

# Summary of Changes

## National Housing Trust Fund Allocation Plan

August 22, 2017

Removed references to the year 2017 and rehabilitation throughout Allocation Plan.

### **Purpose**

No Changes

### **Developer's Guide**

Removed first sentence and noted that the Developer's Guide is Exhibit A to the plan.

### **Description of Distribution of Funds**

Added, "MHDC has adopted the principles, requirements, where applicable, and goals of MHDC's Rental Production Programs for the Housing Trust Fund."

### **Housing Needs Assessment and Strategic Plan and Goals**

Added to the Rental Units Constructed goal - from 10 to 15

Removed "05 Rental Units Rehabilitated" goal

### **Participant Standards**

\*Added, "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."

\*Added to the reference to the Fair Housing Act, "and including any and all regulations and guidance promulgated by HUD thereunder."

\*Revised location public official notification paragraph to read, "The applicant must provide evidence that the chief executive officer (or the 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."

### **Added "Rental Production Application Workshop" Section**

Added - Each year MHDC hosts an application workshop. The workshop will be open to applicants who wish to submit an application for 9% and 4% Low Income Housing Tax Credits, 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.

### **Added, "Application Process – The Application" Section**

\*Added - 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 (\$3,000,000). 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.

#### **Added “Application Submission Deadline” Section**

\*Added - The Application deadline for 2018 Round 1 is **December 1, 2017**. 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, MO 64105 by the deadline noted above. Early submittals are encouraged but do not receive preferential treatment.

#### **Moved “Application Requirements and Eligible Activities” Section from After “Selection Criteria”**

Removed – “MHDC may award HTF funding to refinance existing rental housing project debt when such refinancing will result in a significant overall improvement in the financial or economic stability of the development. MHDC will only refinance an existing rental housing project if applicant is also doing meaningful and necessary rehabilitation.”

Clarified the HTF cost limits – “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 Tax Credit Program. Using this calculation method will allow the HTF to work seamlessly with other funding sources.”

#### **Added “The Application Process – Initial Application Review” Section**

\*Added - 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 proposal must meet all the requirements set forth in 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.

**Consistent with 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.

**Consistent with Tax Credit Accountability Act (if also requesting tax credits)**

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 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.

**Added “The Application Process – Primary Documentation Review Requirements”**

\*Added - 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 2018 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 (including, but not limited to, LIHTC) 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](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](http://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
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 housing units, evidence the investor(s) is aware of the special needs 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:

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.

**\*Added "The Application Process – Secondary Documentation Review" Section**

\*Added - 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**

The Commission places great importance on the demonstration of need for the proposed development and a key indicator of its potential and perception may be found in the opinions expressed by the public officials. 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 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 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](http://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](http://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.

**\*Added “The Application Process – Feasibility and Viability Underwriting Standards” Section**

\*Added - 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 from participating lenders. 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**

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%.

- Qualified Census Tract. Developments located in areas designated by HUD as Qualified Census Tracts.
- Difficult Development Areas. Developments located in areas designated by HUD to be difficult to develop.
- State Designated Difficult Development Areas. 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 the Special Needs Priority 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 special needs residents;

- 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 2015 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**

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.

If the developer proposes an escrow for services, and that escrow is not funded by a grant specific to the development services, the developer must contribute at least 50% of the escrow amount from the developer fee. Developments requesting priority status will be reviewed on a case by case basis and extensive services will be taken into consideration. Developments offering services, but not selecting the priority and not receiving a services grant, will be one hundred percent (100%) developer funded and should be deducted from the Developer's 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.

### **\*Added "The Application Process – Site Review" Section**

\*Added - 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**

Added, "While the housing priorities may give a development extra consideration, the selection criteria below indicate what factors are used in making funding recommendations.

Removed the reference to the IRS tax code

Removed, "(c) Whether existing housing is used as part of a community revitalization plan;"

\*Added, "overall sustainability" to the list of selection criteria

\*Removed, "Pay at least federal prevailing wage to all laborers and mechanics employed in the construction of the development, as determined and posted by the United States Department of Labor for the locality of the development and current within ten (10) days of construction closing or as otherwise directed by MHDC. Developments consisting of buildings with four (4) or fewer floors must use the Davis-Bacon residential construction category and developments consisting of buildings with five (5) or more floors must use the Davis-Bacon building construction category or rates as otherwise directed by MHDC."

Revised the requirements to have contracts that are "both reasonable and competitively priced for both hard and soft costs," to clarify that, "Copies of all such contracts must be provided to MHDC."

\*added, "All developments requesting and receiving approval for Low-Income Housing Tax Credits (LIHTC), 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**

Added to the beginning – "MHDC recognized the connection between HTF funds and Special Needs and Service Enriched priorities, therefore applications applying under the Special Needs and Service Enriched priorities will be encouraged to utilize HTF Funds."

Under "*Merits of the Project*," added – "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."

Under the **Special Needs Priority** added – “Special Needs 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.”

\*Added – “MHDC acknowledges that circumstances may require a change in the Lead Referral Agency during the life of the development, but the developer should 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.<sup>6</sup> 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.”

Under the **Service Enriched Housing Priority** added – “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.”

\*Added veterans to the list of possible target populations and – “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.”

\*Added job training and job placement services and reentry programs for ex-offenders as possible services.

Added the **Independence Enabling Housing Units Priority** and added – “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.”

\*Added – “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.”

Added the **Veteran's Housing Priority** and added – "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."

\*Added - 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."

Under the **Minority-Owned Business Enterprise ("MBE")/Women-Owned Business Enterprises ("WBE") Priority** added – "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. "

Under the **Transit Oriented Development Priority** added – “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.”

\*Under the **Redevelopment Plan Priority** added – “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.”

#### **Added “Priority Evaluation”**

Added – “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.”

Under *Rent Levels* added – “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.”

Additional discussion on rent increases includes, “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. “

Added – “HUD will publish the HTF rent limits on an annual basis,”

Added – “A Development with a committed Project Based Rental Assistance is preferred over a proposal without.

Replaced *Geographic Distribution* description with the following: “Due to the limited funding in the 2017 funding round, 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.

In the *Ability to Deploy Funds Quickly*

\*Added – “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."

#### *In the Ability to Leverage Funds*

Replaced the final sentence with, "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."

#### **Added –**

#### **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, 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.

- As noted in the Priority Evaluation section, Geographic Distribution 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. When ranking proposals with the same cumulative evaluation, individual department and priority evaluations and their significance will be considered.
- Special Needs and/or Service Enriched (this includes Independence Enabling Housing Units and 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 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 LIHTCs, 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.

\* - Denotes language directly from the Developer's Guide and/or QAP