MISSOURI HOUSING DEVELOPMENT COMMISSION

MISSOURI ALLOCATION PLAN
FOR THE NATIONAL HOUSING TRUST FUND

Strength, Dignity, Quality of Life

MISSOURI HOUSING
DEVELOPMENT COMMISSION

This plan was approved by the
Missouri Housing Development Commission
Board of Commissioners
On November 17, 2017

This plan was approved by the
Department of Housing and Urban Development
On ____________________, 20__

HUD FY2017 Allocation to be Awarded with MHDC Program Year ______

Purpose

The Missouri Housing Development Commission ("MHDC") has been designated by the Governor of the state of Missouri as the state-designated entity ("SDE") for the State. This designation gives MHDC the responsibility of administering the National Housing Trust Fund Program ("HTF") established under Title I of the Housing and Economic Recovery Act of 2008, Section 1131 (Public Law 110-289)("HERA"). Section 1131 of HERA amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4501 *et seq.*) to add a new section 1337, entitled "Affordable Housing Allocation" and a new section 1338, entitled "Housing Trust Fund." The responsibilities of an SDE in administering HTF are defined in the Interim Rule published in the Federal Register Vol. 80, No. 20, on or about January 30, 2015, and recorded at 24 CFR Parts 91 and 93 (the "Interim Rule").

One of the duties of the SDE is to prepare an allocation plan (the "HTF Allocation Plan"). The purpose of this HTF Allocation Plan is to set forth the process that MHDC will use to administer the HTF throughout Missouri and pursuant to §91.220(5) of the Interim Rule, this HTF Allocation Plan will be included with the state of Missouri's Consolidated Plan and Annual Action Plan.

MHDC's goal is to further the purpose of the HTF which includes efforts to increase and preserve the supply of rental housing for extremely low- and very low-income households, defined as follows:

> Extremely low-income families ("ELI families") means low-income families whose annual incomes do not exceed 30 percent of the median family income of a geographic area, as determined by HUD with adjustments for smaller and larger families.
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> Very low-income families ("VLI families") means low-income families whose annual incomes are in excess of 30 percent but not greater than 50 percent of the median family income of a geographic area, as determined by HUD with adjustments for smaller and larger families. VLI families also includes any family that resides in a nonmetropolitan area that does not exceed the poverty line applicable to the family size involved.

Developer's Guide

The Developer's Guide (Exhibit A) is a detailed resource regarding the principles and procedures governing all MHDC rental production programs, including but not limited to HTF. The Developer's Guide is a supplement to this Plan.

Description of Distribution of Funds

A Notice of Funding Availability (the "NOFA") will be published immediately following the MHDC Commission's formal approval of this HTF Plan and a proposed corresponding NOFA. The NOFA will describe due dates of applications and the types and amounts of funding available which may include, but is not limited to, Federal Low Income Housing Tax Credits, State Low Income Housing Tax Credits (only if specifically authorized), HOME program funds, MHDC Fund Balance and HTF funds. MHDC will accept applications for its main NOFA once per allocation year, but may issue subsequent NOFAs if deemed appropriate.

MHDC has adopted the principles, requirements, where applicable, and goals of MHDC's Rental Production Programs for the Housing Trust Fund. To be considered for a HTF allocation, an application must be submitted in accordance with this Plan, the NOFA and the Developer's Guide. MHDC shall set forth the protocol and timing for the submission of applications in the Developer's Guide as it may be amended from time-to-time. Missouri does not intend to use sub-grantees.

Housing Needs Assessment and Strategic Plan and Goals

The total amount of HTF funding allocated to Missouri is **$3,357,775.**

Overwhelmingly, Missouri's most common housing problem is cost burden. MHDC will utilize the HTF to address cost burden. MHDC has identified a statewide need for housing within certain vulnerable populations, specifically households with disabilities, households with mental illness, households experiencing homelessness and youth transitioning from foster care.

MHDC's goal is to approve commitment of 100 percent of the HTF funding available through one or more competitive funding rounds, but shall commit HTF funding only to qualified, eligible applicants who meet all of the requirements and criteria for selection. In the event that less than 100 percent of the HTF funding is approved for commitment, the remaining portion of HTF funding will be carried forward and added to subsequent funding rounds.

All funding will be awarded to developments producing housing units for extremely low-income households.

Pursuant to §91.220(5)(C) and §91.215(b)(2) of the Interim Rule, MHDC has established goals of providing affordable housing units to households at or below 30 percent AMI as follows:

15 Rental Units Constructed

Participant Standards

All participants must be in good standing with MHDC. In addition to satisfactory previous performance, participants must be aware that:

All identities of interest between members of the development team must be documented to MHDC's satisfaction. This includes, but is not limited to, identities of interest between a property/land seller and purchaser and identities of interest between any two or more development team members such as developer, general partner(s), syndicator(s), investor(s), lender(s), architect(s), general contractor, sub-contractor(s), attorney(s), management agent, etc.

All participants must adhere to all federal, state, and local laws, as well as any and all applicable regulations, guidance, revenue rulings and the like as may be promulgated by the IRS, HUD, or any other federal or state agency. Participants are solely responsible for ensuring their own compliance with any such laws, regulations, and guidance, and are encouraged to seek the advice of their own legal counsel with respect to such compliance.

When available and feasible, best efforts must be employed to use local vendors, suppliers, contractors, and laborers.

MHDC has established an MBE/WBE Initiative (as detailed in the Developer's Guide) which encourages involvement of businesses certified as a Minority Business Enterprise (MBE) and/or Woman Business Enterprise (WBE) under a business certification program by a municipality, the state of Missouri, or other certifying agency, as deemed appropriate by MHDC in consultation with the State of Missouri Office of Equal Opportunity.

All participants must agree to abide by the MHDC Workforce Eligibility Policy, as the same may be amended from time-to-time.

Pursuant to the Fair Housing Act (42 U.S.C. 3601 et seq., and including any and all regulations and guidance promulgated by HUD thereunder), discrimination on the basis of race, color, national origin, sex, disability or familial status is strictly prohibited. In addition to prohibiting discrimination, the Fair Housing Act also imposes an obligation to affirmatively further the goals of the Fair Housing Act. MHDC is fully committed to affirmatively furthering fair housing by taking meaningful actions to promote fair housing choice, overcome patterns of segregation, and eliminate disparities in access to opportunity, and consequently, MHDC will consider the extent to which a certain development affirmatively furthers fair housing when deciding which developments should be recommended for funding.

In addition to the requirements set forth above, and also in addition to any other requirements set forth in federal, state, or local law, and notwithstanding the site and neighborhood standards cited below, the Commission requires occupancy of housing financed or assisted by MHDC be open to all persons, regardless of race, color, religion, national origin, ancestry, sex, age, disability, actual or perceived sexual orientation, gender identity, marital status, or familial status. Also, contractors and subcontractors engaged in the construction of such housing shall provide equal opportunity for employment without discrimination as to race, color, religion, national origin, ancestry, sex, age, disability, actual or perceived sexual orientation, gender identity, marital status, or familial status.

The applicant must provide evidence that the chief executive officer (or equivalent) of the local jurisdiction within which the development is located has been notified of the application submitted. Examples of executive officers or their equivalents can be found in MHDC's Developer's Guide.

Pursuant to MHDC's adopted Standards of Conduct, criteria has been established upon which individuals and/or entities may be suspended or debarred from future participation in MHDC sponsored programs (4 CSR 170 8.010-8.160, as may be amended from time-to-time).

Rental Production Application Workshop

Each year MHDC hosts an application workshop. The workshop will be open to applicants who wish to submit an application for 9% and 4% Federal Low Income Housing Tax Credits, 9% and 4% State Low Income Housing Tax Credits (only if specifically authorized), HOME funds, MHDC Fund Balance or Housing Trust Fund. The workshop covers all exhibits related to the Rental Production application and allows time for in-depth questions and discussions about the application process. The workshop covers any changes to the application; changes to the Developer's Guide, changes to the HTF Allocation Plan; changes in funding sources, and any other special topics of interest to the development community.

Application Process - The Application

State LIHTC will only be available if specifically authorized.

An "Application" is defined as: (1) the MHDC Application - FIN-100 (Exhibit B), (2) one tabbed, three-ring binder with all required exhibits and original signatures, where required, (3) digital media with electronic exhibits, and (4) the appropriate application fee. The MHDC FIN-125 (Application Workbook) (Exhibit C) will identify exhibits to be submitted in the three-ring binder and exhibits to be submitted digitally. Three-ring binder and digital media exhibit names must match the FIN-125 exhibit names. The Application Checklist and FIN-100 are attached as exhibits.

Applicants must request HTF as well as indicate whether they are seeking a 9% Tax Credit or a 4% Tax Credit (for Bond Developments). Although not required, it is highly recommended that Tax Credits be coupled with HTF requests due to the limited allocation of HTF funds. MHDC does not require nor accept separate proposals unless the applicant wishes to have a proposal considered for both 9% Credits and 4% Credits.

Should an applicant wish to have their proposal considered for both 9% Credits and 4% Credits, they must provide complete and separate Applications for each credit type, structured appropriately ("Dual Proposal"). A Dual Proposal is essentially a submission of two Applications for the same site(s). MHDC will not accept more than one Application for any site(s) utilizing the same type of tax credit. For example, a 9% Credit family proposal and a 9% Credit senior proposal for the same site(s) will not be considered. A 9% Credit senior proposal and a 4% Credit family proposal (or vice versa) will be considered. If more than one Application is received for a site or a collection of sites utilizing the same type of credit, the first Application received will be accepted and any subsequent applications will be rejected. For senior proposals, the Applicant must present a development that at all times complies with the requirements set forth under 42 U.S.C. § 3607 for housing intended for either (i) households where all residents are persons who are sixty-two (62) years of age or older ("62+ Developments") or (ii) households where at least one resident is a person who is fifty-five (55) years of age or older ("55+ Developments"). Applicants must select one test for a senior development. MHDC will not accept separate proposals for the same site to be utilized as a 55+ Development and a 62+ Development.

Application Submission Deadline

The application deadline will be identified in the corresponding QAP and NOFA. The deadline is subject to change should the NOFA need to be revised or modified. Round 2, if available, will be announced at a later date by issuance of a new NOFA. Applications received after the applicable deadline will not be considered, no exceptions will be made. Complete applications must be received at MHDC's Kansas City office located at 920 Main Street, Suite 1400, Kansas City, MO64105 by the deadline noted above. Early submittals are encouraged but do not receive preferential treatment.

Application Requirements and Eligible Activities

Pursuant to §91.220(5)(B) of the Interim Rule, MHDC requires that applications contain a certification that housing units assisted with HTF will comply with HTF requirements. Further a description of the eligible activities that will be conducted with HTF funds must be contained with the application.

HTF must be used for permanent housing.

HTF eligible activities include using funding for the production of affordable rental housing through land acquisition and new construction of non-luxury housing with suitable amenities, including:

a. Real property acquisition
b. Site improvements
c. Demolition
d. Financing costs
e. Relocation expenses

f. Operating costs

Operating cost assistance and operating cost assistance reserves may be provided only to rental housing newly constructed with HTF funds and MHDC will award no more than one-third of the state's annual grant to be used as operating cost assistance or operating cost assistance reserves. Operating cost assistance and operating cost assistance reserves may be used for insurance, utilities, real property taxes, maintenance, and scheduled payments to a reserve for replacing major systems. The eligible amount of HTF funds per unit for operating cost assistance is determined based on the deficit remaining after the monthly rent payment for the HTF-assisted unit is applied to the HTF-assisted unit's share of the monthly operating cost.

Pursuant to §93.203(a) of the Interim Rule, HTF cannot be used for operating cost assistance reserves if HTF funds are used for the construction of public housing units. The public housing units constructed using HTF must receive Public Housing Operating Fund assistance under section 9 of the 1937 Act.

MHDC will only make an award of HTF funds for the purpose of acquisition when such funds are used to purchase real estate involving a particular identifiable housing development on which construction can be reasonably expected to start within 12 months of commitment of HTF funding.

HTF Funds may be used as:

1. Equity investments
2. Interest bearing loans or advances
3. Non-interest bearing loans or advances
4. Interest subsidies
5. Deferred payment loans
6. Grants

In housing developments with multiple funding sources, only the actual HTF eligible development costs of the assisted units may be charged to the HTF program. If assisted and non-assisted units are not comparable, actual costs may be determined based on a method of cost allocation; notwithstanding, HTF units must be built to the same quality and standard as non-HTF units. If assisted and non-assisted units are comparable in terms of size, features, and number of bedrooms, the actual cost of the HTF-assisted units can be determined by prorating the total HTF eligible development costs of the project so that the proportion of the total development costs charged to the HTF program does not exceed the proportion of the HTF-assisted units in the project.

MHDC will use the same Cost Limits (Exhibit D) for the HTF that it uses for the larger Rental Production program; these published cost limits vary across the state based on hard and soft construction costs and the cost of labor. Since 2014, MHDC has conducted Cost Analysis Reports on all approved MHDC developments. Analysis from these reports indicate that developers and contractors are able to provide quality housing while staying under the cost limits. MHDC believes the published cost limits are such that developers are able to provide housing that will last the affordability period while still being an efficient and responsible use of resources. MHDC will use the Section 234-Condominium Housing basic mortgage limits, for elevator-type projects, as adjusted. MHDC will use the 270% High Cost Percentage (HCP) factor for both Kansas City and St. Louis, and then group all Missouri counties into eight different "Key Localities," which use either Kansas City or St. Louis as the base for cost comparison; a high cost percentage is calculated for each Key Locality by a multiplier (as determined by Marshall & Swift Multiplier) to adjust for costs in each locality relative to either Kansas City and St. Louis. MHDC uses these limits for the Rental Production Program. Using this calculation method will allow the HTF to work seamlessly with other funding sources.

After project completion, the number of units designated as HTF assisted may be reduced only in accordance with § 93.203, except that in a project consisting of all HTF-assisted units, one unit may be converted to an onsite manager's unit if the grantee determines the conversion is reasonable and that, based on one fewer HTF assisted unit, the costs charged to the HTF program do not exceed the actual costs of the HTF-assisted units and do not exceed the subsidy limit established pursuant to § 93.300(a).

An HTF assisted project that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible activity and HTF funding must be repaid.

Pursuant to § 91.220(5)(D) and § 93.301(b) of the Interim Rule, MHDC requires that all developments comply with development building standards.).

The Application Process – Initial Application Review

Applications submitted in response to a NOFA will undergo staff review stages described below. If an application is rejected during the Initial, Primary Documentation, or Secondary Documentation Review, a written explanation will be provided to the applicant.

The Initial Review will be conducted to determine if the applicant and its application meet the following requirements:

Organized Application
Each Application must be complete and submitted in a three-ring binder and organized with tabs according to the MHDC FIN-125. Applications that are not organized or are incomplete may be eliminated from further consideration. MHDC staff has the right, in its sole discretion, to waive an exhibit requirement on a case-by-case basis upon the review of a formal waiver request submitted by an applicant prior to the applicable NOFA deadline.

Application Forms, Exhibits, and Digital Media Requirements

Each applicant is required to submit exhibits applicable to the type of development it is proposing. A completed and executed FIN-100 (Rental Housing Programs Application) with appropriate certifications and elections made, digital media, application fee, development narrative and questionnaire, site review information, applicant site control, market study, and financing commitments constitute the Primary Documentation.

Acceptable forms of digital media include, but are not limited to, a CD-R, DVD, or a USB flash drive. All remaining exhibits listed on the FIN-125 constitute the Secondary Documentation. MHDC staff may contact applicants for clarification or to submit questions regarding any submitted application.

If an exhibit is required but the applicant feels it should be exempt from the application, a waiver may be requested. Requests must be submitted on the MHDC waiver form and submitted and approved prior to the Application deadline. Waivers will only be granted in rare circumstances with a rational explanation and proper justification.

Good Standing with MHDC
Any member of the development team that is the owner or general partner of a development currently in noncompliance due to site audits or a failure to comply with the MHDC owner's reporting requirements will be denied participation in the NOFA. In addition, any development team member not in compliance or good standing with any other MHDC program will be similarly denied participation. If MHDC learns that any principal involved with a proposed development has serious and/or repeated non-performance or non-compliance issues in Missouri or any other state before or during the time of application, the application will be rejected. Prior performance considered may include, but is not limited to, progress made with a previous Conditional Reservation Agreement, Firm Commitment, closing, cost certification, development compliance, payment of fees, and/or violation of the MHDC Workforce Eligibility Policy. Please contact MHDC staff prior to submittal if you are unsure whether you or your development team members are in good standing.

Consistent with Applicable Law. The submitted proposal must comply with all federal, state, and local laws, as well as any and all applicable regulations, guidance, revenue rulings and the like as may be promulgated by the IRS, HUS, or any other federal or state agency. Participants are solely responsible for ensuring their own compliance with any such laws, regulations, and notices, and are encouraged to seek the advice of their own counsel with respect to such compliance. Examples of such requirements include, but are not limited to:

Code Requirements. The proposal must meet all the requirements set forth in the Code and all relevant U.S. Treasury regulations, notices, guidance, and rulings.

Fair Housing Requirements. The submitted proposal must meet all the requirements of The Fair Housing Act.

Internal Revenue Service Memorandum of Understanding *(if also requesting tax credits)* MHDC and the IRS have executed a Memorandum of Understanding ("IRS MOU") to improve the administration of the Federal LIHTC. Under the terms of this IRS MOU, all developers must complete IRS Form 8821 (Rev. 8-2008), Tax Information Authorization, as a condition of consideration for an allocation of 9% Credit or 4% Credit. An executed IRS Form 8821 for the developer and all key principals of the developer and general partnership must be included as part of the application.

Tax Credit Accountability Act *(if also requesting tax credits and State LIHTC will only be available if specifically authorized)* Under the provisions of the Tax Credit Accountability Act (R.S.Mo. 135.800-135.830), all developers/applicants must complete all necessary forms and reporting requirements during the reservation process, the allocation process and for a period of three years following the issuance of State LIHTC and AHAP by MHDC to comply with the provisions of the State Tax Relief Act. All developers must complete MDOR Form 8821 (Rev. 11-2007), Missouri Department of Revenue Authorization For Release of Confidential Information, as a consideration for the allocation of the State LIHTC. MHDC will obtain tax clearance for the developer/applicant from the Missouri Department of Revenue at the time of application. Should the developer, general partner, or any key principal be found to have outstanding tax liens or delinquent taxes, for federal or state taxes, the related application will be rejected. The Initial Review will be performed in conjunction with the Primary and Secondary Documentation reviews (described below). If at a later date it is discovered that an application does not meet one of the Initial Review requirements, it will be rejected or, if funds have been reserved, that reservation may be terminated.

The Application Process – Primary Documentation Review Requirements

All primary documents must be complete, fully executed, and submitted by the applicable application deadline. A list of documents can be found on the MHDC FIN-125. A missing primary document, documents in draft form, or documents missing signatures will result in Application rejection. MHDC may be forced to allow corrections to primary documentation but this will be allowed only in rare circumstances. Applicants should expect that if they turn in an Application missing primary documentation, it will be rejected.

Rental Housing Programs Application

FIN-100 Rental Housing Programs Application
The FIN-100 must be filled out completely, accurately and must be executed in the appropriate places. The FIN-100 in the original binder must have original signatures. Please utilize the FIN-100 provided for the corresponding NOFA round. Submitting the application on a previous FIN-100 form will not be acceptable, as changes are made from year-to-year to reflect new MHDC requirements.

FIN-100 Addendum
The FIN-100-Addendum (Exhibit E) must be filled out completely and accurately with the certification executed by all reporting parties. The FIN-100-Addendum in the original binder must have original signatures. If you have any questions when completing the FIN-100-Addendum, please contact MHDC staff.

Application Fee

The check for the applicable application fee must be included in the binder and the development name must be written on the check submitted.

Nonprofit Priority Application Fee-

Proposals that qualify for the Nonprofit Priority and request consideration under that priority owe a $750 application fee. This does not include Bond Developments, which must pay the standard application fee.

Standard Application Fee-

All applications that do not qualify for the Nonprofit Priority owe a $2,000 application fee.

Narrative Description

The applicant should supply a narrative description that presents any information about their proposed development they feel is necessary for the reviewer to understand that may not be adequately described in the rest of the Application. The narrative is an opportunity to share with MHDC why they feel their development is important and why it should be funded. MHDC looks for and encourages any information that can help illuminate and distinguish an application.

The narrative should include a brief description of the following items:

1. Development Characteristics: describe the type of development, population served, amenities, and services of the development.

2. Market Characteristics: describe the rent structure and how those rents compare with other affordable and market rate properties in the area. Also should discuss how the Application will address the relevant housing needs.

3. Development Team Characteristics: explain the key development team members and highlight experience with similar development types.

4. Financial Feasibility: provide a description of anything unusual regarding feasibility that may not be obvious from looking at the rest of the submitted information.

5. Community Impact: explanations of the level of local support/opposition, catalytic effect and how the Application will address the needs of the community.

6. Other Salient Information: provide any information or description of the development that explains any unique or important characteristics that would help MHDC better understand what the applicant is trying to accomplish.

Development Questionnaire

The questionnaire (Exhibit F) must be completed. The questionnaire is a complement to the narrative description and the narrative description need not cover items discussed in the questionnaire.

Exhibit A to Form 2013

Applicants should provide more information on costs or circumstances related to the project that is important to evaluation of the project, which is not otherwise captured in the Application. This should be labeled “Exhibit A to Form 2013.”

Site Review Information

MHDC’s site reviewers use the information in the site review exhibit to properly evaluate the proposed site and proposal. The following site review information must be included in the Application:

Development Location Maps-

Two maps must be submitted: (i) a community-wide map clearly identifying the site with respect to the town as a whole or, for large metropolitan areas, its proximity to the intersection of two major thoroughfares; and (ii) a more detailed map showing the property within the context of a five- to ten-block area with site boundaries clearly demarcated. Detailed directions are welcome, especially with respect to vacant ground.

Site Photographs-
Color photos of the site, including landmarks and surrounding properties

Site Plan or Subdivision Map-
If a proposal is for single-family homes in a subdivision, a subdivision map must be provided noting the lots for the proposed development. All other proposals are required to provide a site plan that identifies the footprint of the building(s) and site amenities. Distances from the property perimeter to the building locations should be noted or other references that will assist site inspectors in identifying the proposed footprint on vacant ground.

FEMA Flood Map-
A copy of the FEMA flood map panel that covers the application site must be provided. Subject property boundaries must be clearly marked and the panel number included if it is not printed on the maps. FEMA maps can be found at: https://msc.fema.gov/portal.

Market Study Documentation

The Market Study is a valuable tool to help MHDC determine the demand for a proposed project in a given area as well to be able to assess the proposed rents in comparison to market rents. The following must be included in the application package:

Existing Reports- The market study must be dated within six months of application and address the property in question. If the market study is dated within eighteen (18) months of the application due date, an update letter must be provided. At MHDC's sole discretion, this requirement may be waived.

Form 1300 (Exhibit G) - This must be completed by the market analyst and included as both an exhibit on its own and as part of the narrative market study. When submitted as part of the application, this Form must be a separate document.

Market Study Narrative- A favorable statement of conclusions about the strength of the market for the proposed development does not vest in an applicant or development any right to a reservation or an allocation of MHDC financing in any amount.

The market study must:

1. Be prepared by an experienced market analyst shown on MHDC's approved provider list (not an affiliated company), who is an independent third party and completely unaffiliated with the developer and/or owner of the proposed development.

2. Contain a statement by the analyst that:

a. The report is in full compliance with MHDC's Market Study Guidelines. The MHDC Market Study Guidelines can be found at http://www.mhdc.com/rental_production/market_study/index.htm.

b. The information included is accurate and the report can be relied on by MHDC as a true assessment of the affordable housing rental market in the area of the proposed development.

c. The document is assignable to lenders and/or syndicators that are parties to the development's financial structure.

d. Acknowledges and agrees the market study will be shared with other parties that will assist MHDC in the analysis of the market study.

e. Lists the support, if any, that may justify the need for the proposed units by type, size, number, and location.

f. The analyst has compared the proposed rents to those found in the subject's PMA; and

g. The analyst's opinion of the market's need, if any, for the proposed development.

Preliminary Financing Commitments

All non-MHDC sources of debt and equity must be evidenced by a commitment or acceptable documentation in lieu of a commitment. All preliminary commitment letters must include the information required by the MHDC Guidelines for Preliminary Financing Commitments which can be found at www.mhdc.com. At a minimum, there should be commitments for the following types of funds, where applicable:

1. Federal LIHTC Equity. If one syndicator/investor is purchasing all housing and historic tax credits, one commitment meeting the requirements for each type of credit is acceptable. If the syndicator/investor is also providing a bridge loan, that commitment can be included in the equity commitment if it contains all of the terms of the bridge loan.

2. State LIHTC Equity (only if State Low Income Housing Tax Credits are specifically authorized)

3. Other Non-MHDC Financing. All debt and grant financing must have a commitment letter included with the application, including any construction loans. All commitment letters must include the contact information for the person writing the commitment. MHDC may contact the author of a commitment to discuss the development and their commitment.

MHDC requires a preliminary commitment letter at the time of Application for all non-MHDC sources of financing. Updated commitment letters are required at the time of Firm Submission for approved Applications.

Debt/Grant Commitments

1. Any debt or grant funds that will be part of the development's financing must have a commitment letter or a letter stating an application has been received for the source in question. Commitment letters must indicate the following:

a. Loan or grant amount. If using tax-exempt bonds, specify if bonds are draw down bonds
b. Loan term and amortization. The minimum acceptable term for permanent loans is eighteen (18) years
c. Interest rate. Permanent loans must have a fixed interest rate throughout the loan term.
d. Fees associated with the loan or grant
e. Reserve requirements
f. Lien position of the loan
g. Relevant requirements that may affect other financing sources or the operations of the property
h. Contact information for the person providing the commitment and to whom MHDC's questions can be directed Commitment letters are required for both construction and permanent sources.

If a loan is going to be assumed or an existing loan is to be restructured the following must be included: a copy of the note, current note balance, and a letter from the lender stating the loan can be assumed and details of the terms and conditions of any assumed or restructured note. This is of particular applicability to HUD- and RD-financed developments being preserved.

If a loan/grant has been applied for or will be applied for from a competitive source (e.g., city funds, Federal Home Loan Bank), a letter is required that either acknowledges the funds have been applied for or verifies a funding round is coming up and the applicant is eligible to apply. The letter should indicate the amount of funds requested and the timing for funding decisions. Applicants should be prepared to explain alternative plans if not successful in any non-MHDC competitive funding rounds.

An updated commitment letter must be provided with the Firm Submission and should update the information from any commitment(s) provided at Application.

Equity Commitments

If all the various types of tax credit equity are to be provided by the same syndicator, one commitment letter meeting all the requirements below will be sufficient. Any development with tax credit equity listed as a source must include a preliminary commitment letter or letter of interest stating:

1. The ownership percentage and amount of annual credits to be purchased by the equity provider
2. The price per dollar of annual credit purchased. Investors taking more than a de minimis share (i.e., 1% or greater) of ownership interest must provide a capital contribution (at the same price as the primary investor) in exchange for their share of Federal LIHTC
3. The total amount of capital contributions
4. The amount of equity paid during the construction period
5. Any fees, such as an asset management fee, that must be paid during the Compliance Period
6. Any reserve requirements
7. For developments committing to special needs and vulnerable persons housing units, evidence the investor(s) is aware of the specific housing commitment being proposed
8. Contact information for the person providing the commitment and to whom MHDC's questions can be directed

At Firm Submission (defined hereinafter), commitments for tax credit equity must update all the information provided with the Application and also include the following. State Low Income Housing Tax Credits will only be available if specifically authorized:

1. Capital contribution timing and amounts, including the dates or milestones when equity will be contributed to the partnership. MHDC requires a minimum contribution of 10% of Federal LIHTC and State LIHTC equity invested at construction closing with at least another 10% of Federal LIHTC and State LIHTC equity invested by 50% construction completion.
2. Description of development costs attributed to the limited partner, including syndication costs. If a bridge loan is to be provided by the equity investor, the terms and conditions of that loan can be included with the equity commitment and do not need to be presented in a separate commitment letter.

Timing Requirements

All equity commitments must be signed by the provider of the commitment and dated within forty-five (45) days of the Application deadline or Firm Submission date, as applicable.

Site Control

Seller Site Control

The applicant must demonstrate seller site control in the form of:

1. A vesting deed (e.g., a warranty deed); or

2. Title policy that clearly indicates the current owner.

For transactions in which there is an identity of interest between the seller and the buyer or between the seller and a member of the development team, the applicant must include a copy of the seller's contract or settlement statement from the last arm's length transaction if the transaction took place within the last fifty (50) years. If an identity of interest relationship exists between the buyer and seller of real estate a limitation of developer fee will result. Please see the Developer Fee + Consultant Fee section for more information.

Applicant Site Control

Evidence of applicant site control must clearly link the current owner to the eventual ownership entity and be in the form of:

1. Executed purchase option agreement. MHDC will not accept a purchase contract;
2. Executed long-term land lease or option on a long-term lease;
3. Other commitments/agreements approved by staff prior to the Application deadline.

Applicants that already own the ground as evidenced by a vesting deed need only provide a copy of that recorded deed for the applicant site control. Applicants will also need to provide the identity of interest transaction information in the seller site control section described above. Due to certain restrictions ("Choice Limiting Actions") imposed by HUD on all developments requesting HOME Funds or other HUD financing, all applications requesting HOME Funds must have 100% site control of all application sites and the form of site control document must be a purchase option, not a real estate contract. All developments not requesting HOME Funds or other HUD financing must demonstrate proper site control for at least 50% of the sites listed in the Application. For developments that do not evidence 100% site control, a description of how site control will be obtained is mandatory. Failure to provide such description will result in Application rejection. The use of eminent domain to obtain site control of any sites not under control at the time of Application may be deemed acceptable by MHDC if at least 50% of the total parcels making up the development site are under control at the time of Application. Applicants who do not clearly have acceptable site control should contact MHDC prior to the Application deadline. MHDC approval of site control prior to the Application is advisable.

FIN 305: Seller Certification

The FIN-305 (Exhibit H) is required for every application with existing tenants and/or requesting a loan from MHDC. If no loan is requested but MHDC ultimately awards a loan, the FIN-305 must be completed and submitted prior to the execution of any Conditional Reservation.

Legal Description

A legal description of the proposed development site must be included as a separate exhibit. The legal description must match what is included in the site control section. If the site(s) being purchased is larger than the development site(s), a narrative description of how much of the site is for the development and a breakdown of the costs attributable to the development's site is required. For multiple-parcel single-family proposals, clearly label the legal descriptions, contracts/options, and any other documentation related to the various sites so staff can match the documentation to the proposed parcels.

The Application Process – Secondary Documentation Review

Secondary documentation must be submitted by the application deadline to receive further consideration. If six or more secondary review documents are missing or incomplete at the time the application is submitted, the application may be rejected. If five or fewer secondary documents are missing or incomplete at the time the application is submitted, the applicant will be notified in writing of deficient items and a date by which deficiencies must be cured ("Cure Date"). If the requested documents are not received by the Cure Date, the application will be rejected. The FIN-125 contains an exact list of the required documentation and the exhibit discussion below further explains the requirements. It is expected, but not guaranteed, that notification regarding secondary documentation deficiencies and the Cure Date will be emailed within ten (10) business days of the application due date established in the applicable NOFA. If the Initial, Primary Documentation, and Secondary Documentation reviews are successfully passed, an application is deemed complete and will be considered for further review.

Local Jurisdiction Contact Verification

Chief Executives of the local jurisdiction within which the building is located should be contacted via certified mail or some other manner that can be proven to have been received by the official. Contact letters must include the population being served, the number of units proposed, and any other relevant information demonstrating the official has received a sufficient description of the proposed development. For the purpose of the Federal LIHTC application, the term “chief executive” may include the following and must be contacted prior to Application submission:

1. Chief Elected Official. Provide evidence the local legislative body (for example, city council members) and chief elected official of the local jurisdiction (for example, mayor) have been informed the applicant is submitting an application to MHDC.
2. State Senator
3. State Representative
4. City Councilperson or Alderman
5. Public Housing Authority Executive Director or local Community Action Agency (if applicable)
6. School Superintendent (new construction family developments only)
7. Head of Local Law Enforcement
8. City Council or County Board Resolution of Support, if possible

Scattered site developments must contact a Chief Executive Officer for each locality/jurisdiction in which the sites are located. The applicant must submit a copy of the letter sent to the official and evidence the letter was received. MHDC recommends using certified mail and obtaining the returned receipt card to prove the letter was received, but other proof is acceptable if discussed in advance with MHDC staff. Letters from the officials contacted should clearly reference the proposed development. All letters and resolutions secured by the developer should be included; subsequent support/opposition letters will be recorded with the appropriate application and considered by MHDC during the review process.

In municipalities and counties from which MHDC has received multiple applications, staff reserves the right to contact mayors and county executives to request a prioritization of the applications. While support letters are not required from other officials, community groups, neighborhood partners, current residents, or citizens at the time of application, all correspondence is welcome. Letters may be included in the application or sent directly to MHDC (c/o Rental Production).

Statutorily Required Documentation

Various federal and state regulations require applicants provide certain information at the time of application. The following required documents must be filled out properly and executed.

IRS Form 8821

In accordance with the IRS MOU, IRS Form 8821, Tax Information Authorization, must be submitted for the developer, all key principals of the developer and ownership entity, and all general partners that are not affiliates of the developer.

Missouri Form 8821

In accordance with the Tax Credit Accountability Act, MDOR Form 8821, Authorization for Release of Confidential Information, must be submitted for the developer, all key principals of the developer and ownership entity, and all general partners that are not affiliates of the developer.

FIN-109 Legal Employment Practices Certification

In accordance with § 285.025, RSMo, MHDC requires all applicants to certify (Exhibit I) they do not employ illegal aliens/undocumented workers in compliance with federal, state, and local hiring laws.

Evidence of Consistency with Consolidated Plan

Developments requesting financing from MHDC and located in a jurisdiction with a consolidated plan filed with HUD are required to provide certification the proposed development is in compliance with such plan. If a jurisdiction does not have a consolidated plan, a certification the proposed development is consistent with the comprehensive plan must be submitted.

Housing Priority Documentation

Applications requesting consideration under one or more of the established Housing Priorities must include the applicable required documentation with the Application (please see the list of the required documentation in the Housing Priorities section – see exhibit B). If the required documentation is missing or does not fulfill the applicable requirement(s), the Application will not be considered for the desired priority, but it will still be considered for funding.

Zoning Letter

The zoning letter submitted must be an original, on the letterhead of the local governmental unit responsible for zoning, and must clearly indicate:

1. The zoning designation with a brief description of such designation;
2. Density requirements/limits; and
3. Description of any conditional use restrictions or overlay regulations that further restrict the property.

If the site is not properly zoned, include a letter from the appropriate governmental body describing what needs to be done to be in compliance and the time frame for achieving such compliance. If there is no zoning in a jurisdiction, a letter from the locality stating no zoning exists is acceptable in lieu of a zoning letter.

Architectural Items

Elevations, floor, and unit plans included as exhibits in the Application cannot be larger than 11” x 17” and must be drawn to scale when possible. The following architectural items must be included with each Application:

Elevations

Floor Plans

Floor plans for each floor must be provided. If one or more floors have identical plans, it is acceptable to show one plan with the number of each floor with that plan highlighted.

Unit Plans

A plan must be provided for each unit type being proposed. Unit plans must have the square footage for the unit listed.

Development Characteristics Worksheet

The Development Characteristics Worksheet (Exhibit J) must be filled out and fully executed. The development characteristics described or chosen must be adhered to by the owner. Failure to do so may result in the termination of any Conditional Reservation or Firm Commitment.

Sustainable Housing Information

All new construction proposals must meet the current standards for the certification level of choice for of one of the following green building rating systems: Enterprise Green Communities, any of the LEED rating systems, or the National Green Building Standard. Any certification level of these systems is acceptable, but the development team must indicate in the Development Characteristics Worksheet the rating system and certification level to which they are committing. All new construction Applications must provide documentation demonstrating how the development team and property will achieve and maintain the selected green building standard. New construction applications must also include:

1. The criteria and features being incorporated from the chosen green building rating system accompanied by the applicable checklist:

    a. Enterprise Green Communities – Green Communities Criteria Checklist;
    b. LEED – LEED Checklist;
    c. National Green Building Standard – Designer's Report from the Green Building Scoring Tool;

2. Resumes for development team members with sustainable development experience, proof at least one team member is a LEED AP®, LEED Green Associate™ or a Certified Green Professional™, and a description of the development(s) they have worked on and their role in the process. If the development is not being formally certified, the development team member must document the pledged green building standards with pictures, a signed and scored scoring tool, and brief narrative during the construction process; and

3. New construction developments must demonstrate at Application, Firm Submission, and construction completion that the development has been designed and built to meet certification under the chosen system. Formal certification by a certified third-party is welcome but not required. Failure to provide the sustainable housing promised at the time of Application may result in the recapture of funding and will reflect poorly on future applications

Broadband Requirements

All applications for MHDC funding must establish that the development will include sufficient broadband infrastructure in accordance with Narrowing the Digital Divide Through Installation of Broadband Infrastructure in New Construction and Substantial Rehabilitation of Multifamily Family Rental Housing, 81 FR 92626 (the "HUD Broadband Rule"). Applicants are encouraged to review the HUD Broadband Rule and to seek the advice of counsel to determine compliance. The application should specifically address compliance with the HUD Broadband Rule in the narrative and should describe in sufficient detail how the particular development will comply with the HUD Broadband Rule.

Relocation and Existing Multifamily Operations Data

For developments requesting HTF and requiring temporary or permanent relocation of existing residential or commercial tenants, the owner must comply with the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended ("URA"). For developments requesting all other types of MHDC financing and requiring temporary and permanent relocation of existing residential or commercial tenants, the owner must comply with the requirements of § 523.205, RSMo. Each of the exhibits below is required, regardless of the type of financing.

Current Tenant List

Tenant list must include the names of the leaseholder, the number of persons in each household, the start date of each lease, the amount of rent charged, the amount of rent paid, income of each household, and race/ethnicity information. Subsidies being provided to residents should be noted. For properties that are currently market-rate, if household income cannot be provided, indicate to the best of your knowledge which households may be permanently displaced by the proposed financing restrictions.

Relocation Plan

When reviewing the relocation plan, MHDC will look for the following: (i) a brief description of the type of relocation anticipated and how it will be handled, (ii) a list of all buildings (with addresses) currently occupied by renters or owner-occupants of residential or commercial buildings being renovated or demolished as a part of the proposed development, (iii) a breakdown of the relocation expenses expected to be incurred (which reflect the number used in the development budget), (iv) a description of services provided during the relocation period, (v) how records will be maintained, and (vi) a relocation timeline. If an identity of interest exists between a member of the development team and the firm hired to perform the relocation planning and execution, the profit for relocating tenants will be limited to a maximum of 20% of the relocation costs.

MHDC reserves the right to require a cost certification of relocation costs for any development that has a relocation expense. MHDC is likely to exercise this right when an identity of interest exists, as described above.

General Information Notice (GIN)
A copy of the General Information Notice (GIN) required by the Uniform Relocation Act (URA) for application purposes must be provided. At minimum, this must include a copy of the proposed GIN to be distributed to tenants if MHDC funding is approved.

Acceptance of MHDC Relocation Policy
A signed statement acknowledging must be provided by the applicant indicating that the MHDC Relocation Policy (available at www.mhdc.com) has been read and accepted.

Annual Financial Statements
MHDC will require the property's annual financial statements for the last three years. If the applicant is related to the current ownership entity, any unaudited financial statements must be accompanied by a certification from an authorized representative of the owner the information is true and accurate to the best of their knowledge.

PHA Approved Utility Allowances

Provide the most current utility allowance schedule from the local public housing authority. The utility allowance used in the application should match the PHA-approved allowance for the property type. If using less than or more than the PHA amount, an explanation of the difference must be provided. On the utility allowance schedule circle or highlight the appropriate utility amounts. The utility allowance schedule must be dated within twelve (12) months of the applicable NOFA deadline. If the provided schedule is more than twelve (12) months old, a letter from the issuing authority stating the included allowance is the most recent must be included.

Developer and General Partner Information

The following exhibits, if applicable, must be included for the developer. If the developer and general partner are unaffiliated entities, information for each entity must be provided. If a developer is a newly-formed entity made up of principals from other companies/individuals with housing experience, the information must be provided for each entity/individual.

FIN-105 Experience Summary for Developer(s) (Exhibit D)
If the developer/applicant wishes to utilize a form different than the FIN-105, the report provided must, at a minimum, include all the information requested on the FIN-105.

FIN-107 Developer Qualifications (Exhibit E)
The purpose of this form is to illustrate the financial and operational capacity of the developer.

Developer Financial Statements
Financial statements for the developer entity and its principals must be sent or delivered under separate cover to the attention of the Director of Rental Production prior to the applicable NOFA deadline. Submitted audited financial statements must have been issued in the last twelve (12) months. If the document provided is not an audited financial statement, it must be dated within the past ninety (90) days and must be accompanied by a certification executed by an authorized representative of the entity or the principal stating the statement is true and correct, to the best of their knowledge.

FIN-105 Experience for General Partner(s)
If there is a general partner that is not an affiliate of the developer, a FIN-105 for that entity is required.

Management Company Information

Experience Summary (FIN-105)

If the management company chooses to utilize a form different than the FIN-105, the report provided must, at a minimum, include all the information requested on the FIN-105.

MHDC staff will maintain a list of all MHDC Certified Property Management Agents, together with date of certification on the MHDC website at www.mhdc.com. Interested parties are encouraged to review the list to ensure that the chosen management agent is included, as the list may change periodically.

The Application Process –Feasibility and Viability Underwriting Standards

In order to conduct the Feasibility and Viability Determination and in accordance with Missouri state law, and other applicable federal laws, MHDC has created the underwriting standards listed below. The standards are based on National Council of State Housing Agencies best practices and MHDC's own experience with the various affordable housing programs and developments. Due to the changing economic and market dynamics of the affordable housing industry, MHDC reserves the right to deviate from these standards when appropriate and reasonable. MHDC recognizes the unique nature of each Application and will consider a development's individual situation but will not apply the standards in a capricious manner. The Underwriting Department's evaluation, along with "Merits of the Application," carry the most weight when ranking HTF proposals. A more detailed explanation of how these factors are weighted in the review process can be found in the "Priority Factors" and "Priority Evaluation" sections.

Sources

All sources of funding for a development must be identified in the application; this includes sources that will be contributed outside of the typical timeline of a project. When reviewing the sources contemplated by any application, MHDC will apply the following standards:

Debt

All sources of debt, with the exception of MHDC debt, must have a commitment letter. Please see the application exhibit section above for more information on what is required in the commitment letters.

1. Debt Service Coverage. All hard MHDC debt must show initial debt service coverage ("DSC") between 1.20 and 2.00. If the DSC falls below 1.15 during the Compliance Period, the applicant must explain how deficits will be dealt with. For developments utilizing non-MHDC debt, MHDC will use the DSC ratio indicated by the lender in its preliminary financial commitment. If the DSC falls below the lender's standard during the Compliance Period, the applicant or its lender must explain how deficits will be dealt with. MHDC reserves the right to underwrite to the standard for MHDC debt regardless of the source. If no explanation is provided for DSC ratios below the standards listed above, MHDC may underwrite a debt-service reserve into the development. If a development does not have a loan or only has cash-flow contingent loans, the development must demonstrate that the ratio between income and expenses is greater than 1.00 for the entire Compliance Period. MHDC staff will not recommend a development for funding if the DSC is below 1.00 at any point during the Compliance Period.

2. Interest Rate. For MHDC debt, the appropriate rate for the applicable funding source will be used. Please consult the latest MHDC term sheets for the appropriate rates on MHDC debt. For non-MHDC debt, the interest rate described in the lender's preliminary commitment will be used. MHDC will not accept permanent loan interest rates that float or are reset at any point during the first eighteen (18) years of operations. MHDC debt terms may be changed during underwriting to better suit the needs of the development and MHDC.

Construction Loans

If the loan is an MHDC HTF loan or HOME Funds loan in second position during construction, the term will be equal to that of the first position construction loan. If the MHDC HTF loan or HOME

Funds loan is the only construction loan, the term will be determined at Firm Commitment but will generally not exceed eighteen (18) months.

Applications must clearly state whether or not they are requesting a participation loan. Developments requesting MHDC Fund Balance participation loans must provide a preliminary commitment letter from the applicant's preferred lender which states (i) the lender is willing to take a co-first lien position with MHDC, and (ii) the lender is willing to accept the MHDC Participation Agreement in the form required by MHDC. Applicants seeking participation loans should inform their preferred lenders that MHDC will not accept significant revisions to the MHDC Participation Agreement. Otherwise, MHDC reserves the right to determine appropriate loan financing for the proposal. If the loan is an MHDC participation construction loan, the construction loan term will be eighteen (18) months. An application may request a participation construction loan term of twenty-four (24) months; provided, however, a twenty-four (24)-month term will increase the construction period interest rate. Such a request must be made in writing and is most appropriately made in the development's narrative.

MHDC will require recourse on the entire construction loan during the construction period. Exceptions to this recourse may be granted for Nonprofit and CHDO applicants. If using tax-exempt bonds, the applicant must specify if they are draw down bonds.

Permanent Loans
MHDC hard permanent loans will feature a twenty (20)-year term, with the exception of loans for single-family homeownership developments, which will feature an eighteen (18)-year term. Soft loans from MHDC will generally have the same term as the hard first mortgage; if there is no hard first mortgage, it will have a thirty (30)-year term.

Non-MHDC debt will be underwritten with the term described in the preliminary commitment letter. MHDC will not accept any permanent loan term less than eighteen (18) years.

Amortization
Hard permanent loans from MHDC will amortize over thirty (30) years for all developments except single-family homeownership developments, which will amortize over twenty-five (25) years. Soft loans will not amortize, but will require an annual payment equal to 50% of available cash-flow unless MHDC staff determines there is not sufficient cash-flow available. The definition of "cash flow" and the priority of payment will be set forth in the Firm Commitment. Non-MHDC loans will be underwritten with the amortization described in the lender's preliminary commitment letter.

Deferred Developer Fee
In cases where MHDC is providing a loan dependent on cash flow for repayment, deferred developer fee should be structured as a note and its position in the distribution of cash flow clearly indicated in the owner's partnership agreement or operating agreement, as applicable. MHDC reserves the right to create, eliminate, or adjust the deferred developer fee to efficiently utilize resources and appropriately underwrite each deal. Deferred developer fee in excess of 50% of the total developer fee should be avoided and will be allowed only in rare circumstances. It must be demonstrated that the deferred developer fee can be paid back from cash flow. Preferably, this repayment will take place within the first ten (10) years.

Tax Credit Equity

State Low Income Housing Tax Credits will only be available if specifically authorized.

Certain basis-eligible line items of the development budget may not be underwritten as 100% eligible. These line items include construction loan interest and bond-related costs. If 100% of these line items are included in eligible basis, a reason why or a calculation of how you arrived at 100% of the cost being eligible must be provided.

To calculate the maximum amount of credits for which the proposed development is eligible use the applicable percentage as detailed below:

- **9% Credit – New**– 9% fixed applicable percentage
- **4% Credit – New-** use IRS-issued 30% present value low-income housing credit applicable percentage in effect at the time of application.

MHDC staff has the right to adjust the applicable percentage to a rate in effect for subsequent months during the underwriting process. Please note that MHDC will allocate the credit amount based on the need of the project and not on eligible basis.

Developments located in a Qualified Census Tract or in a Difficult Development Area, as defined below, may be eligible to increase eligible basis by 30%.

- <u>Qualified Census Tract</u>. Developments located in areas designated by HUD as Qualified Census Tracts.

- <u>Difficult Development Areas</u>**.** Developments located in areas designated by HUD to be difficult to develop.

- <u>State Designated Difficult Development Areas</u>**.** Pursuant to §42(d)(5)(B)(v) of the Code, MHDC may establish criteria to designate additional properties approved for 9% Credits to be treated as located in a difficult development area For purposes of this Plan, to qualify for such an increase, properties must meet at least one (1) of the following criteria:

    - Be determined to meet the qualifications of one of the priorities under the Set-aside Preferences and demonstrate the property owner will incur direct costs in addition to costs covered by third parties in the provision of services to enhance the residential stability and independence of residents identified under the selected priority;

    - Be determined to meet the qualifications of the Service Enriched Priority;

    - Be a family development located in a county whose median income is below the 2016 statewide median income, as established and published by HUD, and propose to set aside between 15% and 25% of the total units to be occupied by households earning between 60% and 80% of the area median income (workforce units), calculated using the appropriate income limits; or

    - Be part of a larger mixed-use economic development area. For a development to qualify as part of a mixed-use economic development area, it must:

        - Be part of a mixed-use economic development area that includes different housing types for different household income levels, new retail/office/light industrial space that creates new permanent jobs, and new public space or activity centers designed for users of the area; or

        - Be part of a Transit Oriented Development ("TOD") plan. The TOD plan must be centered around and integrated with a transit stop and the proposal must be located within 1,750 feet of a transit stop. The TOD plan must be mixed-use, mixed-income, pedestrian friendly, and of appropriate density for a TOD.

    MHDC will decide, in its sole discretion, what evidence and what types of development will qualify for an increase in eligible basis for mixed use economic development areas. An important factor is that the MHDC development is not the only development taking place and the MHDC development will enhance the overall plan, rather than be the overall plan. It is expected the plan, of which the MHDC development is a part of, contemplates the development of multiple buildings over an area of reasonable size. This will not apply to a singular structure, regardless of location.

Tax Credit Pricing

State Low Income Housing Tax Credits will only be available if specifically authorized.

MHDC staff may use the price outlined in the preliminary financial commitment to underwrite the development, provided the price reasonably reflects current market conditions. However, MHDC staff reserves the right to underwrite developments at credit prices different than outlined in the preliminary financing commitment(s).

All developments must meet the MHDC-required minimum contribution of 10% of Federal LIHTC and State LIHTC equity invested at construction closing with at least another 10% of Federal LIHTC and State LIHTC equity invested at or before 50% construction completion. These thresholds must be met by both the Federal LIHTC and State LIHTC equity investors independently unless the Federal LIHTC investor and State LIHTC investor are the same entity. Only if the Federal LIHTC investor and State LIHTC investor are the same will the equity be considered in the aggregate. In no event may AHAP contributions count towards these required equity thresholds. If HUD is providing loan insurance, equity contributions must meet or exceed current HUD guidelines. Investors taking more than a de minimis share (i.e., 1% or greater) of ownership interest must provide a capital contribution (at the same price as the primary investor) in exchange for their share of Federal LIHTC.

Given the changing landscape of the Federal LIHTC equity market, MHDC will determine a reasonable net price floor for the Federal LIHTC at the time of application review and underwrite to that effect. MHDC reserves the right to adjust and update how equity pricing is underwritten.

MHDC staff may contact any person or entity providing a preliminary financing commitment for tax credit equity to discuss the development and/or its level of activity and/or interest in investing in Missouri.

Uses

All uses will be examined for their competitiveness and reasonableness and may be questioned during the Application review. Applicants should be able to explain how they arrived at any particular line item, but it will be in the sole discretion of MHDC whether to accept an explanation or the cost for any line item. Any costs incurred for submission of applications in years prior to the development being awarded MHDC funds shall be repayable to the developer only as part of the developer fee.

Maximum Income / Maximum Rents

MHDC no longer publishes the Maximum Income/Maximum Rent Schedule for Missouri counties. Income limits and maximum rent levels can be determined by accessing Novogradac & Company LLP's Rent & Income Limit Calculator©. The Rent & Income Limit Calculator© will calculate IRC §42(i)(3)(A) LIHTC rent and income limits for every Missouri county and MSA. For HOME and HTF units MHDC uses the HUD published income and rent limits. The determination of maximum income and rent limits is complex and the use of a compliance professional is highly recommended.

Operating Expenses

Because of the different types of developments and the variances in operating costs found in the different regions of Missouri, with the exception of replacement reserves, MHDC will not provide minimum or maximum operating expense requirements. Each development will undergo a detailed review and will be compared with existing developments of similar type, location, and design. MHDC is interested in funding proposals demonstrating feasible, yet competitive and reasonable, expenses that will assure long-term operating stability and quality. Annual replacement reserve requirements are $300 per unit per year with an upfront deposit of $600 per unit. The presence of a full-time manager is strongly encouraged.

The Application Process – Site Review

During the application review process, MHDC staff will visit each proposed site(s). Each proposed site location must have a sign posted on it. The sign must be at least 2' X 3', include the developer's name, and state it is a MHDC proposed project. The sign must face a road surrounding the site and the font size must be easily readable from the road. The site selected for the development is a critical component of the application. MHDC evaluates the following items:

1. Ingress and egress;
2. Visibility for marketing purposes;
3. Proximity to groceries, pharmacies, restaurants, public parks, etc.
4. Potential noise concerns from nearby highways, airports, etc.
5. Potential flood plain issues;
6. Existence of wetlands areas;
7. Potential habitat for endangered species; and
8. Competition with other housing developments in the immediate area.

These site considerations are not a substitute for an environmental report but are meant to alert MHDC staff to potential concerns, and the results play an important role in the Competitive Review. Vacant land presents a challenge in identifying the location of a proposed site, particularly in rural areas and pre-construction phase subdivisions. MHDC requires applicants place a sign on the property clearly marking the location. Subject to timing and availability, staff reserves the right to contact applicants to meet them at the site for a physical inspection. Contact with an applicant does not indicate either a favorable or negative response to the application or choice of a site.

Selection Criteria

While the housing priorities may give a development extra consideration, the selection criteria below indicate what factors are used in making funding recommendations. All submitted applications which successfully make it to the competitive review stage will be evaluated by MHDC staff using the selection criteria described below.

- Project location;
- Housing needs characteristics;
- Project characteristics, including whether the project involves the use of existing housing as part of a community revitalization plan;
- Tenant populations with special housing needs or consisting of vulnerable persons;
- Sponsor characteristics;
- Tenant populations of individuals with children;
- Public housing waiting lists; and
- Energy efficiency and overall sustainability.

Where a development is located affects almost all of the other selection criteria. Important considerations for location include, but are not limited to:

a) Proposals must not be located where the total of publicly subsidized housing units (as defined in the Market Study Guidelines) equal more than 20 percent of all units in the census tract where the development will be located.

   1) If the proposed development is located in the Kansas City or St. Louis Region, it shall not be located within a one (1) mile radius of any development that: (a) has been approved for State LIHTC, Federal LIHTC, HOME, or Fund Balance funding through MHDC within the previous two (2) fiscal-year funding cycles; and, (b) is less than 90 percent leased-up at the time of application submission.

   2) Exceptions to the previous two criteria may include, but are not limited to, applications proposing:

      i. Mixed-income development;
      ii. Development to replace existing public housing and/or subsidized housing;

iii. Development where at least 25 percent of the units are set aside as Special Needs or Vulnerable Person housing units;
iv. Development that includes service enriched housing features;
v. Development that is part of a municipal redevelopment plan; or
vi. Senior housing development.

b) Location in a qualified census tract only if the development will contribute to a concerted community revitalization plan that is in-place at the time of application;

c) Location in a community with demonstrated new employment opportunities and a proven need for workforce housing;

d) Infill of existing stable neighborhoods, including Brownfield redevelopment in stable neighborhoods; and

e) MHDC staff designated targeted areas.

Developments must address the affordable housing needs of the state, region, and locality where they will be located. Important considerations regarding market need include:

a) Number and growth of the population and intended tenant population in the market area;

b) Presence, condition, occupancy, and comparability of other affordable housing developments in the market area;

c) Presence, condition, occupancy, and comparability of market rate housing in the market area;

d) Capture rate for the proposed development; and

e) Housing needs of the special needs or vulnerable persons population in the market area.

No application proposing the delivery of new units will be approved if it is deemed by MHDC to adversely impact any existing MHDC development(s), exist in a questionable market, or create excessive concentration of multifamily units.

A site for newly constructed housing must meet the following site and neighborhood standards, as cited from 24 CFR 983.57(e)(2)

> (2) The site must not be located in an area of minority concentration, except as permitted under paragraph (e)(3) of this section, and must not be located in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.
>
> (3) A project may be located in an area of minority concentration only if:
>
> > (i) Sufficient, comparable opportunities exist for housing for minority families in the income range to be served by the proposed project outside areas of minority concentration (see paragraph (e)(3)(iii), (iv), and (v) of this section for further guidance on this criterion); or
> >
> > (ii) The project is necessary to meet overriding housing needs that cannot be met in that housing market area (see paragraph (e) (3)(vi)) of this section for further guidance on this criterion).
> >
> > (iii) As used in paragraph (e)(3)(i) of this section, "sufficient" does not require that in every locality there be an equal number of assisted units within and outside of areas of minority concentration. Rather, application of this standard should produce a reasonable distribution of assisted units each year, that, over a period of several years, will approach an appropriate balance of housing choices within and outside areas of minority concentration. An appropriate balance in any jurisdiction must be determined in light of local conditions affecting the range of housing choices available for low-income minority families and in relation to the racial mix of the locality's population.
> >
> > (iv) Units may be considered "comparable opportunities," as used in paragraph (e)(3)(i) of this section, if they have the same household type (elderly, disabled, family, large family) and tenure type (owner/renter); require approximately the same tenant contribution towards rent; serve the same income group; are located in the same housing market; and are in standard condition.

(v) Application of this sufficient, comparable opportunities standard involves assessing the overall impact of HUD-assisted housing on the availability of housing choices for low-income minority families in and outside areas of minority concentration, and must take into account the extent to which the following factors are present, along with other factors relevant to housing choice:

(A) A significant number of assisted housing units are available outside areas of minority concentration.

(B) There is significant integration of assisted housing projects constructed or rehabilitated in the past 10 years, relative to the racial mix of the eligible population.

(C) There are racially integrated neighborhoods in the locality.

(D) Programs are operated by the locality to assist minority families that wish to find housing outside areas of minority concentration.

(E) Minority families have benefited from local activities (*e.g.*, acquisition and write-down of sites, tax relief programs for homeowners, acquisitions of units for use as assisted housing units) undertaken to expand choice for minority families outside of areas of minority concentration.

(F) A significant proportion of minority households has been successful in finding units in non-minority areas under the tenant-based assistance programs.

(G) Comparable housing opportunities have been made available outside areas of minority concentration through other programs.

(vi) Application of the “overriding housing needs” criterion, for example, permits approval of sites that are an integral part of an overall local strategy for the preservation or restoration of the immediate neighborhood and of sites in a neighborhood experiencing significant private investment that is demonstrably improving the economic character of the area (a “revitalizing area”). An “overriding housing need,” however, may not serve as the basis for determining that a site is acceptable, if the only reason the need cannot otherwise be feasibly met is that discrimination on the basis of race, color, religion, sex, national origin, age, familial status, or disability renders sites outside areas of minority concentration unavailable or if the use of this standard in recent years has had the effect of circumventing the obligation to provide housing choice.

MHDC will give preference among selected developments to:

- Those serving the lowest income tenants; and
- Those serving qualified tenants for the longest period of time.

All MHDC-financed developments receiving HTF funding are required to:

1. Comply with the MHDC Design/Construction Compliance Guidelines (MHDC Form 1200) (Exhibit K), as may be amended from time-to-time.
2. Comply with all applicable local, state and federal ordinances and laws including, but not limited to:
   a. Local zoning ordinances.
   b. The construction code utilized by the local government unit where the development is located. In the absence of locally adopted codes, the International Building Code (2012), the International Plumbing Code (2012), the International Mechanical Code (2012), the National Electrical Code (2011), and/or the International Residential Code (2012) must be used.
   c. The Fair Housing Act of 1968, as amended. In addition, proposals receiving federal, state, county, or municipal funding may be required to comply with the Architectural Barriers Act of 1968, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act, all as amended.
   d. If applicable, the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (“URA”) and/or Missouri Revised Statute 523.205.

e. If applicable, The Lead Paint Poisoning Prevention Act, HUD Guidelines for the Evaluation and Control of Lead Based Paint in Housing, and the MHDC Lead Based Paint Policy.

f. Improvement of property to mitigate the impact of potential disasters such as tornadoes.

3. All developments with twelve (12) or more units are required to have a minimum of 5 percent of the units (rounded up to the nearest whole number) designed in compliance with one of the nationally recognized standards for accessibility to wheelchair users and an additional 2 percent of the units (rounded up to the nearest whole number) usable by those with hearing or visual impairments.

4. All new construction projects, regardless of number of units, shall be designed and constructed in accordance with the principles of universal design, as detailed in MHDC Form 1200, Design/Construction Compliance Guidelines. This requirement is in addition to the requirement for accessibility of persons with mobility, hearing and/or visual impairments as outlined in item #3 above.

5. Provide facilities, amenities, and equipment appropriate for the population being served by the development.

6. Be designed to meet the established construction budget and utilize construction materials that extend the longevity of the building including materials, products, and equipment which are more durable than standard construction materials. Products must clearly reflect upgrades from UPC construction grades and be economical to maintain.

7. If the development involves new construction, utilize sustainable building techniques and materials to meet the current standards of one of the certification levels of the following green building rating systems: Enterprise Green Communities, any of the LEED rating systems, or the National Green Building Standard (ICC 700 or "NGBS"). In addition, to meet the sustainable housing requirement, the applicant must:

   a. Demonstrate at the time of application, Firm Submission (as defined in the Developer's Guide), and construction completion that the development will meet or has met the design and construction requirements for any certification level offered by the three accepted rating systems. The development is not required to receive formal certification, but must be designed and built in such a manner that it could receive formal certification. Green building criteria utilized must be clearly documented for MHDC staff's review and confirmation.

   b. Have at least one development team member who is an accredited green building professional with proven experience in sustainable design and/or construction. The team member must be a LEED AP®, LEED Green Associate™ or a Certified Green Professional™. If the development is not being formally certified, the development team member must document the pledged green building standards with pictures, provide a signed and scored scoring tool, and a brief narrative during the construction process.

8. Have contracts that are both reasonable and competitively priced for both hard and soft costs. Copies of the contracts must be provided to MHDC.

9. Adhere to the contractor fee limitations.

10. Commit to contract with Section 3 businesses as may be dictated by regulations tied to federal funding sources and as more thoroughly set out in the Developer's Guide. A Section 3 Plan (as defined in the Developer's Guide) signed by the owner/developer and the general contractor must be reviewed and approved by MHDC staff prior to Firm Commitment issuance.

11. MBE/WBE Participation Standard is set at a minimum of 10 percent for MBEs and 5 percent for WBEs for both hard and soft costs. This applies to developments with more than six (6) units. The Participation Standard may be satisfied by MBE/WBE businesses providing comparable-quality and competitively-priced services/materials in the following categories:

   a. Hard costs for the actual physical cost of construction, which include, but are not limited to, general contracting, grading, excavation, concrete, paving, framing, electrical, carpentry, roofing, masonry, plumbing, painting, asbestos removal, trucking and landscaping.

   b. Soft costs, which include, but are not limited to, planning, architectural, relocation, legal, accounting, environmental, engineering, surveying, consulting fees, title company, disbursing company, market study, appraisal and soils report.

The calculation of participation rates shall include all line items for which services or materials are provided to the development; provided however, that developer fees may be, but are not required to be, included in the calculation of participation rates. Development costs that do not include actual services or materials, such as public sector financing fees, reserves, land acquisition, building acquisition, construction interest, construction period taxes, federal tax credit allocation fees, federal tax credit monitoring fees, and bond issuance cost, shall not be included in the calculation. Calculations are based on work actually performed by the contractor. When the MBE/WBE is not performing the work but is the named contractor, credit will be given for twenty percent (20%) of the contract amount.

A utilization plan, committing in detail, how the applicant intends to meet the Participation Standard MUST be signed by the owner/developer(s) and included in the application. MBE/WBE entities providing soft cost services must be identified at the time of application. Evidence of MBE/WBE proposals and certifications for hard costs will be required as part of the Firm Submission requirements or no later than five (5) days prior to construction loan closing. In the event there is also an award of other funds, there may be additional requirements that must be met to be in compliance with federal regulations.

12. All developments requesting and receiving approval for Federal Low-Income Housing Tax Credits, State Low-Income Housing Tax Credits (only if specifically authorized), fund balance loans, HOME funds, HTF, or Risk Share insurance are required to pass an environmental review as a condition of financing, and must also commit to identifying and satisfying any existing environmental conditions to the satisfaction of MHDC and/or HUD as detailed in the Developer's Guide and the MHDC Form 1400 (MHDC Environmental Review Guidelines).

    Developments receiving HOME funds, HTF, or HUD/MHDC Risk Sharing Insurance must comply with all state and federal environmental rules and regulations, specifically including but not limited to, 24 CFR § 50.4, 24 CFR § 58.6, 24 CFR § 58.5 (also known as the "Statutory Checklist") and any additional rules, regulations, or procedures required by HUD or MHDC.

Priority Factors

MHDC recognized the connection between HTF funds and Set-aside Preferences and Service Enriched priorities, therefore applications applying under the Set-aside Preferences and Service Enriched priorities will be encouraged to utilize HTF Funds. Pursuant to §91.220(5) and §91.220(5)(A) of the Interim Rule, MHDC has established the following housing priorities to encourage the development of housing utilizing HTF:

Merits of the Project

Merits of the Project is a list of MHDC's development priorities for the HTF. This category, along with the Underwriting Department's evaluation, have the most weight when considering final rankings. Each priority is evaluated based on the quality of the required documentation and how the priority improves the proposal and community it is intended to serve.

1. **Set-aside Preferences**

   The Set-aside Preferences consist of priorities for Special Needs and Vulnerable Persons and serve as incentives for developers to build housing that is safe, decent, affordable, and targeted to the most vulnerable individuals and families. This is accomplished by providing a home for individuals and families with special needs combined with social services to stabilize them once in place. MHDC will prioritize applications that meet this goal. Developments applying under the Set-aside Preferences must select either the Special Needs Priority or the Vulnerable Persons Priority, but not both.

   a. Special Needs Priority

   Developments providing housing opportunities for persons with special needs are strongly encouraged. Developments committing to a special needs set-aside of at least 10% of the total units, will receive a preference in funding ("Special Needs Priority") as one of the Set-aside Preferences. For purposes of administering this program, a person with special needs is a person who is: (a) physically, emotionally or mentally impaired or is diagnosed with mental illness; or (b) developmentally disabled.

Developments funded under the Special Needs Priority cannot give preference to potential residents based upon having a particular disability or condition to the exclusion of persons with other disabilities or conditions. Applicants must submit documentation demonstrating they have obtained commitments from a Lead Referral Agency which will refer special needs households qualified to lease identified units and from local service agencies which will provide a network of services capable of assisting each type of special needs population defined above. For purposes of the Special Needs Priority, a "Lead Referral Agency" is a service provider agency that will provide tenants and services to the community through the later of (i) the completion of the Compliance Period, or (ii) the completion of the affordability period connected to any MHDC loan on the development. The Lead Referral Agency should demonstrate the ability to serve identified special needs populations. MHDC acknowledges that circumstances may require a change in the Lead Referral Agency during the life of the development, but the developer must contact MHDC's Asset Management department in the event a change is necessary.

Rents should be as affordable as possible to special needs households. Affordability can be accomplished through project-based or tenant-based subsidies. The Lead Referral Agency is responsible for coordinating tenant-based rental assistance with service providers or governmental agencies, whenever necessary and possible. In the absence of project-based or tenant-based assistance, the owner should consider other methods to ensure rents are affordable to special needs households. If proposed rents for special needs units are above 30% AMI rents, the applicant must provide evidence that special needs tenants will qualify at 30% of their income for the special needs unit proposed rents. In no circumstance should special needs tenants pay more than the greater of 30% AMI rents, or 30% of their income towards rents.

Developments wanting to be considered for the Special Needs Priority must fully complete the applicable sections of the application and provide the following supplemental documentation with their application. The referral process must include soliciting and accepting referrals from service agencies that serve all types of special needs populations. Applicants should also detail how the marketing will reach all special needs populations by including the following:

i. A draft referral and support agreement with the Lead Referral Agency;

ii. Special Needs Marketing Plan Exhibit; and

iii. Rental assistance commitment letters (if applicable).

b. Vulnerable Persons Priority

It is the policy of MHDC, as the housing finance agency of the state of Missouri, to support housing for vulnerable persons. Developments committing to a set-aside of at least 10% of the total units for vulnerable persons, will receive a preference in funding ("Vulnerable Persons Priority") as one of the Set-aside Preferences. For purposes of administering this program, a vulnerable person is a person who is: (a) homeless, including survivors of domestic violence and human or sex trafficking; or (b) a youth transitioning from foster care.

Applicants must submit documentation demonstrating they have obtained commitments from a Lead Referral Agency which will refer vulnerable persons qualified to lease identified units and from local service agencies which will provide a network of services capable of assisting each type of vulnerable person defined above. For purposes of the Vulnerable Persons Priority, a "Lead Referral Agency" is a service provider agency that will provide tenants and services to the community through the later of (i) the completion of the Compliance Period, or (ii) the completion of the affordability period connected to any MHDC loan on the development. The Lead Referral Agency should demonstrate the ability to serve identified vulnerable persons populations. MHDC acknowledges that circumstances may require a change in the Lead Referral Agency during the life of the development, but the developer must contact MHDC's Asset Management department in the event a change is necessary.

Rents should be as affordable as possible to vulnerable persons. Affordability can be accomplished through project-based or tenant-based subsidies. The Lead Referral Agency is responsible for coordinating tenant-based rental assistance with service providers or governmental agencies, whenever necessary and possible. In the absence of project-based or tenant-based assistance, the owner should consider other methods to ensure rents are affordable to vulnerable persons. If proposed rents for units identified for vulnerable persons are above 30% AMI rents, the applicant must provide evidence that vulnerable persons tenants will qualify at 30% of their income for the vulnerable persons unit proposed rents. In no circumstance should vulnerable persons tenants pay more than the greater of 30% AMI rents, or 30% of their income towards rents.

Developments wanting to be considered for the Vulnerable Persons Priority must fully complete the applicable sections of the application and provide the following supplemental documentation with their application. The referral process must include soliciting and accepting referrals from service agencies that serve all types of vulnerable persons. Applicants should also detail how the marketing will reach all vulnerable persons by including the following:

iv. A draft referral and support agreement with the Lead Referral Agency;

v. Vulnerable Persons Marketing Plan Exhibit; and

vi. Rental assistance commitment letters (if applicable).

c. Set-aside Preferences Housing Reserve Fund

All applications submitted under the Set-aside Preferences must include $1,000 per set-aside unit as a payment to the Set-aside Preferences Housing Reserve Fund (formerly the Special Needs Housing Reserve Fund) which has been established by MHDC. Each development approved pursuant to the Set-Aside Preferences must contribute to this reserve. Such contribution must be made no later than construction completion when other reserves are normally funded. These funds will be held by MHDC and used, as necessary, to temporarily assist developments funded under the Set-aside Preferences that have experienced unforeseen operational issues (for example, the loss of rental assistance). Deposits to the Set-aside Preferences Housing Reserve Fund are intended for use for all special needs developments, commencing with 2014 approvals, and all developments funded under the Set-aside Preferences commencing with 2018 approvals, and are intended to replace the need for each property to establish a separate reserve for unexpected costs specifically related to developments funded under the Set-aside Preferences or the former Special Needs Reserve. Guidelines for the application and use of reserve funds are posted on MHDC's website (Rental Production, General Forms and Other Resources).

2. **<u>Service Enriched Housing Priority</u>**

Service-Enriched Housing enhances the connection between affordable housing and supportive services. MHDC recognizes the advantages of supportive housing to individuals and communities. To encourage more comprehensive housing environments in all communities, applications offering significant services tailored to the tenant population will receive a preference in funding ("Service-Enriched Priority"). The desired outcomes of the Service Enriched priority are for tenants to stay housed, have social and community connections, improve their physical and mental health, increase their income and employment, and be satisfied with their quality of life.

Proposals offering significant services tailored to the tenant population will receive a preference in funding. Service enriched housing enhances the connection between affordable housing and supportive services. MHDC recognizes the advantages of supportive housing to individuals, communities and on public resources. To encourage more comprehensive housing environments for vulnerable populations, proposals offering significant services tailored to the tenant population will receive a preference in funding. Developments which offer substantial services and a greater number of services increase the competiveness of their application. Proposed services should take into account the unique characteristics of residents and help them to identify, access, and manage available resources. Other benefits of a well-planned and properly funded program may include reduced resident turnover, improved property appearance, and greater cooperation between residents and management.

To be considered under the Service Enriched Priority, a development's services must target a specific population. Examples include, but are not limited to:

a) Senior households;

b) Individuals with children;
c) Formerly homeless individuals and families;
d) Individuals with physical and/or developmental disabilities;
e) Individuals diagnosed with mental illness;
f) Children of tenants; and
g) Veterans

The applicant should demonstrate it has experience with the population in question. If the applicant does not have experience with the specified population, it should have a commitment(s) from a service provider(s) who does have the necessary experience. Although MHDC expects applicants that have elected the service-enriched priority to provide services for the full term of the MHDC imposed affordability period, MHDC will accept service provider commitments for renewable three year terms. Longer commitments will be viewed more favorably. MHDC acknowledges that circumstances may require a change in service provider during the life of the development. Services for family and senior development include, but are not limited to, the following examples:

Family properties:

a. Regularly-held resident meetings;
b. After-school programs for children;
c. Financial literacy courses for adults;
d. Parents as Teachers program offered through the local school district;
e. Credit and/or budget counseling;
f. Life skills and employment services;
g. Nutrition and cooking classes;
h. Domestic violence survivor support and counseling;
i. Computer lab or computer check-out program;
j. Food pantry;
k. Daycare services;
l. College preparation counseling;
m. Clothes closet;
n. Library;
o. Back to school programs;
p. Youth sports activities;
q. Teen support groups;
r. Good neighbor and tenant rights classes;
s. Job training and job placement services; and
t. Reentry programs for ex-offenders.

Senior Properties:

a. Regularly-held resident meetings;
b. Transportation to shopping and medical appointments;
c. Nutrition and cooking classes;
d. Enrichment classes such as seminars on health issues, prescription drugs, Medicare, internet;
e. Coordination with agencies providing assistance with paying bills and balancing checkbooks;
f. Periodic health screenings;
g. Assistance preparing a Vial of Life;
h. Exercise program such as the Arthritis Foundation Exercise Program;
i. Monthly community activities (i.e., pot luck dinners, holiday events, bingo);
j. Access to fitness equipment;
k. Food pantry or access to a mobile food pantry if available;
l. Housekeeping; and
m. Computer lab or check-out program.

Developments wanting to be considered under the Service Enriched Priority must fully complete the applicable sections of the application and provide the following with their application:

i. A detailed supportive services plan explaining the type of services to be provided, who will provide them, how they will be provided, and how they will be funded. The plan should include, but is not limited to, a description of how the development will meet the needs of the tenants, including access to supportive services, transportation, and proximity to community amenities. MHDC prefers the services be onsite or near the proposed development;

ii. Letters of intent from service providers anticipated to participate in the development's services program; and

iii. Service coordinator job description

3. **<u>Independence Enabling Housing Units</u>**

Independence Enabling Housing Units is an incentive for developers to build housing that is safe, decent, affordable, and targeted to the most vulnerable individuals and families. This is accomplished by providing a home for individuals and families with special needs combined with social services to stabilize them once in place. MHDC will prioritize applications that meet this goal.

MHDC seeks to fund a pilot program designed to promote independent living amongst our special needs population. Independence enabling housing units ("IEH units") that are developed to serve special needs individuals who wish to live independently but who may need additional assistance from a caregiver who resides in a unit that is associated with a specific IEH unit ("CL unit") are encouraged. These IEH and CL units should be designed in such a manner that the IEH and CL units are conveniently located to each other and are part of a larger development that is inclusive to all persons. The design of the units must satisfy the requirements of Universal Design and be accessible to all persons regardless of any particular type of disability or condition. The units must be distributed evenly within a given development and must maintain equivalent access to the amenities and services that the development may provide. For this pilot program, the minimum set-aside of units will be waived and a maximum set-aside of 30% established. Developers should engage a lead referral agency to assist with the design and management of these units.

4. **<u>Veteran's Housing</u>**

Veteran's Housing enhances the connection between affordable housing and supportive services. MHDC recognizes the advantages of supportive housing to individuals and communities. To encourage more comprehensive housing environments in all communities, applications offering significant services tailored to the tenant population will receive a preference in funding. The desired outcomes of the Veteran's Housing priority are for tenants to stay housed, have social and community connections, improve their physical and mental health, increase their income and employment, and be satisfied with their quality of life.

Applicants developing Service-Enriched Housing targeting veterans are eligible for this priority. Developments must offer significant services tailored to the veteran tenant population. Provided services should enhance veteran tenant housing stability and independence.
At time of application, letter(s) of intent for service commitment(s) shall be in-place with a provider(s) who specialize in, or have substantial experience in, providing services to veteran populations. If the applicant does not engage with a third-party service provider, support must be provided in the application which demonstrates the substantial experience the applicant has with providing services to veteran populations.

Developments applying under the Veteran's Housing priority are subject to any and all requirements of the Service-Enriched priority in addition to any specific requirements that are set forth for the Veteran's Housing priority.

Developments wanting to be considered under the Veteran's Housing priority must fully complete the applicable sections of the application including, but not limited to, all sections required by the Service-Enriched priority.

In addition applicants must provide the following with their application:

i. A detailed supportive services plan detailing: the type of services to be provided, who will provide them, how they will be provided, and how they will be funded. The plan should include, but is not limited to, a description of how the development will meet the needs of veteran tenants, including access to supportive services, transportation, and proximity to community amenities. MHDC prefers the services be onsite or near the proposed development;

ii. Letters of intent from those service providers associated with the development's veterans programs; and

iii. Service coordinator job description.

5. **<u>Minority-Owned Business Enterprise ("MBE")/Women-Owned Business Enterprises ("WBE") Priority</u>**

MBE/WBE priority encourages the involvement and participation of businesses that are certified through state or locals jurisdictions' certification programs as Minority Business Enterprises (MBE) and Women Business Enterprises (WBE).

The purpose of the MBE/WBE priority is:

1. To facilitate, promote, and achieve equal opportunity to participate in affordable housing development activities;
2. To monitor and assess the utilization of MBE/WBEs in rental property development activities;
3. To monitor and assess compliance by Owners/Developers and Contractors on all MHDC Developments;
4. To identify MBE/WBEs and to promote awareness of MHDC Developments;
5. To provide assistance and training to MBE/WBEs;
6. To ensure non-discrimination in the awarding of loan funds and/or tax credits from MHDC;
7. To provide a narrowly tailored program in accordance with applicable law.

For developments with more than six units, a preference in funding will be given to an application that reflects:

a) A MBE/WBE Developer, a Developer group that includes a MBE/WBE, and/or a Developer Mentor/Protégé relationship; or

b) MBE/WBE participation percentages significantly greater than the MBE/WBE Participation Standard of 10 percent for MBE and 5 percent for WBE for both hard and soft costs (as further detailed in the Developer's Guide).

The Mentor/Protégé Relationship shall be designed to support, promote, and develop the knowledge, skill and ability of the MBE/WBE protégé in a manner intended to assist in the growth and development of the MBE/WBE as a developer.

Applicants seeking the MBE/WBE Priority pursuant to a) above must provide a comprehensive Utilization Plan (as defined in the Developer's Guide) signed by the owner/developer detailing the role of, and functions to be performed by, the MBE/WBE. The roles and functions of the MBE/WBE must be those typically performed by the owner/developer. Applicants must also submit proof of MBE/WBE certification with the application. Applicants seeking the MBE/WBE Priority pursuant to b) above must provide a comprehensive Utilization Plan signed by the owner/developer detailing how the applicant intends to significantly exceed the MBE/WBE Participation Standard.

Applicants seeking the MBE/WBE Priority must include a history of MBE/WBE participation with the application including details of projected participation rates and actual participation rates on a project by project basis.

6. **<u>Transit Oriented Development Priority</u>**

The Transit Oriented Development (TOD) priority should reflect a development whose goal is to have a mixture of urban forms and land uses that closely integrate efficient, low-impact, and people-oriented urban travel modes: walking, cycling, and transit.

The following criteria will be considered in the determination of a development's ability to meet the definition of a TOD:

a. The development must be located within 1,750 feet of a transit stop.
b. The development must include a mix of transportation choices, including biking and walking.
c. Transit service at the stop must be frequent (every 15-30 minutes).
d. The transit service must offer increased mobility choices and good transit connections.
e. The master development plan must include a balanced mix of uses, providing residents the ability to live, work, and shop in the same neighborhood.
f. The master development must include significant retail development.
g. The master development must include a mix of housing choices (rental and for-sale, affordable and market-rate).

7. **<u>Redevelopment Plan Priority</u>**

Applications that are a part of a redevelopment plan which has been approved/adopted by a local government will receive a preference in funding. The application must include a letter from the local authorizing official that the proposed development is a part of the redevelopment plan, a complete copy of the approved redevelopment plan, as well as thorough narrative detailing how the proposed project fits into the plan. The narrative must demonstrate understanding of the goals and purposes of the approved/adopted redevelopment plan, detail what other activities and efforts are currently in-progress to accomplish some of the elements of the redevelopment plan, and how the proposed application shall fit into and accomplish goals of the redevelopment plan. MHDC shall review the local redevelopment plan and the accompanying project narrative for scope, thoroughness, clarity of purpose, and shall take into consideration the status and progress of other elements of the Redevelopment Plan as well. If the applicant demonstrates the project is a key part (though not the sole part or lead element) of an approved/adopted redevelopment plan, and that its role and mission fits with the clearly-defined purpose of the redevelopment plan, the application shall receive a preference for funding.

8. **<u>Opportunity Area Priority</u>**

MHDC encourages affordable housing developments in high-opportunity areas by targeting communities that meet the following criteria: access to high-performing school systems, transportation and employment; as well as located in a census tract with 15% or lower poverty rate. **Family developments** that meet these criteria will receive a preference in funding. Family developments proposed in opportunity areas are required to include an affirmative marketing plan that proactively reaches out to families currently living in census tracts where the poverty rate exceeds 40%. The plan must include a Special Marketing Reserve to assist in initial relocation expenses for families with children. Note that the minimum unit size for a family development in an opportunity area is two-bedroom. Developments that apply under this priority must also apply under the Service Enriched Priority. MHDC will, on a case by case basis with reasonable and well documented justification, allow flexibility for meeting all four criteria for qualification. The application's Market Study must explain in detail, both statistically and through evidence, how the project meets the criteria for qualification. Except in cases of well-documented justification, as previously stated, only projects that demonstrate through their Market Study that they meet the criteria shall be given the Opportunity Area Preference. Please refer to the Market Study Guidelines which specifies how data on each of these criteria is to be collected. Below are examples of services for this type of family development:

a. Regularly-held resident meetings
b. After-school programs for children
c. Financial literacy courses for adults
d. Credit and/or budget counseling
e. Life skills and employment services
f. Computer lab or computer check-out program
g. Daycare services
h. College preparation counseling
i. Library
j. Back to school programs
k. Youth sports activities
l. Teen support groups

m. Good neighbor and tenant rights classes

Priority Evaluation

There are stated preferences and priorities in the HTF Allocation Plan. MHDC's staff reviews the quality of each application's priority documentation considering the application's ability to affirmatively further fair housing. Not every development applies for the same priorities or serves the same population, and as a result, a priority is given additional weight and consideration. Every application received identifying a priority is given additional weight and consideration.

Rent Levels

This category is evaluated by the underwriter and MHDC's in-house Market Analyst using third party market studies and data from MHDC's housing portfolio. The proposed rents are considered when giving their final evaluation.

Rents must be appropriate for the market and affordable for the intended population. For at least one year after the last building of a development is placed in service, monthly rents cannot exceed the MHDC-approved rents reflected in the Firm Commitment.

Any increase in annual rents must be approved by MHDC. To receive a rent increase, properties must submit an annual budget and the annual budget must support the rent increase is justified. Proposed rents are compared to existing rents to ensure the property is charging previously approved rents. The property must remain in compliance with the rules and regulations of the programs and current occupancy must be at least 90% for consideration of an increase. Additionally, the proposed rents are compared to the maximum income/rent limits to ensure income and rent levels are not exceeded. All rent increase requests are capped at 7% of existing rents.

Rents must meet the requirements of the various financing sources in the application and, at a minimum, must meet the requirements of the HTF Interim Rule to be eligible for an allocation of HTF under this HTF Allocation Plan.

The HTF rent plus utilities of an extremely low-income tenant shall not exceed thirty percent of the income of a family whose annual income equals thirty percent of the median income for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit. HUD will publish the HTF rent limits on an annual basis. If the HTF unit received federal or state project-based rental subsidy, and the tenant pays as a contribution toward rent not more than 30 percent of the tenant's adjusted income, the maximum rent can be up to the rent allowable under the federal or state project-based rental subsidy program. A development with a committed Project Based Rental Assistance is preferred over a proposal without.

Geographic Distribution

Recommendations for geographic distribution are based on estimated population as reported by U.S. Census Bureau, poverty population, housing cost burden as reported by U.S. Census Bureau and Point-in-Time Count data as reported by each Missouri Continuum of Care. Due to the limited funding, MHDC will focus on projects with the most impact. This category has the least weight in the Selection Criteria. It will be considered if more than one application receives the same total evaluation. MHDC will rank applications to award funds throughout the state.

Ability to Deploy Funds Quickly

A development team's experience with affordable housing, MHDC, and the type of development being proposed is important. The following development team members will be evaluated: Developer(s), General Partner(s), Management Agent, Syndicator(s)/Investor(s), Contractor, Architect, Sustainable Design Team, Consultant(s), Lead Referral Agency (for special needs or vulnerable persons housing), and the service provider for service-enriched housing. Each of these members are evaluated by various members of MHDC staff. For example, the Contractor is reviewed by MHDC's architect, Mortgage Credit Department, and the MBE/WBE department. Each staff member reviews the team members for different reasons.

An applicant may become a recipient of HTF funding only if it is an organization, agency or other entity that will:

a) Make acceptable assurances to MHDC that it has the capacity to comply with the requirements of the HTF program during the entire period that begins upon selection of the recipient to receive HTF funds, and ending upon the conclusion of all HTF-funded activities including the affordability period;

b) Demonstrate the ability and financial capacity to undertake, comply, and manage the eligible activity;

c) Demonstrate its familiarity with the requirements of other Federal, State, or local housing programs that may be used in conjunction with HTF funds to ensure compliance with all applicable requirements and regulations of such programs; and

d) Have demonstrated experience and capacity to conduct an eligible HTF activity as evidenced by its ability to own, construct, and manage and operate an affordable multifamily rental housing development.

MHDC will assess the applicant's experience, performance, financial strength and capacity to complete the proposed development in a timely and efficient manner. The proposed general partner, developer, and general contractor will be assessed for their capacity to successfully manage the pre-development, closing, construction, and lease-up of the proposed development in addition to previously approved developments currently in those stages of development.

Items considered will include, but are not limited to:

i. Number of affordable developments completed;
ii. Occupancy of developments owned and/or managed;
iii. Number of developments in development stages;
iv. Performance, quality, and condition of previously completed developments;
v. Previous and outstanding compliance issues; and
vi. Performance regarding MHDC deadlines for previous funding awards.

The number of affordable developments completed and the occupancy of developments owned and/or managed will be evaluated examining data presented by the developer on the FIN-105 (Experience Summary for Developer) which details previous affordable housing development by a developer and/or general partner. The number of developments in development stages will be evaluated examining data present by the developer on the FIN-107 (Developer Qualifications) which details all current developments a developer has in construction that have not completed lease up. The performance, quality and condition of previously completed developments and the previous and outstanding compliance issues will be evaluated by MHDC asset management compliance inspection reports. The performance regarding MHDC deadlines for previous funding awards will be evaluated using asset management compliance reports, previous development monthly progress reports, waiver requests and MHDC's past interaction with the developer and/or general partner. MHDC will also examine all developer/general partner/guarantor/key principle financial reports. If all things are materially equal in two applications, the application with the strongest experience, performance, financial strength and capacity will receive consideration for funding over the lesser application.

Development team members not in good standing with MHDC will not be approved for funding.

Affordability Period

The minimum period of affordability is 30 years.

Ability to Leverage Funds

A preference in funding will be extended to applicants proposing developments utilizing contributions or financial support from Owners, General Partners or otherwise derived from non-federal sources. Items that result in the reduction of development costs, reduced tenant rents and reduce the need for federal subsidy or funding such as donated cash, donated real estate, donated or reduced cost materials, abatement of local taxes and waiver of fees will be viewed favorably. Leveraging from non-federal contributions help make an application more competitive. Leveraging will be evaluated during underwriting. The overall HTF subsidy per unit, development cost per unit, rent advantage compared to market and other affordable units, and rent paid by tenant will be compared to other HTF applications. This will affect ranking. The ability to reduce development costs and/or rents is more important than the type of leverage. However, similar proposals that show more leverage than others will be given preference.

The Application Process - Competitive Review

Once an application has gone through the Initial Review, Primary Documentation Review, Secondary Documentation Review, Feasibility and Viability Underwriting Standards Review, and Site Review and is considered complete to MHDC staff's satisfaction, it will undergo a Competitive Review ("Competitive Review"). MHDC does not use a numerical scoring process in assessing application. Instead there is a committee approach that involves participation from any department that evaluates any area of the application. When narrowing the applications, factors such as geographic distributions, funding sources and priority factors are discussed. The Competitive Review uses the established Housing Priorities, selection criteria, and underwriting standards to determine recommendations for funding. All factors are considered and those applications deemed, at the sole discretion of MHDC, to best meet the goals of MHDC will be recommended to the Commission for formal approval. MHDC is dedicated to strengthening communities through the financing, development and preservation of affordable housing.

During the application review, the following MHDC staff, who are trained in their respective fields, will evaluate all HTF applications as "Excellent," "Good," "Average," "Below Average," "Poor," and in some circumstances, "Disqualified," The individual evaluation will apply only to the appropriate section and will be weighted as detailed below.

- The Underwriting Department reviews all aspects of the application with concentration on financial feasibility. Underwriting will also review the "Transit Oriented Development," "Redevelopment Plan," and "Opportunity Area" priorities. Underwriting and the priorities have a high significance when determining the final evaluation. If an applicant does not submit the required documentation or the development is not financially feasible, Underwriting can also disqualify a proposal.
- Special Needs, Vulnerable Persons, Services Enriched, Independence Enabling Housing Units, and Veteran's Housing reviews target population, services provided, Lead Referral Agency, service coordinator staffing and quality of overall plan. Staff determines the need for and reasonableness of the proposed services utilizing various data sets including U.S. Census Bureau, Point-in-Time Counts and others. These four priorities are evaluated by the Community Initiatives Department and carry a high significance when determining the final evaluation.
- The Asset Management Department reviews the operating budget and rents comparing application budgets to MHDC's portfolio. Applications are compared to projects of similar size, population served and location. Asset Management carries a medium significance, but can disqualify a proposal.
- The Architectural Department reviews the hard construction budget, project design utilizing MHDC's Construction Guidelines and Rehabilitation Standards and the development team members related to the construction of the project. Applications are compared to projects of similar size, type and location in regards to costs per square foot, costs per unit, architectural fees per unit, etc. Architecture carries a medium significance, but can disqualify a proposal.
- The Environmental Department reviews the location of the proposed development with regard to noise level, flood plains and wetlands, etc. Funding type impacts evaluation; for example, noise level requirements with HOME and HTF Funds. The Environmental department's review has a low significance, but can disqualify a proposal.
- MHDC's in-house Market Analyst reviews the market study to determine the need for the development in the proposed location and rent reasonableness. This review carries a medium significance.
- Site Reviews are conducted on each proposed site. MHDC staff visit each site to evaluate ingress and egress, visibility for marketing purposes, proximity to amenities, site and neighborhood characteristics, etc. Site reviews carry a medium significance, but can disqualify a proposal.
- The Policy Department reviews community support/opposition letters received and any public comments. This carries a low significance, but can disqualify a proposal.
- The Mortgage Credit Department reviews the credit reports on each developer, partner and project guarantor in relation to the development team's ability to complete a project in a timely manner and ensure the financial stability of the development team. If financials are deficient the application will not be approved. The Mortgage Credit review carries a low significance, but can disqualify a proposal.
- The MBE/WBE Department reviews the application utilization plan; at a minimum developers must meet MHDC's stated minimum participation requirements. Past minority and women owned business utilization

is evaluated. Proposals that choose to apply under the MBE/WBE priority will receive an evaluation that carries a high significance.

Once each department has reviewed their applicable sections of the proposal, each application will be given a final evaluation of "Excellent," "Good," "Average," "Below Average," "Poor," or "Disqualified." This cumulative evaluation will be based on the individual department evaluations and their assigned weight. Applications will then be ranked from "Excellent" at the top to "Poor" at the bottom. Applications that receive a "Disqualified" evaluation will not be ranked. Housing Trust Fund Applications will be recommended starting with the top ranked application until the statewide allocation has been expended, or until all viable applications have been considered.

- Geographic Diversity will be considered when compiling the final HTF ranking. For example, if three applications receive an "Excellent" cumulative evaluation, and two are in St. Louis and one is in Kansas City, a St. Louis application and a Kansas City application will be ranked one and two to ensure HTF funds are allocated throughout the state.
- Special Needs, Vulnerable Persons, Service Enriched, Independence Enabling Housing Units, and/or Veteran's Housing proposals that earn an "Excellent" or "Good" evaluation in the corresponding priority and are also evaluated as "Good" or "Excellent" in cumulative evaluation will be given priority in ranking over non-Special Needs, non-Vulnerable Persons, and non-Service Enriched applications.

The Application Process – Application Approval

Commission Approval
Staff will provide the Commissioners with available application data, staff review comments, and public hearing results. Staff will submit a list of Applications recommended for approval to the Commissioners no later than seven days prior to the regularly scheduled Commission meeting at which approvals are scheduled to be made. Recommendations may include the revision of budgets, unit counts, rents, and tax credit and loan amounts as a result of the underwriting process.

At the approval meeting, the Commissioners have the right to inquire further about the Applications, to approve the list as recommended, or remove Applications from the list. Following the Commission's approval of the final list of applications for Federal LIHTCs, State LIHTCs (only if specifically authorized), HOME Funds, HTF Funds and/or other MHDC-administered financing, staff will proceed with the Conditional Reservation process.

When the potential for a conflict of interest or the appearance of a conflict of interest exists, MHDC Commissioners and staff will identify such situations, disclose the potential conflict, and take whatever steps may be warranted by the situation, up to and including recusing themselves from decision-making or action pertaining to the situation.

Non – Approved Applications
After the notice of approval is sent for the approved applications, notification is sent to applicants of non-recommended applications inviting them to meet with MHDC staff for feedback on why their application was not recommended for approval to the Commission. Our goal is to strengthen any non-recommended application, if possible, so if/when it is submitted again, the application is more competitive.