

**Missouri Housing Development Commission
Tax Credit Assistance Program
Application Narrative**

A. Statement of Intent to Accept TCAP Funds

Statement of Grantee Intention

The state of Missouri is eligible to receive an allocation of \$38,687,026 in Tax Credit Assistance Program (“TCAP”) funds through its state housing credit agency, the Missouri Housing Development Commission (“MHDC”). MHDC hereby declares its intention to accept the entire formula allocation for timely award and expenditure of the assistance for affordable housing developments stalled by recent economic challenges.

Statement of Other Federal Grant Funds Administered

In addition to its role as the housing credit agency, MHDC administers the HOME program for the state of Missouri and participates in the section 542(c) Risk Share program with HUD.

Statement of 2009 LIHTC Allocation Process

MHDC received applications for 2009 9% Low Income Housing Tax Credits (“LIHTC”) and 4% LIHTC in September 2008 pursuant to its 2009 Qualified Allocation Plan (“QAP”) and Notice of Funding Availability (“NOFA”). Following a period of staff evaluation, the MHDC board of commissioners reviewed and approved staff’s recommendations for LIHTC reservations at its commission meeting on December 12, 2008. Carryover allocation agreements were executed in January 2009 between MHDC and the owners of developments approved for 9% LIHTC. Conditional reservation agreements were also executed in January for developments approved for 4% LIHTC. Owners have subsequently submitted environmental review packages and are currently in the process of obtaining completed plans and specifications, general contractor bids, equity and financing commitments, and other items required by MHDC for the approval of a firm commitment for LIHTC.

Missouri received an allocation of 2009 Midwestern Disaster Credits under section 1400(n) in October 2008. As a result, MHDC is accepting applications due June 6, 2009, for awards of 2009 Midwestern Disaster Credits, 4% LIHTC and/or remaining 9% LIHTC through a second NOFA round (“2009 Round 2 NOFA”). Board approval following staff review and recommendation is expected in late August 2009.

MHDC intends to hold a gap funding round this summer for stalled developments which were awarded LIHTC after October 1, 2006. MHDC will also allow 2009 Round 2 NOFA applicants to request TCAP in their June applications should low

credit pricing result in a funding gap. Any TCAP remaining from the completion of the gap funding round will be utilized for allocations to worthy applications from the 2009 Round 2 NOFA that will receive a simultaneous award of LIHTC prior to the September 30, 2009 eligibility cutoff.

Information for Agency Contact Person

The MHDC contact for TCAP is Janell Thome, Director of Rental Production (jthome@mhdc.com; ph: 816.759.6862; fax: 816.759.6829).

B. Description of Competitive Selection Criteria

Using the following process and criteria MHDC will make awards of TCAP to eligible projects that meet all the applicable state and federal requirements associated with TCAP and those associated with any other funding sources being utilized by the project. A project is eligible for TCAP if it has received or will simultaneously receive an award of low-income housing tax credits under section 42(h) of the Internal Revenue Code of 1986 between October 1, 2006 and September 30, 2009.

An award of tax credits is defined by MHDC, for the purpose of TCAP, to have been received once MHDC's commissioners have acted to approve a successful application for tax credits at a MHDC commission meeting.

For the purpose of competitively awarding TCAP funds MHDC has distinguished eligible projects into to two types:

Type I: Previously Awarded

Those developments that have previously received an award of low-income housing tax credits prior to their application for TCAP funds will be considered Type I projects.

Type II: Simultaneously Awarded

Those developments that will apply for low-income housing tax credits simultaneously with their application for TCAP funds will be considered Type II projects.

Selection Process

All eligible projects seeking an award of TCAP are required to submit an application. The MHDC selection process for TCAP will be completed in two stages. First, awards will be approved for Type I projects that are eligible and have undergone the competitive process described below. Second, if there are remaining TCAP funds available, awards will be made to Type II projects that are eligible and have undergone the competitive process described below.

All projects applying for TCAP funds, regardless of type, will be evaluated using the same selection criteria and using the same information.

Type I Application and Process

Type I applications will be accepted from those applicants who have been previously awarded low-income housing tax credits by MHDC between October 1, 2006 and December 31, 2008 and have not commenced construction. A Type I application was required to submit a full application pursuant to the applicable QAP and was approved for LIHTC based on how that proposal performed in regard to the QAP selection criteria.

MHDC will post a Gap Funding Round NOFA soliciting applications from Type I projects that are in need of TCAP funds. The Gap Funding Round is intended for those projects previously awarded low-income housing tax credits, but which are stalled because of a gap between sources and uses.

Gap Funding Round applicants are required to provide the following information:

1. The Gap Funding Round Questionnaire. The questionnaire will allow the applicant to answer several questions regarding the status of the development and to indicate the amount of the gap funding being requested.
2. A Revised and Updated Rental Production Application form FIN-100. The revised FIN-100 must be updated to include any changes to the budget or changes to the financing sources. The amount of the gap should be included in the revised FIN-100, and the construction amount should reflect Davis-Bacon wage rates.
3. Two versions of MHDC Contractor's/Mortgagor's Cost Breakdown Form FIN-115. One FIN-115 should be filled out using Davis-Bacon wage rates and the second should be filled out using standard wage rates.
4. Updated Debt and Equity Commitments. All non-MHDC sources of financing must have commitment letters dated within 45 days of the Gap Funding Round application deadline. Commitments must include the contact information for the person whom MHDC should contact regarding the commitment.
5. Updated Financial Statements. The most recent financial statements for the general partner(s), developer(s) and guarantor(s) are required.
6. Environmental Information. Environmental information required to pass the review stipulated by "NEPA and other related laws" must be provided. For developments that have not previously completed a Section 106 review, a copy of

the application sent to DNR must be submitted with the application. All other required documents that have not previously been submitted to MHDC should be included with the application. Applicants are encouraged to contact MHDC prior to application to confirm the status of the development's environmental review or whether it meets the requirements.

MHDC reserves the right to request further information or clarification regarding any Gap Funding Round application, including any information from an application submitted for a previous NOFA or firm commitment. This information may be necessary, and will be used, in making awards pursuant to the selection criteria below.

MHDC will process and evaluate the Gap Funding Round applications using the selection criteria outlined below. Staff recommendations will be presented to MHDC's commissioners for approval at a MHDC commission meeting. A conditional reservation will be issued after approval. The conditional reservation will further outline the requirements, deadlines and procedures for receiving a commitment, closing and expending TCAP and any other funds approved for the project. All TCAP awards are subject to the applicable federal funding requirements and must follow the reporting procedures to be established pursuant to the American Recovery and Reinvestment Act of 2009 ("ARRA").

Type II Application and Process

Projects that have not been previously approved by MHDC but that are planning to apply for low-income housing tax credits under the 2009 Round 2 NOFA may be eligible for TCAP funding. Should there be TCAP funds available after awards are made in the Gap Funding Round, MHDC will make them available for competition among eligible Round 2 applicants.

Round 2 applicants seeking TCAP funds are required to provide the following information as required by the 2009 QAP:

1. CD-R with required electronic documentation.
2. Executed FIN-100. The FIN-100 should reflect Davis-Bacon wages.
3. Application Fee. The application fee refers to the tax credit application fee; there is no application fee for TCAP.
4. Development Narrative.
5. Site and Environmental Information.
6. Market Study.

7. Site Control.
8. Public Official Contact Verification.
9. Statutorily Required Documents.
10. Housing Priority Documents.
11. Zoning Information.
12. Architectural Information.
13. Relocation Information.
14. Home Ownership Information.
15. Financing Commitments. All non-MHDC sources of financing must have a commitment letter dated within 45 days of the application deadline. Commitments must include the contact information for the person whom MHDC should contact regarding the commitment.
16. PHA Approved Utility Allowance Schedule.
17. Developer/General Partner Information. The most recent financial statements for the general partner(s), developer(s) and guarantor(s) must be included with the Developer/General Partner Information.
18. Management Agent Information.
19. Letters of Support and Resolution(s) of Support.

The QAP and Developer's Guide provide more detail regarding what is required for each application under the 2009 Round 2 NOFA.

In addition, applicants will be required to submit two versions of Form FIN-115. One FIN-115 should be filled out using Davis-Bacon wage rates and the second should be filled out using standard wage rates.

MHDC will process and evaluate applications for TCAP funding under the Round 2 NOFAs using the selection criteria outlined below. Staff recommendations will be presented to MHDC's commissioners for approval at a MHDC commission meeting. A conditional reservation will be issued after approval. The conditional reservation will further outline the requirements, deadlines and procedures for receiving a commitment, closing and expending TCAP and any other funds approved for the project. All TCAP awards are subject to the applicable federal funding requirements and must follow the reporting procedures to be established pursuant to ARRA. The

MHDC commission meeting where approvals will be made must occur prior to September 30, 2009 if Type II projects are to receive an award of TCAP.

Type I projects have previously submitted all of the documentation required of Type II applications. Type I applications are providing updates to key information in order to be considered in the Gap Funding Round but are not evaluated in a manner different than Type II applications. The difference between the two types rests in their respective places in the MHDC funding process. The selection criteria below apply equally to each type of project.

Selection Criteria

The following selection criteria will be used to decide which projects receive TCAP awards. The criteria are not weighted individually, but they will be used to filter prioritization. For example, any application for a project that is expected to be completed prior to February 16, 2012 will be given priority over any application for a project that is not expected to be completed before February 16, 2012. All applications that will be completed before February 16, 2012 are then evaluated based on the next criteria, in this case a complete application; those that meet that criteria are then evaluated on the next criteria. This continues until a priority list is achieved.

The selection criteria are:

1. Developments that will be completed on or before February 16, 2012.
2. Developments that have submitted a properly and fully completed application either for the Gap Funding Round or the 2009 Round 2 NOFA.
3. Developments that demonstrate excellence in the published QAP selection criteria. The QAP criteria are as follows:
 - Development Characteristics:
 - i. Tenant Population
 - ii. Development Type
 - iii. Site
 - iv. Design
 - Market Characteristics
 - i. Development Location
 - ii. Area Housing Needs
 - Development Team Characteristics
 - i. Experience
 - ii. Previous Performance

- Feasibility
 - i. Sources/Uses
 - ii. Income/Expenses/Affordability
 - iii. Long-Term Viability
 - iv. Timing
 - v. Investment Potential

- Community Impact
 - i. Community Support
 - ii. Catalytic Effect
 - iii. Community Needs

Each of the QAP selection criteria carries an equal weight. Performance regarding each criterion is evaluated to determine an overall level of performance as a potential successful MHDC development. Poor performance in one criterion cannot be overcome with excellent performance in another. For example, a good site cannot overcome poor financial feasibility, and good financial feasibility cannot overcome a poor site.

4. Developments that have, in the sole opinion of MHDC, meaningful financing commitments and that are expected to proceed to closing and construction in a manner consistent with the established requirements and deadlines.

5. Developments will be given priority based on which of the following low-income housing tax credit equity pricing tiers they belong:
 - *Tier One*: developments with federal pricing greater than or equal to .70

 - *Tier Two*: developments with federal pricing greater than or equal to .67 and less than .70

 - *Tier Three*: developments with federal pricing greater than or equal to .65 and less than .67

 - *Tier four*: developments with federal pricing less than .65

MHDC's goal is to efficiently and effectively use all its TCAP funds to assist deserving affordable housing projects. MHDC will award TCAP funds in a manner that helps create and retain jobs within the state of Missouri while producing quality affordable housing for Missouri's citizens.

C. Commitment and Expenditure Deadlines

The following procedures, separated by the applicable deadline, will be used to ensure that the TCAP deadlines are met.

1. Commitment of at least 75% of MHDC's TCAP grant by February 16, 2010.

MHDC intends to make TCAP awards in two separate rounds. The first round is for previously awarded tax credit developments that are in need of TCAP for gap financing. Awards for this Gap Funding Round are expected in July 2009. The conditional reservation that will go with the awards will list the requirements and deadlines for TCAP, including a deadline of October 1, 2009 by which a firm submission package is required. The firm submission package will result in a commitment for TCAP funds ("Written Agreement").

The second round for TCAP funds is for developments simultaneously seeking an award of low-income housing tax credits with TCAP funds for gap financing in the 2009 Round 2 NOFA. Awards for the second round are expected in August 2009. The conditional reservation that will go with the second round awards will describe the requirements and deadlines for TCAP, including a deadline of December 1, 2009 by which a firm submission package is required. The firm submission package will result in the Written Agreement.

It is anticipated that 100% of our TCAP funds will be committed by February 16, 2010, but in no event less than 75% will be committed by this date. Awards will be made in July and August of 2009. Commitments are expected by the end of December. Should there be a need, either because awardees could not meet the deadlines established in their conditional reservations or there are not enough awardees to meet the 75% requirement, MHDC will hold another round or rounds for eligible developments to request TCAP funds. Awardees in any subsequent rounds will be required to enter into a Written Agreement by February 16, 2010 as condition of their award.

2. Expenditure of at least 75% of MHDC's TCAP by February 16, 2011.

All Written Agreements will include a requirement that each project must expend at least 75% of their TCAP award before February 16, 2011. Prior to execution of the Written Agreement, and again prior to the start of construction, TCAP recipients will be required to submit a detailed draw schedule of sources and uses for the construction period. This schedule must clearly demonstrate that at least 75% of the TCAP will be expended prior to the deadline.

Once construction has started, MHDC's construction disbursement department will monitor draws closely and track the progress of each project in terms of meeting their requirements. If at any time prior to the deadline it appears that there will be an issue meeting the requirement, MHDC will reevaluate the draw schedule with the owner

and any other sources of financing to plan for the rest of construction. If necessary, changes will be made to ensure the deadline is met.

3. Expenditure of 100% of MHDC's TCAP by February 16, 2012.

All Written Agreements will include a requirement that each project must expend 100% of their TCAP award before February 16, 2012. Prior to execution of the Written Agreement, and again prior to the start of construction, TCAP recipients will be required to submit a detailed draw schedule of sources and uses for the construction period. This schedule must clearly demonstrate that at least 100% of the TCAP will be expended prior to the deadline.

Once construction has started MHDC's construction disbursement department will monitor draws closely and track the progress of each project in terms of meeting their requirements. If at any time prior to the deadline it appears that there will be an issue meeting the requirement, MHDC will reevaluate the draw schedule with the owner and any other sources of financing to plan for the rest of construction. If necessary, changes will be made to ensure the deadline is met.

Given the timing of MHDC's future funding rounds, and because an eligible project must be awarded low-income housing tax credits on or before September 30, 2009, all eligible MHDC developments will have been awarded low-income housing tax credits from credit years 2007, 2008 or 2009. All tax credit developments are required to place in service by the close of the second calendar year following the calendar year in which the allocation is made. Therefore, a development that is allocated 2009 credits is required to place in service by December 31, 2011. The Written Agreement will require that TCAP awards be expended prior to a development placing in service.

Redistribution of TCAP funds to more deserving projects from projects in non-compliance.

Projects that are given an award of TCAP funds, but that fail to meet a deadline of either their conditional reservation or their Written Agreement, will be subject to rescission of their award. Any TCAP funds rescinded will be made available to eligible projects through a competitive application process. More deserving projects will be determined by the same selection process and criteria as used to determine original awards.

D. Recovery Act Accountability and Transparency Requirements

MHDC is committed to meeting federal and state requirements for accountability and transparency as required by ARRA. The agency is working with the state's Transform Missouri-Transparency Team to ensure proper compliance with reporting requirements. To that end, MHDC is implementing the following steps:

Project Selection Process and Criteria

The MHDC Draft Proposal for the TCAP Project Selection Process and Criteria was posted May 18th at the following web page address:

<http://www.mhdc.com/notices/arra/default.htm>

The web page included a posting of the draft document and a portal for site visitors to submit comments electronically through the end of business on May 22, 2009. Further, MHDC held a public hearing on May 21, 2009, to present the proposal and record public input.

Ongoing Compliance

It is standard practice for MHDC to post information regarding awarded applications following commissioner approval. In this vein, MHDC will provide a link to a web page that lists project information for each development approved by the commissioners for an award of TCAP.

MHDC has already registered on the Central Contractor Registration (“CCR”) web site and is prepared to perform quarterly reporting as required. Furthermore, conditional reservation documents executed with approved developments shall require that owners as first-tier recipients must register on CCR prior to executing the Written Agreement.

Upon further guidance regarding the specific definition of jobs created and jobs retained, MHDC will publish this information for all TCAP awardees. MHDC will require monthly submission of jobs data from owners as part of the monthly draw process if additional information beyond the data collected in certified payrolls is necessary to fully comply with quarterly reporting requirements. MHDC will monitor funds expended and obligated through the IDIS system with a draw schedule cross-check. Project completion status will also be captured through MHDC’s monthly review of disbursements and construction site inspection. Finally, MHDC will require owners to identify a staff member responsible for reporting compliance and submit proof on a quarterly basis that they have entered reporting data in CCR.

MHDC is prepared to begin the required reporting in CCR for 3QFFY2009. Our first meaningful data will be available for the 4th Quarter report which will capture our initial TCAP awards. We are committed to ensuring that both the agency and our first-tier recipients submit timely and accurate data throughout the three-year TCAP grant period.