

Chapter 3: Application

A) APPLICATION REVIEW PROCESS

1. Turning in Your Application

An "Application" for the purposes of this guide and the NOFA is defined as one (1) three-ring binder with original copies of each application exhibit, a CD containing the requisite electronic documents and a check for the appropriate application fee and one (1) three-ring binder with copies of each application exhibit and a copy of the check for the application fee.

Applicants requesting tax credits must indicate whether they are seeking 9% credits (competitive credit) or 4% credits (to be utilized with tax-exempt bond financing). An application will only be considered for the type of credit indicated in that application. If you wish to have a proposal considered for both 9% and 4% credits, you must provide complete and separate applications for each credit type, structured appropriately. Essentially you are submitting two applications for the same site(s). MHDC will not accept more than one application for any site(s) utilizing the same type of credit. For example, a 9% family application and a 9% elderly application for the same site(s) will not be considered. A 9% elderly application and a 4% family application (or vice versa) would be considered. The application fee for the submission of 4% and 9% applications for the same site(s) is explained in the Application Exhibits section below.

All applications in response to the 2008 NOFA must be physically received at MHDC's Kansas City office located at 3435 Broadway, Kansas City, MO 64111 by **4:30 pm CDT on October 1, 2007**. There are no exceptions to this requirement. Early submittals are encouraged but do not receive preferential treatment.

2. Threshold Review

Once applications have been received and logged in they will be processed for Threshold Review. Threshold Review will consist of a Primary and Secondary Review.

Primary Review: There will be a Primary Review (PR) of requirements and exhibits that must be met by or included with the application. Failure to meet primary requirements or include primary exhibits will result in a rejection of the application.

Primary Requirements:

Complete, Organized Application – Applications must be submitted in three-ring binders, and organized, using corresponding tabs, according to the Application Checklist form FIN-125.

Program Compliance – Any owner or general partner that is involved with a Section 42 project that is currently in noncompliance due to site audits or the failure to comply with owner's reporting requirements will be denied participation in the eligibility cycle. In addition, any owner that is not in compliance or good standing with any other MHDC program will be similarly denied participation.

Consistent with Section 42 Requirements – The proposal must meet all the requirements set forth in Section 42 of the Code, and all relevant U.S. Treasury regulations, notices and rulings.

Consistent with Fair Housing Requirements – The submitted proposal must meet all the requirements of The Fair Housing Act of 1968, as amended.

Tax Credit Accountability Act - Under the provisions of the Tax Credit Accountability Act (R.S.Mo. sections 135.800 to 135.830) all developers / applicants must complete all necessary forms and reporting required during the application and allocation process and for a period of three years following the issuance of credits by MHDC, as the administering agent for the Missouri LIHTC, to comply with the provisions of the act.

Primary Exhibits:

All primary exhibits must be included with the application and are described in more detail below under B) APPLICATION EXHIBITS. Primary exhibits must be complete and consistent to pass the primary review. Failure to turn in a primary exhibit will result in a rejection of the entire application.

Applicants who do not pass the Primary Review will be notified in writing that the application has been rejected and the reason for this action.

Secondary Review: There will be a Secondary Review (SR) of exhibits that if not initially included with the application, can be cured before the competitive review stage. Applicants who

have deficiencies under the Secondary Review process will be notified in writing via fax, e-mail and/or certified letter by [October 15, 2007](#), detailing which items are deficient. Applicants will have a cure period to be defined in the letter in which they may respond to deficiencies. If all deficiencies are cured, then the application will move to the Competitive Review stage. Applicants with any uncured deficiencies will have their application rejected.

Secondary Requirements:

There are no secondary requirements.

Secondary Exhibits:

All secondary exhibits should be included with the application and are described in more detail below under B) APPLICATION EXHIBITS. Applicants will be allowed a period to cure secondary exhibits that are missing or inadequate.

Applicants who do not pass the Secondary Review will be notified in writing that the application has been rejected and the reason for this action.

Successful completion of the Primary and Secondary Reviews will mean successful completion of the Threshold Review. Completion of the Threshold Review does not indicate or even suggest that an application will be recommended for or receive funding of any kind from MHDC. Threshold Review passage indicates that an application has met the basic requirements up to this point and has included all the applicable exhibits necessary to undergo the Competitive Review, Site Review and Development Team Review Processes.

3. Competitive Review

All applications which pass the Threshold Review will be considered for recommendation under the competitive review. The Competitive Review will involve three main components: exhibit review, evaluation criteria review and underwriting review. All three components are interdependent and necessary to determine which applications best meet the mission and needs of MHDC and the citizens of Missouri.

Exhibit Review: All exhibits will be reviewed to determine how each project meets the evaluation criteria and underwriting standards. It may be necessary for staff to contact applicants

from time to time during the Competitive Review process for clarification regarding numbers or statements found in the exhibits. Such contact is in no way an indication of how an application is being judged. Any contact is specifically for informational purposes and any judgments will be made only after all the necessary information is received from all applications being considered for Competitive Review.

Evaluation Criteria Review: The evaluation criteria listed in the Evaluation Criteria section below will be used to determine how, and if, each application meets the needs of MHDC and the citizens of Missouri. How each application meets the criteria is important for determining which applications will receive recommendations for funding. Unfortunately there are always more quality requests than there are funds available, so strong performance meeting the evaluation criteria is not necessarily indication an application will or can be recommended.

Underwriting Review: Each application will be compared and underwritten using the standards set forth in the underwriting standards section below. It is important that applications can demonstrate initial and long-term feasibility, while using accepted and reasonable assumptions. As a result of the underwriting review, MHDC reserves the right to change or modify the numbers and assumptions presented in an application in order to most efficiently meet Federal and State requirements as well as MHDC policy found in this guide and the QAP.

4. Site Review

MHDC staff will undertake several steps concurrently with the Competitive Review phase to determine the marketability and feasibility of the proposed site and identify any perceived evidence of environmental issues. Site review includes but is not limited to:

- Examination of application exhibits relating to site location and the environmental site evaluation;
- Consultation with available resources to ascertain proximity to flood plains, wetlands, railroad tracks, airports, and highways; and
- Physical inspection of the site.

Visits to proposed development sites is an integral part of the review process, as it gives staff the opportunity to evaluate the property with respect to the surrounding neighborhood character and land use patterns, proximity to services, significant site features, accessibility, topography, and the general suitability of the site for the proposed architectural design (new construction) or the

current condition of the improvements (rehab/conversion). It also allows a field check to confirm or deny the presence of environmental issues raised in other review steps.

Vacant land presents a challenge in correctly identifying the location of a proposed site, particularly in rural areas and pre-construction phase subdivisions. MHDC highly encourages applicants to place a sign marking the location. Staff reserves the right to contact applicants to meet them at the site for a physical inspection subject to timing and availability. Contact with the applicant does not indicate either a favorable or negative response to the application or choice of a site.

5. Development Team Review

The experience and performance of all development team members will be considered when determining the likelihood of a project's success. Application exhibits concerning the developer/applicant, general partner and the management company will be utilized to review the experience, qualifications and financial and operational capacity of those entities. Additionally, staff will assess the performance of these entities by accessing the following resources:

- Credit reports
- Financial statements
- HUD's debarment reporting system
- USDA Rural Development
- Other state housing finance agencies
- Check of outstanding tax liability with the Department of Revenue and the Department of Insurance (developer/applicant and general partner)
- MHDC Asset Management compliance records
- MHDC Loan Servicing

Staff will also consult with other departments within MHDC while reviewing contractor, architect, legal, accounting, and environmental professionals and their performance as identified in the application. All identities of interest must be disclosed in the application.

B) APPLICATION EXHIBITS

1. Application Exhibits

The two three-ringed binders required for an application will contain all the exhibits necessary to complete the various review processes as described above. Exhibits are either Primary Exhibits or Secondary Exhibits. Primary Exhibits missing from the application cannot be cured, and failure to provide a Primary Exhibit will result in rejection of an application. Secondary Exhibits can be cured and must be cured within the time frame specified. Failure to cure Secondary Exhibit deficiencies within the given time frame will result in rejection of an application.

2. Primary Exhibits

a. CD containing electronic copies of required exhibits

Electronic copies of certain exhibits are required and must be provided in the format described in the Application Checklist form FIN-125 found in [Appendix X](#) of this guide. Requested items must be included on the CD submitted with the application. MHDC cannot accept any application-related items forwarded by e-mail. Please test each CD included to make sure it works adequately and that all documents are accessible.

b. Project Narrative

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

- i. *Development Profile*: Describe the development type, its location, population being served, unit mix, unit size, number of buildings, etc.
- ii. *Projected Rents*: Describe what rents are being charged and how those rents compare with other affordable and market rate properties in the area.
- iii. *Special Amenities and Services*: Describe any amenities and/or services which are above and beyond those that are typically found in similar projects. Washer and dryer hook-ups are not special amenities; a washer and dryer in a unit and included in rent might be.
- iv. *Market Characteristics*: Briefly describe the characteristics of the market in which your project is located, including what other projects in the market serve the intended population. Any unique or unusual market characteristics should also be highlighted.
- v. *Demonstrated Need*: Explain why your project is necessary at this time.
- vi. *Local Support*: Describe how the local government supports and prioritizes your project.
- vii. *Financial Feasibility*: Describe any issues or items that affect the financial feasibility

of your project or that require further explanation. Numbers or assumptions that differ significantly from the underwriting standards found elsewhere in this guide should be explained.

- viii. *Leverage of Additional Funding Sources*: Describe any non-MHDC funding sources the project will utilize and how those sources help benefit the project. It is also important to indicate what stage of application/commitment those funds are in.
- ix. *Anticipated Start and Completion Dates*: Indicate the expected timing of the project's start given a January conditional commitment/reservation from MHDC and how long it is expected that construction/rehabilitation will last.
- x. *Development Team Capacity*: Briefly explain how development team is capable of undertaking this project. Include experience with similar projects and explain how many projects are currently in the planning or construction stage.
- xi. *Special Characteristics*: Provide any information or description of your project that explains any unique or important characteristics that would help MHDC better understand what you are trying to accomplish.

The project narrative is intended to be the applicant's chance to explain to MHDC the vision and need for the proposed development. Please be clear and concise when creating the narrative and keep the stated purpose in mind.

c. Executed FIN-100 with Application Fee

One three-ring binder with exhibits must be labeled as the "Original Binder" and include original signatures on MHDC forms and the check for the application fee. The second three-ring binder must be labeled "Copy Binder". The copy binder does not have to have original signatures and must include a copy of the check for the application fee. The FIN-100 in the original binder must have original signatures. The application will be rejected if there are no signatures. Faxed pages are not considered acceptable originals.

The required non-refundable application fee is calculated as follows:

For-profit applicants of all programs:	\$1,500
Non-profit applicants of 4% credits* and non-CHDO HOME:	\$1,500
Non-profit applicants of non-profit set-aside 9% credits and/or CHDO HOME:	\$ 750
All Applicants submitting both a 4%* and 9% application for the same site:	\$2,000

* 4% credits in this instance refers to the 4% credit for construction or acquisition/rehab

in a tax-exempt bond financing structure.

d. Executed FIN-115: Contractor's/Mortgagor's Breakdown

The FIN-115 should reflect the construction costs indicated on the FIN-100 and must be signed by both the owner and contractor.

e. Site Location Indicators

- i. *City/Locality Map*: Map must clearly identify site address and location. Detailed directions are welcome, especially with respect to vacant ground.
- ii. *Site Photos*: Photos of the site, including landmarks and surrounding properties need to be included so that the site is easy to find for MHDC's site reviewer.
- iii. *Architect's Site Plan*: Site plan must identify the footprint of the building(s) and site amenities. Please include distances from the property perimeter to the building locations or other references that will assist site inspectors in identifying the proposed footprint on vacant ground.
- iv. *Subdivision Map/Plat*: For proposals that are a part of a larger subdivision of single-family homes, please identify the lots being proposed for the subject development.

f. MHDC Form 1302 Site Evaluation

The form should be filled out completely and as accurately as possible.

g. Market Study

- i. *Form 1300-S*: Completed by the market analyst and included as both an exhibit on its own and as part of the full market study.
- ii. *Full Market Study*: The market study must be dated within **six (6) months** of application and address specifically the property in question. A favorable statement of conclusions about the strength of the market for the proposed development does not operate to vest in an applicant or development any right to a reservation or an allocation of tax credits in any amount. The market study must:
 - (a) Be prepared by an experienced market analyst who is an independent third party, completely unaffiliated with the developer and/or owner of the proposed development.

- (b) Contain a statement by the analyst that:
 - (i) The report is in full compliance with MHDC's Market Study Guidelines. The MHDC Market Study Guidelines can be found at the MHDC website (http://www.mhdc.com/rental_production/market_study/index.htm) and as **Appendix C** of this guide.
 - (ii) The information included is accurate and that the report can be relied upon by MHDC as a true assessment of the low-income housing rental market in the area of the proposed development.
 - (iii) The document is assignable to lenders and/or syndicators that are parties to the development's financial structure.
 - (iv) Acknowledges and agrees that the market study will be shared with other parties that will assist MHDC in the analysis of the market study.
- (c) Justify the need for the type of rental housing and the number and size of units proposed.

h. Site Control

- i. *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:
 - (a) Executed purchase option agreement;
 - (b) Executed purchase contract;
 - (c) Executed long-term land lease or option on a long-term lease; or
 - (d) Other commitments / agreements approved by staff prior to application.
- ii. *Seller Site Control:* Evidence of seller site control must be in the form of:
 - (a) A warranty deed; or
 - (b) Title policy.

For transactions in which there is an identity of interest between the seller and the buyer, the seller must also include a copy of the contract or settlement statement for each property transfer from the purchase of the site back to the last arm's length transaction.
- iii. *FIN-305 Seller Certification:* The FIN-305 is required for all applications with existing tenants regardless of funding source. The form may be found in the Relocation Guidelines & Forms in **Appendix D** of this guide,
- iv. *Legal Description:* A legal description must be included as a separate exhibit.

i. Letters from Officials

Letters from the Chief Elected Official, the State Senator, and the State Representative of the locality where the project is/will be located are required.

For scattered site projects a letter from the Chief Elected Official for the locality of each site is required.

The letter(s) from the Chief Elected Official must be received by the application deadline. If an original mandatory letter of support is being sent directly to MHDC, make sure a faxed copy is included with the application binders. Letters must address the population being served, the number of units proposed, and any other salient information that demonstrates the official has received a sufficient description of the proposed development.

j. Tax Information Authorization

- i. IRS Form 8821: Tax Information Authorization for the Developer/Applicant. Please fill out only Section 1 and sign Section 7. An example of the form can be found in **Appendix X** of this guide. A blank form can be found in the Application Forms and Checklist link of the FY2008 section at http://www.mhdc.com/rental_production/index.htm.
- ii. Missouri Form 8821: Authorization for Release of Confidential Information for the Developer/Applicant. Please fill out only the top section and sign the authorization below. An example of the form can be found in **Appendix X** of this guide. A blank form can be found in the Application Forms and Checklist link of the FY2008 section at http://www.mhdc.com/rental_production/index.htm.

k. Statement of Affirmation: Legal Employment Practices

In accordance with RSMo 285.025, MHDC requires all applicants for financing under MHDC Rental Production programs to certify that they do not employ illegal aliens/undocumented workers in compliance with federal, state, and local hiring laws.

3. Secondary Exhibits

a. Zoning and Consolidated Plan Compliance

- i. Original Zoning Letter: The zoning letter must be an **original** on the letterhead of the local governmental unit responsible for zoning and must clearly indicate:
 - (a) The zoning designation with a brief description of the designation;
 - (b) Density requirements/limits;
 - (c) Description of any conditional use restrictions or overlay regulations that further restrict the property.

A sample zoning letter may be found in [Appendix X](#).

If the site is not properly zoned, include a letter from the appropriate governmental body that describes what needs to be done to be in compliance and what the time-frame for achieving compliance is.

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.

- ii. Consolidated Plan Compliance Certification: Include a completed form signed by a representative of the appropriate entity that indicates the project is/will be in compliance with the local consolidated plan.

b. Utility Letters

Utility letters must be provided in **original** form. A utility letter for each utility or service that will be used at the project must be completed. This includes sewer, water, electric, and gas. A sample utility letter may be found in [Appendix X](#).

c. Architectural Items

Elevations, floor and unit plans included as exhibits in the application can be no larger than 11" x 17" and must be drawn to scale.

- i. Elevations (new construction) / Photos (rehabilitation/conversion): Include color photos instead of schematic elevations for existing buildings that are being rehabbed or converted.

- ii. *Floor Plans:* Floor plans should be for each floor; 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.
- iii. *Unit Plans:* Include a plan for each unit type being proposed. In the case of historic conversions, at a minimum one plan for each bedroom number category being proposed is required. If there are large square footage differences within a bedroom number category include an example near the extremes and a typical unit in that category. Unit plans must have the square footage for the unit listed.
- iv. *Historic Approval (If applicable):* For proposals structured with historic tax credits, include either (a) the Federal Register publication demonstrating the property is listed individually on the National Register of Historic Places, (b) the Part 1 approval confirming the property continues to be certified as contributing to the significance of a certified historic district listed on the National Register of Historic Places, or (c) the Eligibility Assessment performed by the State Historic Preservation Officer accompanied by a timeline for the review and approval of the nomination for national register designation by the Missouri Advisory Council on Historic Preservation and the National Park Service.

MHDC's policies regarding the design and construction of housing and the related roles and processes may be found in the Architectural Guidelines MHDC Form 1200 provided in [Appendix E](#).

d. Rehabilitation

If your application proposes the significant rehabilitation of a building(s) that is now or has previously been used as housing, you must provide the appropriate Rehabilitation exhibits.

- i. *Scope of Work:* A detailed scope of work describing what is being contemplated should be completed by the project architect or contractor. The scope of work should be in narrative form or a list broken down by CSI divisions or another easily understood format with sufficient detail to comprehend what will be done.
- ii. *Physical Needs Assessment:* All rehabilitation projects must provide a Physical Needs Assessment. The PNA must follow the requirements found in the MHDC Form 1201 "Physical Needs Assessment Guidelines" located in [Appendix F](#) of this guide. A Capital Needs Assessment prepared within six months of the application

deadline according to USDA guidelines will satisfy MHDC's requirements for the PNA for applications that include both MHDC and USDA financing.

- iii. *Demonstrated Need for Preservation*: For projects that have project-based rental assistance or existing mortgages from HUD or RD and that "but for funding" from MHDC are at risk of foreclosure or of being lost from the stock of affordable housing, please provide a letter from HUD or RD declaring that the project is at risk and is in need of preservation.
- iv. *Last REAC Inspection Report (HUD-financed/Section 8)*: Projects that undergo regular inspections from HUD's Real Estate Assessment Center must include the most recent inspection report.

e. Relocation

For developments requesting HOME funds 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 ("URA"); for developments requesting all other types of MHDC program financing and requiring permanent relocation of existing residential or commercial tenants, the owner must comply with the requirements of Missouri Revised Statute 523.205. Each of the exhibits below is required regardless of the type of financing.

- i. *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, and the amount of rent paid. Subsidies being provided to residents should be noted. The incomes of each household must be provided; 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.
- ii. *List of Addresses of Occupied Buildings*: Please provide a list of all buildings which are currently occupied by renters or owner-occupants of residential or commercial buildings that are being renovated or demolished as a part of the proposed application.
- iii. *Relocation Plan*: The plan must include a brief description of the type of relocation anticipated and how it will be handled.
- iv. *Relocation Budget*: Please provide a breakdown of the relocation expenses expected to be incurred and which reflect the number used in the development

budget of the FIN-100.

- v. GIN (General Information Notice): HPlease provide a copy of the GIN required by the URA for application purposes.
- vi. Acceptance of MHDC Relocation Policy: Include a signed statement that you have read and accepted the MHDC Relocation Policy located in [Appendix D](#).

MHDC reserves the right to require a cost certification of relocation costs for any project that has a relocation expense. MHDC is likely to exercise this right when an identity of interest exists between a member of the development team and the firm hired to perform the relocation planning and execution.

See MHDC's Relocation Guidelines & Forms in [Appendix D](#) for a description of relocation requirements and procedures and all related forms.

f. Homeownership Plan

For developers proposing the construction of single-family homes for purchase by the residents following the completion of the compliance period, provide a homeownership plan detailing the timeline, proposed sale prices, tenant discounts, and resident homeownership training. Please refer to [Appendix G](#) Homeownership Best Practices for guidance.

g. Preliminary Financing Commitments

All non-MHDC sources of debt and equity must evidence 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 found in [Appendix H](#) of this guide. At a minimum there should be commitments for the following applicable types of funds:

- i. Federal Housing Credit Equity: If one syndicator/investor is purchasing all housing and historic tax-credits, one commitment which meets 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 so long as it meets the requirements described in [Appendix H](#).
- ii. State Housing Credit Equity

- iii. Federal Historic Rehab Credit Equity
 - iv. State Historic Rehab Credit Equity
 - v. Non-MHDC Construction, Bridge, or Permanent Loans/Grants: All sources listed in the application as sources must evidence some form of commitment consistent with the guidelines located in [Appendix H](#), including deferred developer fee.
- h. PHA Approved Utility Allowances**

Provide the most current utility allowance schedule from the local public housing authority. The utility allowance used in the FIN-100 should match the PHA approved allowance for your property type; if you are using less than or more than the PHA amount provide an explanation of the difference.

i. Rental Assistance

The following exhibits are required for developments receiving project-based rental assistance from HUD or Rural Development or IRP subsidies through Section 236.

- i. Most Recent Rent Schedule Approved by HUD or RD
- ii. Most Recent Rent Comparison Study
- iii. HAP Contract/IRP Contract
- iv. Most Recent Audited Property Financial Statement

If you are providing rental subsidy or assistance financed through tax credit equity or some other source, please provide an explanation for how that assistance will be held and used throughout the life of the development.

j. Public Official Contact Verification

Public official contact verification (items i through v) must include the contact letter describing the location, type of development, number of units, and proposed population served, as well certified mail receipts evidencing the contact letter has been received by the official's office. A letter of response from the public official is an acceptable substitute for the contact letter and certified mail receipt.

- i. City Councilperson, Alderman or County Commissioner: You must contact the official who represents the area in which the project is located. For scattered site

projects that have sites in multiple districts/wards, each representative must be contacted.

- ii. State Senator: You must contact the Senator who represents the area in which the project is located. For scattered site projects that have sites in multiple districts each State Senator must be contacted.
- iii. State Representative: You must contact the Representative from the area in which the project is located. For scattered site projects that have sites in multiple districts each Representative must be contacted.
- iv. Executive Director of Public Housing Authority: You must contact the PHA that serves the area in which the project is located.
- v. School Superintendent (Family New Construction Only): For HOME developments, a response letter from the Superintendent will be required as part of the environmental review process.
- vi. Resolution of Support from Local Governmental Body: For communities with a population less than 200,000, a resolution of support, passed at a public meeting, from the jurisdiction in which the project is/will be located will warrant extra consideration. The resolution should include the location, number of units, and population being served.
- vi. Letters of Support from additional community leaders and organizations: Letters supporting the project from various community organizations, elected officials and city departments are encouraged. Letters should reference the project location, and the population being served and clearly indicate support for the project.

k. Developer/Applicant Information

The following exhibits, if applicable, must be included for the developer/applicant. If the developer and applicant are unaffiliated entities, the information for *each company* must be provided.

- i. Experience Summary (FIN-105): 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.
- ii. Copies of Authorization to Release Information (FIN-106): Original letters must be sent to the appropriate state housing finance agency(ies) prior to the application deadline; please include evidence that the letter has been sent to each agency. If the developer/applicant does not have tax credit projects outside of Missouri, or does

not have tax credit projects outside of Missouri that have begun its compliance period, in lieu of the FIN-106 include a brief statement in this regard.

- iii. Developer Qualifications (FIN-107): The purpose of this form is to illustrate the financial and operational capacity of the developer.
- iv. IRS letter showing tax-exempt status (if applicable): If developer/applicant is a non-profit organization this information must be included.
- v. Non-Profit Participation Questionnaire (if applicable): If the developer/applicant is a non-profit organization this information must be included.
- vi. By-laws for Non-Profit Entity(ies): If the developer/applicant is a non-profit organization this information must be included.

I. Ownership Structure Chart (FIN-108)

Applicants must complete Form FIN-108 or create a similar form that provides the structure of the project ownership and details all proposed entities and principals within that structure. The proposed percentage of ownership and type of legal entity must be shown. The chart should include all proposed equity partners, loss partners, and any master/tenant lessee or lessors. In the case of historic tax credit projects, please indicate which entity is getting which credits and in what amounts.

m. General Partner/Managing Member Information

- i. Experience Summary (FIN-105): This exhibit is not applicable if the GP/MM is an affiliate of the Developer/Applicant and the experience is the same as included in exhibit 22(a) or if the GP/MM was created solely for this project.
- ii. Copies of Authorization to Release Information (FIN-106): This exhibit is not applicable if the GP/MM is an affiliate of the Developer/Applicant and the projects are the same as included in exhibit 22(b) or if the GP/MM was created solely for this project.
- iii. Federal Form 8821 Tax Information Authorization: This form must be completed for each General Partner/Managing Member. Please fill out only Section 1 and sign Section 7.
- iv. Missouri Form 8821 Authorization for Release of Confidential Information: This form must be completed for each General Partner/Managing Member. Please fill out only the top section and sign the authorization below.
- v. IRS letter showing tax-exempt status (if applicable): Provide only if the GP/MM has

been designated tax-exempt.

- vi. Non-Profit Participation Questionnaire (if applicable): Provide only if the GP/MM has been designated tax-exempt.
- vii. By-laws for Non-Profit Entity(ies): Provide only if the GP/MM has been designated tax-exempt.

n. Management Company

- i. Experience Summary (FIN-105): If the management company 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.
- ii. Management Profile: Must be completed if the company does not already have a profile on file with MHDC (Form 2004-B).

o. Supportive Service Plan and Letter(s) of Intent from Provider(s)

If the provision of supportive services were included in the FIN-100, please provide a detailed plan and letters of intent from the providers of the listed services.

C) APPLICATION UNDERWRITING STANDARDS

In accordance with the QAP, Section 42 of the Internal Revenue Code, Missouri State law and other applicable Federal laws, MHDC has created the Underwriting Standards listed below. The standards are based upon recognized underwriting practices and MHDC's own experience with the various affordable housing programs and projects. 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 project's individual situation when applying the Underwriting Standards, but will not apply the standards in a capricious manner.

1. Sources

When reviewing the sources contemplated by any application MHDC will compare to or apply the following standards:

a. Debt

- i. Debt Service Coverage: All hard MHDC debt must show initial debt service coverage (DSC) of at least 1.20 and no more than 2.0. If the DSC falls below 1.15 during the 15 year compliance period, the applicant must explain how deficits will be dealt with. For projects utilizing non-MHDC debt, MHDC will use the DSC ratio indicated by the lender in their preliminary financial commitment. If the DSC falls below their standard during the compliance period, the applicant (or their lender) must explain how deficits will be dealt with. MHDC reserves the right to underwrite to the standard for MHDC debt if we feel the lender's standard is inappropriate.
- ii. Interest Rate: For MHDC debt the appropriate rate for the applicable funding source will be used. As a rough guide, but subject to change without notice, the following standards should be considered:

MHDC Fund Balance Construction Loan:	Prime – 1%
MHDC Fund Balance Loan Permanent Loan:	4.50%
HOME Loans:	1.00% or an estimate of the Applicable Federal Rate
Participation Loans Construction:	30 Day LIBOR + 1%
Participation Loans Permanent:	5.75%
Risk Share (Tax-Exempt Bonds Only)	TBD

For non-MHDC debt the interest rate described in the lender's preliminary commitment will be used.

- iii. Term: For MHDC debt the following terms will be used. Terms may be changed during underwriting to better suit the needs of the project and MHDC.

Construction Loans: Term will equal the construction period + 3 months on all non-participation loans. Participation loans will feature a 12-, 15- or 18-month construction period.

Permanent Loans: Hard permanent loans will feature a 20-year term, with the exception of loans for single-family homeownership projects which will feature an 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, they will have a 30-year term.

Non-MHDC debt will be underwritten with the term described in the preliminary

commitment letter.

- iv. Amortization: Hard permanent loans from MHDC will amortize over thirty (30) years for all deals, except single-family homeownership projects 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. MHDC considers annual payments on cash-flow notes to take priority over the payment of deferred developer fee. The definition of "cash-flow" and the priority of payment will be determined during firm commitment. Non-MHDC loans will be underwritten with the amortization described in the preliminary commitment letter.
- v. Deferred Developer Fee: In cases where MHDC is providing a loan that is dependent upon cash flow for repayment, deferred developer fee should be structured as a note and its position in the distribution of cash flow clearly indicated. For the application process, a preliminary commitment must be included that explains the rate and anticipated terms and conditions for repayment. MHDC reserves the right to create, eliminate or adjust deferred developer fee in order to efficiently utilize resources and appropriately underwrite each deal.

Further details concerning the nature and structure of MHDC financing may be found in Chapter 1: Funding Sources.

b. Equity

- i. Eligible Basis: It is important to note that certain basis-eligible line items of the development budget may not be underwritten as 100% eligible. These line items include line 1) Site Work, line 21) Construction Loan Interest, line 43) Relocation and 58) Bond Related Costs. If you include 100% of these line items in eligible basis, be prepared to explain why you have chosen to do so.

To calculate the maximum amount of credits for which the proposed development is eligible, utilize the IRS-issued Applicable Percentage in effect at the time of application (September 2008). MHDC staff has the right to adjust the Applicable Percentage to a rate in effect for subsequent months during the underwriting process.

- ii. Credit Pricing: MHDC will use the price outlined in the preliminary financial commitment, provided that price reasonably reflects current market conditions. MHDC reserves the right to underwrite projects at credit prices different than outlined in the preliminary financial commitment.

- iii. Historic Credits: Please indicate where asked on the FIN-100 whether a master-tenant structure and/or a loss partner will be utilized on historic projects. Failure to indicate such will result in MHDC assuming that no such structure is being utilized and the historic credit will be deducted from eligible basis.
- iv. AHAP Credits: If an applicant is planning to use the AHAP credit, be sure to indicate whether the donation will be structured as a loan, an equity contribution or some other method. If it will be a loan, the terms must be spelled out in the commitment letter.

2. Uses

When determining appropriate numbers for development budget line items please refer to the standards listed below.

- a. **Total Replacement Cost** - The per-unit replacement cost of tax credit developments shall not exceed HUD Section 221(d)(3) limits, adjusted to reflect increases in construction costs since their adoption in 1992, and further adjusted by HUD's high cost factor to reflect differences in geographic areas. The Commission will accept a variance of 140% of HUD's Section 221(d)(3) limits for the eight metropolitan areas (Jefferson City MSA, Columbia MSA, St. Louis MO-IL MSA, Springfield MSA, McDonald County [Fayetteville-Springdale-Rogers AR-MO MSA], Joplin MSA, Kansas City MO-KS MSA, and St. Joseph MSA). Please refer to the "Development Cost Limits" found in [Appendix Q](#). Projects receiving historic rehabilitation tax credits will be allowed to deduct the residential portion of the federal historic tax credit from the project cost to allow for stricter rehabilitation standards. MHDC, in its sole discretion, may make exceptions on a case-by-case basis.
- b. **Contractor Fees** - MHDC will limit contractor fees to the following:
 - i. Aggregate Contractor Fees (defined as Builder's Profit, Builder's Overhead, and General Requirements) may not exceed 16% of Total Construction Contract Costs minus Builder's Profit, Overhead, and General Requirements. General requirements must include the cost of builder's risk insurance and all bonding costs.
 - ii. Builder's Profit may not exceed 8% of Total Construction Contract Costs minus Builder's Profit, Overhead, and General Requirements.

c. Developer + Consultant Fees - MHDC will limit the fee to developer and consultants performing work typically completed by the developer to the following:

- i. For substantial rehabilitation the fee is limited to 8% of the sum of the acquisition costs (line 51 of form 2013) plus 15% of the total replacement costs without acquisition costs (line 46), calculated as $(\text{line } 51 \times 8\%) + (\text{line } 46 \times 15\%)$.
- ii. For new construction the fee is limited to 15% of Total Replacement Cost (line 52), calculated as $\text{line } 52 \times 15\%$.
- iii. Deferred developer fee will be limited to what can be reasonably paid during the compliance period. An explanation will be required from applicants who cannot demonstrate the fee being paid accordingly. Applicants who cannot clearly demonstrate that developer fee will be paid may have their fee reduced, a portion of the fee removed from eligible basis or both.

d. MHDC Rental Production Application Fee - Please see the application fee breakdown under previous subsection A.2.c. *Executed FIN-100 with Application Fee* for details.

e. MHDC Loan Fees - MHDC fees vary by the type of loan being issued; the following is a rough estimate, subject to change:

MHDC Fund Balance Construction Loan:	1% of principal amount
MHDC Fund Balance Loan Permanent Loan:	1% of principal amount
HOME Loans:	No fee is charged
Participation Loans Construction:	.5% of principal amount
Participation Loans Permanent:	.5% of principal amount
Risk Share (Tax-Exempt Bonds Only)	1% of principal amount

f. Construction Inspection Fee - MHDC may at its discretion hire a third-party firm to perform inspections during the construction period. The fee for construction inspection will vary, depending on the length of the construction period and the type of construction being performed. Typical fees will range from \$7,500 to \$15,000.

g. Contingency - Contingency should be 5%-7.5% of the total construction costs for new construction and 7.5% to 10% for acq/rehabs. Numbers outside of those ranges will require an explanation for the variance.

- h. Tax Credit Reservation Fee** - The fee will be equal to 7% of the annual federal tax credit amount awarded to the project.
- i. Tax Credit Monitoring Fee** - The fee is equal to \$150 per tax credit unit.
- j. AHAP Fee** - The AHAP fee is equal to 0.5% of the AHAP credit amount plus the \$100 application fee.
- k. Syndication Costs** - The fees paid by the developer for syndication related expenses will be reviewed for reasonableness. Investor due diligence, including architectural review, and fund bridge loan fees and interest should not be reflected in the development budget.
- l. Operating Reserve** - The operating reserve should reflect 3-6 months' worth of operating expenses and debt service. Amounts outside of that range should be accompanied by an explanation.
- m. Replacement Reserve** - The initial replacement reserve should be for \$600 dollars per unit (two years' worth). Any other amounts require an explanation.

3. Income

The following standards should be considered when structuring the project and completing the application.

- a. Rents** - Rents must be at or below the rents contemplated by the market study. Rents must be appropriate for the project area, project type and population being served. Rents must meet all applicable IRS, HUD, USDA and State of Missouri requirements.
- b. Other/Commercial Income** - All other income must be fully explained. MHDC, at its sole discretion, will determine the amount of other/commercial income that will be recognized. Other/commercial income may or not be recognized for tax credit amount and/or loan sizing purposes.
- c. Income Trending** - For purposes of the 15-year pro forma MHDC will use a 2% inflation factor for all sources of income.

4. Operating Expenses

Due to the different types of projects and the variances in operating costs found in the different regions of the state, MHDC will not provide minimum or maximum operating expense requirements, with the exception of replacement reserves. Each project will undergo a detailed review and will be compared with existing properties of similar type, location, and design. MHDC is interested in funding proposals that demonstrate feasible yet reasonable expenses that will assure long-term operating stability and quality. The presence of a full-time manager is strongly encouraged.

- a. **Expense Trending** – For purposes of the 15-year pro forma MHDC will use a 3% inflation factor for annual increases in operating expenses.
- b. **Replacement Reserves** - MHDC requires that all projects fund an annual replacement reserve equal to \$300 per unit, increased annually by 3%. If a different amount is required by a lender or syndicator, please clearly indicate so in your application. Such indication will not necessarily result in MHDC waiving its stated policy.

D) APPLICATION EVALUATION CRITERIA

MHDC is faced with the challenge of reviewing more qualified proposals than can be approved. We will do our best to fund as many proposals as possible using the criteria outlined below. The evaluation criteria are general and describe both the quantitative and qualitative aspects of each application that are considered. Applications are judged on the merits of the information provided by the applicant and from information gathered during site reviews and are compared with the needs of the State of Missouri and its citizens. The following is intended to give the applicant something to keep in mind when deciding to apply for funding from MHDC.

1. Project Type

Each project will fall into one of the following types:

- Preservation
- Acquisition/Rehab (Non-Preservation)

- Historic Rehab/Adaptive Reuse
- New Construction

Applications will be evaluated by the type of project and how it contributes to fulfilling MHDC's mission. The type of project will also govern the appropriate parameters to apply with respect to the additional criteria below.

2. Community Impact

Applications will be reviewed to determine the impact the development will have on the local and surrounding communities. Impact will be influenced by market conditions, local support, the population being served and a project's ability to act as a catalyst for economic development and/or neighborhood revitalization.

3. Scarce Resource Leverage

Applications that demonstrate the use of scarce state, local, federal and private funding sources will receive consideration. Leverage will be determined by the presence and ability of scarce resources to achieve any or all of: greater affordability, increased amenities, tenant services or other evident efficiencies and benefits. It is not required, nor even necessary to utilize non-MHDC resources to be considered for funding. The intent of this criterion is to encourage and recognize projects that have received support from other agencies/entities in order to serve a specific population or provide a greater benefit.

4. Need

Applications will be analyzed to determine the necessity for the project. Need will be determined by the condition of the property, market demand, the availability of housing for the population being served and the project's ability to address the greatest affordable housing needs of the state, region and/or locality.

5. Economics

Each application will be assessed for appropriateness and reasonableness of rents, expenses and construction costs. Evaluating the numbers will mean that development costs, rents, expenses, reserves, etc. will be examined to determine their ability to adequately and efficiently

provide affordable housing with long-term viability. Please see the Underwriting Standards in this guide for further guidance regarding economics.

6. Amenities and Services

Applications will be evaluated on the number and quality of amenities and services provided to the residents. Design features and services appropriate to the population being served will be considered for how they will impact the marketability and feasibility of the project.

7. Development Team

The experience and performance of all development team members will be considered when determining the likelihood of a project's success. Additionally, in determining the strength of the development team, the developer, contractor and management company will be evaluated by the numbers and types of projects currently underway, their capacity for undertaking the proposed development, and their performance record with MHDC, other state housing finance agencies, HUD, Rural Development, etc. The experience of the management company and the level of staff dedicated to the day-to-day operations of the project are closely examined when considering the quality of all applications.

8. Timing

The timing of due diligence, financing commitments and regulatory approvals will be considered when assessing an applicant's ability to proceed. Consideration will be given to applicants that demonstrate they can proceed in a timeframe consistent with any and all program requirements including, but not limited to, IRS, Department of Economic Development, Department of Housing and Urban Development and MHDC requirements. In the case of 4% tax credit applications seeking a recommendation from MHDC regarding a tax-exempt volume cap allocation, the applicant must demonstrate that they will be able to close by June 1, 2008, if recommended at the December 2007 meeting.

9. Additional Criteria

Each application will be evaluated according to additional key criteria to assess the potential of the proposal to best address the mission and standards of the programs MHDC administers:

- a. **Greatest need**
 - i. rehabilitation of existing HUD/RD properties with project-based rental assistance
 - ii. workforce housing
 - iii. housing in designated redevelopment areas
- b. **Affordability** of rent to the target population
- c. **Location and Site Characteristics**, including:
 - i. marketability
 - ii. suitability of site regarding slope, noise, flood plain or wetland issues
 - iii. environmental concerns
 - iv. conformance with neighborhood character and land use patterns
 - v. proximity to public transportation, shopping, schools, medical services, and parks/playgrounds
- d. **Construction Quality**, including considerations for:
 - i. durability of materials and longevity of improvements
 - ii. environmental engineering
 - iii. energy efficiency
 - iv. maximum accessibility
- e. **Cost Effectiveness** as applied to each project type (preservation, acquisition/rehab, historic conversion, new construction, etc.) and building type (elevator building, townhouse, multi-story walk-up, detached single-family, etc.)
- f. **Competitive Credit Pricing**
- g. **Management Staffing**, including full-time on-site manager and, when feasible, a social service coordinator
- h. **Developer/Community Interaction**, including:
 - i. familiarity and experience with the community in which the proposed property is located
 - ii. favorable history with the community
 - iii. proximity to the community—availability and accountability to local officials

- i. **Homeownership Plans** for residents of single-family developments following the 15-year initial compliance period, including discounted purchase pricing, counseling, and homeownership education, and a demonstrated desire to make homeownership achievable for low-income households
- j. **Use of Local Vendors, Suppliers, Contractors and Laborers** when available and feasible.

The Evaluation Criteria listed above reflect the major points of emphasis during the review process. They do not reflect the only points of emphasis, and MHDC reserves the right to evaluate and judge other criteria as appropriate.

E) PUBLIC SUPPORT AND HEARINGS

1. Support Letters

As previously indicated, a letter from the chief elected official for the proposed development location is a required application exhibit. Letters of support from the state senator and representative are strongly encouraged to be included with the application if at all possible. The Commission places great importance on the demonstration of need for the proposed development in the community, and a key indicator of its potential and perception may be found in the opinions expressed by these officials. 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), but all correspondence must be submitted by the application deadline in order to be considered in the competitive review process.

2. Public Hearings

To comply with program requirements, MHDC staff will send notification to the chief executive officer of the local jurisdiction, the state senator and state representative for the district of the

proposed development, and the executive director of the local public housing authority for all applications. Those notified will be given an opportunity to comment on the proposed development. MHDC will consider the comments and may contact the local jurisdiction for additional information. MHDC will also publish a notice in a regional newspaper requesting public comment on the development. Public hearings will be held in St. Louis, Kansas City, Springfield, and Columbia according to the schedule below to afford the public an opportunity to comment on developments proposed in a given region. Specific dates and times will be published in regional newspapers and on the MHDC website.

<u>Location</u>	<u>Proposed Date</u>
Kansas City	Monday, November 5
Springfield	Tuesday, November 6
St. Louis	Wednesday, November 7
Columbia	Thursday, November 8

All communication from the public must be received no later than the date of the final public hearing to be included in the evaluation process.

F) APPLICATION APPROVAL

1. Code of Conduct

MHDC has the following policy in place with respect to contact with Commissioners and staff during the application process:

For noncompetitive matters pending before the Commission, interested parties may have contact with the Commissioners or employees, if necessary, without having to adhere to any formal MHDC disclosure process. MHDC requests that such parties be cognizant and respectful of the limited resources, including time, available to the commissioners and MHDC's employees.

For any matter pending before MHDC, competitive or noncompetitive, Commissioners and employees may contact anyone, including interested parties or agents of interested parties, in the course of investigating the matter for the purpose of either making a recommendation to the Commission or gathering information in order to exercise their best judgment in voting on the matter.

However, if an interested party has submitted a proposal, application, bid or response to a solicitation, request, notice or invitation to do so, for a competitive matter pending before the Commission, and that party desires to communicate with a Commissioner or employee after the published response deadline for the purpose of lobbying the interested party's proposal, application, bid or response, the interested party or anyone acting at their direction or on their behalf (collectively or severally, the "interested party") may do so only by complying with the disclosure policy contained herein. Within 24 hours of contacting a Commissioner or employee, the interested party must file a written notice of the contact with MHDC. The written notice will include a written description of any oral communication from the interested party to the Commissioner or employee, and the written notice will include copies of any written or recorded materials provided to the Commissioner or employee. In addition, within 24 hours of filing the notice of contact with MHDC, the interested party will deliver, either in person, by facsimile, or electronic mail or through overnight courier, a copy of the notice (including any attachments) to each and every other party whose proposal, application, bid or response competes with the interested party's proposal, application, bid or response. Failure to file the notice with MHDC or failure to provide a copy of the notice filed with MHDC to any competitor may result in the disqualification of the interested party's proposal, application, bid or response, at the discretion of the Commission.

Furthermore, the period consisting of seven days prior to a Commission decision on a competitive matter shall be deemed the "quiet period." During the quiet period, interested parties shall refrain from initiating contact with Commissioners to lobby their proposal, application, bid or response. Failure to honor the quiet period may, at the Commission's discretion, result in the disqualification of the interested party's proposal, application, bid or response.

2. Commission Approval

Staff will provide the Commissioners with available application data, staff review comments, and public hearing results at the November commission meeting. Staff will then submit a list of applications recommended for approval to the Commissioners no later than seven days prior to the December commission meeting. Recommendations may include the revision of budgets, unit counts, rents, tax credit and loan amounts as a result of the underwriting process.

At the December meeting, the Commissioners have the right to inquire further about the applications, to approve the list as recommended, or to add applications to or delete applications

from the list. Following their approval of the final list of applications for low-income housing tax credit, HOME, and/or Fund Balance financing, staff will proceed with the Conditional Reservation process.

When the potential for conflict of interest or the appearance of a conflict of interest exists, MHDC's commissioners and employees shall 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.