building code community; home construction companies; and others who have a goal of addressing challenges around disaster housing. This analysis is grouped around three pillars: current situation, possible future, and obstacles. Recommendations are also included. This report is based on:

- A June 2018 seminar held at the MIT DC office titled "Systems-Built Homes for Use, at Scale, Post-Disaster: A Discussion Hosted by MIT in Washington, DC." Participants came from across the public and private sectors including federal agencies, state agencies, housing manufacturers, home builders, and housing construction associations.[8]
- An October 2018 presentation and discussion titled "Roundtable: Meeting Post-Disaster Needs with Offsite Construction." The presentation and discussion took place at the National Association of Home Builders' 2018 Building Systems Housing Summit. Summit participants included housing manufacturers, home builders, and housing construction associations.[9]
- Additional research on disaster housing from July 2017 to July 2019.

Key Terminology

This report focuses on disaster shelter and housing programs in the United States. Emergency managers in the United States view shelter, temporary housing, and permanent housing as distinct terms describing different types of emergency assistance. **Key emergency management terms have been defined in common language in Appendix A.**

This report focuses largely on direct housing, which is a type of disaster housing support provided when survivors are unable to use financial housing assistance (such as rental assistance) to secure temporary housing.

Additionally, **this report draws a distinction between manufactured homes and factory-built homes**. Manufactured homes (also called mobile homes) are governed by a pre-emptive national building code established by HUD, the "HUD Code."[10] Factory-built homes (also called off-site construction) are built to state and local building codes and standards, but are built in factory conditions away from the job site. Factory-built homes is inclusive of modular, panelized, and pre-assembled housing construction methods. For the purpose of this report, manufactured homes are separate from factory-built homes, despite the fact that manufactured homes are manufactured in a factory.

Finally, **this report has a minimal focus on unique tribal and territorial considerations in disaster housing**. The research focuses on state and local considerations in disaster housing.

Where Are We Now?

State-Driven Building Codes, Locally-Driven Zoning Laws and Permitting Requirements

States and localities have the freedom to choose their own building codes based on the laws created by their individual governing bodies. Some states adopt a statewide building code, while other states have building code adoption at the local level. These choices differ broadly from one jurisdiction to another, just as terrain, hazards, and political processes differ. Though 49 states, as well as some territories, use/have adopted the International Residential Code (IRC) from the International Code Council (ICC), there is variation in what year code they require.[11] For example, most states build to the 2012 or 2015 IRC standard. Texas, however, builds to the 2000 IRC standard, while Indiana builds to the 2003 IRC standard. To further complicate matters, 11 of these states have adopted the IRC, but not on a statewide basis.[12]

Zoning laws and permitting requirements further determine what kinds of housing is allowed in a community. Zoning is a purely county, city, or municipal affair; therefore, it is not regulated or uniform from state to state. The Houston-Galveston Area Council identified several statutory barriers that slow housing recovery after disasters:[13]

- Masonry requirements
- Garage requirements
- Minimum square footages
- Industrialized housing ordinances
- Zoning ordinances
- Grandfathered properties
- Landscaping requirements
- Unsuitable site conditions
- Permitting requirements
- Code compliance
- Historic districts
- Homeowners associations
- Deed restrictions
- Occupancy standards

As part of the 2016 Hurricane Matthew response in North Carolina, the housing team at FEMA's Joint Field Office sought to get ahead of coordination challenges around local requirements impacting temporary housing. Knowing that "identifying the local governmental requirements was critical to meeting the primary goal of housing disaster survivors, so they can begin their recovery," FEMA and the state worked in partnership with the following groups to gather information about local ordinances, rules, and requirements: University of North Carolina School of Government, North Carolina League of Municipalities, and North Carolina Association of County Commissioners.[14]

Though cross-governmental coordination is nothing new for successful disaster response, housing presents unique challenges because of the variety of local requirements. Such requirements include planning for environmental and historic preservation compliance. Infrastructure concerns such as access to utilities and the prevalence of the floodplain add complicating contours to disaster response. **The existence of these statutory barriers puts veto power in the hands of state and local decision makers, who, as described above, do not pay for FEMA's disaster housing programs and have self-reported that they do not think disaster housing is their responsibility.**

"The time savings of constructing modular housing offsite are often negated by the current protracted processes required to rebuild. The current requirements for funding housing recovery, qualifying homeowners, and the various local authorizations required to rebuild are all more significant time constraints to rapid reconstruction than the manner of construction technology employed."

Houston-Galveston Area Council, writing about a Rapid Housing Recovery Pilot Program following Hurricane Ike[15]

Reliance on Manufactured Housing in Disaster Relief

FEMA provides an array of programs that support the shelter and housing needs of disaster survivors. See Appendix A for an overview of FEMA's programs in this area.

FEMA often provides financial housing assistance which helps eligible households pay for repairs or supports monthly rent payments to provide a temporary place to stay. In cases where financial housing assistance would not be sufficient for meeting disaster caused housing needs, FEMA can provide non-financial forms of assistance.

In communities with insufficient housing stock, FEMA has the ability to provide Direct Temporary Housing Assistance[16] via Transportable Temporary Housing Units, Multi-Family Lease and Repair and Direct Lease. An MIT analysis of recent disasters requiring a direct housing mission indicates that FEMA primarily provides transportable temporary housing units in the form for manufactured homes and RVs/travel trailers.[17]

In response to Hurricanes Katrina and Rita in 2005, FEMA conducted the largest housing operation in the country's history, primarily through the use of 140,000 RVs/travel trailers. Following these hurricanes, FEMA temporarily stopped using RVs/travel trailers.[18] Manufactured homes are governed by a pre-emptive national building code established by HUD, the "HUD Code".[19] Additionally:

- In 2006, FEMA's Joint Housing Solutions Group created a Housing Assessment Tool that included the following two conditions when evaluating viable housing options:[20]

  1. Footprint: Units should be small, capable of HUD certification, and suitable for FEMA community sites or privately-owned sites.
  2. Production Lead-Time: Providers must be able to deliver a certain number immediately or within a short time frame to meet FEMA's operations and performance requirements.

- In 2009, when speaking about manufactured homes, the FEMA Administrator described that:

  > Traditional temporary housing units are generally able to be procured relatively quickly due to the existing production infrastructure supporting the private market.… Alternative forms of temporary housing units, by comparison, have varying degrees of production capabilities, and have not been previously used for extended periods of occupancy in any substantial quantities. Some forms of alternative housing units pose unique delivery and installation challenges, whereas there is an existing private market for delivery and installation of traditional forms of temporary housing units.[21]

Manufactured homes are capable of providing housing for a family for more than 50 years, but Congress, via the Stafford Act, requires FEMA's temporary housing assistance to last no longer than 18 months. Deploying a manufactured home to provide 18 months of housing (taking into account resale and reuse) costs roughly $110,000 to $129,000.

While manufactured homes are often described as the housing option of last resort, they have effectively become the only option when FEMA needs to provide Direct Temporary Housing Assistance. Manufactured homes are, in effect, the de facto form of FEMA's Direct Temporary Housing Assistance, even absent any specific statutory authority referencing specific types of housing technology.

This has created a significant mismatch of product performance and product requirement since manufactured homes were not designed as disaster-specific housing, or even as temporary housing. Manufactured homes are capable of providing housing for a family for more than 50 years.[22] Congress, via the Stafford Act, requires FEMA's temporary housing assistance to last no longer than 18 months (unless specifically extended).[23] A year-and-a-half after the declaration date of a disaster, the Stafford Act indicates that FEMA should no longer be providing any temporary housing assistance (unless a timeline extension has been granted). Taking into account resale and reuse, the average deployment cost for one manufactured home is $110,000 to $129,000. (See Appendix C for information on calculating cost estimates, including figures higher than $129,000.) FEMA expends significant financial resources to meet its mandate of 18 months of temporary housing assistance (unless specifically extended).

There are three important caveats to note regarding FEMA's reliance on manufactured homes for post-disaster housing:

1. Manufactured housing plays a critical role in the overall housing market as the only non-subsidized form of affordable housing. These homes account for 10% of new homes nationwide, and are especially popular in hurricane-prone Southern states.[24] Manufactured housing has a necessary place in the American single-family home construction landscape.

2. It is important to reiterate that in areas with sufficient rental housing options, FEMA would provide financial (rather than direct) housing assistance for the duration of an eligible applicant's 18-month temporary stay. Approximate costs vary widely depending on an area's HUD-determined Fair Market Rent, but they are still well below the cost of using manufactured homes. For example, the 18-month cost of financial housing assistance would be approximately $20,000 in Tuscaloosa, Alabama, or approximately $50,000 in Oakland, California.[25] As this report will document, there is a persistent affordable housing shortage in America which makes it less and less likely that a community will have sufficient post-disaster rental housing options for survivors.

3. About 10 years after Hurricane Katrina, in 2017, as part of FEMA's Housing Assistance Initiative, FEMA began to once more use RVs/travel trailers (which meet higher standards developed by the RV Industry Association as well as formaldehyde standards developed by the U.S. Environmental Protection Agency[26]) as transportable temporary housing units. It is too early to measure the extent to which this additional direct housing option will reduce FEMA's reliance on manufactured homes governed by the HUD code.

Year-Round Nationwide Housing Shortage

Though this report is focused on post-disaster housing, it is important for policymakers to understand broader challenges in the overall United States housing market because disasters exacerbate pre-existing stresses. Restrictions on the disaster housing toolkit limit the options available to respond and ameliorate those stresses post-impact.

Whether through the repair of multi-family housing or the provision of more resilient single-family homes, housing support provided during disaster recovery can provide benefits to a community's housing stock well into the future.

> "It is critical to understand the impact that post-disaster housing stock levels have on disaster housing operations. The repair and restoration of housing stocks is one of the most important challenges FEMA and its response and recovery partners face following a catastrophic housing disaster. All other housing decisions and programs hinge on this single variable."
>
> DHS OIG, OIG-09-111, September 2009[30]

Outside of disaster recovery, the United States faces ongoing challenges with housing. For example, in its 2018 The State of the Nation's Housing report, Harvard University's Joint Center for Housing Studies describes that:[27]

- Inventories for single-family homes for sale is at its lowest level since the National Association of Realtors began its tracking in 1982.
- About a third of all households in most metros are cost-burdened, defined to be when a household spends more than 30% of its income on housing.
- The national median rent rose 20% faster than overall inflation from 1990 to 2016.
- Inflation-adjusted construction wages and benefits were up 7% from 2001—somewhat less than the 9% increase for all private industry workers.

The slow wage growth is despite there being a record number of job openings in the construction industry. The U.S. Bureau of Labor Statistics estimated a total of 434,000 construction job openings in the United States in April 2019, the highest level recorded since 2000.[28]

Additionally, the National Low Income Housing Coalition describes in a 2019 report, "The Gap: A Shortage of Affordable Rental Homes,"[29] the United States has a shortage of 7 million affordable rental homes for extremely low-income renters. This population group is also particularly vulnerable to the impacts of disasters.

These are just some of the ongoing challenges the United States faces with housing. Though emergency managers are not primarily tasked with addressing these housing circumstances, improvements in the toolkit of disaster housing options may help address the broader non-disaster-caused housing challenges in America. Doing so would influence overall community resiliency, which is in scope for emergency managers.

Limited FEMA Role in Permanent Post-Disaster Housing

The notion of "Building Back Better" refers to the execution of recovery activities in a manner that also mitigates future risk for disaster impacted communities. This approach emerged after the 2004 Indian Ocean tsunami[31] and was endorsed in 2015 by the UN General Assembly[32] as part of the Sendai Framework for Disaster Risk Reduction.[33]

In the United States, the National Preparedness Goal and Presidential Policy Directive 8 both describe mitigation as its own mission area, distinct from recovery. However, "Building Back Better" has also started to permeate disaster lexicon in the United States. For example, following Hurricane Maria in 2017, "Building Back Better" was the title of both Puerto Rico's official Request for Federal Assistance for Disaster Recovery, as well as the electricity sector's recommendations for the rebuilding of Puerto Rico's electric grid.[34]

Within the National Disaster Recovery Framework, recovery is described as "more than the community's return to pre-disaster circumstances."[35] When it comes to housing, "Building Back Better" represents an improvement in a community's long-term housing stock (i.e., its permanent housing stock) to achieve a reduction in vulnerability.

Building Back Better can be both bringing existing buildings up to modern construction standards and codes, as well as decreasing long-term housing needs in a community.

Over time, Congress and federal emergency managers have been part of a slow evolution over the role of federal government in supporting permanent housing specifically in post-disaster settings.[36] Despite adopting a hands-off approach in the 1980s, the federal government has increasingly included consideration of permanent housing into its doctrine and programs:

- **In 1988,** the **Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act)**[37] stated that temporary housing assistance is limited to 18 months. Disaster survivors still occupying a government-provided temporary housing unit after 18 months can purchase the housing unit at prices that are fair and equitable when the occupants lack permanent housing.
- **In 2000,** the **Disaster Mitigation Act**[38] authorized permanent housing construction in insular areas outside the continental United States and in other remote locations. Occupants who purchase the government's temporary housing unit are required to maintain hazard and flood insurance.
- **In 2006,** the **Alternative Housing Pilot Program (AHPP)** was authorized as a competitive grant program to identify and evaluate better ways to house future disaster victims. As the Department of Homeland Security Office of Inspector General (DHS OIG) describes, Congress created the AHPP "recognizing the extensive housing challenges presented by Hurricane Katrina, as well as limitations within the Stafford Act."[39] Five awards were given to four states (Alabama, Mississippi, Louisiana, and Texas). Each state piloted permanent housing solutions constructed from a range of methods (site-built, modular, panelized, manufactured).[40]
- **In 2006,** the **Joint Housing Solutions Group (JHSG)** was formed (across FEMA, HUD, and the National Institute of Building Sciences) to evaluate and rate disaster housing options. The options evaluated by the JHSG included modular homes that could transition to permanent housing.[41]
- **In 2006,** the **Post-Katrina Emergency Management Reform Act (PKEMRA)**[42] amended the Stafford Act so that permanent housing construction would no longer be limited to remote or insular locations.

- **In 2009,** the **National Disaster Housing Strategy** called for the nation to focus on six housing goals, one of which is to "build capabilities to provide a broad range of flexible housing options, including sheltering, interim housing, and permanent housing." The Strategy identified that one key principle of permanent housing is that "some interim housing solutions can become permanent housing."[43]

- **In 2010,** the **National Disaster Housing Task Force** was created as a federal inter-agency coordination structure. One of the Task Force's purposes is to promote strategic planning across the disaster housing continuum of sheltering, interim housing, and permanent housing.[44]

- **In 2017,** FEMA's **Housing Assistance Initiative** was created to meet the need for an in-depth, critical look at FEMA's post-disaster housing strategy. Included among a list of actions is the task to "identify alternative post-disaster housing solutions that leverage [best practices] to provide operational and cost-effective solutions for both temporary and permanent housing."[45]

- **In 2018,** the **Disaster Recovery Reform Act**[46] amended the Stafford Act to allow states, tribes, and territories to administer temporary and permanent housing and allowed for more flexibility in FEMA's Multi-Family Lease and Repair program which completes permanent repairs to a community's existing housing stock.

While permanent housing is now given a place in the United States's emergency management doctrine, and while improving a community's permanent housing stock has the potential to reduce long-term vulnerability, FEMA continues to focus on temporary rather than permanent housing needs. This may be in part due to the fact that FEMA is the Coordinating Agency for Emergency Support Function (ESF) #6 (Mass Care, Emergency Assistance, Temporary Housing, and Human Services) while HUD is the Coordinating Agency for Recovery Support Function (RSF) Housing.

Not only are response-oriented temporary housing and recovery-oriented (permanent) housing coordinated by different federal agencies, but the timelines are also quite separated. For example, FEMA's temporary housing is meant to be available for no more than 18 months (unless an exception is granted) while HUD's funding mechanism for recovery-oriented (permanent) housing often takes several years. (See the Extended Timelines for Disaster Recovery section on page 23.)

Congress has limited when FEMA can provide assistance via permanent or semi-permanent housing. FEMA can provide assistance in insular areas outside the continental United States or in other locations where no alternative housing resources are available and where temporary housing assistance is "unavailable, infeasible, or not cost-effective."[47]

When it comes to shelter and temporary housing, Congress has granted FEMA much broader authorities. The clear distinction in authorities between temporary and permanent housing, however, does not equate to a clear distinction in how survivors utilize temporary and permanent housing programs. **The following are examples of activities defined to be shelter or temporary housing, even as they may reach a level of permanency.** The examples come from the range of FEMA Individual Assistance and Public Assistance programs.

1. Transitional Sheltering Assistance (TSA) provides direct payment to approved hotels and motels for disaster survivors. It is **intended to initially last from 5 days to 2 weeks,** with the goal of moving remaining and returning evacuees out of congregate shelters. After Hurricane Harvey impacted Texas in 2017, congregate shelters had a one-night peak of 28,000 people while the TSA program had a much higher one-night peak of 73,000 people (2.6x). Additionally, **some survivors remained in the TSA program for nearly a year** after the disaster, far surpassing the intended timeframe of this sheltering assistance.[48]

2. The Blue Roof Program is implemented by the U.S. Army Corps of Engineers and provides free installation of fiber-reinforced sheeting to cover damaged residential roofs until arrangements can be made for permanent repairs. These protective measures are **designed to last for 30 days** and are intended to prevent further damage to home contents. Blue Roofs are **sometimes the only type of roof repair houses may have more than a year after a disaster.**[49]

3. Operating as a temporary pilot program since 2012, the Sheltering and Temporary Essential Power (STEP) program has provided free minor repairs to make a home safe, secure, and weatherproof. Essential utilities and plumbing were made safe and operational to meet basic life sustaining needs so that occupants could shelter in place until more permanent repairs could be made.[50] The intent was to allow homeowners to return to living in their damaged homes while longer-term repairs continue, allowing people to return to work and school in their communities. **Repairs,**

even if not aesthetically pleasing, often become de facto permanent. The New York Times described Hurricane Sandy's version of the STEP program in New York in a September 2014 article by stating, "In less than 100 days, Rapid Repairs restored heat, power and hot water service to more than 11,700 buildings. More than $640 million was spent, much of it toward repairs with permanent value."[51]

4. Manufactured Housing Units are utilized for temporary direct housing missions in communities with low available housing stock. **This assistance is meant to be available for no more than 18 months (unless extended),** yet for survivors unable to make progress towards "permanent housing," these units can be extended longer than 18 months. Survivors can be asked to begin paying nominal monthly rent and utilities. **In some cases, survivors can purchase the FEMA-provided manufactured home outright.**

Across an initial disaster response and a longer-term disaster recovery, there are different times when sheltering, temporary housing, and permanent housing may each be the most effective and cost-effective manner to meet the needs of disaster survivors. And to be clear, the above examples likely represent FEMA's desire to utilize judgment and flexibility to help create tailored disaster-, community-, and survivor-specific approaches to housing recovery. However, these examples also shed light on ways that hard-and-fast distinctions between temporary and permanent housing may be unrealistic or impractical. The differences between emergency protective measures, sheltering, temporary housing, and permanent housing may be clearly defined within the federal government, but they can also represent bureaucratic distinctions that make the recovery process less straightforward, rather than more.

One consequence of Congress's choice to focus FEMA on temporary housing is that the United States may be missing an opportunity to leverage disaster recovery efforts (led by FEMA or other agencies) to also improve a community's long-term housing stock. Rigid distinctions between temporary and permanent housing may limit America's ability to "Build Back Better."

Outside Perspectives on Distinctions across Sheltering, Temporary Housing, and Permanent Housing

"There is [an] artificial divide between phases in a post-disaster scenario, with the assignment of the term "shelter" to the relief phase and the term "housing" to the recovery or development phase. But in reality, there is no difference between shelter and housing. A shelter is a house and a house is a shelter regardless of the type or style. Although a common distinction is that shelters are built in relief and houses are built in development, in both cases the words carry no indication of quality, standards, type of materials or construction specifications."

Habitat for Humanity, 2016, Pathways to Permanence[52]

"By focusing excessively on housing that is defined to be temporary, FEMA has ignored construction methods that would meet the criteria of emergency housing, but which happen to not be permanent. … It is the speed, safety, and cost of disaster housing that is important, not whether the housing is labeled 'temporary' or 'permanent.' "

National Association of Home Builders, Public Comments on the National Disaster Housing Strategy, 2008; DOCKET ID FEMA-2008-0009[53]

Where Could We Go?

Factory-Built Homes Have Cost and Speed Benefits Outside Disaster Settings

In 2017, roughly 87% of single-family homes built in the United States were site-built homes.[54] The site-built construction method relies on materials and skilled labor available **locally** at the job site. During disaster events with widespread residential damage, houses will be both repaired and rebuilt. Post-disaster construction can be delayed due to several factors: lack of capital, a shortage of skilled workers, licensing rules hindering out of state workers, unavailability of materials, postponed decisions on rebuilding versus relocating, building code restrictions, floodplain considerations, zoning changes, and infrastructure repair challenges.

An alternative to site-built homes is factory-built homes,[55] which come in various forms, such as pre-assembled components and furnished houses that can be assembled on site. Notably, factory-built homes are constructed in a controlled indoor environment away from their final destination. Factory-built home construction can decrease the demand for local skilled labor and building materials in communities recovering from disasters, further increasing a community's ability to recover. Off-site construction occurs around the world, with many countries utilizing these techniques more than the United States, as outlined in Table 1. These techniques can be utilized even for geographies with a wide range of climate regions like the United States, which may require a larger variety of styles appropriate to local climates.

The National Association of Home Builders (NAHB) Research Center (now known as the Home Innovation Research Labs) has highlighted the benefit of factory-built home construction in decreased labor requirements. The labor cost component of a modular or manufactured home is typically 8 to 12% of the total house construction cost, while the labor cost of a site-built home is upwards of 40 to 60% of the total cost.[56] These labor savings are helpful, because as noted above, the U.S. Bureau of Labor Statistics estimates a total of 434,000 construction job openings in the United States in April 2019, the highest level recorded since 2000.[57]

Table 1: America Lags Other Countries in Adoption of Prefabricated Techniques

COUNTRY	% of Construction Using Factory-Built Techniques
Sweden[60]	74–84%
Finland[61]	50%
Singapore[62]	40%
China[63]	30%
Germany[64]	20%
Netherlands[65]	20%
Japan[66]	15-20%
UK[67]	7-12% (and 25% target for publicly funded social housing)
USA[68]	3–13%
Australia[69]	3–5%

Table 2: Cost Comparisons of Home Construction by Method (in 1998 dollars)

COST CATEGORY	Site-Built	Modular	Manufactured
Construction Costs	$77,140	$65,560	$47,277
Structure	$71,123	$59,543	$41,260
Foundation	$6,017	$6,017	$6,017
Cost per Square Foot	$38.57	$32.78	$23.64
Land Costs	$35,314	$35,314	$35,314
Improved Lot	$34,113	$34,113	$34,113
Site Preparation	$1,201	$1,201	$1,201
Financing Costs	$2,895	$1,298	$610
Construction Financing	$2,895	$1,298	—
Inventory Financing	—	—	$610
TOTAL COST	**$115,349**	**$102,172**	**$83,151**

Additional benefits to off-site construction were identified in a 2011 McGraw-Hill survey of architecture, engineering, and contracting professionals:[58]

- 66% of respondents report that project schedules are decreased—35% by four weeks or more.
- 65% of respondents report that project budgets are decreased—41% by 6% or more.
- 77% of respondents report that construction site waste is decreased—44% by 5% or more.

Though more recent cost comparisons are not available, an NAHB Research Center's 1998 report detailed that site-built homes cost more than both modular and manufactured homes[59] (See Table 2). It is important to note that estimates of the speed, cost, and waste savings from off-site construction excluded considerations needed for building in a disaster recovery environment (e.g., material shortages as well as increased labor and support costs).

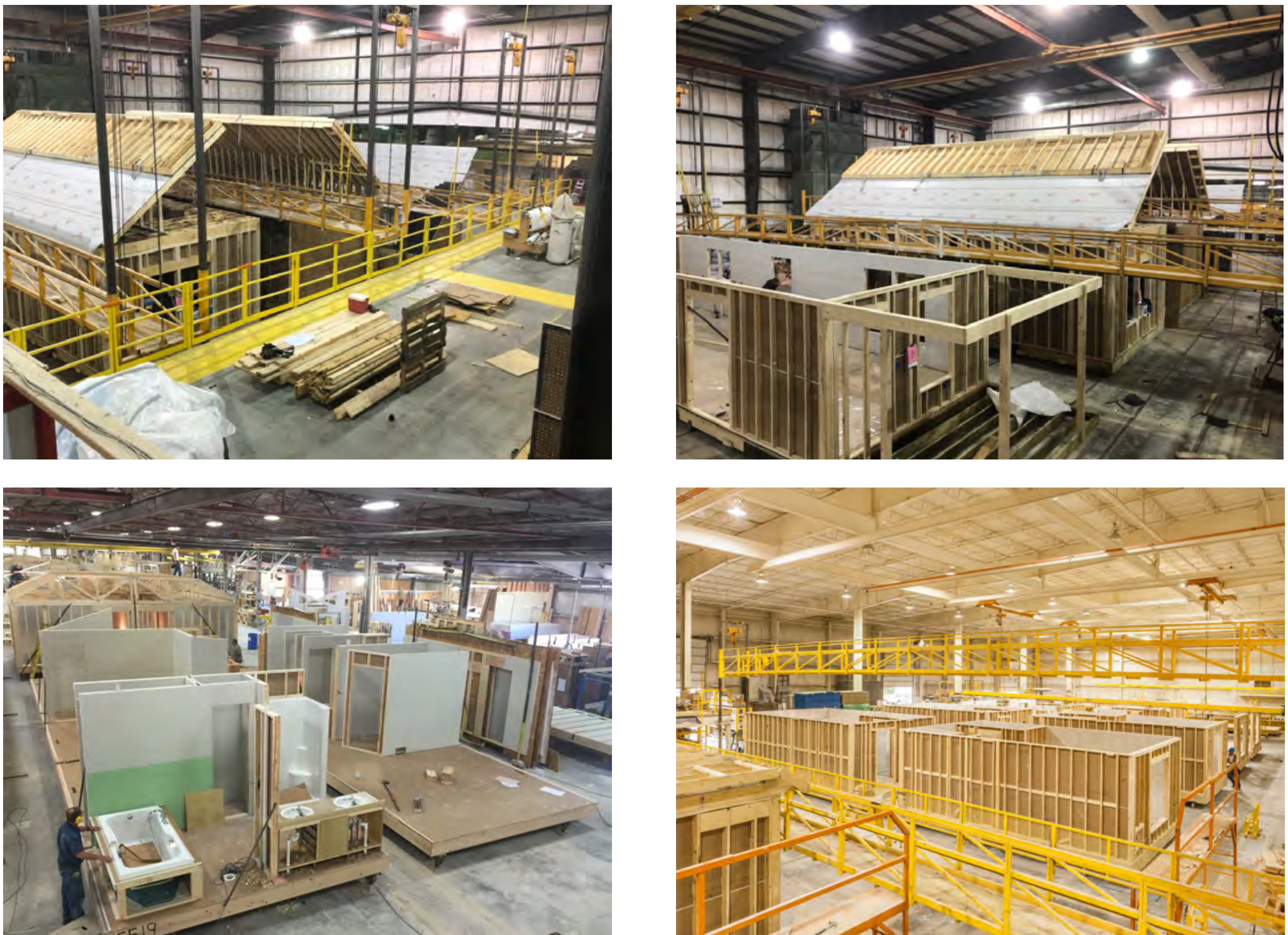


Figure 3: Photos of Production of Factory-Built Housing
Photo credits: NAHB, Ritz-Craft, Cardinal Homes

Pop-Up Factories Could Be a Resource Following Catastrophic Events

Following catastrophic events, when especially high numbers of homes are completely destroyed, new factories can be stood up near disaster-impacted areas to produce modular/panelized/pre-cut homes. These so-called "pop-up factories" can be a previously abandoned, refurbished, or newly constructed factory. Initiating a new factory would require tooling, skilled labor, and most importantly, experienced management. Regional fabrication locations could be pre-identified as possible factories, work areas, or distribution centers to aid in disaster rebuilding.

Disaster impacted communities would benefit from new nearby pop-up factories through reduced transportation time and cost for completed homes. A skilled labor pool could be developed and utilized outside the immediate disaster area, reducing the logistical burdens associated with bringing a trained workforce into a community for disaster recovery purposes. Moreover, home manufacturing could represent an investment in long-term economic development, creation of new readily available employment opportunities, and faster re-establishment of an area's housing stock.

Several factors would need to be addressed for pop-up factories to become a viable option after catastrophic events. For example:

- Are pop-up factories government-supported, or fully private-sector-led?
- Through what agency (e.g., housing, community development, emergency management) and at what level (e.g., state, local, tribal, territorial, federal) would government support be appropriate and warranted?
- How should pop-up factory facilities be utilized once the demand surge for post-disaster housing has passed?
- What is the best way to leverage the efficiencies of production given the difficulties of managing variation across individual orders and installation?

In preparation for catastrophic events, pop-up factories have the potential to stand alongside policy changes, reciprocity agreements among states, and pre-event contracts—as a multi-pronged approach for disaster housing preparedness.

Factory-built methods are utilized not just for single-family housing, but also for hotels and multi-family housing. For example:

- Founded in 2015, **Katerra,** a manufacturer of cross-laminated timber wall assemblies with headquarters in the United States, has residential products focused on multifamily, senior, student, and single-family housing. Katerra platforms include compliance with 48 states' building and energy codes.[70]

- In 2017, **Google** began working with Factory OS to construct 300 apartment units in the San Francisco Bay Area using modular construction.[71]

- In 2017, **Marriott International** announced intentions to incorporate modular construction in the construction of 50 hotels in North America. As of May 2019, modular construction has been used in hotels in California, Kentucky, North Carolina, Oklahoma, Washington, and Wisconsin.[72]

- In 2018, Polish manufacturer **Polcom Modular** completed construction on a 21 story hotel in Manhattan, creating the (then) tallest modular hotel in the United States.[73]

- In 2018, the **New York City Department of Housing Preservation and Development** issued a Request for Proposal for 100% affordable housing that explicitly required modular construction.[74]

- In 2019, **DMD Modular,** also from Poland, plans to finish construction on a 26-story Marriott hotel, also in New York City. This will be the tallest modular hotel in the world.[75]

In these examples, there is one owner, so construction-related decisions are streamlined across multiple units. This benefit is not found in single-family housing.

Opportunity to Leverage Disaster Housing for Affordable Housing Challenges

State, local, tribal, and territorial governments face not only periodic disaster housing challenges, but also year-round affordable housing challenges. Rather than address each of these housing problems individually, states are seeking out ways to address both problems in tandem. In the Commonwealth of Virginia, for example, the Virginia Department of Emergency Management and the Virginia Department of Housing and Community Development are trying to address disaster and non-disaster housing needs with a combined solution. Speaking on **the need for a coordinated approach to address long-term resiliency,** experts from Virginia relayed the following to MIT researchers:

> **Affordable housing** is limited and difficult to attain, even on a blue-sky day. When you consider that the vast majority of individuals in shelters were already living at or below the poverty line when the disaster struck, were transport- and food-insecure, and were living in substandard housing from the outset, the need for affordable housing after an event becomes imminently apparent. Any opportunity to increase affordable housing stock will ultimately benefit communities and disaster survivors.
>
> **Virginia Department of Emergency Management**
> *Dawn Brantley,* Sheltering Coordinator
> *Ed Porner,* Director, Recovery and Resilience Division

> The Virginia Department of Housing and Community Development (DHCD) is concerned that the most vulnerable populations after a disaster are those most in need of permanent housing assistance. Recognizing that FEMA is limited in the resources it can provide and the 18-month restriction on temporary housing, DHCD is interested in how our agency can support new policies **for temporary housing that can transition to permanent.** DHCD believes that identifying an innovative product and process will improve the use of both federal and state funds and most importantly provide affordable permanent housing for vulnerable populations post-disaster.
>
> **Virginia Department of Housing and Community Development**
> *Cindy L. Davis,* Deputy Director, Division of Building & Fire Regulations
> *Pamela Kestner,* Deputy Director, Housing

Flexible housing recovery funding most often comes in the form of HUD's CDBG-DR program. In cases where CDBG-DR funding allows state and local officials to provide permanent housing to disaster survivors, they frequently turn to factory-built or manufactured homes:

- In areas of the **Lower Rio Grande Valley** impacted by Hurricane Dolly in 2008, a consortium of organizations[76] created the **RAPIDO** pilot program which implemented a temporary-to-permanent housing method for 20 homes. Panelized modules were constructed nearby and formed a core unit the family would move into, with additional bedrooms added on afterwards. Results of the RAPIDO program included successful expansion past the core unit, which would be used immediately after a disaster. The consortium utilized the same temporary-to-permanent housing method in Houston after Hurricane Harvey in 2017 with 15 homes planned, and funded by non-governmental grants.[77]
- Following Hurricane Ike in 2008, the **Houston-Galveston Area Council**[78] developed the **Back Home pilot program** designed to "minimize displacement of residents by developing a strategy for the rapid, efficient, large-scale deployment of temporary-to-permanent housing following future natural disasters." This program led to the construction of 20 modular homes in Harris and Galveston counties.[79] Six years later, local officials visited the homes to survey damage from Hurricane Harvey in 2017. All units were still occupied and none had any flood damage from Hurricane Harvey.[80] A central goal of both of these Texas programs was "to test the feasibility of… large-scale production of replacement housing for victims of federally declared natural disasters."[81]
- Following Hurricane Sandy in 2012, the **City of New York** experienced long delays filling unmet housing needs despite receiving federal funds for that purpose.[82] To improve the speed of the **Build It Back** program, the city leveraged modular homes. The New York Times reported in an October 2017 article that only minimal additional work was required to install these modular homes on appropriate foundations – adding staircases and finishes – making local contractors available for more projects.[83]

- Following major flooding in **Louisiana** in 2016, the **Restore Louisiana Homeowner Assistance Program** had a policy of replacing, not rehabilitating or repairing, flood-damaged manufactured housing units. The program was meant to serve the long-term housing needs of survivors and to protect against potential environmental health hazards due to water damage.[84]

The temporary-to-permanent examples listed above (RAPIDO and Back Home) identify unique disaster housing approaches championed and explored by specialized organizations. That is because **temporary-to-permanent disaster housing options are generally not supported by the non-disaster market.**

These examples also illustrate that when flexible recovery funding is made available, states often choose to implement permanent housing. Unfortunately, the uncertainty and lengthy timeline for flexible recovery dollars,[85] and the limitations preventing initial FEMA funds from being used for permanent housing, slow the ability of states to move towards these recovery options. (See the Extended Timelines for Disaster Recovery section on page 23.)

Through the 2018 Disaster Recovery Reform Act, Congress is asking FEMA to develop grant processes so that states can begin to administer federally funded disaster housing programs. However, it is unlikely that states will be able to use this funding for permanent housing in all cases where they want to do so.

State housing programs will need to follow the same restrictions as FEMA. Thus, this funding for states will likely be for temporary housing (as FEMA is mostly restricted by Congress to do now), even if a state wants to do permanent housing to address a community's overall resiliency in addition to immediate response and recovery.

What Is Stopping Us?

America Has One National Pre-Emptive Code

The National Manufactured Housing Construction and Safety Standards Act of 1974 represents the lone nationwide pre-emptive building code. Also known as the "HUD Code," the legislation and regulation dating from nearly fifty years ago addressed wide disparities in manufactured home construction standards. Then referred to as mobile homes, these structures built in one state could be sold by a retailer in a second state, and installed in a third state, each with different building codes.

To assure the quality, durability, safety, and affordability of manufactured homes across jurisdictions, **Congress created the HUD Code construction and safety standards which preempt state and local laws that are not identical to the federal standards.** Thus, the HUD Code was created to overcome jurisdictional variation when it comes to quality, durability, safety, and affordability. Similarly, FEMA benefits from the HUD Code's ability to overcome jurisdictional variation when fulfilling direct housing missions. The HUD Code provides a uniform, cross-jurisdictional assurance that FEMA's direct housing tool will be in compliance with state and local building codes, by pre-empting state and local building codes.

While modular homes face the same challenges of being built in one state, but sometimes utilized in another state, modular homes are produced on demand, which allows manufacturers to know what state and local building codes to utilize during construction.

Forthcoming building code standards that focus on off-site construction should provide more uniformity in state and local choices on building code adoption for future factory-built housing construction. The ICC is on track to develop, propose, and release the following by 2021:[86]

- A standard for the planning, design, fabrication and assembly of off-site construction,
- A standard for the inspection and regulatory compliance of off-site construction, and
- A guideline for the transportation of modular components to the construction site.

Additionally, in March 2019, the ICC released guidelines for safe use of ISO (International Organization for Standardization) intermodal shipping containers repurposed as buildings and building components.[87] While each of these optional standards is likely to bring more uniformity to state and local building codes, **they do not provide the benefit to federal emergency managers of helping ensure that their direct housing tools will be allowable in all jurisdictions across the United States.**

Pre-emptive standards provide authority to larger jurisdictions to overrule standards enacted by smaller jurisdictions, which can be at odds with the United States' system of federalism. Along the same lines as a pre-emptive national building code, when discussing local building regulations as a policy barrier to implementation of the Back Home pilot program, the Houston-Galveston Area Council described the following:[88]

> If the State of Texas wishes to create a rapid housing program using the Back Home design after a disaster, [state] or municipal ordinances would need to be created to override [local] restrictions. … [To adopt] the Back Home model as a standard disaster recovery home, they would need to pass laws at the State level to supersede local restrictions to building the [Back Home]. … Overriding these local controls would be contentious.

The State of Texas' Natural Disaster Housing Reconstruction Plan in 2010 further identified the challenges that emerged from local requirements when describing post-Katrina disaster housing in Louisiana and Mississippi:[89]

> This idea of "temp-to-perm" disaster housing received much positive attention from state housing and emergency management officials. Local public officials and communities strongly resisted "temp-to-perm." Ultimately, this resistance created many challenges to realizing the full potential of the [Alternative Housing Pilot Program] projects as long-term recovery solutions.

> …
>
> Local officials and the public did not understand that the project was a permanent housing solution. Additionally, a stigma persisted that the AHPP units would lower the property values of the surrounding neighborhood. …
>
> Due to the overwhelming demands of recovery on local authorities, many officials did not see housing as an immediate priority, instead focusing efforts on restoring the basic infrastructure and economy of the community. …
>
> Additionally, communities expressed concerns about [these houses] not fitting with the style and size of many neighborhoods. Local officials argued that [these small houses] would do less to restore the tax base than larger, more expensive homes or condos.

Except for the HUD Code, emergency managers and community development managers have no mechanisms that provide the cross-jurisdictional benefits of utilizing a pre-emptive national code for disaster housing purposes.

A Relatively Small Industry Base for Factory-Built Homes

One obstacle preventing wide-scale adoption of factory-built homes for disaster recovery is the limited annual installation of factory-built homes across the United States. As shown in the figures below, **the current industry base for factory-built homes has not been tested to produce at the same scale as disaster recovery.**

Following the August 2016 flooding in Louisiana, FEMA provided approximately 4,500 households with a FEMA-provided temporary transportable housing units.[90] Given nationwide production and installation of modular and panelized units was 26,000 across all of 2017, a demand of 4,500 units from a single event is a significant demand spike for the industry. As Figure 5 and Figure 6 indicate, output from the factory-built housing industry has remained small relative to site-built homes – both in total units produced and in market share for single-family home construction – since the U.S. Census Bureau began reporting totals in 1992.

This relatively fixed output for factory-built homes has occurred despite stagnant construction productivity (see Appendix B), and despite a multi-year effort by Congress and the emergency management community to build out a suite of innovative housing options (see Where Are We Now? section beginning on page 9).

The impact of this relatively small industry size was described by a county official in Florida when speaking about the need for thousands of homeowners to rebuild or replace their homes following Hurricane Irma in 2017:

> There were not enough manufacturers to produce the modular homes that we want for our community. The modular home industry does not have the ability to surge quickly. When you're talking about ordering thousands of houses, even when people have money in their bank account, they're put on a 3-year waiting list. Traditionally, this type of industry cannot accommodate large surges.
>
> **Monroe County, Florida**
> *Marty Senterfitt,* Deputy Fire Chief/ Director of Emergency Management, speaking about recovery efforts from Hurricane Irma in 2017

Table 4: Single-Family Home Construction Totals by Construction Method, 2017[91]

2017 Residential 1-Unit Construction Totals		
Site-Built	769,000	87%
Manufactured	92,900	10%
Modular	12,000	1%
Panelized/Pre-Cut	14,000	2%

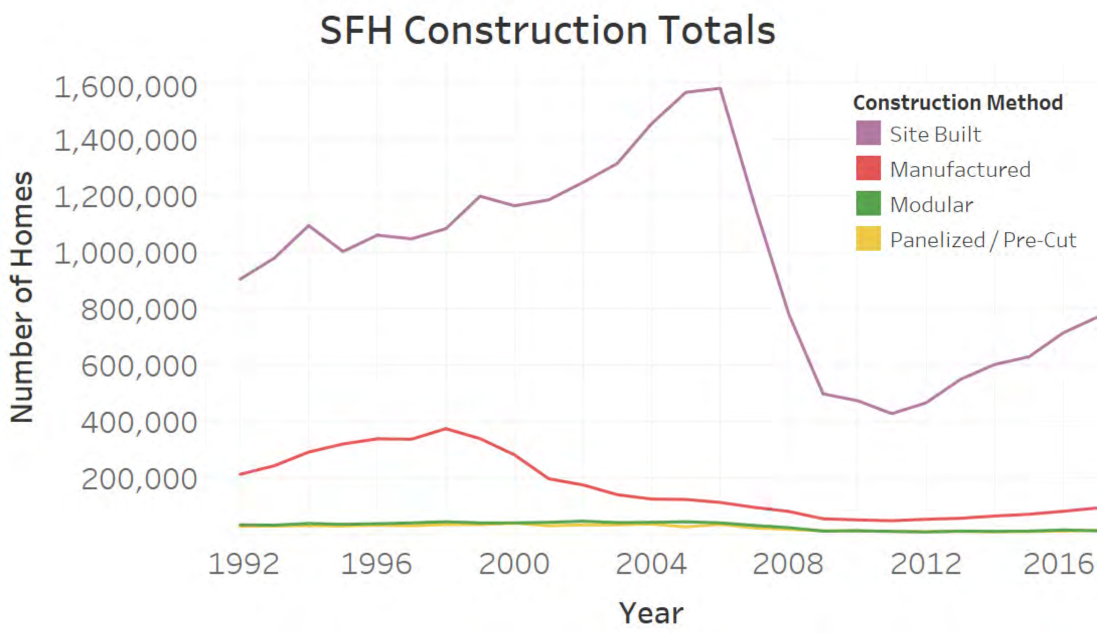


Figure 5: Single-Family Home Construction Totals by Construction Method, 1992–2017[92]

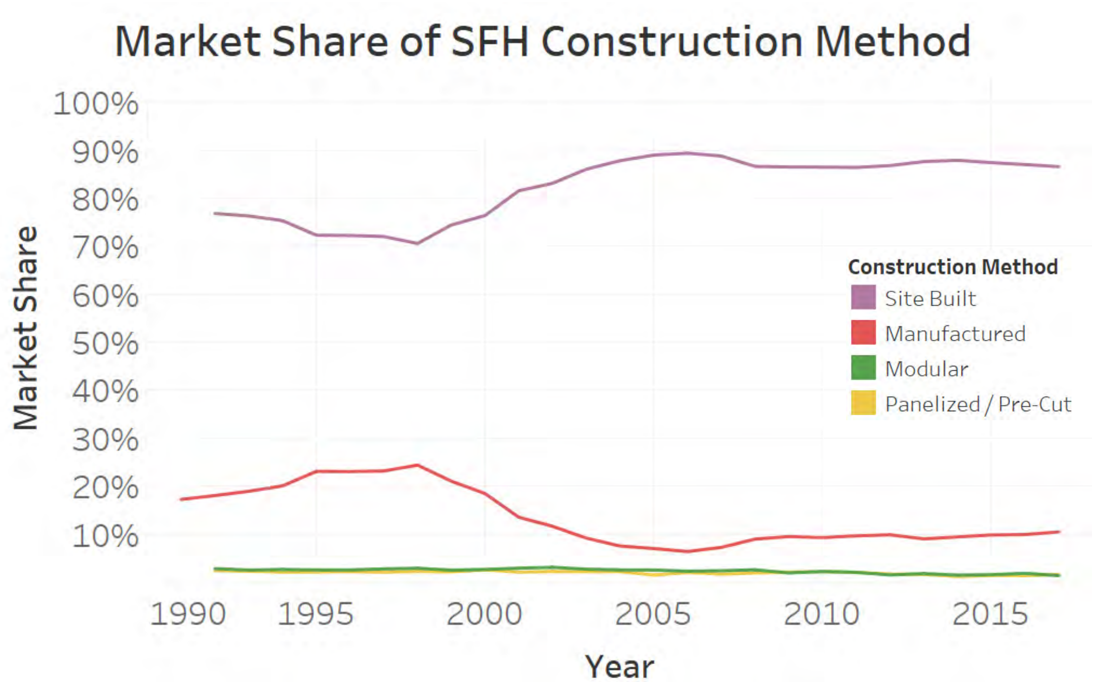


Figure 6: Single-Family Home Market Share by Construction Method, 1992–2017[93]

Inadequate supply of housing deliveries, like the case in Florida above, can be due to a range of factors such as manufacturer capacity, state-specific manufacturer licensing, or transportation limitations. The need for the United States to be able to draw housing industry capacity to disaster areas is also conveyed as part of the National Disaster Housing Strategy, which identified the following as one of more than a dozen "future directions":

> The housing production system must become capable of producing or rehabilitating enough standard housing units to rehouse populations more quickly following a catastrophic event.[94]

Small industries often lack the surge capacity and standing inventory for catastrophic events. Similarly, smaller-scale manufacturers lack the track record necessary for emergency managers to confidently re-orient their programs around a different product. To regularly and reliably leverage the benefits of factory-built homes during disaster recovery, the industry needs to substantially grow in size, either through normal market changes or government support.

Additional Obstacles to Provision of Post-Disaster Permanent Housing

Extended Timelines for Disaster Recovery

Disaster recovery is a long-term endeavor that takes years. (See Figure 7 below.) In the private market, appropriate insurance and timely payouts are an important driver in the timeline for disaster recovery. Federal financial support for housing comes largely from CDBG-DR special appropriations. These funds are amongst the most flexible of housing assistance dollars and are thus frequently leveraged for permanent housing. The time from any one disaster event to the ensuing CDBG-DR appropriation often takes several months to more than a year, with uncertainty compounded due to the lack of an ongoing appropriation for CDBG-DR. After an appropriation, states develop action plans to determine how funding should be put to use.[95] Each of these represents a step in a community's path towards recovery.

Two events, 2008 Hurricane Ike in Texas and 2016 flooding in Louisiana, each illustrate the extended timelines of HUD housing construction funding. As Figure 8 and Figure 9 show, a very concentrated infusion of federal disaster dollars from FEMA, the Small Business Administration (SBA), and the National Flood Insurance Program (NFIP) goes to meet housing construction and repair needs in the initial days, weeks, and months after a disaster. In that same time frame, homeowners receive funds from their private insurance policies. CDBG-DR dollars, which are meant to provide for unmet housing needs during long-term recovery, come much later.

FEMA dollars shown here represent Repair Assistance, Replacement Assistance, and in the case of Louisiana, the Sheltering and Temporary Essential Power pilot. NFIP dollars shown here represent Property and Increased Cost of Compliance, but exclude Contents. SBA loan dollars shown here represent Home and Personal Property Loans. For 2008 Hurricane Ike in Texas, private insurance totals represent homeowners' policies only and are based on recurring state insurance commissioner reports that detail claims paid out over time. (Louisiana's insurance commissioner did not require insurance companies to provide homeowner policy claim data on a regular basis. Additionally, as primarily a flooding event, private homeowners' insurance payouts were likely minimal.) CDBG-DR dollars shown here represent six

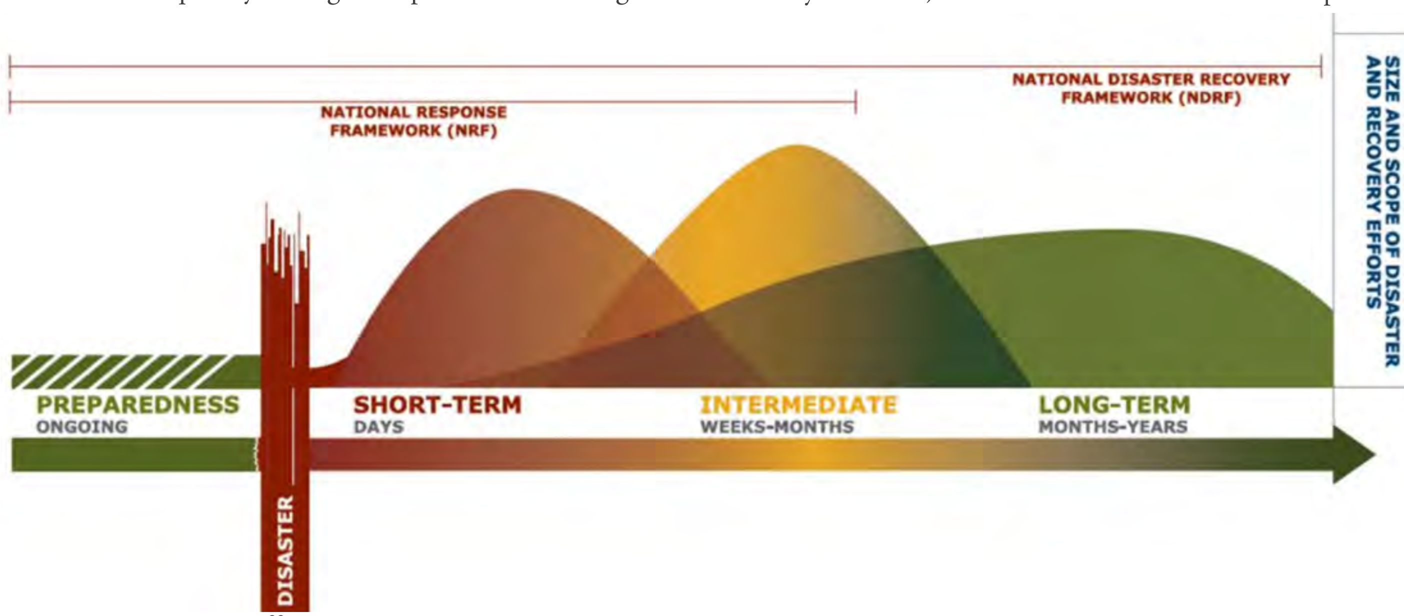


Figure 7: Recovery Continuum[99]

different activity types related to residential housing.[96] Thus, looking at these dollars attempts to exclude other grants not intended for housing construction and repair purposes.

Funding is affiliated with a calendar year month based as close as possible to when the dollars were available to be spent on housing construction and repair. For instance, all dollars are shown based on when the construction work was done (in the case of FEMA's Sheltering and Temporary Essential Power pilot for Louisiana), when the funds were reported as "disbursed" (in the case of CDBG-DR), or when the check was written (in the case of FEMA Repair Assistance, FEMA Replacement Assistance, SBA, NFIP, and Private Insurance).[97] These three indicators (work completed, grants disbursed, checks sent) do not conclusively reflect the timing of an increase in demand in a community's construction capacity, but they are the best available proxies for the timing of construction dollars.

For 2008 Hurricane Ike, CDBG-DR dollars totaled $1.37 billion. These funds were largely unavailable to be spent until several years after the disaster—much longer than FEMA's 18-month restriction on temporary housing. And for 2016 Louisiana Floods, CDBG-DR dollars totaled $610 million. Only a portion of these dollars was available to be spent in the disaster-impacted community prior to FEMA's 18 month restriction on temporary housing. This 18 month distinction is important because **CDBG-DR funds that address unmet permanent housing needs are generally unavailable to be spent until well after FEMA's temporary housing support ends** (unless granted an extension).

As CDBG-DR dollars have a goal of targeting unmet long-term recovery needs, a longer timeline seems appropriate. However, this extended timeline for CDBG-DR funding has two additional consequences:

1. State, local, tribal, and territorial governments tend to lack quick access to these most flexible of federal disaster housing dollars. This limits the ability of recipients of CDBG-DR funding from using that money to provide permanent housing during the response phase of a disaster, should they wish to do so.

2. Disaster survivors may experience a gap in housing support between when FEMA's temporary housing support ends (usually 18 months after disaster declaration, unless extended) and when recipient agencies can leverage CDBG-DR funding for remaining unmet housing needs.

It is important to note the role of private homeowners' insurance in the course of a community's recovery. Figure 10 and Figure 11 illustrate the relative size of the various funding mechanisms for housing construction and repair that are available after a disaster. For both disasters, CDBG-DR funding was approximately 15% of total estimated funding for housing construction and repair.

Figure 10 also indicates that **for Hurricane Ike in Texas in 2008, nearly 60% of all funds destined for housing construction and repair came from private homeowners' insurance policies.** These insurance funds are meant to cover home damage from wind or other non-flood risks. Figure 11 lacks similar figures because Louisiana's insurance commissioner did not require insurance companies to regularly report on homeowner policy claim data after this disaster. Further, because the 2016 disaster in Louisiana was a flood, private homeowners' insurance payouts were likely minimal because flood coverage is provided by NFIP.

To be clear, faster allocation and spending of housing recovery dollars does not automatically lead to better recovery outcomes. Additionally, long-term programs initiated early in a recovery will have ongoing expenses that may not be reflected in quarterly grant reports. Despite all of this, the extended timeline for delivery of flexible CDBG-DR housing recovery dollars into an impacted community is significant. **While CBDG-DR funds frequently provide for permanent housing options, it can take several years for funds to be allocated to the need and expended. Extended timelines for disaster recovery – as well as for federal funds supporting permanent rebuilding – are the norm, not the exception.**

Following their Rapid Housing Recovery Pilot Program after Hurricane Ike, the Houston-Galveston Area Council said the following with regard to delays in home construction:

> The delay between the declaration of a disaster and authorization of spending by Congress to the time that builders are funded to construct homes is far greater than any time savings that modular technologies can provide.[98]

Thus, it is important to consider the role that different home construction technologies can play in more effective residential rebuilding. **Additionally, it is important to consider the role that Congress plays in determining the timeline for CDBG-DR's flexible housing dollars.** Note that concerns about government-caused delays would be decreased if more property owners had insurance at appropriate levels.

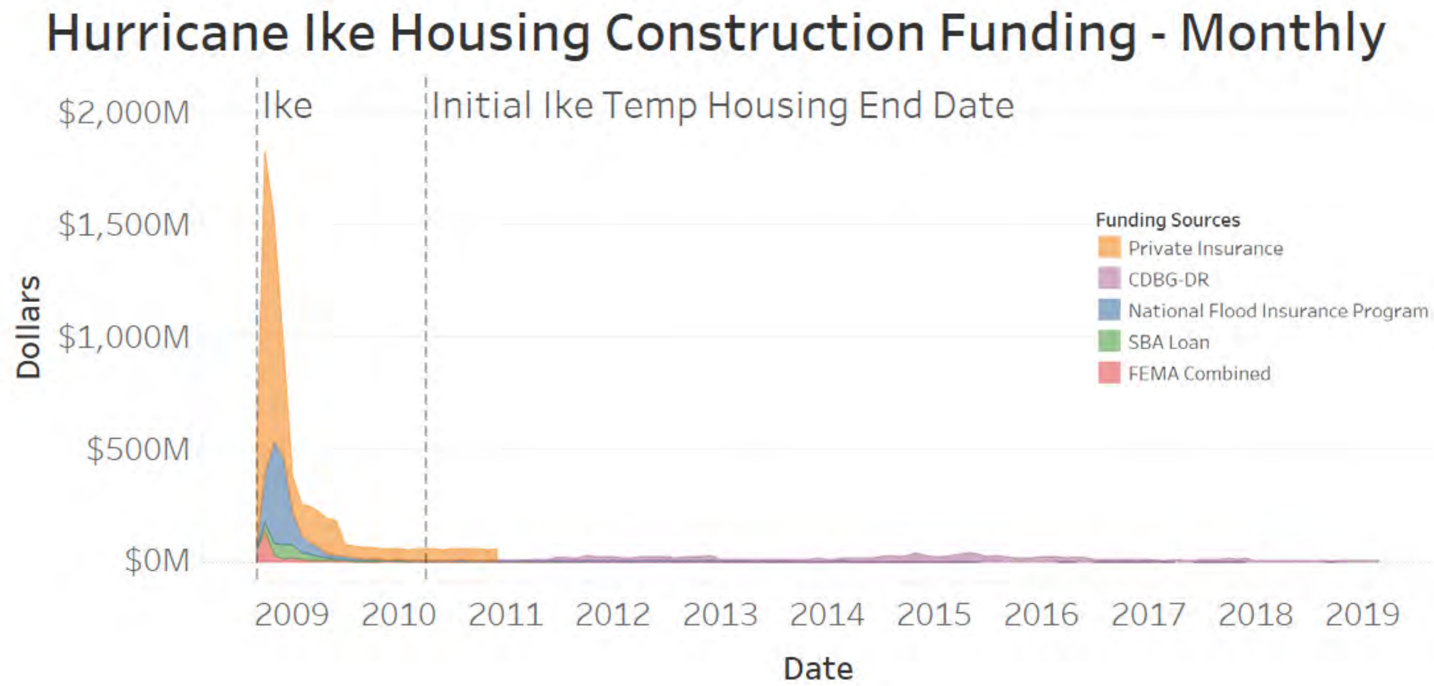


Figure 8: 2008 Hurricane Ike Construction and Repair Funding by Source Over Time

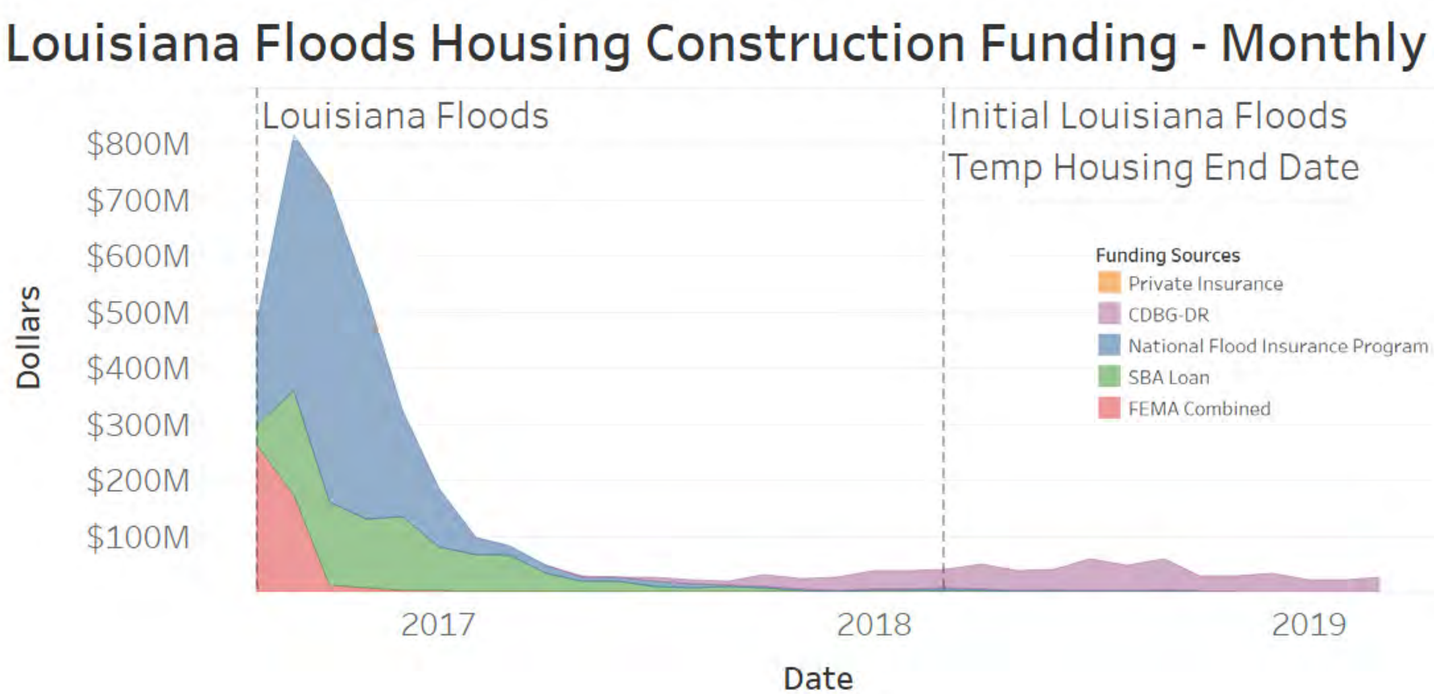


Figure 9: 2016 Louisiana Floods Housing Construction and Repair Funding by Source Over Time

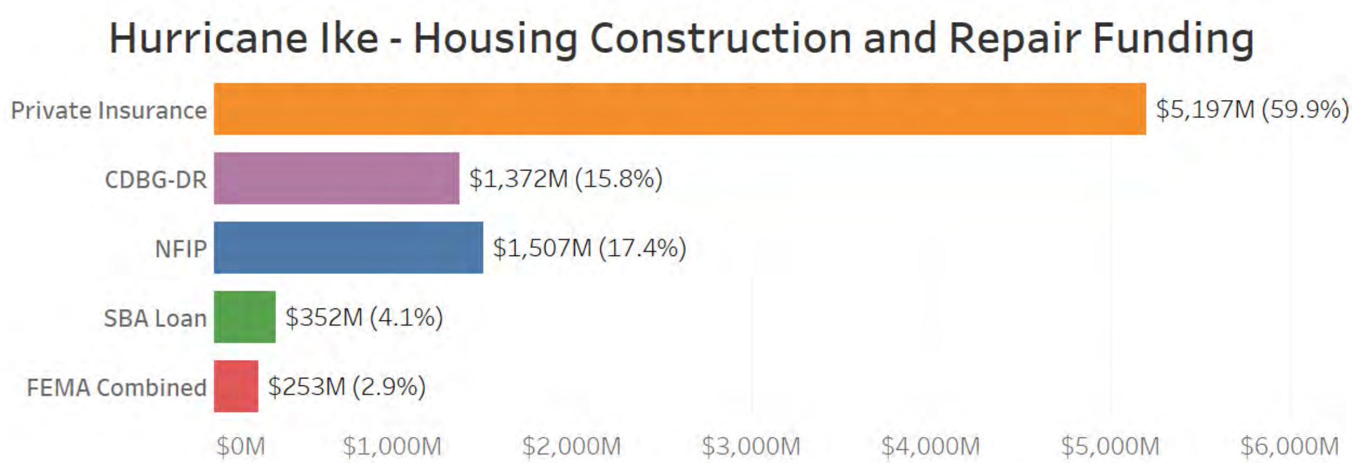


Figure 10: 2008 Hurricane Ike Housing Construction and Repair Funding Totals by Source

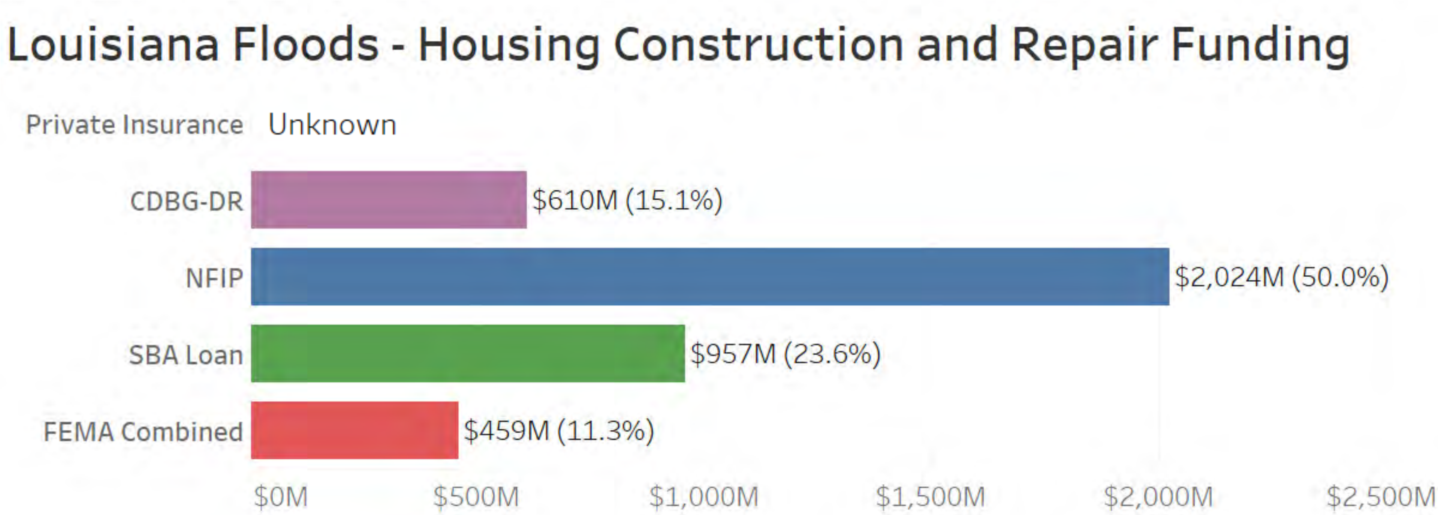


Figure 11: 2016 Louisiana Floods Housing Construction and Repair Funding Totals by Source

Moral Hazard

Moral hazard is the idea that policies or decisions may create incentives for undesirable behavior. Moral hazard occurs when someone takes additional risks because the cost of those risks is borne by another party. Most moral hazard discussions about the role of government assistance after disasters focus on whether government disaster aid reduces insurance uptake.[100] FEMA's NFIP publicly reports on policy and claim statistics,[101] and academic literature has thoroughly explored the incentive effects flood insurance has on rebuilding decisions.

There has been no significant research on the incentive effects of providing government funded permanent housing to disaster survivors in the United States. As academics, policymakers, and practitioners examine the question of moral hazard when it comes to permanent disaster housing, they will have to evaluate a number of tradeoffs, both known and unknown. Some of the known factors to be studied include the potential benefits in disaster recovery outcomes, the impact of permanent housing on long-term vulnerability, and any cost savings achieved by providing permanent rather than temporary housing. In short, **reasonable concerns exist about the incentive effects associated with providing permanent housing to the segment of homeowners who may be uninsured or underinsured.**[102]

Lack of Appropriate Data to Measure Cost-Effectiveness

In 2017, a report from the National Institute of Building Sciences, calculated there to be a $6 benefit for each $1 invested in a specific subset of federal agency grant programs.[103] This oft-cited study focuses exclusively on federal agency grant program dollars spent on mitigation and does not draw conclusions on the return on response and recovery programs.

We recognize disaster management as a cycle inclusive of prevention, protection, mitigation, response, and recovery. Disaster aid programs are frequently evaluated on a cost-effectiveness basis, though this is not the overriding goal of disaster aid programs. **Yet there are no cost-effectiveness calculations measuring the impact that additional housing investments in the response and recovery phase may have on future disaster expenses.**[104]

One criterion for designing disaster assistance programs, identified by Government Accountability Office (GAO) in 1980, described that:

> No individual or group of individuals should be able to improve on their pre-disaster state as a result of disaster assistance unless such an improvement would result in less cost to the Government in future disasters.[105]

When it comes to housing assistance, FEMA has no standing metric to measure the total cost of shelter and housing for a single household, across all sheltering and housing programs. Further still, disaster housing programs and affordable housing programs are intrinsically siloed across multiple federal agencies which prevents policymakers from determining the long-term cost effectiveness of providing permanent housing to disaster survivors to meet both disaster housing and affordable housing challenges.

As identified above, moral hazard is an important consideration when developing disaster programs. In some cases, and after broadening the scope of measurement to more than just a single disaster event, FEMA has determined it makes sense to provide a permanent support to disaster survivors to achieve cost effectiveness and to reduce the impact of moral hazard. Looking across flooding events, FEMA has identified Repetitive Loss Properties and Severe Repetitive Loss Properties as households who receive recurring rebuilding assistance from the National Flood Insurance Program. The ability to get recurring assistance essentially encourages NFIP policyholders to maintain residency in flood prone areas by alleviating the disincentive associated with disaster risk. To reduce long-term costs, FEMA has prioritized these properties for buyouts which reduces a community's overall risk. **This calculation relies on the ability of FEMA to identify repeat recipients of disaster assistance across flood events, something that is not possible across the entire spectrum of government-supported housing programs.**

By looking outside the scope of a single disaster, **the same approach can be applied to disaster and affordable housing assistance provided not just by the federal government, but also by state, local, tribal and territorial governments.** It will be extremely challenging to develop an accurate and accepted cost calculation for disaster and affordable housing assistance across multiple levels of government over time. **Having such a metric – across different disaster housing programs, different disasters, and even non-disaster housing challenges – will allow policymakers to determine what housing programs across the combined disaster and affordable housing space are most appropriate and cost-effective.**

Over time, restrictions have been eased allowing for rebuilding beyond just a community or household's pre-disaster state. For example, the National Disaster Recovery Framework in 2011 described recovery as "more than the community's return to pre-disaster circumstances." Similarly, the National Mitigation Framework from 2013 identified the following as a critical task for long-term vulnerability reduction: "Capitalize on opportunities during the recovery building process to further reduce vulnerability."[106]

At a census tract level, the U.S. Centers for Disease Control and Prevention (CDC) maintain a social vulnerability index cataloging how factors including poverty, lack of access to transportation, and crowded housing may weaken a community's ability to prevent human suffering and financial loss in a disaster.[107] Measures of vulnerability are at the community level over time while FEMA housing programs are tracked at the applicant (household) level for individual disasters. This is one example of a mismatch further complicating the ability to evaluate cost-effectiveness against vulnerability reduction. An additional complication is that those survivors who may be most in need of permanent housing support may also face additional social and economic challenges that impact long-term vulnerability but are unrelated to housing. Many survivors in greatest need of permanent housing were among the community's most vulnerable well before the disaster.

FEMA's disaster housing programs have the potential – beyond assisting disaster survivors – to partially address the nation's affordable housing and long-term vulnerability challenges. One policy calculation that needs to take place is a determination of whether the cost to provide increased permanent housing outweighs the costs avoided from providing ongoing temporary housing, combined with the reduction in vulnerability that permanent housing may cause. **Policymakers will have to shift their fundamental understanding of disaster housing, affordable housing, and long-term vulnerability to calculate figures that would drive a holistic approach to housing cost-effectiveness.**

Should modified disaster housing programs be determined to be beneficial for meeting affordable housing and long-term vulnerability challenges, policymakers would also have to determine whether and how disaster housing programs should be adjusted to also meet the preferences of disaster survivors, the most important decision maker in the recovery process.

Recommendations

This report's intended audience is emergency managers; community planners; housing agencies; policymakers at local, state, tribal, territorial, and federal levels; leaders in the building code community; home construction companies; and others who have a goal of addressing challenges around disaster housing. The following recommendations were written with those stakeholders in mind. The recommendations were developed to:

- better address the challenges faced by disaster housing,
- leverage the potential of factory-built housing at scale,
- approach the nation's affordable housing challenges from a new direction, and
- produce better disaster recovery outcomes for all Americans.

Recommendations are grouped into three categories: Process Improvement, Decision Support, and Direction Setting.

Process Improvement

1. Code compliance, zoning ordinances, and permitting requirements are often cited as drivers in the timing and success of post-disaster temporary housing. FEMA and states should develop a common process to quantify and track the impact that specific state, county, city, or municipal rules and ordinances have on implementation speed of post-disaster housing. This information should drive long-term process improvement.

2. The National Governors Association, and associations representing state and local government officials, should collaboratively develop criteria for when governors and state legislatures should leverage existing or new authorities to enact uniform rebuilding standards and processes across counties, cities, and local municipalities impacted by statewide disasters – for the purpose of speeding disaster rebuilding.

3. FEMA and states should develop public-private partnerships to leverage "pop-up housing factories" following catastrophic events.

Decision Support

4. FEMA and HUD should work with others to develop a measurement of the total cost of sheltering and housing services – across both disaster housing and affordable housing programs – for a given family. This holistic metric should cut across different disaster housing programs, different disasters, and even non-disaster housing programs, and should include services provided by all levels of government. This metric should inform policymakers' evaluations around cost-effectiveness of disaster rebuilding programs.

5. FEMA and HUD should support research on moral hazard and the incentive effects of providing permanent housing to disaster survivors.

6. FEMA should conduct an assessment of when disaster housing programs defined and intended to be temporary achieve levels of permanency. How often, under what conditions, and for what demographics does this occur? HUD, GAO, and the Department of Homeland Security Office of Inspector General (DHS OIG) should make themselves available to support this effort. This assessment should inform policymakers' future decisions around disaster housing programs in America.

7. HUD should update its analysis of the cost and labor benefits of factory-built building types. Specific interest should be paid to construction labor shortages in post-disaster settings. The most recent standardized comparison was funded by HUD and conducted by the NAHB Research Center in 1998.[108]

Direction Setting

8. The Department of Labor and FEMA should develop and integrate a strategy around engaging the construction workforce in disaster rebuilding – and this should take into account the workforce gap in America's construction industry.

9. Congress should identify if and how the factory-built housing industry should be further supported due to this industry's small market share, the nation's ongoing housing shortage, and the broader stagnation in construction labor productivity.

10. Emergency managers and housing officials, from the local, state, and federal levels, should develop a strategy to consider what place (if any) formalized temporary-to-permanent rebuilding should have in America's emergency management toolkit. This group should evaluate how current regulations defining temporary and permanent housing impact the viability of this disaster housing method.

11. Congress, the National Governors Association, and associations representing state and local government officials, should develop a long-term vision on how best to leverage emergency management and disaster housing to address long-term vulnerability reduction and year-round affordable housing challenges.

Necessary Areas of Further Disaster Research

This report has focused on the residential construction market and the role that factory-built houses, at scale, can play in achieving faster disaster recovery. A single method of building construction is by no means a panacea for the complexities and challenges in disaster housing specifically, or disaster recovery broadly. A number of key drivers in disaster housing success in America are left unaddressed by looking exclusively at construction methods for single-family houses.

For example:

1. Multi-family housing, which is also used frequently by low-income communities.
2. Housing accessibility for people with disabilities or other access and functional needs.
3. Disaster survivors who are housing-insecure, or may have been experiencing homelessness before the disaster.
4. Programs supporting disaster repairs, not just new construction.
5. Programs supporting renters, not just homeowners.
6. A survivor's ease or difficulty of navigating government disaster housing programs.
7. Strategies to improve code adoption, code enforcement, code modernization, and disaster-specific waivers.
8. Strategies to decrease the extent that households are uninsured or underinsured.
9. The impact of land use, zoning, and floodplain determinations on future disaster housing challenges.
10. The unique nature of housing regulations that may exist in federally recognized tribal lands or territories.
11. The impact of climate change on future disaster housing challenges.
12. The role that managed retreat may play in mitigating the impact of future disasters.
13. What role the government might play in providing relocation support rather than rebuilding support, and how local primacy may impact rebuilding decisions.

While unable to address these topics in depth here, the authors wish to note the importance of these housing-related challenges. This list is not simply included as an afterthought; these topics deserve further research, dialogue, attention, and solutions.

Appendices

A. Overview of FEMA's Shelter and Housing Programs

FEMA has a variety of programs that assist disaster survivors with shelter and housing needs. This appendix attempts to summarize FEMA's various shelter- and housing-related terms in common language. The examples come from the range of FEMA Individual Assistance and Public Assistance programs.

1. **Emergency Protective Measures (related to private housing property)**
   - Emergency work to protect public health and safety and to eliminate or lessen immediate threats of significant additional damage to improved public or private property through measures which are cost-effective. For example:
     - Pumping of flooded basements
     - Repair of residential electrical meters to reduce the number of survivors needing shelter
     - Fiber-reinforced plastic sheeting to cover damaged residential roofs (Blue Roof)

2. **Sheltering**
   - Providing a safe, sanitary, and secure place for evacuees and disaster survivors to stay while displaced from their homes
   - There are practical distinctions between evacuation shelters, short-term shelters, and long-term shelters. There are also congregate shelters (e.g., school gymnasiums) and non-congregate shelters (e.g., hotel rooms through Transitional Sheltering Assistance).

3. **Financial Housing Assistance**
   - Funds provided to eligible applicants for temporary lodging expenses, rental of temporary housing, or repair or replacement of a damaged primary residence

4. **Direct Temporary Housing Assistance**
   - Housing provided to eligible applicants when they are unable to use financial housing assistance (rental assistance) to secure temporary housing. Can come in two forms:
     - Temporary Housing Units through Multi-Family Lease and Repair or Direct Lease
     - Transportable Temporary Housing Units through the placement of Manufactured Housing Units (MHU) and/or recreational vehicles (RVs) placed on private, commertcial, or group sites.

5. **Permanent Housing Construction**
   - Permanent repairs or new construction when both Financial Housing Assistance (rental assistance) and Direct Temporary Housing Assistance are not feasible, available, or cost-effective (such as insular areas).

6. **Semi-Permanent Housing Construction**
   - Very similar to permanent housing construction, rarely referenced with this term
   - Semi-permanent has an added definition of "housing designed and constructed with finishes, material, and systems selected for moderate (or better) energy efficiency, maintenance, and life cycle cost, and with a life expectancy of more than 5 years but less than 25 years."[109]

Readers seeking comprehensive language, including nuanced regulator and policy terms, should look to the following sources:

- FEMA's Individual Assistance Program and Policy Guide[110]
- FEMA's Public Assistance Program and Policy Guide[111]
- Title 44, Code of Federal Regulations
- Stafford Act, as amended

B. Trends with Residential Construction in America

Two important trends within America's residential construction market include stagnant labor productivity and a domination of site-built homes.

Globally, there is a stagnation in construction sector labor productivity. As Figure 12 illustrates, growth in labor productivity for the construction sector lags behind that of both manufacturing and the total economy:

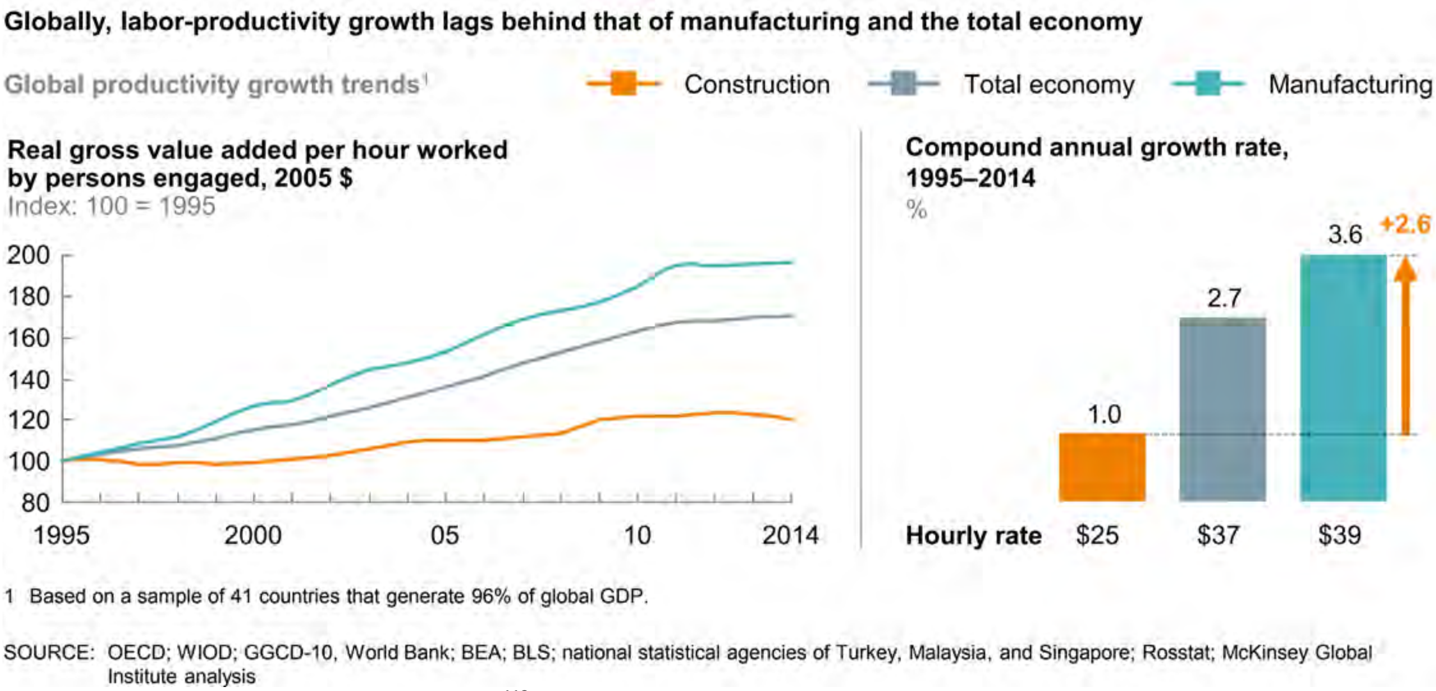


Figure 12: Global Construction Labor Productivity Trends[112]

Looking just at the United States, Figure 13 shows that construction labor productivity has decreased since the 1960s, while non-farm labor productivity has steadily improved.

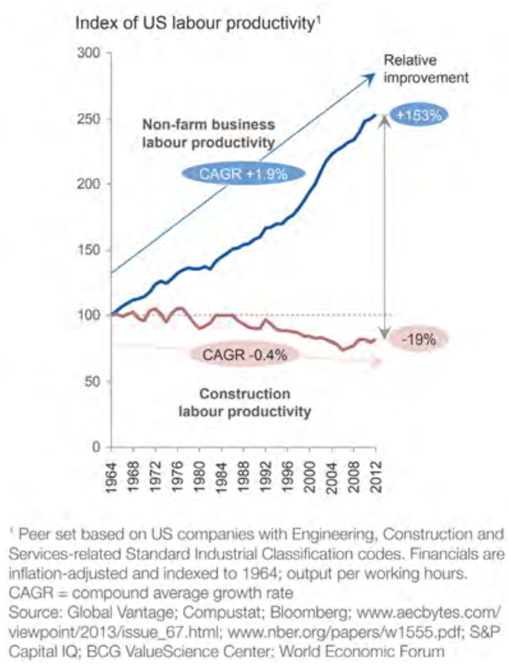


Figure 13: U.S. Construction Labor Productivity Trends, 1964–2012[113]

And looking at new housing construction in the United States specifically, labor productivity for single-family housing has remained at about the same level for the last 30 years. Additionally, labor productivity for multi-family new housing construction has drastically exceeded that of single-family new housing construction. See Figure 14 to see housing labor productivity trends since 1987.

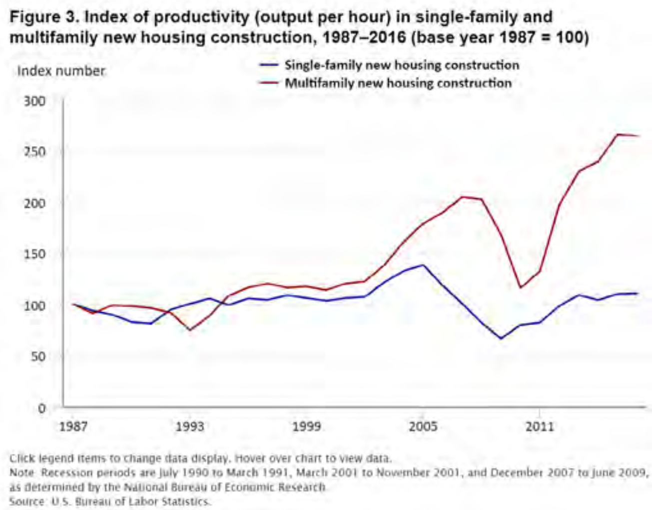


Figure 14: Labor Productivity in Single-Family Home Construction Has Lagged Labor Productivity in Multi-Family New Housing Construction[114]

A key driver in labor productivity of single-family homes is the construction method. As discussed above, site-built homes – constructed on site through sequential fabrication and assembly of products, materials and systems into finished homes by skilled tradesmen and general laborers[115] – represent the majority of single-family home construction in the United States. In 2017, site-built homes represented 87% of single-family homes built in the United States. And from 2003 to 2017, site-built homes represented an average of 90.4% of the U.S.'s single-family home construction market.[116]

Site-built construction represents the tried-and-true method of new home construction in the United States. Further use of the automated home construction methods found in factory-built housing construction has the potential to drastically close the labor-productivity gap facing America's housing construction workers.

C. Cost of FEMA Manufactured Homes

There is no single dollar figure consistently referenced to describe the cost to FEMA for a manufactured home. In some ways, trying to identify a single cost for the use of a manufactured home in a disaster setting is similar to identifying a single cost for rebuilding a damaged home after a disaster. There are many options and circumstances which determine total cost. All of this adds to the complexity of identifying the cost of using a manufactured home in a disaster setting.

GAO, DHS OIG, and FEMA have documented a wide range of costs for manufactured homes. Figures go from $17,558 to $229,000 and describe housing unit costs for disasters as far back as Katrina; for both RVs/travel trailers and manufactured homes; in private, group, and commercial sites; with or without tank pump systems; purchased off the lot or from manufacturers. This range in dollar values illustrates the difficulty in using a single dollar value to estimate cost of a housing unit. Additionally, the choice of what dollar figure to attribute to the cost of a manufactured home has an extremely significant impact on the results of any analysis.

Figure 15 documents the range of cost figures cited in reports from GAO and DHS OIG. The table also includes figures from FEMA. Figure 16 documents those same cost figures graphically, highlighting the site type as well as the unit type.

Attempting to take into account some of those difficulties, the authors sought out a standardized cost estimation method. Appendix I of the DHS Acquisition Instruction/Guidebook #102-01-001 is titled “Life Cycle Cost Estimates (LCCE), Independent Cost Estimates (ICE) and Cost Estimating Baseline Documents (CEBD).” This document, written in 2011 by DHS’s Cost Analysis Division, provides guidance to DHS units on creation of Lifecycle Cost Estimates.

The authors utilized the December 2017 MHU Lifecycle Cost Estimate from FEMA’s Logistics Management Directorate (LMD). The authors took the estimated total program cost over a period of 13 fiscal years and divided that by the estimated total deployments over that same period. FEMA LMD’s Lifecycle Cost Estimate accounted for the overall MHU program (not just a single unit’s deployment). This includes long-term storage costs for approximately 2,000 units, resale value, repeated unit use, tank and pump systems, group sites, commercial site expansion, haul and install, living kits, maintenance, transportation, deactivation, and other costs. This resulted in a simplified point estimate of $110,000 per transportable temporary housing unit.

It is important to recognize that the simplified point estimate of $110,000 is exceeded by three estimates developed by FEMA in 2017: $129,198; $148,998; and $202,007. Again, specific figures depend on the circumstances of the disaster activation. Given the estimates FEMA created in 2017, the authors understand that the $110,000 figure is likely an underestimate. **Leveraging the standardized methodology to calculate the Lifecycle Cost Estimates as well as FEMA’s 2017 estimates, the authors chose to use $110,000 to $129,000.**

Table 15: Summary of Past References to the Cost of Temporary Transportable Housing Units

Cost	Unit Type	Purchase Source	Site Type	Data Source
$17,558	Trailer	Manufacturer	Private Site	DHS OIG-08-93 (9/2008)
$26,558	Trailer	Off the Lot	Private Site	DHS OIG-08-93 (9/2008)
$29,348	Trailer	Manufacturer	Commercial Site	DHS OIG-08-93 (9/2008)
$30,000	Trailer	Manufacturer	Private Site	GAO-08-106 (11/2007)
$38,348	Trailer	Off the Lot	Commercial Site	DHS OIG-08-93 (9/2008)
$43,455	MHU	Manufacturer	Private Site	DHS OIG-08-93 (9/2008)
$51,455	MHU	Off the Lot	Private Site	DHS OIG-08-93 (9/2008)
$60,000	MHU	Manufacturer	Private Site	DHS OIG-13-102 (6/2013)
$61,970	MHU	Manufacturer	Commercial Site	DHS OIG-08-93 (9/2008)
$69,000	Trailer	Manufacturer	Group Site	GAO-08-106 (11/2007)
$69,970	MHU	Manufacturer	Commercial Site	DHS OIG-08-93 (9/2008)
$74,948	Trailer	Manufacturer	Group Site	DHS OIG-08-93 (9/2008)
$79,000	MHU	Manufacturer	Commercial Site	DHS OIG-13-102 (6/2013)
$83,000	Trailer	Manufacturer	Group Site	GAO-08-106 (11/2007)
$83,938	Trailer	Off the Lot	Group Site	DHS OIG-08-93 (9/2008)
$105,770	MHU	Manufacturer	Group Site	DHS OIG-08-93 (9/2008)
$113,770	MHU	Manufacturer	Commercial Site	DHS OIG-08-93 (9/2008)
$115,000	MHU	Manufacturer	Group Site	DHS OIG-13-102 (6/2013)
$126,000	Trailer	Manufacturer	Commercial Site	GAO-08-106 (11/2007)
$129,198	MHU	Manufacturer	Private Site	Prepared for DR4277 Congressional Testimony (4/5/2017)
$148,998	MHU	Manufacturer	Commercial Site	Prepared for DR4277 Congressional Testimony (4/5/2017)
$202,007	MHU	Manufacturer	Group Site	DR4332 Housing Option Analysis (9/15/2017)
$229,000	MHU	Manufacturer	Group Site	GAO-08-106 (11/2007)

Figure 16: Graphical Summary of Past References to the Cost of Temporary Transportable Housing Units
Note: Dollars have not been adjusted for inflation.
Sources: DHS OIG-08-93, GAO-08-106, DHS OIG-13-102, and FEMA

Endnotes

1. Federal Disaster Relief Act, Public Law 81-875. https://www.loc.gov/law/help/statutes-at-large/81st-congress/session-2/c81s2ch1125.pdf, https://training.fema.gov/emiweb/downloads/is7unit_3.pdf

2. 2012 Census of Governments, U.S. Census Bureau, https://www.census.gov/newsroom/releases/archives/governments/cb12-161.html

3. This is up from 41% in 2014. 2018 National Preparedness Report.

4. Congressional Research Service Report R44619, August 31, 2017, "FEMA Disaster Housing: The Individuals and Households Program—Implementation and Potential Issues for Congress" Page 16: "[The] actual role that states play in disaster housing, as administered by FEMA in the disaster recovery process, is quite limited. Not only do states not contribute to the costs of disaster housing through any cost-shares with regard to rental or repair expenditures, they also do not have any obligation to assist in the physical establishment of temporary manufactured housing communities." https://crsreports.congress.gov/product/pdf/R/R44619 Note that both TSA and the STEP pilot are defined to be Public Assistance (rather than Individual Assistance). States and territories generally pay a cost-share for Public Assistance programs.

5. 2018 National Preparedness Report, p. 34, https://www.fema.gov/media-library/assets/documents/170861

6. States have begun to take an administration and implementation role on federal direct housing missions. On September 22, 2017, an inter-governmental service agreement was signed by FEMA and the State of Texas allowing the Texas General Land Office to implement direct housing after Hurricane Harvey. The Disaster Recovery Reform Act of 2018 also provides mechanisms to further empower states to implement federal disaster housing programs. However, state implementation of federal direct housing programs are still constrained by federal disaster housing policies and tools.

7. In this report, the term "factory-built housing" is used to include modular, panelized, and pre-assembled housing construction methods. This excludes both site-built housing and manufactured housing. As the focus of this report is on post-disaster housing, and because construction labor is usually highly demanded after a disaster, this definition was created to encompass the housing methods with decreased labor requirements for final construction/installation on-site. The provision of manufactured housing is contrasted with the provision of permanent housing, so even though manufactured homes are built in factories, they are excluded from this definition of "factory-built housing." Dual code housing options (i.e., meeting HUD code as a manufactured house and other building codes as a modular house) are excluded from this analysis because of their relatively small portion of the housing market. Other reports offer unique definitions for "factory-built housing" including these reports from HUD's Partnership for Advancing Technology in Housing, which each use a different definition for factory-built housing: Factory-Built Housing Roadmap, January 2006; and A Community Guide to Factory-Built Housing, September 2001.

8. Seminar was conducted under Chatham House Rule. All participants are anonymous to give an unfiltered and objective view/opinion on the use of factory-built homes during disasters.

9. The NAHB provided no financial compensation for participation in this summit. MIT speakers received free admission to the two-day meeting but paid their own travel costs. The NAHB provided no financial support for the research or work in this report.

10. The National Manufactured Housing Construction and Safety Standards Act of 1974. The HUD code governs construction, as well as installation of manufactured homes. FEMA stopped using RVs/travel trailers in 2007 and park models in 2012. https://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-102_Jun13.pdf

11. https://www.iccsafe.org/codes-tech-support/codes/2018-i-codes/irc/

12. https://www.iccsafe.org/wp-content/uploads/Master-I-Code-Adoption-Chart-july-update.pdf Accessed 4/16/2019.

13. http://www.h-gac.com/community-and-environmental-planning-publications/documents/Back-Home-Rapid-Housing-Recovery-Pilot-Program-Report.pdf

14. Author interview with Abraham Gunn (FEMA) on 4/9/2019.

15. http://www.h-gac.com/community-and-environmental-planning-publications/documents/Back-Home-Rapid-Housing-Recovery-Pilot-Program-Report.pdf

16. For disasters receiving a Major Disaster Declaration, FEMA may provide housing assistance as part of its Individuals and Households Program in counties designated to receive Individual Assistance. FEMA would provide Direct Housing Assistance in cases where Financial Housing Assistance would have a limited effect due to a lack of housing stock in a community. https://www.fema.gov/individual-assistance-program-and-policy-guide

17. An analysis of recent major disasters showed that transportable housing units were utilized several orders of magnitude higher than other direct housing types. Analysis included 2016 Louisiana Floods (DR-4277), 2017 Harvey Texas (DR-4332), 2008 Ike Texas (DR-1791), 2017 California Wildfires (DR-4344), 2017 Irma Florida (DR-4337), and 2015 Matthew North Carolina (DR-4285). Some of these disasters did not include activation of Direct Lease or Multi-Family Lease and Repair programs which further indicates the tendency to rely on transportable housing units, and the recency in which the programs have been created or expanded. It is important to note that for the majority of disasters, temporary housing is accessible via vacant apartments, extended stay hotels, etc. Thus, the vast majority of disasters, and the majority of presidentially declared disasters, do not require transportable housing units. But when they are used, they can be used in large numbers for entire communities.

18. FEMA stopped using RVs/travel trailers in 2007 and park models in 2012. https://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-102_Jun13.pdf

19. The National Manufactured Housing Construction and Safety Standards Act of 1974. The HUD code governs construction as well as installation of manufactured homes.

20. https://www.fema.gov/media-library-data/20130726-1819-25045-9288/ndhs_core.pdf, p. 66

21. Answers attributed to then-FEMA Administrator Craig Fugate, in response to written questions, following a July 8, 2009 hearing of the House Committee on Homeland Security titled "FEMA Housing: An Examination Of Current Problems And Innovative Solutions." https://www.govinfo.gov/content/pkg/CHRG-111hhrg52955/pdf/CHRG-111hhrg52955.pdf

22. A 1998 report sponsored by the Manufactured Housing Institute estimated the life expectancy of a manufactured home to be 57.5 years. Meeks, Carol B. 1998. Manufactured Housing Life. Arlington, Va.: Manufactured Housing Institute.

23. The 18-month time period starts on the federal disaster declaration date. This time period can be extended on a case by cases basis past 18 months. The time requirement for non-permanent direct housing assistance is not limited to manufactured homes, but to other types of direct housing assistance as well – such as Direct Lease.

24. Analysis in the "What Is Stopping Us?" section beginning on page 20 shows market share totals for new single-family home construction. Manufactured housing is prevalent primarily in the South, where some 58% of the 6.6 million units nationwide are located.

25. Costs were estimated based on HUD Fair Market Rents for 2BR and 3BR units in Tuscaloosa County and Alameda County. In each county, these two prices were averaged, received a 10% administrative surcharge, and were multiplied across 18 months. This replicates one method that FEMA uses internally when evaluating housing costs.

26. https://www.epa.gov/formaldehyde/formaldehyde-emission-standards-composite-wood-products

27. Inventories measured by months of supply and millions of units. A household is cost-burdened if it spends more than 30% of its income on housing. The State of the Nation's Housing 2018, Joint Center for Housing Studies of Harvard University. http://www.jchs.harvard.edu/state-nations-housing-2018

28. Bureau of Labor Statistics's (BLS) Job Openings and Labor Turnover Survey (JOLTS).

29. https://reports.nlihc.org/gap/about

30. https://www.oig.dhs.gov/assets/Mgmt/OIG_09-111_Sep09.pdf

31. https://www.wcdrr.org/uploads/Reconstructing-after-disasters-Build-back-better.pdf

32. The UN General Assembly has formally defined "Build Back Better" as: "The use of the recovery, rehabilitation and reconstruction phases after a disaster to increase the resilience of nations and communities through integrating disaster risk reduction measures into the restoration of physical infrastructure and societal systems, and into the revitalization of livelihoods, economies, and the environment." UN General Assembly, December 1, 2016. Report of the open-ended intergovernmental expert working group on indicators and terminology relating to disaster risk reduction. A/71/644. https://undocs.org/A/71/644

33. The Sendai Framework was adopted by UN Member States on March 18, 2015, at the Third UN World Conference on Disaster Risk Reduction in Sendai City, Miyagi Prefecture, Japan.

34. https://www.governor.ny.gov/sites/governor.ny.gov/files/atoms/files/PRERWG_Report_PR_Grid_Resiliency_Report.pdf, https://www.governor.ny.gov/sites/governor.ny.gov/files/atoms/files/Build_Back_Better_PR.pdf

35. https://www.fema.gov/national-disaster-recovery-framework, NDRF 2nd ed., p. 55

36. In this report, "permanent housing construction" is used to be inclusive of both permanent and semi-permanent construction.

37. Public Law 100-707

38. Public Law 106-390

39. DHS OIG 08-93

40. Public Law 109-234. https://www.fema.gov/pdf/about/programs/ahpp/ahpp_pamphlet.pdf

41. https://www.fema.gov/news-release/2008/02/29/fema-evaluating-non-traditional-alternatives-trailers/mobile-homes-future, https://www.fema.gov/media-library-data/20130726-1819-25045-9288/ndhs_core.pdf

42. Public Law 109-295

43. https://www.fema.gov/media-library-data/20130726-1819-25045-9288/ndhs_core.pdf

44. NDHTF membership is composed of federal agency partners, including the Federal Emergency Management Agency (FEMA), Department of Housing and Urban Development (HUD), U.S. Access Board, Department of Homeland Security (DHS), Department of Justice (DOJ), Department of the Interior (DOI), Environmental Protection Agency (EPA), General Services Administration (GSA), Department of Health and Human Services (HHS), National Council on Disability (NCD), Small Business Administration (SBA), U.S. Army Corps of Engineers (USACE), U.S. Department of Agriculture (USDA) and the Department of Veterans Affairs (VA). https://www.fema.gov/ar/media-library/assets/documents/25783

45. April 11, 2017 memo from FEMA's Acting Administrator Robert Fenton

46. Part of the Federal Aviation Administration Reauthorization Act of 2018. Public Law 115-254.

47. IAPPG https://www.fema.gov/media-library-data/1551713430046-1abf12182d2d5e622d16accb37c4d163/IAPPG.pdf , 42 U.S.C. § 5174(c)(4) and 44 C.F.R. § 206.117(b)(4).

48. FEMA's Individual Assistance Program and Policy Guide (IAPPG) in March 2019 describes that TSA policy changes are forthcoming. MIT's description of the TSA program may be inconsistent with future TSA policy changes not found in the IAPPG. To calculate nightly population count for the TSA program, MIT used data provided by FEMA's Recovery Analytics Division as of 12/7/2018. A one night peak of 73,462 individuals was calculated by MIT for Hurricane Harvey on 9/23/2017. This includes all TSA entries with a bill start date prior to or including 9/23/2017 and a bill end date later than or including 9/24/2017. A total of 24,972 registrant numbers met this criteria and household composition for these registrant numbers was used to determine a total of 73,462 individuals. Note that a total of 185 registrants were listed more than once. Duplicate entries were not removed. MIT's estimate of 73,000 differs from a one night peak of 69,187 individuals reported for 9/24/2017 in the "TSA Daily Summary Report" also generated by FEMA's Recovery Analytics Division. For other disaster events, TSA totals were not significantly above peak shelter population totals. For example, Louisiana 4277 had a shelter peak at approximately 10,500 and a TSA peak at approximately 10,000. Ike 1791 had a shelter peak at approximately 31,600 and a TSA peak at approximately 32,100. California Wildfire 4344 had a shelter peak at approximately 4,300 and a TSA peak at 735. Florida Irma 4337 had a shelter peak at approximately 190,000 and a TSA peak at approximately 28,000.

49. https://www.fema.gov/news-release/2017/09/17/4337/frequently-asked-questions-about-operation-blue-roof, https://www.pbs.org/wgbh/frontline/article/after-maria-thousands-on-puerto-rico-waited-months-for-a-plastic-roof/, https://www.apnews.com/a99551194b144db490b25c7f0e6d46fd

50. https://www.fema.gov/media-library-data/20130726-1858-25045-8258/step_pilot_program_final_111612.pdf

51. https://www.nytimes.com/2014/09/05/nyregion/after-hurricane-sandy-a-rebuilding-program-is-hindered-by-its-own-construction.html?module=inline

52. https://www.habitat.org/sites/default/files/pathways-to-permanence.pdf

53. https://www.regulations.gov/document?D=FEMA-2008-0009-0040

54. Analysis in the "What Is Stopping Us?" section beginning on page 20 shows market share totals for new single-family home construction.

55. As described above, "factory-built homes" includes modular, panelized, and pre-cut homes while excluding manufactured homes as a separate category due to its orientation around HUD code.

56. "Factory and Site-Built Housing—A Comparison for the 21st Century," NAHB Research Center, 1998. https://www.huduser.gov/Publications/pdf/factory.pdf

57. Bureau of Labor Statistics' (BLS) Job Openings and Labor Turnover Survey (JOLTS).

58. McGraw-Hill SmartMarket Report. Prefabrication and Modularization: Increasing Productivity in the Construction Industry. 2011. https://www.nist.gov/sites/default/files/documents/el/economics/Prefabrication-Modularization-in-the-Construction-Industry-SMR-2011R.pdf This was sponsored in part by the U.S. Department of Commerce National Institute for Standards and Technology, the Modular Building Institute, and the National Institute of Building Sciences.

59. "Factory and Site-Built Housing—A Comparison for the 21st Century," NAHB Research Center, 1998.

60. http://www.globalconstructionreview.com/trends/why-sweden-beats-world-h8an0ds-4d2own0-6p4r2e0f8ab/, https://theconversation.com/building-a-housing-industry-from-the-relics-of-a-car-industry-23195

61. https://theconversation.com/building-a-housing-industry-from-the-relics-of-a-car-industry-23195

62. https://www.bca.gov.sg/Newsroom/pr10032014_BCA.html, https://www.mnd.gov.sg/newsroom/speeches/view/budget-2018-speech-by-2m-desmond-lee-transforming-our-built-environment

63. http://english.gov.cn/policies/latest_releases/2016/09/30/content_281475455281032.htm

64. https://www.forbes.com/sites/sherikoones/2019/02/04/prefab-101-defining-the-many-forms-of-factory-built-homes/#75d0bbf15bd0

65. https://www.forbes.com/sites/sherikoones/2019/02/04/prefab-101-defining-the-many-forms-of-factory-built-homes/#75d0bbf15bd0, https://www.forbes.com/sites/sherikoones/2019/02/18/extraordinary-prefab-houses-around-the-world/#218b5b154386

66. https://www.forbes.com/sites/sherikoones/2019/02/04/prefab-101-defining-the-many-forms-of-factory-built-homes/#75d0bbf15bd0, https://www.forbes.com/sites/sherikoones/2019/02/18/extraordinary-prefab-houses-around-the-world/#218b5b154386

67. https://www.gov.uk/government/publications/technology-and-skills-in-the-construction-industry UKCES, (2013). Technology and skills in the construction industry. UKCES, London; https://web.ornl.gov/sci/buildings/conf-archive/2004%20B9%20papers/174_Gorgolewski.pdf

68. See section titled "A Relatively Small Industry Base for Factory-Built Homes" on page 21 for a description of how this number was calculated. Three percent excludes manufactured homes while 13% includes them.

69. http://dx.doi.org/10.5130/AJCEB.v16i2.4741, https://eprints.qut.edu.au/81178/1/QUT-Housing-Project-Industry-Paper-3-web-final_D788.pdf

70. https://katerra.com/en.html, https://katerra.com/content/dam/katerra/www/en_us/assets/white-paper/Building%20Platforms-Print-v7_no%20crop.pdf

71. https://www.wsj.com/articles/google-bets-on-modular-homes-to-fill-housing-demand-1497448838

72. https://news.marriott.com/2017/05/marriott-international-expands-modular-construction-initiative/, https://www.prnewswire.com/news-releases/worlds-tallest-modular-hotel-set-to-rise-in-new-york-city-this-fall-highlighting-marriott-internationals-vision-to-disrupt-the-way-buildings-get-built-300834707.html

73. https://www.constructiondive.com/news/21-story-modular-hotel-opened-in-nyc-said-to-be-tallest-in-us/541044/, https://archpaper.com/2018/12/citizenm-new-york-bowery-hotel-modular-construction/#gallery-0-slide-0

74. https://therealdeal.com/2018/05/24/city-issues-first-affordable-housing-rfp-requiring-modular-construction/

75. https://www.prnewswire.com/news-releases/worlds-tallest-modular-hotel-set-to-rise-in-new-york-city-this-fall-highlighting-marriott-internationals-vision-to-disrupt-the-way-buildings-get-built-300834707.html

76. Community Development Corporation of Brownsville; buildingcommunityWORKSHOP; La Union del Pueblo Entero; A Resource In Serving Equality; Hazard Reduction & Recovery Center, Texas A&M University; and Texas Low Income Housing Information Service

77. http://www.bcworkshop.org/posts/expanding-rapido-for-gulf-coast-recovery

78. Along with Tegrity Homes, Home Innovation Research Labs, and Architend.

79. http://www.h-gac.com/community/publications/documents/Back-Home-Rapid-Housing-Recovery-Pilot-Program-Report.pdf

80. The H-GAC's Back Home Rapid Housing Recovery Pilot Program experienced delays in standing up permanent housing quickly after Ike. Many of the homes were completed in 2011, 3 years after Ike made landfall. Per interview with Josh Owens from H-GAC on 2/23/2018.

81. https://capitol.texas.gov/tlodocs/81R/billtext/html/HB02450F.HTM

82. https://www.nytimes.com/2014/09/05/nyregion/after-hurricane-sandy-a-rebuilding-program-is-hindered-by-its-own-construction.html

83. https://www.nytimes.com/2017/10/22/nyregion/hurricane-sandy-modular-homes.html

84. http://restore.la.gov/homeowner-assistance-program/

85. https://www.urban.org/sites/default/files/publication/98463/the_evidence_base_on_how_cdbg-dr_works_for_state_and_local_stakeholders_0.pdf

86. https://www.iccsafe.org/building-safety-journal/bsj-technical/icc-joins-modular-building-revolution/ These standards would achieve a goal similar to that of the Interstate Industrialized Buildings Commission (IIBC). The IIBC was created in 1992 when the states of Minnesota, New Jersey, and Rhode Island enacted the Interstate Compact for Industrialized/Modular Buildings. In 2011, North Dakota joined the commission and Wisconsin created a separate agreement with Minnesota to allow modular homes manufactured in Minnesota to be sited in Wisconsin. Separate from the IIBC, Idaho has created interstate agreements related to the manufacture and location of modular structures. Idaho has entered into agreements with Oregon, Washington, Montana, Colorado and Nevada.

87. https://www.iccsafe.org/building-safety-journal/bsj-hits/icc-releases-repurposed-shipping-containers-guideline/

88. http://www.h-gac.com/community-and-environmental-planning-publications/documents/Back-Home-Rapid-Housing-Recovery-Pilot-Program-Report.pdf

89. Report titled "Natural Disaster Housing Reconstruction Plan" was submitted to the state of Texas's "Natural Disaster Housing Reconstruction Advisory Committee" on November 30, 2010 as required by Texas HB 2450, 81st Legislative Session. http://www.h-gac.com/community-and-environmental-planning-publications/documents/natural-disaster-housing-reconstruction-plan.pdf

90. https://www.fema.gov/news-release/2018/02/28/fema-housing-program-changes-underway-deadline-extended-through-may-15

91. U.S. Census Bureau, Survey of Construction and Manufactured Housing Survey. Totals for modular and panelized homes were not tracked prior to 1992. Not captured is the fact that there have been significant fluctuations in nationwide construction totals over this time period. A small market share for modular and panelized homes held true both In both high building years (ex – 2005 and 2006 each had more than 1.7M in single-family home construction) and low building years (2009-2012 each had less than 600K in single-family home construction).

92. U.S. Census Bureau, Survey of Construction and Manufactured Housing Survey.

93. U.S. Census Bureau, Survey of Construction and Manufactured Housing Survey.

94. National Disaster Housing Strategy

95. https://www.urban.org/sites/default/files/publication/98463/the_evidence_base_on_how_cdbg-dr_works_for_state_and_local_stakeholders_0.pdf

96. CDBG-DR funds are categorized by HUD into activity types. Six activity types were included, all of which relate to housing: Acquisition - buyout of residential properties; Affordable Rental Housing; Homeownership Assistance to low- and moderate-income; Rehabilitation/reconstruction of residential structures; Relocation payments and assistance; Rental Assistance (waiver only). These housing-related activity types likely include some amount of non-construction related support.

97. Dollars are grouped by calendar month spent. So "Ike" date does not represent declaration date of 9/13/2008, but start of that month at 9/1/2008. And "Ike Temp Housing Ends" does not represent declaration + 18 months (3/13/2010). But end of that month (3/31/2010). Similarly, "Louisiana Floods" represents 8/1/2016 rather than the declaration date of 8/14/2016, and "Louisiana Floods Temp Housing Ends" represents 2/28/2018 rather than 2/14/2016. A combined CDBG-DR appropriation was made available for Hurricanes Dolly and Ike. Recognizing all of these dollars as being for residential construction for Hurricane Ike will overestimate the amount of CDBG-DR dollars for Hurricane Ike, and will underestimate the amount of time the dollars took to get spent (because Hurricane Dolly dollars would likely have been spent, on average, earlier than Hurricane Ike dollars). The "Temp Housing Ends" dated do not account for temporary extensions which may have occurred.

98. http://www.h-gac.com/community-and-environmental-planning-publications/documents/Back-Home-Rapid-Housing-Recovery-Pilot-Program-Report.pdf

99. National Disaster Recovery Framework, p. 5

100. http://opim.wharton.upenn.edu/risk/library/WRCib2015a_FederalDisasterAssistance.pdf, http://www.independent.org/pdf/tir/tir_15_04_2_shughart.pdf, https://hbr.org/2012/11/the-problem-with-fema-no-one-is-talking-about, https://hazards.colorado.edu/uploads/observer/2013/may13_observerweb.pdf

101. https://www.fema.gov/policy-claim-statistics-flood-insurance https://fas.org/sgp/crs/misc/RL32972.pdf

102. A 2013 report by Marshall & Swift/Boeckh reports that 60% of homes in the U.S. were undervalued in the eyes of their insurance company by an average of 17%. https://www.prnewswire.com/news-releases/insurance-industrys-property-undervaluation-issue-continues-to-improve-according-to-marshall--swiftboeckh-218715371.html

103. The Natural Hazard Mitigation Saves: 2017 Interim Report

104. The National Institute of Building Sciences may include information on the value of retrofitting in future reports.

105. GAO Report PAD-80-39 dated July 16, 1980 titled "Federal Disaster Assistance: What Should The Policy Be?" https://www.gao.gov/products/PAD-80-39

106. https://www.fema.gov/media-library-data/20130726-1914-25045-9956/final_national_mitigation_framework_20130501.pdf

107. https://svi.cdc.gov/

108. "Factory and Site-Built Housing—A Comparison for the 21st Century," NAHB Research Center, 1998. https://www.huduser.gov/Publications/pdf/factory.pdf

109. 44 C.F.R. § 206.117(b)(4)

110. https://www.fema.gov/individual-assistance-program-and-policy-guide

111. https://www.fema.gov/media-library/assets/documents/111781

112. https://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/reinventing-construction-through-a-productivity-revolution, p. 32.

113. http://www3.weforum.org/docs/WEF_Shaping_the_Future_of_Construction_full_report__.pdf

114. https://www.bls.gov/opub/mlr/2018/article/pdf/measuring-productivity-growth-in-construction.pdf

115. https://www.huduser.gov/Publications/pdf/factory.pdf PDF Page 18. Document Page number 3.

116. For the purposes of this report, construction totals from the U.S. Census Bureau Survey of Construction and the U.S. Census Bureau Manufactured Housing Survey have been combined. With a focus on the role that modular, panelized, and manufactured homes play in the larger single-family home market, these two data sources are combined to create a new total of single-family homes built each year. To calculate totals of site-built homes, modular homes, and panelized homes, the U.S. Census Bureau Survey of Construction was utilized. Specifically, the Microdata files were used to make annual totals of "WEIGHT" by "MFGS" category. MFGS is defined as "Construction Method" in: https://www.census.gov/construction/chars/pdf/socmicro_info.pdf To calculate totals of Manufactured homes, the U.S. Census Bureau Manufactured Housing Survey was used. There was an attempt to use the Public Use Files, but those only exist for 2014-2017. Instead, the "shipment" totals found at https://www.census.gov/data/tables/time-series/econ/mhs/shipments.html were used. Specifically, the "Annual Shipments to states" files were used because those numbers were not rounded (unlike the monthly nationwide totals).

MIT Center for Transportation & Logistics

MIT Humanitarian Supply Chain Lab

Housing Recovery Toolkit

Summary

October 2023

MIT | UrbanRISKLab

Housing missions are what the United States is least prepared for. [...] Nationwide, developing local plans and capabilities is the necessary step toward achieving efficient, equitable post-disaster housing assistance.

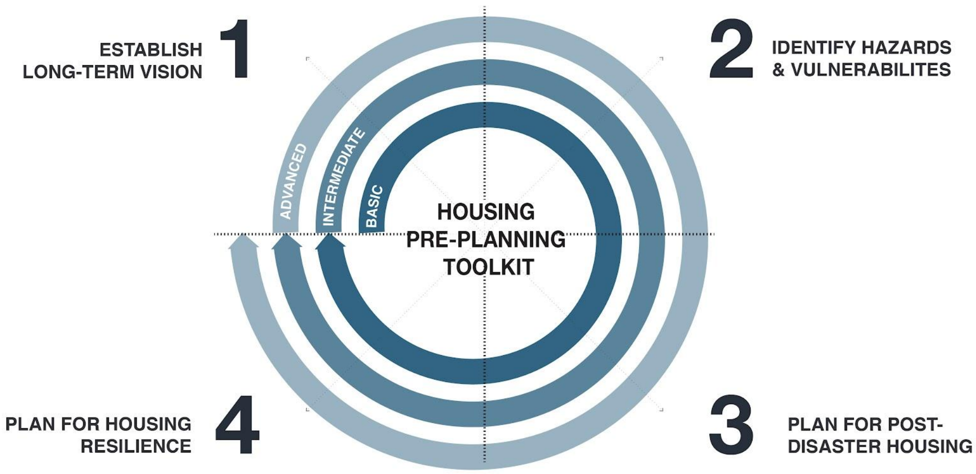
National Preparedness Report, 2017

Housing Recovery Toolkit is designed to help local governments develop a disaster housing pre-planning process that can be incorporated into planning for other aspects of housing recovery as well as general economic and housing objectives. The Toolkit asks local governments to think about the relationship between housing and disasters, from well before a disaster strikes to the months and years into recovery. In doing so, it ties safe, sanitary, and secure housing to the community's larger vision, helping them not only plan for post-disaster housing, but also to think about how to make housing stock resilient before a disaster occurs.

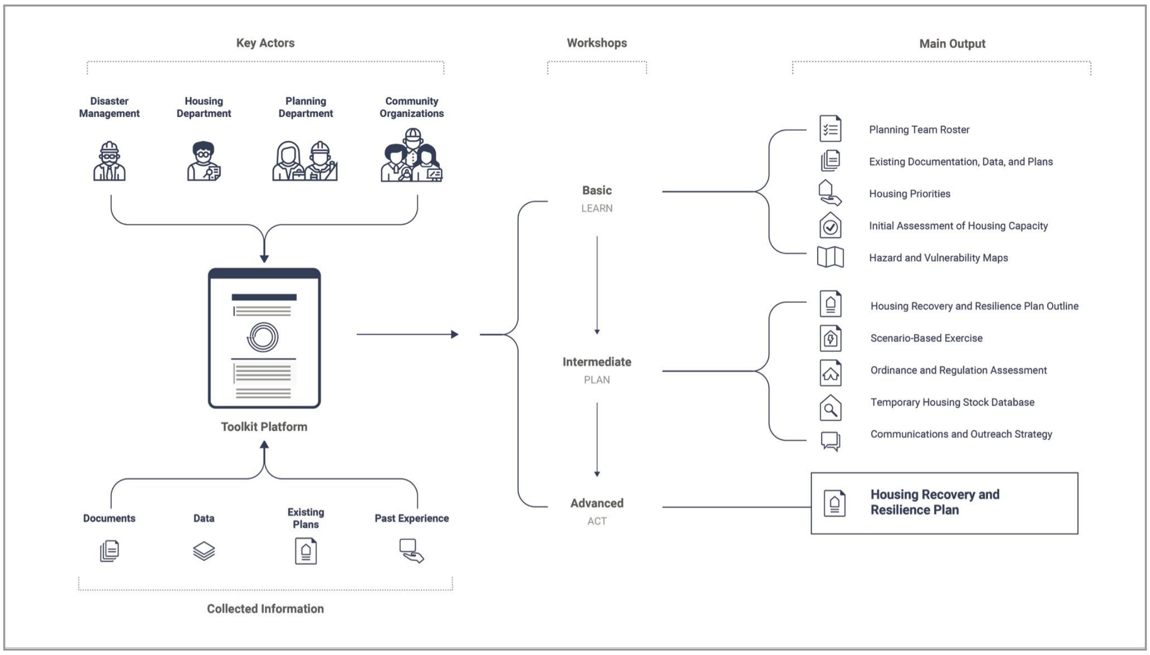
Housing Recovery Toolkit Summary

The Housing Recovery Toolkit is an interactive, web-based tool for guiding workshops related to housing resilience and planning for recovery, and to bridge the gap between sheltering and long-term housing. The Toolkit helps municipalities identify and organize information related to their particular hazards, vulnerabilities, and priorities and provides them with succinct explanations of processes, precedents, and funding mechanisms. It aids municipal governments, nonprofits, and community members to create working groups proactively, finding sites, and changing local ordinances before a disaster strikes, with the final aim to create a Housing Recovery and Resilience Plan. After a disaster, it allows the city to rebuild in a way that advances its vision for the future. The Toolkit connects national policies to local governments and, eventually, to an individual resident's recovery.

The Toolkit aims to streamline, standardize and operationalize local planning processes through an accessible, and continuously updating digital platform. The Toolkit is designed with a simple, web-based interface that allows localities to navigate the necessary planning steps without specialized training. Since under-resourced localities have limited time for planning before disasters, the Toolkit contains three stages (Basic, Intermediate and Advanced), each of which can be completed in a day-long collaborative workshop. Each level covers four phases: long-term vision, situational mapping, post-disaster housing, and housing resilience.



Toolkit iterative process. Three levels and the four steps in each



Toolkit structure diagram

The initial drafts of each Toolkit stage were created by drawing on existing FEMA manuals and publications on disaster-related housing assistance. More detailed development was informed by calls, interviews, workshops, meetings with FEMA stakeholders, and workshops with localities that piloted the Toolkit. Through the pilots with partner cities we gained an understanding of essential needs, visions, existing bottlenecks, and communication gaps. These pilots also helped test the user interface and design of the website.

Workshop in progress with the Municipality of Toa Baja, 2019

Shelter for Emergency Expansion Design (SEED)

Strategy for post-disaster housing for US tropical islands

Summary

October 2023

Shelter for Emergency and Expansion Design (SEED) Summary

The scale and complexity of recent disasters on tropical islands, including Hurricane Maria in Puerto Rico and the US Virgin Islands in 2017, and 2018's Tropical Storm Gita on American Samoa and Typhoon Yutu in CNMI, have highlighted the particular difficulties of deploying standard post-disaster assistance models in these contexts. Housing assistance is where governments struggle the most, including the Federal Emergency Management Agency (FEMA) at the federal level, but also state, territorial, tribal, and local governments as well. The challenging contexts of tropical islands make post-disaster housing assistance even more difficult. Their distance from the mainland, the prevalence of large amounts of informal and self-built housing, high vacancy rates, large-scale migration, and lack of long-term shelter or rental options coupled with significant cultural diversity make the housing response in these locations challenging. These islands are also distinctly vulnerable to natural disasters. With combined risks to hurricanes, earthquakes, tsunamis, and volcanoes, they have extreme hazard profiles, as well as unique vulnerabilities associated with large low-income and remote populations.

The Shelter for Emergency and Expansion Design (SEED) is a new type of temporary to permanent post-disaster housing unit developed for FEMA by the Urban Risk Lab at MIT. Designed to meet many of the challenges described above, it can be shipped as a standard shipping container and be deployed quickly after a disaster. The unit also forms the core of a permanent home customized to meet the needs of each disaster survivor's family. The current unit has been designed to meet the specific requirements of tropical islands outside the continental United States, including the ability to withstand hurricane-force winds up to 195 MPH. The unit also supports indoor/outdoor living and can be easily adapted to provide off-grid power, water, and sanitation services.

SEED Design stages

The SEED was developed through a process of constant iteration, starting with extensive fieldwork in all islands where it is meant to deploy, followed by concept development, schematic design, design development, and the fabrication of a full-scale prototype. The prototype was completed July 2022, and we are in the middle of the testing and evaluation phase of the prototype, with the goal of continuing to learn how best to optimize the design of future units for the varying needs of tropical island residents.

Prototype July 2022