

# Mississippi Small Rental Assistance Program Application Guidebook





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## Program Overview

The Mississippi Development Authority (MDA) is pleased to provide you with an application guidebook for Round 1 of the Small Rental Assistance Program. The purpose of the Program is to provide affordable rental housing by offering incentives for small-scale rental property owners—owners of properties containing between one and four rental units. A total of \$160 million is available in Round 1.

MDA will begin accepting applications for Round 1 beginning on **September 10, 2007**. The anticipated submission deadline for all applicants is **October 26, 2007**. Your application must be postmarked or received by MDA by that date.

The Program is designed to offer four types of assistance to landlords in Hancock, Harrison, Jackson, and Pearl River Counties, Mississippi:

- A. Rental income subsidy assistance
- B. Repair or reconstruction reimbursement for Katrina-damaged property
- C. Reconstruction or conversion reimbursement for non-Katrina damaged property
- D. New construction reimbursement

Round 1 of the program is open to all ownership entities, including, but not limited to, individuals, corporations, LLCs, and partnerships. Non-profit organizations are encouraged to apply for funding, either under the non-profit set-aside or as a portion of the regular program funds. A total of \$20 million is reserved for non-profits in Round 1.

Please be aware that completion and execution of the application does not constitute a commitment of federal assistance or site approval. A commitment of federal assistance will only occur after satisfactory completion of a site-specific environmental review.

This guidebook will assist you in completing your application for the program. Please note that it may be updated as the program evolves. You will always be able to find the latest version at [www.mississippi.org](http://www.mississippi.org).

If you have additional questions, you can call the MDA call center at 866-369-6302, or visit one of our service centers below:

<b>Hancock County Service Center</b>	<b>Harrison County Service Center</b>	<b>Jackson County Service Center</b>
Hancock Government Center 3068 Longfellow Drive Building 6A Bay St. Louis, MS 39520	Prime Outlets Mall 10000 Factory Shops Blvd Suite 110 Gulfport, MS 39503	Singing River Mall 2800 US Hwy 90 Suite 1146 Gautier, MS 39553
<b>Hours of Service</b> Monday-Friday 8AM to 6PM	<b>Hours of Service</b> Monday-Friday 10AM to 6PM	<b>Hours of Service</b> Monday-Friday 10AM to 6PM

Sincerely,

Mississippi Development Authority

## Application Process

In order to qualify for the Small Rental Assistance Program, you must submit an application form and the additional documentation listed in this package. MDA will evaluate your application during a set of competitive funding rounds, and notify you of its decision as to your eligibility for a loan award, as well as what amount (if any) you are eligible for.

As part of your application, you will be able to choose from four Program Options<sup>1</sup>. Each option is targeted at a different type of rental housing property, so you should choose the one that applies to your circumstances. The Program Options are:

- A. Rental income subsidy assistance
- B. Repair or reconstruction reimbursement for Katrina-damaged property
- C. Reconstruction or conversion reimbursement for non-Katrina damaged property
- D. New construction reimbursement

If you participate in Options B, C, or D and the amount needed for repairs/construction on a unit is less than the maximum loan amount listed in the **Award Tables** section, you may also elect to participate in Option A. Effectively, you will receive the rest of the loan award as rental income subsidy, subject to the terms of the Income Subsidy program.

If you have already completed repairs or construction that would have otherwise qualified for Options B, C, or D, your loan award will be paid under the Rental Income Subsidy program. Repair/construction is deemed complete when you have obtained a Certificate of Occupancy for the rental units.

All awards in the Small Rental Assistance Program are forgivable loans. If you meet the program terms for the full five-year loan period, the principal balance of the loan will be forgiven on an established schedule, and you will not be obligated to repay the principal or interest. If you violate the loan terms, all future scheduled payments will be canceled, and you will be obligated to repay the remaining balance, plus interest and termination fees.

Completion and execution of the application does not constitute a commitment of federal assistance or site approval. A commitment of federal assistance will only occur after satisfactory completion of a site-specific environmental review.

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<sup>1</sup> Must conform to Stafford Act regulations regarding duplication of benefits and voucher assistance programs.

## Required Application Materials

In addition to the Small Rental Assistance Program application forms, you will need to submit a set of documents in order for MDA to consider your application.

1. A Consent for Non-Public Personal Information Release form (included in the application), signed by each owner, co-owner, director, or principal officer listed in the application.
2. A copy of the warranty deed, or other documents establishing site control for the property.
3. A copy of the current mortgage statement.
4. A description of the construction work to be performed on the property, and a contractor's estimate for the expected cost. Note that this does not apply to rental income subsidy applicants.
5. Utility bills or other documentation that show the property on your application **currently** has access to electricity, water, and sewer/septic (as required by local code).
6. Copies of all Deeds of Trust and/or loan agreements for loans on the rental property.

Individual owners and all Co-Owners must provide:

7. A personal financial statement (for individual owners and co-owners).

Business interests and non-profit organizations must provide:

8. A business plan
9. Organizational Documents for corporations, LLCs, and partnerships. These are Articles of Incorporation, LLC Agreements, or Partnership Agreements.
10. Evidence that the business entity is in good standing to transact business in Mississippi

MDA has assembled examples of the above forms. Copies are available at all Homeowner Assistance Program (HAP) service centers, as well as on the program's website, [www.mississippi.org](http://www.mississippi.org).

## Eligibility Requirements

In order to be eligible to receive assistance under the Small Rental Assistance Program, your property must meet the following requirements:

- All housing units must be located in Hancock, Harrison, Jackson, or Pearl River Counties, Mississippi.
- All properties must contain between one and four units.
- Modular Housing is eligible.
- Manufactured Housing is *not* eligible.
- Single Room Occupancy (SRO) properties *are not* eligible.
- Only units that are unoccupied at the time of application submission are eligible. Applicants will be obligated to sign a certification that states they have not terminated any tenant leases in order to satisfy this requirement.
- All units must have been rental property on August 29, 2005. This requirement *does not* apply to new construction, or to additional subsidy monies received in combination with new construction, or for buildings newly-constructed after August 29, 2005.
- All newly-constructed properties must be elevated to conform to the latest (most recent) elevation requirements issued by FEMA, or its successors, pursuant to the National Flood Insurance Program, or a successor program, whether advisory, preliminary, or final.
- All repair, reconstruction, and rental income subsidy properties that sustained 50% or more damage shall conform to the latest (most recent) elevation requirements issued by FEMA, or its successors, pursuant to the National Flood Insurance Program, or a successor program, whether advisory, preliminary, or final.
- All repair, reconstruction, and rental income subsidy properties that sustained *less than* 50% damage must conform to the latest (most recent) elevation requirements issued by the local flood plain management agency, or other local or municipal authority.
- All properties must have current access to water, sewer/septic (as required by local building code), and electricity.
- MDA limits the maximum number of rental subsidy or reconstruction properties that any one applicant, non-profit organization, corporation, or other ownership group may apply for to 25. Thus, the maximum total aggregate number of units for any one entity is 100.
- MDA limits the number of new construction projects any one applicant, non-profit organization, corporation, or other ownership group may apply for to 5. Thus, the maximum total aggregate number of units for any one entity is 20.
- Applicants may apply for 25 repair/reconstruction properties *in addition to* 5 new construction properties, for a total maximum of 30 properties, containing up to 120 total units.
- Applicants are prohibited from participating in multiple ownership structures in order to circumvent the maximum number of properties.
- All rental units must meet the following minimum square footage requirements:
  - 500 SF for efficiencies
  - 660 SF for one- bedroom units
  - 880 SF for two-bedroom units
  - 990 SF for three-bedroom units
  - 1,320 SF for four-bedroom units

- Owners with felony convictions are not eligible An application will be disqualified if:
  - (1) any titleholder who is an individual has been convicted of a felony in any federal court or state court in the United States, or
  - (2) in the case of a titleholder that is a corporate entity (i.e., a corporation, limited liability company, general partnership, or limited partnership), any of the following has been convicted of a felony in any such court:
    - a. a shareholder, member, general partner, or limited partner who owns at least a 10 percent interest in the corporate entity, or
    - b. an officer, director, or manager of the corporate entity, or
    - c. an employee of the corporate entity who exercises control or substantial management authority regarding the entity, or
  - (3) in the case of a titleholder that is a trust, any of the following has been convicted of a felony in any such court:
    - a. a trustee of the trust, or
    - b. a beneficiary of the trust who is the owner of at least a 10 percent beneficial interest in the trust.

In addition to the requirements listed above, MDA will review your application form and the additional requested material (e.g. financial statements) in order to determine if you meet the eligibility requirements for assistance.

Your application will be considered against all other applications submitted for projects within your county, and your Program Option. If application rounds are over-subscribed (i.e., there are more applicants than available funds), MDA will set funding priority within the round using a scoring system. The scoring factors are contained in the application form and on page 14.

If you do not qualify in Round 1, your application can be rolled into a future round. You will be required to submit a certification that the application remains true and correct before it will be moved forward. You may also correct or update your application before next round starts.

The total amount of funding available in Round 1 is \$40 million per Program Option. That funding is made available subject to the following schedule:

<b>Round 1 Funding by Program Option</b>				
	<b>Option A</b>	<b>Option B</b>	<b>Option C</b>	<b>Option D</b>
<b>Nonprofit Set-aside</b>	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
<b>Hancock County</b>	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
<b>Harrison County</b>	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
<b>Jackson County</b>	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
<b>Pearl River County</b>	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
<b>Total</b>	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000

If your application is accepted, your property will be assessed for potential environmental issues. Your eligibility will be contingent on this review. Please be aware that completion and execution of the application *does not* constitute a commitment of federal assistance or site approval. A commitment of federal assistance will only occur after satisfactory completion of a site-specific environmental review.



## Program Terms

In exchange for receiving a loan award from the Small Rental Assistance Program, you must agree to attach a covenant to the rental property. The covenant will expire on the fifth (5<sup>th</sup>) anniversary of the issuance of the Certificate of Occupancy for the property's final rental unit (or, on the fifth anniversary of the initial inspection, for rental income subsidy applicants). The covenant binds the program requirements to the property for that term.

Additionally, each applicant will sign a Loan Agreement. The Covenants, Loan Agreement and a Deed of Trust will require each property owner to agree to the following terms:

- Acceptance of a lien in favor of MDA on the rental property.
- To provide regular progress reports and permit MDA and its agent(s) access to rent records and to perform site inspections.
- Compliance with the HUD Minimum Property Standards (Section 8 quality standards) and the Mississippi Residential Landlord and Tenant Act (Chapter 8, Title 89 of the Mississippi Code of 1972).
- Compliance with local and state building code requirements.
- Maintenance of casualty (hazard) loss insurance on the structure on the property. This includes Mississippi windpool or other separate wind riders on another insurance policy.
- Maintenance of commercial liability insurance on the rental property.
- Maintenance of flood insurance (if required) up to the NFIP maximum amount.
- Agreement to rent all units to tenants with income at 120% or less of Area Median Income (AMI).
- Agreement that 51% of the available rental units in each property will be rented to tenants with income at or below 80% of AMI. For two-unit structures, one unit must be rented to tenants with income at or below 80% of AMI, and the other may be rented to a tenant at or below 120% of AMI.
- Agreement that sale of the property may trigger repayment of the loan.
- Agreement to charge affordable rental rates as defined by HUD and/or MDA.
- Compliance with HUD affordable housing standards and as such rate compliance and property management compliance must be met and maintained as plan-defined affordable units for 5 years.
- Agreement to collect income certifications from all new tenants upon move-in and ensure that tenants meet HUD-defined income limits.
- Agreement to pay all utilities on tenants' behalf, or to subtract the stated utility allowance from monthly rent amounts if tenants will be required to pay utilities.
- Agreement to provide an annual certified statement of compliance with the program's terms and conditions.
- Agreement that any notice or determination of noncompliance with the requirements of this program will result in the activation of interest and principal payment terms.
- Agreement that termination fees may be applied for lack of compliance with the program terms and conditions.

- Agreement to cooperate with income verification, insurance compliance, HUD Minimum Property Standards, or Mississippi Residential Landlord and Tenant Act audits that may be conducted by the State and/or its approved vendor.
- Agreement to abide by the requirements of the Fair Housing Act (42 USC 3601-3620), which prohibits discrimination based on race, color, religion, sex, national origin, familial status, and/or disability.
- Agreement that all tenant leases will solely use the MDA-provided standard lease template.
- Agreement that initial lease terms will be for a minimum of six months.
- Agreement that new construction will abide by all local design and architectural standards.
- Agreement that, for new construction, one of every four units built must meet requirements under the Americans with Disabilities Act. This provision does not apply to single-family units or duplexes.
- Agreement that all repaired or newly built rental units funded under the program will be ready for tenant occupancy within two (2) years of the loan closing date.
- Agreement that site approval is required, based upon an environmental review. Completion and execution of the application does not constitute a commitment of federal assistance or site approval. A commitment of federal assistance will only occur after satisfactory completion of a site-specific environmental review.
- Agreement that MDA reserves the right to modify and/or clarify these terms in the final loan agreement.
- Agreement that recipients of monies for Rental Income Subsidy cannot accept Section 8 vouchers during the five year rental period.

Violation of any of these terms will result in a statement of noncompliance being issued to the rental landlord. The notice will allow the landlord 45 days to correct the noncompliance issue, and certify to MDA that the issues has been corrected.

If the issue remains uncorrected 45 calendar days after a notice of noncompliance has been issued, the landlord will be found to be in default. Upon default, the forgivable loan will immediately convert to an interest-bearing demand note, and become due and payable.

The amount that will be due and payable will based upon the remaining principal amount of the loan. Default occurs at the property level. If one unit is found to be non-compliant with the program terms, the remaining units within that property will also be considered to be in default.

Interest on defaulted loan awards will be set at the London Interbank Offered Rate (LIBOR) plus one percent (1%). Interest will be calculated back to the most recent loan disbursement.

In addition to interest, termination fees may be applied at MDA's discretion on defaulted loan awards. These fees are noted in the **Round 1 Term Sheet**, found on page 25.

## Award Tables

The maximum award under the Small Rental Assistance Program is \$30,000 for a 4-bedroom rental unit. Additionally, the Program offers a tiered completion bonus of up to \$10,000 for units that are made ready for tenant occupancy within twelve months of the original loan closing date.

The maximum loan amounts are the same for all four Program Options. Completion bonuses are **only** offered for Program Options that involve construction (Options B, C, or D). No bonus is offered for Rental Income Subsidy (Option A).

The table below shows the scale of maximum loan awards by unit size. This table assumes the maximum possible completion bonus will be earned on each unit:

<b>Loan Amount Schedule by Unit Size</b>					
	<b>Efficiency</b>	<b>1BR</b>	<b>2BR</b>	<b>3BR</b>	<b>4BR</b>
<b>Base Forgivable Loan</b>	\$20,000	\$22,500	\$25,000	\$27,500	\$30,000
<b>Completion Bonus</b>	\$3,000	\$7,000	\$8,000	\$9,000	\$10,000
<b>Total</b>	\$23,000	\$29,500	\$33,000	\$36,500	\$40,000

Completion bonuses are calculated based upon time elapsed between the loan closing date and the date the unit is ready for tenant occupancy. A unit is deemed ready for tenant occupancy when a Certificate of Occupancy has been obtained from the local building authority or jurisdiction.

If you have already completed repairs or construction of your property, and have received the Certificate of Occupancy, you will receive money under the Rental Income Subsidy program, but you will not receive money for construction programs. If you have begun work, but not yet received the Certificate of Occupancy, you may receive money under the construction option, up to the amount of construction/repair remaining as of the date of your application. The remainder will be paid under the Rental Income Subsidy program.

The completion bonus is an installment of the forgivable loan. It will be paid upon verification of the required documentation, and is subject to the default provisions and forgiveness schedules.

The table below shows the schedule of completion bonus amounts:

<b>Completion Bonus By Time</b>					
	<b>Efficiency</b>	<b>1 BR</b>	<b>2 BR</b>	<b>3 BR</b>	<b>4 BR</b>
<b>6 mos</b>	\$ 3,000	\$7,000	\$8,000	\$9,000	\$10,000
<b>9 mos</b>	\$ 2,000	\$4,700	\$5,300	\$6,000	\$ 6,700
<b>12 mos</b>	\$ 1,000	\$2,300	\$2,700	\$3,000	\$ 3,300
<b>More than 12 mos</b>	\$ -	\$ -	\$ -	\$ -	\$ -

If you choose to combine a construction program option (e.g. Program Option B) with the income subsidy program, your completion bonus, if any, will be prorated based on the amount of the base forgivable loan for construction.

## Payment Schedule

If the Small Rental Assistance Program awards you a loan, it will be paid to you on the schedule noted below.

	Program Option A Rental Income Subsidy	Program Option B Repair or Reconstruction of Katrina damage	Program Option C Reconstruction or conversion of non-Katrina damage	Program Option D New construction reimbursement
<b>Payout schedule</b>	Inspection: one-third EOY 1: one-third EOY 2: one-third	Permit: one-half COO: one-half	Permit: one-half COO: one-half	Permit: one-half COO: one-half

For rental subsidy applicants, the loan will be paid in three equal installments. The first installment will be paid once the property successfully passes inspection. The remainder of the loan will be paid in two installments, one at the end of Year 1 of the rental term, and the other at the end of year 2 of the rental term. These dates are measured from the date of successful inspection of the last unit within the property.

For all other Program Options, the loan will be paid in two equal installments. You will receive one-half of the loan amount upon presenting a building permit to MDA. The second installment will be paid when you present a Certificate of Occupancy for the rental unit to MDA, and the property passes an inspection performed by MDA.

If you have elected to participate in multiple program options (e.g. rental income subsidy and reconstruction), you will receive the percentage of your loan award for each option under its schedule. For instance, if you receive a loan award of \$30,000 with \$10,000 for rental income subsidy and \$20,000 for repair reimbursement, \$10,000 of the loan will be paid according to the Income Subsidy payment schedule, and the remainder will be paid according to the Repair Reimbursement schedule.

If you choose to combine a construction program option (e.g. Program Option B) with the income subsidy program, your completion bonus, if any, will be prorated based on the amount of the base forgivable loan for construction. In the example above, for instance, the completion bonus would be two-thirds of the stated amount.

If at any point you are found not in compliance with the program's terms, and you do not correct the non-compliance issue within the time frame allotted by MDA, any future loan disbursements will be canceled.

## **Principal Forgiveness and Interest**

Awards from the Small Rental Assistance Program are interest-free forgivable loans, not grants. Provided you meet the program terms for a period of five years from the date of the Certificate of Occupancy for the last rental unit (or the date of inspection, for rental income subsidy applicants), the full principal of the loan will be forgiven, and no interest will be due.

For all Program Options, the loan principal will be forgiven in three equal-sized amounts, at the end of Years 3, 4, and 5 of the rental term. Again, the rental term begins on the date the Certificate of Occupancy is issued for the last unit in your property, or the date of initial inspection for rental income subsidy properties.

If you receive a completion bonus, the full amount of the completion bonus will be forgiven at the end of Year 5 of the rental term.

Please be aware that the forgiveness of loan principal may be taxable, depending on your personal tax situation. MDA strongly urges you to consult a tax professional in order to determine what effect the program will have on your taxes.

If you fail to meet the program terms, MDA will issue to you a finding of non-compliance that states the issue. You will have 45 days to certify to MDA that the issue has been corrected. If you fail to do so you will be in default of the loan. The remaining principal balance will immediately convert to an interest-bearing demand note. Any scheduled but unpaid loan disbursements will be canceled.

MDA will calculate interest on defaulted loans from the date of the most recent loan disbursement. The interest rate will be set at the London Interbank Offered Rate (LIBOR) plus one percent (1%).

## Affordability Standards

As a requirement of the program, you must agree to abide by MDA and HUD's affordability standards. This includes agreement that all rental units covered by the program will be rented to tenants with incomes at or below 120% of the Area Median Income (AMI). You must also agree to rent a majority of the rental units in an individual property to tenants with incomes at or below 80% AMI.

MDA will revise the affordability standards tables each year based on updated data from HUD. Below are tables showing the latest data for 2007.

<b>Income Limits by County (80% AMI)</b>								
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Harrison and Hancock	\$ 27,000	\$ 30,850	\$ 34,700	\$ 38,550	\$ 41,650	\$ 44,700	\$ 47,800	\$ 50,900
Jackson	\$ 28,200	\$ 32,250	\$ 36,250	\$ 40,300	\$ 43,500	\$ 46,750	\$ 49,950	\$ 53,200
Pearl River	\$ 24,200	\$ 27,650	\$ 31,100	\$ 34,550	\$ 37,300	\$ 40,100	\$ 42,850	\$ 45,600

<b>Income Limits by County (120% AMI)</b>								
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Harrison and Hancock	\$ 40,500	\$ 46,275	\$ 52,050	\$ 57,825	\$ 62,475	\$ 67,050	\$ 71,700	\$ 76,350
Jackson	\$ 42,300	\$ 48,375	\$ 54,375	\$ 60,450	\$ 65,250	\$ 70,125	\$ 74,925	\$ 79,800
Pearl River	\$ 36,300	\$ 41,475	\$ 46,650	\$ 51,825	\$ 55,950	\$ 60,150	\$ 64,275	\$ 68,400

You will be required to verify tenant income when the tenant initially signs a lease and moves into a rental unit. This income verification is subject to review and audit by MDA. You will not be required to re-verify tenant income if the tenant renews the lease.

If a tenant qualifies under the income requirements at the time of their initial lease signing, he or she may continue to renew the lease and occupy the rental unit, regardless of the amount of income he or she claims at the time of renewal.

On the signing of new leases, a landlord may replace an 80% AMI tenant with a 120% AMI tenant, or vice versa, provided the overall unit mix requirements are followed at all times (i.e. that 51% of the units are rented at the 80% AMI tier).

## Rental Rate Limits

You must agree to abide by MDA's defined rental rate limits as a condition of the program. MDA's rental rates are the maximum allowed rates. You may choose to charge less if you wish to do so. MDA will revise these rental rate limits annually based upon newly released data from HUD. The tables below show the latest data for 2007:

<b>Rental Rate Limits by County (80% AMI)</b>					
	Efficiency	1 BR	2 BR	3 BR	4 BR
Harrison and Hancock	\$ 517.00	\$ 548.00	\$ 640.00	\$ 834.00	\$ 857.00
Pearl River	\$ 416.00	\$ 417.00	\$ 499.00	\$ 609.00	\$ 758.00
Jackson	\$ 445.00	\$ 509.00	\$ 611.00	\$ 841.00	\$ 902.00

<b>Rental Rate Limits by County (120% AMI)</b>					
	Efficiency	1 BR	2 BR	3 BR	4 BR
Harrison and Hancock	\$ 776.00	\$ 822.00	\$ 960.00	\$ 1,251.00	\$ 1,286.00
Pearl River	\$ 624.00	\$ 626.00	\$ 749.00	\$ 914.00	\$ 1,137.00
Jackson	\$ 668.00	\$ 764.00	\$ 917.00	\$ 1,262.00	\$ 1,353.00

These rental rates are designed to be inclusive of utilities. MDA's definition of utilities includes electricity, water/sewer, and gas (if applicable), but excludes telephone and cable.

If you will not be paying utilities on behalf of your tenants, you must subtract a utility allowance from the monthly rental rates listed above. Below is a table showing the utility allowance you should subtract:

<b>Utility Allowance by Unit Size</b>					
	Efficiency	1 BR	2 BR	3 BR	4 BR
Allowance	\$ 50	\$ 75	\$ 85	\$ 100	\$ 115

## **Acknowledgments and Disclaimers**

I agree and acknowledge that the information provided in this application is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of the information contained in this application may result in Civil Liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that I have made on this application, and/or in criminal penalties including, but not limited to, fine, imprisonment or both under the provision of Title 18 United States Code Section 1001.

I acknowledge that I have reviewed the MDA Appeals Procedure as found in this application package and agree to abide by its terms.

I acknowledge that MDA, in its sole discretion, reserves the right to adjust the funding pools for Round 1.

I acknowledge that MDA, in its sole discretion, reserves the right to set scoring requirements for application acceptance and rollover into future competitive scoring rounds.

I acknowledge that MDA, in its sole discretion, reserves the right to expand the required information and certifications as part of the application, loan closing, and/or monitoring processes.

MDA, in its sole discretion, reserves the right to limit or adjust the limit on the number of cumulative properties developed by any one applicant, non-profit organization, corporation, or other ownership group. The current limit is set at 25 properties with a maximum of four units per entity for rental subsidy and/or repair applicants (for a total of 100 units). New construction projects are limited to 5 properties with a maximum of four units per property units per ownership entity (for a total of 20 total units).

As of this date all rental units located on the property which is the subject of the above-referenced application for a grant under the Program are unoccupied and are not rented or leased to any tenants. No tenant leases have been terminated and no tenants have been removed or displaced in order to meet this requirement of the Program.

I further certify that, to the best of my knowledge and belief, all the information on and attached to this application is true, correct, complete, and provided in good faith. I understand that false or fraudulent information on, or attached to, this application may be grounds for MDA not making a loan and may be punishable by a fine and/or imprisonment. I understand that any information I give may be investigated.



## **Threshold Eligibility and Priority Scoring**

All applications will be evaluated according to the information provided in order to determine if the application meets the minimum eligibility threshold. Part of this evaluation will be an assessment of the applicant's credit history, financial capacity to complete the project, and property management history. Determinations of acceptability may include, but are not limited to, the following factors:

- All housing units must be located in Hancock, Harrison, Jackson, or Pearl River Counties, Mississippi
- All rental properties must contain between one and four units
- Applicant must show evidence of site control at the time of application (warranty deed or long-term ground lease)
- Proposed rental units must be a qualified construction type (not be mobile homes or manufactured housing)
- All units must have been offered as rental property on August 29, 2005
- Proposed development must have current access to electricity, water, and sewer/septic (as required by local code)
- Applicant must have satisfactory prior owner/manager experience
- Applicant must have satisfactory credit history
- Applicant must have satisfactory financial capacity

## **Scoring Questions**

For all applications in any round, the following scoring factors may be used in order to establish funding priority within that round. Please note that your application will only be fully scored if the round you have applied to is over-subscribed:

- 1. Applicant has satisfactory prior owner/manager experience (20 points)**
  - Prior participation in federal, state and local rental programs with no compliance issues
  - Prior Section 8 program participation with no compliance issues
  - No below average REAC scores on other rental property owned without explanation
  - No building code violations without explanation
  - No property liens without explanation
- 2. Applicant has satisfactory credit history (20 points)**
  - Acceptable credit score from a nationally recognized credit reporting company. MDA will consider both current and pre-Katrina credit histories.
  - No bankruptcies without explanations
  - No failure to pay in accordance with terms, without explanations
  - References from lenders for other rental properties owned by applicant
- 3. Applicant/development team has satisfactory financial capacity (20 points)**
  - Sufficient income to pay estimated monthly and annual operating expenses
  - Satisfactory current and long-term debt ratios

- Sufficient resources of funds to complete the proposed project
  - No unpaid tax liabilities
- 4. Applicant was a Mississippi state resident on August 29, 2005 (10 points)**
- You will receive the points on this scoring factor if:
    - an individual or a sole proprietor maintained a primary residence in the State of Mississippi; or,
    - another form of business entity, e.g., LLC, Corporation, Limited Partnership, Partnership, or similar business entity, was organized or incorporated under the laws of the State of Mississippi; or,
    - the Chairman of the Board, President, or Chief Executive Officer of a Corporation, or a partner, or partners, holding a controlling interest in a Partnership, or a general partner of a Limited Partnership, or, a member, or members, holding a controlling interest of a LLC maintained a primary residence in the State of Mississippi.
- 5. Applicant is currently a Mississippi state resident (20 points)**
- You will receive the points on this scoring factor if:
    - an individual or a sole proprietor maintained a primary residence in the State of Mississippi; or,
    - another form of business entity, e.g., LLC, Corporation, Limited Partnership, Partnership, or similar business entity, was organized or incorporated under the laws of the State of Mississippi; or,
    - the Chairman of the Board, President, or Chief Executive Officer of a Corporation, or a partner, or partners, holding a controlling interest in a Partnership, or a general partner of a Limited Partnership, or, a member, or members, holding a controlling interest of a LLC maintained a primary residence in the State of Mississippi.
- 6. Applicant's primary residence is located in the state of Mississippi within 75 miles of the rental property (10 points)**
- You will receive the points on this scoring factor if:
    - on the date of application, either the individual or sole proprietor applicant's primary residence, or the business organization's applicant's principal place of business, is located in the State of Mississippi and within 75 miles of the rental property for which application for this grant has been made.
- 7. Outside funding commitments (if applicable) have been obtained at the date of application (20 points)**
- If Small Rental Assistance funds will not fully fund repairs or construction needed on the property, outside additional funding commitments must have already been obtained to receive points for this factor.
  - If no funding is required beyond the Small Rental Assistance award, the application will receive the points for this scoring factor.

8. **Property is located in an MDA Preferred Development location. (max of 20 points)**
- Four points will be awarded for each item claimed below, for a maximum of 20 points on this scoring factor.
  - MDA Preferred Development Locations are defined as any site located within 3 miles of the following:

Workforce center	x 4 points	
School	x 4 points	
Public transportation	x 4 points	
Incorporated municipalities	x 4 points	
Healthcare center	x 4 points	
Total Points		

9. **Property will contain ENERGY STAR® refrigerators. (2 points)**
- Tear sheets from the selected refrigerators may be required.
  - To receive these points, all affordable units will be required to have ENERGY STAR® refrigerators.
10. **Property will contain ENERGY STAR® dishwashers. (2 points)**
- Tear sheets from the selected dishwashers may be required.
  - To receive these points, all affordable units will be required to have ENERGY STAR® dishwashers.
11. **Property will contain ENERGY STAR® clothes washers. (2 points)**
- Tear sheets from the selected washers may be required.
  - To receive these points, all affordable units will be required to have ENERGY STAR® clothes washers.
12. **Property will contain ENERGY STAR® clothes dryers. (2 points)**
- Tear sheets from the selected dryers may be required.
  - To receive these points, all affordable units will be required to have ENERGY STAR® clothes dryers.
13. **Property will contain ENERGY STAR® water heaters. (2 points)**
- Tear sheets from the selected water heaters may be required.
  - To receive these points, all affordable units will be required to have ENERGY STAR® water heaters.
14. **Property will contain a central heating or air conditioning unit in excess of 14 SEER or 95 percent AFUE (10 points)**
- SEER (Seasonal Energy-Efficiency Rating) is a comparative indicator of an air conditioner's efficiency.
  - AFUE (Annual Fuel Utilization Efficiency) is the measure of a gas furnace's efficiency in converting fuel to energy – the higher the rating, the more efficient the unit.
  - Tear sheets from the selected units may be required.

- If there is one heating or air conditioning unit for the entire rental property, then that unit must meet this standard. If all rental units within a property have their own heating or air conditioning unit, then all affordable units will have to meet this standard to receive these points.

**15. Property will incorporate other design features designed to reduce ongoing operational or maintenance costs (max of 15 points)**

- This scoring factor only applies to new construction projects.
- Five points will be awarded for each design feature proposed, up to a maximum of 15 points on this scoring factor.
- These include, but are not limited to, extended-warranty roofing and floor covering materials, and mildew-resistant siding and paints.

**16. Property will be built in excess of the following total-unit dimensions:**

**600 SF for studios, 720 SF for one-bedroom units, 960 SF for two-bedroom units, 1,080 SF for three-bedroom units, and 1,440 SF for four-bedroom units. (15 points)**

- All assisted units within the property must meet the size requirements. For example, if a property has three assisted units -- a one-bedroom, a two-bedroom, and a four-bedroom, then the one-bedroom must exceed 720 SF, the two-bedroom must exceed 960 SF, and the four-bedroom must exceed 1,440 SF.

## Scoring Criteria Worksheet

Your Points	Max Points	Scoring Criteria
	20	Applicant has satisfactory prior owner/manager experience.
	20	Applicant has satisfactory credit history.
	20	Applicant/development team has satisfactory financial capacity.
	10	Applicant was a Mississippi state resident on August 29, 2005.
	20	Applicant is currently a Mississippi state resident.
	10	Applicant's primary residence is located in the state of Mississippi, within 75 miles of the rental property.
	20	Outside funding commitments (if applicable) have been obtained at the date of application.
	20	Property is located in an MDA Preferred Development Location.
	2	Property will contain ENERGY STAR® refrigerators.
	2	Property will contain ENERGY STAR® dishwashers.
	2	Property will contain ENERGY STAR® clothes washers.
	2	Property will contain ENERGY STAR® clothes dryers.
	2	Property will contain ENERGY STAR® water heaters.
	10	Property will contain central heating or air conditioning in excess of 14 SEER or 95% AFUE.
	15	Property will incorporate other design features designed to reduce ongoing operational and maintenance costs
	15	Property will be built in excess of the following total-unit dimensions: <i>600 SF for efficiencies</i> <i>720 SF for one-bedroom units</i> <i>960 SF for two-bedroom units</i> <i>1080 SF for three-bedroom units</i> <i>1,440 SF for four- bedroom units</i>
	190	<b>MAXIMUM TOTAL POINTS</b>

## Frequently Asked Questions

### General Program Questions

**Q** When will MDA begin accepting applications?

**A** MDA will begin accepting applications in Round 1 of the program beginning on **September 10, 2007**.

**Q** When is the application deadline?

**A** All applications will be due 45 days after the opening of the round. The Round 1 deadline will be **October 26, 2007**.

**Q** Katrina adversely affected my finances and credit score. Can I still qualify for the program?

**A** Yes. We encourage you to apply. MDA understands that local property owners were the hardest hit by Katrina. MDA will consider both pre-Katrina and post-Katrina credit history and financial statements, as well as additional documentation and explanations that you provide.

**Q** What is a forgivable loan?

**A** A forgivable loan is a loan in which the borrower's obligation to repay the loan amount (principal) is waived over time, assuming the borrower remains in compliance with the loan and program terms.

**Q** If I receive a loan, are there any restrictions on how I must spend the money?

**A** Yes. All funds must be spent on the rental property. If you are receiving funds for repair, reconstruction, or new construction, you must use those funds *solely* to cover construction costs. If you receive funds for rental income subsidy, you may use the funds at your discretion to fund the maintenance, upkeep, or upgrade of the rental property.

**Q** Do I have to repay the loans given by the program?

**A** If you comply with the program terms for the full loan term, you will not have to repay any of the loan principal.

**Q** Will I have to pay interest on my loan?

**A** If you comply with the program terms for the full loan term, you will not have to pay any interest on the loan.

**Q** What is the full loan term?

**A** You must meet all of the program terms for a period of five years from the date of the Certificate of Occupancy for the final rental unit (or the initial inspection, for rental income subsidy applicants). Therefore, the loan term does not begin until all units are ready for tenant occupancy.

**Q** What happens if I don't comply with the program terms?

**A** If MDA finds that you are not in compliance with the program terms at any point within the loan period, you will receive a Notice of Noncompliance. This letter will detail the issue, and give you 45 days to correct it. Within those 45 days, you must correct the issue and certify to MDA in writing that you have done so.

**Q** What happens if I don't correct a compliance issue within 45 days?

**A** If you do not correct a compliance issue within 45 days of MDA's notice to you, you will be in default of the loan.

**Q** What happens if I default on the loan?

**A** The remaining loan principal balance will immediately convert into a demand note. This means you will have to repay that amount of principal. You will be obligated to begin making payments on the remaining principal balance. This balance will accrue interest, calculated from the most recent loan disbursement. You also will be subject to the stated termination fees.

**Q** How will the loan I receive affect my taxes?

**A** This depends upon your personal tax situation. MDA strongly advises consulting with a tax professional in order to determine the exact effect applying for the program will have on your taxes.

### **Application Process Questions**

**Q** How do you define "property?"

**A** A property is defined as an individual piece of land, as described by the legal description filed in the county's land records. Each property may contain up to four units in any combination (e.g. four single-family homes, two duplexes, one fourplex, etc.).

**Q** Can I apply for aid for multiple properties?

**A** Yes. In Round 1, you may apply for assistance for up to 25 properties in need of repair, and 5 newly-constructed properties. You must submit a separate application for each property.

**Q** What is the maximum number of properties I can receive loans for?

**A** The maximum number of existing properties is 25. Beyond that limit, you may apply for aid for up to 5 new construction projects (new rental properties). Therefore, the total limit is 30 properties, with a maximum of 5 being new construction.

**Q** I own properties located in the four eligible counties, as well as properties outside those counties. Can I still apply to the program?

**A** Yes, but only for the units located in one of the four eligible counties (Hancock, Harrison, Jackson, or Pearl River).

**Q** I own a property with more than four units. May I apply for aid to cover only four of the units in the building?

**A** No. The Small Rental Assistance Program only covers properties that contain between one and four rental units.

**Q** I own property that was vacant on August 29, 2005. Can I apply for this property in Round 1?

**A** Possibly. Each unit must have been *rental stock* on August 29, 2005. That means it must have been offered for rent, but not necessarily occupied. If you can prove that the unit in question was offered for rent on August 29, 2005, but vacant, the unit is eligible for assistance. If the unit was not offered for rent on August 29, 2005, it is not eligible for assistance.

**Q** I bought a property after Katrina. Can I apply for this program?

**A** If you can establish that the property was offered as rental property on August 29, 2005, you may apply for the program. The Small Rental Assistance Program does not require you to have been the owner of the property on August 29, 2005.

**Q** What is acceptable to prove that a property was an available rental on August 29, 2005, even though it may not have been rented?

**A** You may provide previous rental records (including rent checks, receipts, etc), insurance information, tax records, or an affidavit.

**Q** I represent a corporation. How many years must be included in our business plan?

**A** Five years, plus the repair/construction period. So, if you anticipate that you will need two years to make the units ready for occupancy, you should include seven years in the business plan.



**Q** If my spouse is not on the deed for the rental property, are they required to participate in the application process?

**A** If the property is also the primary residence of you and/or your spouse, then he or she needs to sign all program documents.

**Q** What if I don't qualify in Round 1? Can I apply to a future round?

**A** You do not need to submit a new application if you do not qualify in Round 1. MDA will ask you to complete a certification that affirms all information in your application is still true and correct. You may also make corrections, additions, or changes to your application at this time. Once you do so, MDA will consider your application in a future round.

**Q** I was denied an award and I want to appeal. How do I do so?

**A** You may file an appeal by writing a letter stating your specific disagreement with MDA's decision, and including any supporting documentation you would like MDA to consider, to the following address:

Mississippi Development Authority  
Post Office Box 66  
Clinton, MS 39060-0066

#### **Program Term & Condition Questions**

**Q** After the loan term expires, do I still have to abide by the program terms?

**A** No, after the loan term expires, and the entire amount of the loan principal is forgiven, MDA will release the covenants on the rental property, and you will no longer be bound by the Small Rental Assistance Program terms.

**Q** Can I sell the rental property after the loan term expires?

**A** Yes. Once the loan term expires, you may sell the rental property without any penalties being assessed.

**Q** Why does a unit have to be unoccupied to qualify for the Small Rental Assistance Program?

**A** The heart of the Small Rental Program is to bring additional rental units on line without changing the nature and consistency of existing neighborhoods.

**Q Are there any restrictions on who I can rent the units to?**

**A** Yes. You must rent all units to tenants with income at or below 120% of Area Median Income (AMI). Additionally, at least 51% of the units in each property must be rented to tenants with income at or below 80% of AMI.

**Q I own a duplex. Do I have to rent both units to tenants at 80% AMI?**

**A** No. For duplexes, the program allows one unit to be rented to a tenant at or below 80% AMI, and one unit to be rented to a tenant at or below 120% AMI.

**Q What is the maximum number of occupants per rental unit size?**

**A** There is no limit defined by the Small Rental Assistance Program. The limit, if any, will be determined by HUD guidelines and according to the local jurisdiction.

**Q Can I charge a different monthly rent amount than the ones listed in this guidebook?**

**A** You may charge less than the listed maximum amounts if you choose to do so. You may not charge more than the amount listed for a particular rental unit size.

**Q How were the maximum rental rates determined?**

**A** The rental rates were provided by the Department of Housing and Urban Development. They are updated annually.

**Q Will tenants be made aware that their landlord is participating in Small Rental Assistance Program?**

**A** The lease application will require that the tenants certify income to meet the program requirements.

**Q Will income need to be re-verified when an existing tenant renews his or her lease?**

**A** No, you will only be required to verify a tenant's income when they apply for an initial lease.

**Q** Am I allowed to rent units to relatives?  
**A** Yes.

### **Environmental Review Questions**

**Q** Are SRA properties subject to environmental regulations?  
**A** Yes. An environmental review will be required.

**Q** What is involved in the environmental review that must take place?  
**A** MDA will send an environmental assessor to your property to take photos and possibly measurements of the property. In many cases, that is all that is needed.

**Q** Do I have to be present when the assessor performs the environmental review?  
**A** No, the initial environmental review does not require a scheduled visit with the owner.

**Q** What happens if the assessor finds a problem in the review or determines that additional environmental conditions apply to my property?  
**A** The assessor may schedule a follow-up appointment with you if more information is needed. If not, MDA will inform you if there is a problem; or if you must comply with any additional requirements.

**Q** What if I can not correct the problem or don't want to?  
**A** You will not receive the forgivable loan unless you are able to correct any problems identified during the environmental review.

**Q** Who pays for the environmental review?  
**A** MDA pays for the initial site survey that is conducted on all properties. If a detailed site survey is needed to ensure compliance with one or more environmental regulatory or statutory requirements, the applicant will pay for that detailed survey.

Round 1 Term Sheet

	Program Option A Rental Income Subsidy	Program Option B Repair or reconstruction of Katrina damage	Program Option C Reconstruction or conversion of non- Katrina damage	Program Option D New construction reimbursement
Anticipated Application Deadline	October 26, 2007	October 26, 2007	October 26, 2007	October 26, 2007
Eligible Properties	Existing property	Existing property	Existing property	New property
Property Repair, or Reconstruction required?	No significant damage/No repair necessary	Repair or Reconstruction of Katrina-related damage necessary	Make-ready repairs or reconstruction of non-Katrina-related damage necessary	N/A
Capital Investment Required?	No	Yes	Yes	Yes
Consideration	Forgivable Loan	Forgivable Loan	Forgivable Loan	Forgivable Loan
Payout schedule (max \$30,000)	Inspection: 1/3 EOY 1: 1/3 EOY 2: 1/3	Permit: 1/2 COO: 1/2	Permit: 1/2 COO: 1/2	Permit: 1/2 COO: 1/2
Required Usage	Income subsidy	Construction/repair	Construction/repair	Construction
Funding Reserved	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000
Forgiveness schedule	EOY 1: 0% EOY 2: 0% EOY 3: 33% EOY 4: 33% EOY 5: 33%	EOY 1: 0% EOY 2: 0% EOY 3: 33% EOY 4: 33% EOY 5: 33%	EOY 1: 0% EOY 2: 0% EOY 3: 33% EOY 4: 33% EOY 5: 33%	EOY 1: 0% EOY 2: 0% EOY 3: 33% EOY 4: 33% EOY 5: 33%
Default Termination Fee	Year 0-1: \$2,500 Year 1-2: \$2,000 Year 2-3: \$1,500 Year 3-5: \$0	Year 0-1: \$2,500 Year 1-2: \$2,000 Year 2-3: \$1,500 Year 3-5: \$0	Year 0-1: \$2,500 Year 1-2: \$2,000 Year 2-3: \$1,500 Year 3-5: \$0	Year 0-1: \$2,500 Year 1-2: \$2,000 Year 2-3: \$1,500 Year 3-5: \$0
Default Interest	LIBOR plus 1%	LIBOR plus 1%	LIBOR plus 1%	LIBOR plus 1%
Default Interest Term	Based on loan distribution and origin of default determination.	Based on loan distribution and origin of default determination.	Based on loan distribution and origin of default determination.	Based on loan distribution and origin of default determination.
Property Sale Triggers Default?	Yes	Yes	Yes	Yes
Property Rental Restrictions	51% of units must rent at 80% AMI tier for five years	51% of units must rent at 80% AMI tier for five years	51% of units must rent at 80% AMI tier for five years	51% of units must rent at 80% AMI tier for five years
Monitoring and Compliance	1. Code housing 2. Program compliance 3. Cure fees	1. Code housing 2. Program compliance 3. Cure fees	1. Code housing 2. Program compliance 3. Cure fees	1. Code housing 2. Program compliance 3. Cure fees
1099 Required?	Yes	No	Yes	Yes
Environmental Review Required?	Yes	Yes	Yes	Yes

## Small Rental Assistance Program Contact Sheet

Service Centers	Hours of Service
Jackson County Service Center Singing River Mall 2800 US Highway 90, Suite 1146 Gautier, MS 39553	Monday-Friday 10AM to 6 PM (Ask for the Small Rental Specialist)
Harrison County Service Center Prime Outlets - Gulfport 10000 Factory Shops Blvd, Suite 110 Gulfport, MS 39505	Monday-Friday 10AM to 6 PM (Ask for the Small Rental Specialist)
Hancock County Service Center Hancock County Government Center 3068 Longfellow Drive, Building 6A Bay St. Louis, MS 39520	Monday-Friday 8AM to 6 PM (Ask for the Small Rental Specialist)
Call Center	Hours of Service
866-369-6302 or 601-576-5700	Monday-Friday 8AM to 5 PM
Other Contact Information	
<b>MDA Website:</b> <a href="http://www.mississippi.org">www.mississippi.org</a>	<b>Helpdesk Email</b> - Applicants can also email questions to the helpdesk, instead of calling the Call Center. The email address is: <a href="mailto:helpdesk@mshomehelp.gov">helpdesk@mshomehelp.gov</a>
<b>HAP Website:</b> <a href="http://www.mshomehelp.gov">www.mshomehelp.gov</a>	
<b>Complaints</b> – Applicants who feel that they have been treated unfairly during any phase of the application process, can email or call the following: <ul style="list-style-type: none"> <li>• <a href="mailto:complaints@mshomehelp.gov">complaints@mshomehelp.gov</a></li> <li>• 800-401-6354</li> </ul>	<b>Send any written correspondence or supplemental information to:</b>  MDA Small Rental Assistance Program P.O. Box 66 Clinton, MS 39060-0066