MISSOURI HOUSING DEVELOPMENT COMMISSION

LOW-INCOME HOUSING TAX CREDIT

2008 QUALIFIED ALLOCATION PLAN

Strength, Dignity, Quality of Life

MISSOURI HOUSING

DEVELOPMENT COMMISSION

This plan, as amended, was approved and adopted by the

Missouri Housing Development Commission

Board of Commissioners

on August 17, 2007

and further amended

on November 21, 2008

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I. GENERAL PROGRAM INFORMATION

A. Purpose and Goals

The Missouri Housing Development Commission ("MHDC" or the "Commission") has been designated by the Governor of the State of Missouri (the "State") as the Housing Credit Agency for the State. This designation gives MHDC the responsibility of administering the Federal Low Income Housing Tax Credit Program ("LIHTC" or "Tax Credits") established by the Tax Reform Act of 1986 and codified as Section 42 of the Internal Revenue Code (the "Code"). The responsibilities of a Housing Credit Agency are defined in Section 42(m) of the Code, as amended.

One of the statutory duties of the Housing Credit Agency is to prepare a Qualified Allocation Plan (the "Plan"). The purpose of this Plan is to set forth the process that MHDC will use to administer the LIHTC program in Missouri.

MHDC's goal is to use the federal tax credits allotted under Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"), and state tax credits under Section 135.350 et seq. of Chapter 135 of the Missouri Revised Statutes (the "State Tax Relief Act"), to the maximum extent possible, as an additional financial incentive for the creation and maintenance of rental housing units for low and very low-income households in the State. The specific goals are as follows:

1. To create safe, decent and affordable rental units for households having the lowest incomes;
2. To maintain the affordability of the rental units for the longest period of time possible;
3. To assist in the provision of financially viable, market appropriate housing in the areas of greatest housing need in the State;
4. To assist in the provision of quality housing at a reasonable cost to meet a variety of needs, including family, elderly and special need populations;
5. To provide opportunities to a variety of qualified applicants, both for-profit and non-profit, and for a variety of housing development sizes;
6. To allocate only the amount of credit that MHDC determines to be necessary for the financial feasibility of a development and its viability as a qualified low-income housing development throughout the credit period;
7. To allocate tax credits to rental housing developments which provide the greatest overall public benefits; and
8. To allocate tax credits to as many rental housing developments as possible, considering the cost, size, location, and the income-mix of proposals.

B. Amount of Credit Available

1. "Existing Housing Credits" shall mean the amount of annual Tax Credits allotted by the federal government to each state annually as determined by the state's population ("per capita credits") excluding Disaster Housing Credits. The amount of "per capita" credit for the State shall be announced in the Notice of Funding Availability ("NOFA") to precede the application round.

   The total amount of federal Existing Housing Credits available for allocation in any one year is the sum of the following components ("housing credit ceiling"):

   a. **Per capita credits**.
   b. **Carry forward credits** - Should MHDC be unable to allocate all allotted credits in any one year, the unused credits will be carried forward for allocation in the succeeding year.
   c. **Returned credits** - Credits that are returned from developments that received an allocation in previous years may be made available for allocation in the year the credits are returned or the succeeding year if returned after September 30th.
   d. **National pool credits** - If MHDC is able to allocate the entire amount of federal credits available in any one year, the State is then eligible to receive additional credits from a pool of credits returned unused by other states.

2. "Disaster Housing Credits" shall mean the 2008 Tax Credits available to the State as the result of the Emergency Economic Stabilization Act of 2008, Energy Improvement and

Extension Act of 2008, and Tax Extenders and Alternative Minimum Tax Relief Act of 2008 ("the "Act") which was signed into law on October 3, 2008. The Act provides for additional per capita credits for counties which were determined by the president of the United States on or after May 20, 2008, and before August 1, 2008, to warrant individual or individual and public assistance from the federal government under the Robert T. Stafford Disaster Relief and Emergency Act by reason of severe storms, tornados or flooding ("Midwestern Disaster Area").

The total amount of federal Disaster Housing Credits available for allocation in 2008 shall consist only of the per capita allocation granted in the Act to the State.

Developments located in the Midwestern Disaster Area may receive either Existing Housing Credits or Disaster Housing Credits at the discretion of MHDC. Such allocation will apply to determination of applicable credit ceilings.

The state tax credits are also available for allocation as a result of the State Tax Relief Act. The legislation provides that any development that is eligible for an allocation of the federal tax credit is eligible for an allocation of the state tax credit. Therefore, the contents of this Plan, except where otherwise noted, also apply to the allocation of state tax credits. The number or percentage of state credits in proportion to the Federal credits may be reduced by the State legislature, making any allocation subject to said change in the authorizing statute. MHDC in its sole discretion may choose to allocate no state tax credits or state credits in an amount up to 100% of the federal tax credits.

Tax-exempt private activity bond financed developments are eligible for federal and state tax credits without having to compete for an award from MHDC's annual housing credit ceiling. **However, these developments are subject to review by MHDC and shall be rated and ranked by the Commission for recommendation to the Department of Economic Development for an allocation of private activity bonds. Such developments are required by Section 42(m)(1)(D) of the Code to satisfy the requirements for an allocation of federal credits under this Plan and are also subject to MHDC's compliance monitoring requirements**. The allocation of Federal credits does not guarantee an allocation of State credits.

C. Maximum Credit Award

The maximum amount of annual federal or state tax credits that may be awarded to any individual proposal approved prior to October 3, 2008, is $700,000. Proposals receiving approval for Disaster Housing Credits and achieving carryover allocation after October 3, 2008, may be awarded up to $1,000,000 in federal tax credits. The state tax credit amount approved, if any, shall be limited to an amount necessary for the feasibility of the development. MHDC, in its sole discretion, may make exceptions on a case-by-case basis when justified by development size and feasibility.

Tax exempt bond financed developments receiving allocations outside the housing credit ceiling cap will not be limited in the amount of federal tax credits awarded. However, any individual development is limited to $700,000 in annual State tax credits. The Commission, in its sole discretion, may make exceptions on a case-by-case basis when justified by development size and feasibility. The State credit is not an automatic credit, and approval is subject to Commission action.

D. Eligibility Cycle Information

Applicants wishing to receive credits from MHDC's annual housing credit ceiling or credits for tax-exempt bond-financed developments must submit an application in accordance with the requirements of this Plan. MHDC shall set forth the protocol and timing for the submission of applications in the Developer's Guide to MHDC Multifamily Programs (the "Developer's Guide") as it may be amended from time-to-time. The Developer's Guide includes the processes and forms required for participation in the low-income housing tax credit, HOME, and Fund Balance financing

programs from application through completion of construction and cost certification. MHDC will hold one eligibility cycle per allocation year for Existing Housing Credits and tax-exempt bond financed developments. The eligibility cycle information for the 2008 allocation year is as follows:

A Notice of Funding Available (the "NOFA") will be published in August 2007 following the MHDC Commissioners' formal approval of the 2008 Plan and the proposed 2008 NOFA.

Application Submission Deadline – All applications **must** be physically received in the Kansas City office of MHDC (3435 Broadway, Kansas City, MO 64111) **according to the deadline established in the NOFA. Any applications received after the deadline will not be considered and will be returned to the applicant. This includes late arrivals for any reason including but not limited to courier or delivery error.** Early submission is encouraged.

Commission Selection of Applications – Selections of proposals to receive tax credits from the 2008 housing credit ceiling will be made at the December 21, 2007, Commission Meeting unless changed by the Commission. This date may be changed without notice. Conditional reservations will be granted / issued no later than the week of January 7, 2008.

In response to the 2008 Disaster Housing Credits awarded to the State through the Act, MHDC shall review and approve applications submitted from June 2, 2008, through September 5, 2008, for an allocation of any 2008 Disaster Housing Credits that remain after carryover allocation to developments located in the Midwestern Disaster Area and initially approved in December 2007. MHDC shall have the right in its sole discretion to approve Disaster Housing Credits for a proposal from the Midwestern Disaster Area which originally was approved as a tax-exempt bond financing structure in December 2007 or submitted an application contemplating tax-exempt bond financing during the period from June 2, 2008, through September 5, 2008. Approval of applications considered for remaining 2008 Disaster Housing Credits shall be made at the December 2008 Commission Meeting. Conditional reservations and carryover allocation agreements will be issued in mid-December 2008 and must be executed and returned to MHDC prior to December 31, 2008, in order to satisfy Code requirements.

II. CONDITIONAL RESERVATION PROCESS

A. Set-Asides

1. **Qualified Non-Profit Organization** - The Code requires that at least 10% of the annual housing credit ceiling be set-aside for projects involving a qualified non-profit organization. Section 42(h)(5)(C) of the Code defines a qualified non-profit organization as:
   a. A 501(c)(3) or (c)(4) non-profit organization; and
   b. Having an express purpose of fostering low-income housing; and
   c. One that will own an interest in the development and materially participate in the development and operation of the development throughout the compliance period. Material participation is defined in Section 469(h) of the Code as "involved in the operations of the activity on a basis which is regular, continuous and substantial;" and
   d. Is not affiliated with, nor controlled by, a for-profit organization.

2. **Rural Development financed developments** - 2% of the annual federal housing credit ceiling will be set-aside for projects financed by USDA/Rural Development. In the event the set-aside amount is not used, it will be returned to the general pool.

3. **Disaster Area** – Should any part of the state be officially declared a disaster area by the Governor, it may be necessary for MHDC to set aside a certain percentage of the annual federal housing credit ceiling or to give special consideration to a project that will assist in providing affordable housing to people affected by the disaster. This will be determined on a case-by-case basis by the Commission.

4. **Midwestern Disaster Area** – For purposes of allocating Disaster Housing Credits, the Midwestern Disaster Area shall be defined as the counties designated by the Act to be eligible for said credits. MHDC shall publish notification in the Developer's Guide and by

special announcement from the Executive Director following confirmation of the eligible counties by the IRS.

5. **Geographic** - As stated in the Purpose and Goals above, it is the Commission's objective to serve areas of greatest housing need in the State. An attempt will be made to distribute the tax credit across the State of Missouri on a population proportionate basis adjusted annually, with the state divided into the following areas:

SET-ASIDE PERCENTAGE	GEOGRAPHIC AREA
34%	**St. Louis Metro** [Franklin, Jefferson, St. Charles, St. Louis City, and St. Louis Counties]
18%	**Kansas City** [Clay, Cass, Jackson, Platte and Ray Counties]
48%	**Balance of State** (All other counties)

The Commission reserves the right to classify specific developments as serving "Special Needs Areas," which could allow for funding of said development(s) without regard to the targeted geographic set-aside. These developments may include housing financed, in part, by the federally funded HOPE VI program. The Commission designates that any development located in the Midwestern Disaster Area may qualify as a project serving Special Needs Areas.

Note that the Commission will fund a maximum of one HOPE VI proposal per geographic area in any funding year with the 9% tax credit.

Any development approved by the Commission "subject to credit availability" will be funded if sufficient credits become available.

B. Threshold Review

MHDC has established criteria that must be met in order for the application to be considered for the competitive review stage. **Any application that fails to meet any one of the threshold criteria will be rejected. Please refer to the Developer's Guide and Application Checklist for complete details of the threshold criteria that must be met.**

The threshold review is a basic review of the application to determine that it: (1) is complete; (2) includes all necessary forms and supporting evidence; (3) includes required fees; and (4) meets minimum code requirements.

The threshold criteria are as follows:

1. **Complete, Organized Application** – Applications must be submitted in a three-ring binder, and organized, using corresponding tabs, according to the checklist provided with the application. Each application shall be required to provide primary and secondary review items. Primary review items must be complete and consistent at the time of application. Applicants will be provided the opportunity to cure inconsistencies with respect to secondary review items within a prescribed time period. Primary and secondary review standards are set forth below and further described in the Developer's Guide. Applications will be rejected if primary review thresholds are not met. Failure to respond to secondary review items requested in the cure period by the MHDC-imposed deadline will also result in the rejection of an application.

2. **Program Compliance** – Any owner or general partner that is involved with a Section 42 project that is currently in noncompliance due to site audits or the failure to comply with owner's reporting requirements will be denied participation in the eligibility cycle. In addition,

any owner that is not in compliance or good standing with any other MHDC program will be similarly denied participation.

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

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

5. **Internal Revenue Service Memorandum of Understanding** – MHDC and the IRS may execute a Memorandum of Understanding ("MOU") to improve the administration of the LIHTC program. Under the terms of this MOU, all developers must complete IRS Form 8821 (Rev. 9- 98), Tax Information Authorization, as a condition of consideration for the allocation of LIHTC. An executed IRS Form 8821 for the developer, owner, and general partner entity must be included as part of the tax credit application. A copy of this form is included in the Developer's Guide.

6. **Tax Credit Accountability Act** - Under the provisions of the Tax Credit Accountability Act (R.S.Mo. sections 135.800 to 135.830) all developers / applicants must complete all necessary forms and reporting required during the application and allocation process and for a period of three years following the issuance of credits by MHDC, as the administering agent for the Missouri LIHTC, to comply with the provisions of the act. All developers must complete MDOR Form 8821 (Rev. 11-03), Missouri Department of Revenue Authorization For Release of Confidential Information, as a consideration for the allocation of the Missouri LIHTC. An executed MDOR Form 8821 for the developer, owner, and general partner entity must be included as part of all Missouri tax credit applications. MHDC will obtain tax clearance regarding the developer / applicant from the Missouri Department of Revenue at the time of application. A state tax delinquency may result in an application being rejected.

7. **Primary Review Items:**
   a. **CD-ROM** with electronic copies of required items.
   b. **Development Narrative** – Each application must contain a project narrative that summarizes the scope of the proposal.
   c. **Application Fee** – The required nonrefundable application fee of $1,500 ($750 for non-profit applicants) must accompany each application. To qualify for the $750 discount, non-profits must request funding from the non-profit set-aside for tax credits, the CHDO set-aside for HOME financing, or both, and must satisfy program requirements for the applicable set-aside.
   d. **Application Form FIN-100**
   e. **FIN-115 Contractor's/Mortgagor's Cost Breakdown**
   f. **Site Location Indicators** identifying the location of the proposed development. MHDC staff has the right to inspect each site at any time during the application review process.
   g. **MHDC Form 1302 Site Evaluation**
   h. **Market Study** with MHDC Form 1300-S - A complete and in-depth market study must be included as part of the application. A favorable statement of conclusions about the strength of the market for the proposed development does not operate to vest in an applicant or development any right to a reservation or an allocation of tax credits in any amount.
   i. **Evidence of Site Control** – Both the buyer and seller must evidence site control. All site options/contracts, as applicable, must be also valid at the time of selection by the Commission. Staff has the right to order an appraisal at the buyer's expense to confirm the acquisition price after a proposal has received a reservation of credits or conditional commitment for financing.
   j. **Response Letters** – Letters from the senior elected executive official, the state senator, and state representative for the area in which the proposed property is located

indicating their response to the notification of the proposed housing development are required prior to the application deadline. All correspondence and documentation received from the above listed officials is advisory to the Commission.

Applications receiving consideration for Disaster Housing Credits for approval after October 3, 2008, shall not be required to submit response letters from the senior elected executive official, the state senator, or state representative for the area in which the proposed property is located.

k. **Tax Information Authorization Forms 8821** (federal and state) for the Developer/Applicant.

8. Secondary Review Items:

a. **Zoning** – The applicant must demonstrate, by submission of an original letter from the local government, the zoning for each site on which the development will be located allows for the use(s) proposed by the applicant. In cases where the site is not yet zoned properly, MHDC may consider a site for which the local government has issued a letter endorsing the development and the specific zoning change necessary for the proposed development.

b. **Local Needs** – The project must address local housing needs and priorities, as documented in the state or local Consolidated Plan. A current certification of consistency from the appropriate local governmental entity must be included as part of the application.

c. **Availability of Utilities** in the form of original letters from the utility provider. This requirement is not applicable for applications receiving consideration for Disaster Housing Credits for approval after October 3, 2008.

d. **Preliminary Plans and Specifications** – Preliminary plans and specifications, photographs, and for historic rehabilitation proposals, a copy of the approved Part I Historic Tax Credit form approved by the National Park Service must be included as part of the application.

e. **Physical Needs Assessment** - A scope of work and physical needs assessment for the structure(s) must be included as part of a proposed rehabilitation application. Proposals for conversion of historic buildings must contain an assessment of the structure(s) and major systems that are expected to continue to serve the development.

f. **Preservation of Developments with Project-Based Rental Assistance** – A letter from the HUD or USDA Rural Development demonstrating the potential risk of the loss of the rental assistance contract and copies of documentation supporting the current physical and financial condition of the property and current assistance contracts are required.

g. **Relocation** – Documentation evidencing the existing tenant base, potential relocation activity, and the applicant's plans for relocation is required.

h. **Homeownership Plan** for proposals for single-family developments that will be offered for sale to existing residents at the close of the compliance period.

i. **Conditional Financing Commitments** – A conditional commitment, on company letterhead, for all: (i) federal and state tax credit equity; (ii) non-MHDC construction and permanent financing; and (iii) grants.

j. **Utility Allowance Documentation** – Current documentation from the local PHA for the utility allowance used in the application must be included. The utility allowance must be consistent with the requirements of Section 42 of the Code. MHDC may apply monthly minimum allowances for tenant paid utilities in its underwriting process in its sole discretion to equalize the comparison of proposals. The utility allowance must be recalculated on an annual basis.

k. **Public Notification** – In addition to the chief elected official and state representatives, the application must document that the below-listed officials of the jurisdiction have been notified of the intent to develop the proposed housing:

i. State representative;

ii State senator;

iii. Aldermen or Councilmen of the Jurisdiction (ward or district) in communities of 20,000 or more;
iv. Executive Director of the local Public Housing Authority; and
v. Superintendent of the school district in which the housing will be located (for newly constructed housing intended for families).

Note that any response to these notification letters, resolutions of support from local governmental bodies, as well as other support letters or information from the officials are welcome but not required. In order to receive consideration, such evidence of support must be received by Commission staff before the application deadline either as part of the application binder or mailed directly by the author. All correspondence and documentation received from the above listed officials is advisory to the Commission.

l. Development Team Capacity – Information regarding the experience, capacity, and financial stability is required for the developer/applicant, general partner(s)/member(s) of the proposed ownership entity, and the management company. MHDC staff has the right to request and review credit reports for these entities.

m. Supportive Services – Letters of intent are required for potential providers of supportive services as identified in the application.

9. Additional Threshold Requirements

a. Proposals with Non-Profit Participation – The Non-Profit Certification Form must be completed and included, along with the organization's IRS Letter of Determination, Articles of Incorporation and by-laws as part of the application.
b. Proposals requesting acquisition credit –MHDC requires, as a condition of the Carryover Allocation or prior to issuance of Private Activity Bonds **that the applicant provide a legal opinion that the property is eligible for the acquisition credit**.
c. Rehabilitation projects seeking the 9% tax credit – Construction costs for rehabilitation must equal or exceed 40% of the total replacement costs.
d. Tax Exempt Bond Financed Rehabilitation Developments - For developments located in rural (non-MSA) areas, the construction costs for rehabilitation must equal or exceed 15% of the total replacement costs. For developments located in urban (MSA) areas, the construction costs for rehabilitation must equal or exceed 25% of the total replacement costs.

C. Jurisdiction Notification

The Code requires that the State allocating agency notify the chief executive officer of the local jurisdiction where each proposed development is to be located. When an application satisfies the threshold requirements, a notification will be sent to the chief executive officer of the local jurisdiction, the state senator and state representative for the district of the proposed development, and the executive director of the local public housing authority. Those notified will be given an opportunity to comment on the proposed development. MHDC will consider the comments and may contact the local jurisdiction for additional information. MHDC will also publish a notice in a regional newspaper requesting public comment on the development. Public hearings will be held in St. Louis, Kansas City, Springfield, and Columbia to afford the public an opportunity to comment on developments proposed in a given region.

D. Evaluation Factors

All applications submitted will be evaluated by MHDC staff using the following federal preferences and selection criteria:

1. Federal Preferences – Section 42(m)(1)(B)(ii) of the Code requires that the following be given preference when allocating the housing credit ceiling:

a. Projects serving the lowest income tenants.
b. Projects obligated to serve qualified tenants for the longest periods.
c. Projects which are located in qualified census tracts (as defined by the HUD) and the development of which contributes to a concerted community revitalization plan.

2. **Selection Criteria** – Applications will be evaluated according to selection criteria required by Section 42(m)(1)(C) of the Code:
   - project location;
   - housing needs characteristics;
   - project characteristics;
   - sponsor characteristics;
   - tenant populations with special housing needs;
   - public housing waiting lists;
   - tenant populations of individuals with children; and
   - projects intended for eventual tenant ownership.

   Each proposal will also be reviewed and assessed with respect to the following factors. Proposals receiving consideration for approval for Disaster Housing Credits after October 3, 2008, will not be automatically approved by virtue of the availability of 2008 Disaster Housing Credits. Proposals must be deemed by MHDC, in its sole discretion, to meet the following selection criteria:

   a. **Project Type** - Each project will fall into one of the following types:
      - preservation of developments with existing project-based rental assistance or an expiring tax credit compliance period;
      - acquisition/rehabilitation (non-preservation);
      - historic rehab/adaptive reuse;
      - new construction;
      - single-family rental intended for eventual resident homeownership.

      Applications will be evaluated by the type of project and how it contributes to fulfilling MHDC's mission. The type of project will also govern the appropriate parameters to apply with respect to the additional criteria below.
   b. **Community Impact** - Applications will be reviewed to determine the impact the development will have on the local and surrounding communities. Impact will be influenced by market conditions, local support, the population being served and a project's ability to act as a catalyst for economic development and/or neighborhood revitalization.
   c. **Scarce Resource Leverage** - Applications that demonstrate the use of scarce state, local, federal and private funding sources will receive extra consideration. Leverage will be determined by the presence and ability of scarce resources to achieve any or all of: greater affordability, increased amenities, tenant services or other evident efficiencies and benefits.
   d. **Need** - Applications will be analyzed to determine the necessity for the project. Need will be determined by the condition of the property, market demand, the availability of housing for the population being served and the project's ability to address the greatest affordable housing needs of the state, region and/or locality. Regardless of a proposal's eligibility to be considered for Disaster Housing Credits due to its location in the Midwestern Disaster Area, no application proposing the delivery of new units will be approved if it is deemed by MHDC to adversely impact any existing MHDC developments, exist in a questionable market, or create excessive concentration of multifamily units.
   e. **Economics** - Each application will be assessed for appropriateness and reasonableness of rents, expenses and construction costs. Evaluating the numbers will mean that development costs, rents, expenses, reserves, etc. will be examined to determine their ability to potentially attract tax credit investors and adequately and efficiently provide affordable housing with long-term viability.
   f. **Amenities and Services** - Applications will be evaluated on the number and quality of amenities and services provided to the residents. Design features and services

appropriate to the population being served will be considered for how they will impact the marketability and feasibility of the project.

g. Development Team - The experience and performance of all development team members will be considered when determining the likelihood of a project's success. Additionally, in determining the strength of the development team, the developer, contractor, and management company will be evaluated by the numbers and types of projects currently underway, their capacity for undertaking the proposed development, and their performance record with MHDC, other state housing finance agencies, HUD, Rural Development. MHDC staff reserves the right to request and review credit reports to substantiate the financial strength of the applicant and members of a proposed development team.

The general partner, developer, and general contractor that are proposed as the development team for any application being considered for approval for Disaster Housing Credits after October 3, 2008, shall be assessed for their capacity to successfully manage the predevelopment, closing, construction, and lease-up of the proposed development in addition to previously-approved properties that are currently in those stages of development.

h. Timing - The timing of due diligence, financing commitments and regulatory approvals will be considered when assessing an applicant's ability to proceed. Consideration will be given to applicants that demonstrate they can proceed in a time-frame consistent with the requirements of Section 42 of the Code or, for tax-exempt bond-financed proposals, the allocation process established by the Department of Economic Development.

i. Additional Criteria

i. Project Location - The proposed site will be assessed according to its proximity to services and the socioeconomic mix of household in the neighborhood. Location in the following areas will also be noted:

(a) a qualified census tract or difficult development area qualifying for the 130% basis adjustment;
(b) a low-income county, defined as a county whose median income is below 80% (HUD definition of low income) of state's non-metropolitan area median income;
(c) a local area governed by an approved community revitalization plan;
(d) a community demonstrating new employment opportunities and a corresponding need for workforce housing;
(e) an area designated as part of State's Downtown Revitalization plan.

ii. Site Suitability - MHDC staff will conduct a site visit to determine general site suitability. Sites will be evaluated on the following:

(a) marketability;
(b) 24 CFR 941.201 site and neighborhood standards;
(c) suitability of site regarding slope, noise (e.g., railroad tracks, highways), flood plain or wetland issues;
(d) other environmental issues or concerns;
(e) conformance with neighborhood character and land use patterns;
(f) proximity to services including, but not limited to, public transportation, shopping, schools, medical services, and parks/playgrounds;
(g) significant site features;
(h) accessibility (ingress/egress) of site.

iii. Architectural Features - Preliminary plans and scopes of work will be evaluated to identify:

(a) special features regarding universal design or accessible space, accessibility of common/public areas, and the number of units accessible to and/or adaptable for persons with physical disabilities;
(b) energy-efficient design and the incorporation of "green" features;
(c) quality of materials or design to assure longevity and durability.

iv. Credit Pricing - Equity pricing for the federal and state tax credit as proposed by

the applicant and the syndicator's letter of interest shall be considered in the recommendation of the application.

v. **Special Needs Identified in the State** - Proposals addressing special needs identified in the state will be given extra consideration. The identified priorities include the preservation of existing affordable housing or providing units for the following target population:

(a) Elderly persons, as defined by Fair Housing or by HUD Section 8, Section 202, Section 236, or similar programs;
(b) Persons with a physical disability;
(c) Persons with a developmental disability;
(d) Households that are very low income (below 50% of area median income);
(e) Single parent families (especially parents with two or more children);
(f) Homeless;
(g) Persons on waiting lists for subsidized housing, if verified by the local PHA;
(h) Persons with Section 8 Housing Choice Vouchers;
(i) Workforce housing.

E. Development Standards

1. **General -** Each development must satisfy the needs of the local area affordable rental market.

2. **Additional Requirements -** All housing projects must:
   a. Comply with published MHDC design, submittal and construction standards (see #3 below).
   b. Comply with applicable local, state and federal ordinances and laws.
   c. Provide facilities, equipment and amenities appropriate for the intended occupants.
   d. Be designed to meet the established construction budget.
   e. Be designed to be economical to maintain.
   f. For all developments with 12 or more units, regardless of funding source, a minimum of 5% of units must be designed in compliance with one of the nationally recognized standards for accessibility to wheelchair users.
   g. For developments requesting HOME funds and requiring temporary or permanent relocation of existing residential or commercial tenants, the owner must comply with the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 ("URA"); for developments requesting all other types of MHDC program financing and requiring permanent relocation of existing residential or commercial tenants, the owner must provide relocation assistance which meets the standards of Missouri Revised Statute 523.205.

3. **Design -** MHDC adheres to the following standards in the design of all rental housing (see MHDC Architectural Procedures Manual dated July 2007, as may be amended from time-to-time and published in the Developer's Guide).

   Exception: Developments approved for Disaster Housing Credits and achieving carryover allocation after October 3, 2008, must comply with the requirements of the MHDC Architectural Procedures Manual dated May 2008, as it may be amended from time to time, which include the following standards.

   a. Construction codes as adopted by the governmental unit in which the development is located.
   b. In the absence of locally adopted codes, the latest available edition of the International Building Code (2006), the International Plumbing Code, the International Mechanical Code, the National Electrical Code and/or the International Residential Code.
   c. Local zoning ordinances.
   d. The Fair Housing Act of 1968, as amended.
   e. Proposals receiving federal, state, county or municipal funding may, in addition to the

Fair Housing Act Guidelines, be required to comply with the Architectural Barriers Act of 1968, Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act, all as amended.

f. No part of any residential structure may be located within 30 feet of the outer boundary of a high-pressure gas and/or liquid petroleum transportation pipeline easement.
g. No part of any residential structure may be located within 100 feet (horizontal) of any high voltage transmission lines.
h. The **2006** International Energy Conservation Code (formerly the Model Energy Code) as published by ICC/CABO. The use of Energy Star (Energy*) appliances and equipment are encouraged.
i. For the control of lead hazards: the Lead Paint Poisoning Prevention Act, HUD Guidelines for the Evaluation and Control of Lead Based Paint in Housing, and the MHDC Lead Based Paint Policy.
j. New and substantially rehabbed units wired for internet access.
k. Apply the standards of the EPA's Energy Star Program, when practicable.
l. Implementation of solar and "green building" design features.
m. Use of construction materials that extend the longevity of the building, including materials, products and equipment that are more durable than standard construction materials. Products must clearly reflect upgrades from standard construction grades.

4. Additional Architectural Requirements - Applicants that receive an allocation of tax credits (4% or 9%) are required to:

a. Submit one complete set of construction documents (plans and specifications) to the MHDC architectural staff **prior to** the start of construction.
b. Provide the MHDC architectural staff an information sheet with a construction schedule, and the name and contact information of the project manager and project architect.
c. Notify the MHDC architectural staff, in writing, when construction has reached 90% completion.
d. Schedule a final inspection of all units/buildings with the MHDC architectural staff.

5. Equal Opportunity Standard - The Commission requires that occupancy of housing financed or assisted by MHDC shall be open to all persons regardless of race, color, religion, sex, familial status, disability, or national origin. Also, contractors and subcontractors engaged in the construction or rehabilitation of such housing shall provide equal opportunity for employment without discrimination as to race, color, religion, sex, familial status, disability, or national origin.

6. Local Vendors - As the State of Missouri may contribute to the overall feasibility of a property by the issuance of a state housing tax credit and/or MHDC funding, the Commission requests that developers pledge their best efforts to use local vendors, suppliers, contractors and laborers when available and feasible.

F. Underwriting Standards

MHDC has adopted minimum underwriting standards for all developments that wish to compete for tax credits under this Plan. **These minimum standards must be met at the time of application. Developments that do not meet the following minimum underwriting standards will not be considered for an allocation of tax credits.** Implementation of these standards does not constitute a representation of the feasibility or viability of the development.

1. Sources and Uses – The development's "sources and uses" must balance at the time of application.

2. Rents – The proposed rents must be within the Tax Credit requirements and reasonable for the immediate market area. Rents cannot exceed the HUD published rents in effect at the time of application.

3. **Per Unit Cost** -
   a. **HUD Section 221(d)(3) Limits -** The per-unit replacement cost of tax credit developments shall not exceed HUD Section 221(d)(3) limits, adjusted to reflect increases in construction costs since their adoption in 1992, and further adjusted by HUD's high cost factor to reflect differences in geographic areas. The Commission will accept a variance of 140% of HUD's Section 221(d)(3) limits for the eight metropolitan areas (Jefferson City MSA, Columbia MSA, St. Louis MO-IL MSA, Springfield MSA, McDonald County [Fayetteville-Springdale-Rogers AR-MO MSA], Joplin MSA, Kansas City MO-KS MSA, and St. Joseph MSA). MHDC, in its sole discretion, may make exceptions on a case-by-case basis.

      Exception for developments approved for Disaster Housing Credits and achieving carryover allocation after October 3, 2008: The Commission will accept a variance of 125% of HUD's Section 221(d)(d) limits for properties located in Andrew, Cass, Greene, Jasper, Newton, St. Charles, and Webster counties and for all historic rehabilitation developments located in the Midwestern Disaster Area. Historic rehabilitation developments are also allowed to add the residential portion of the federal historic rehabilitation credit to the 125% 221(d)(3) limit calculated. The total replacement cost for historic developments cannot exceed this sum. MHDC reserves the right to, on rare occasion, allow exceptions to the cost limit on a case by case basis, if unique development characteristics that meet or exceed the standards and goals of this Plan are present.
   b. **Unique Development Characteristics -** The Commission may consider higher construction costs that can be attributed to unique development characteristics, and which are consistent with the needs and priorities identified in the appropriate Consolidated Plan.
   c. **Projects receiving historic rehabilitation tax credit** will be allowed to deduct the residential portion of the federal historic tax credit from the project cost to allow for stricter rehabilitation standards. This mirrors the deduction of the residential portion of the federal historic credit from eligible basis as required by the Code.

4. **Identity of Interest -** The application must list any identity of interest between the applicant and/or the developer and any member of the development team including but not limited to the architect, the contractor and all subcontractors, suppliers and vendors. If any identity of interest is not disclosed in advance, the cost of that contract/subcontract will not be recognized at cost certification.

G. <u>Minimum Underwriting Assumptions</u>

Minimum underwriting assumptions will be used as set forth in the Developer's Guide. Project costs, Developer's and Contractor's fees will be taken into consideration during the underwriting process. MHDC, however, will not award tax credits based solely on the lowest development costs. The mission of MHDC is to provide high quality affordable housing with long-term viability that contributes to the community. MHDC staff reserves the right to adjust assumptions according to market conditions at the time of application.

The following standards will be used in the underwriting of all proposals, including proposals financed with tax-exempt bonds requesting tax credits outside of the housing credit ceiling. Underwriting conclusions and requirements will be reflected on the MHDC form 2013, attached to each Conditional Reservation, Letter of Determination, and/or Carryover and Final Allocation letters.

1. **Debt Coverage Ratio** – The financial projections for the project must show a minimum debt coverage ratio as determined in the Developer's Guide.

2. MHDC, in its sole discretion, may determine:

a. Reasonable vacancy and expense assumptions for the local market conditions;
b. Maximum rents appropriate for market conditions and affordability;
c. The project's feasibility;
d. Reasonable minimum tax credit pricing; and
e. The sufficiency of the proposed operating and replacement reserves.

3. **Contractor and Developer Fees** – MHDC will limit developer and contractor fees in calculating the amount of tax credits to be allocated to a proposed development as indicated below (a reduction in fees will result in a reduction of total project costs and eligible basis). HUD also restricts these fees for developments subject to the subsidy layering review.
   a. **Aggregate Contractor Fees may not exceed 16% of Construction Costs.** Construction Costs do not include Builder's Profit, Overhead, and General Requirements. General requirements **must** include the cost of builder's risk insurance and all bonding costs.
   b. **Builder's Profit may not exceed 8% of Construction Costs.**
   c. **Aggregate Developer Fees** (including Overhead and Profit) and **Consultant Fee Limits** must be combined and computed as a percentage of certain development costs as defined below. The Consultant Fee (in lieu of, or as part of the Developer Fee) is defined as a fee to a third party(ies) for performing tasks that a developer would normally perform, e.g., prepare tax credit application and loan application, manage local government approvals, act as owner's agent during project construction.

	Maximum Developer Fee
Substantial Rehabilitation	***SUM OF*** **8% of Acquisition Cost** **(Line 51 of MHDC form 2013)** ***PLUS*** **15% of the Balance of Total Replacement Cost** (Total Replacement Cost (minus) total cost of acquisition) **(Line 52 (-) Line 51 of MHDC form 2013)**
New Construction	**15% of Total Replacement Costs** **(Line 52 of MHDC form 2013)**

Exception for developments approved for Disaster Housing Credits and achieving carryover allocation after October 3, 2008:

For the purposes of the developer fee limit, "Developer Fee" is defined as the sum of the developer fee, including overhead and profit, and any consulting fee paid for tasks normally performed by the developer. New construction developments are limited to 15% of total replacement costs for the first $4,000,000 of total replacement costs and 10% for any additional amount of total replacement costs. Acquisition-rehabilitation and historic preservation developments are limited to the sum of 8% of acquisition costs for the first $2,000,000 of acquisition costs, 6% of any additional acquisition costs, 15% of the first $4,000,000 of non-acquisition total replacement costs and 10% of any additional non-acquisition total replacement costs.

4. **Projects receiving HOME Funds -** Federally imposed limitations will apply (see 24 CFR 92).

H. Labor Standards

All subcontractors and suppliers must add reasonable commercial value to the product/services furnished. The general contractor and each subcontractor and supplier must be registered and in good standing with the state of Missouri, must abide by state and federal laws concerning hiring practices and labor standards, and must comply with the MHDC Workforce Eligibility Policy attached as Appendix I.

I. Determination of Tax Credit Amount

The Code and the State Tax Relief Act require that MHDC allocate to a development the amount of federal and state tax credits that MHDC determines is necessary for the financial feasibility of the development and its viability as a qualified low-income housing development throughout the credit period. MHDC retains the right, in its sole discretion to: (i) reserve less than the amount requested on the application; (ii) reserve less than would result by using an applicable fraction of 100%; and (iii) deny approval of any tax credit amount. MHDC will evaluate each proposed development, taking into account such factors as it determines relevant, including, but not limited to, the following items:

1. Project cost, including the reasonableness of cost per unit, developer fees and overhead, consultant fees, builder profit and overhead, and syndication costs.

2. Sources and uses of funds and the total financing planned for the development, including the ability of the development to service debt.

3. Project income and expenses, including a determination of the reasonableness of the proposed operating costs and the affordability of the proposed rents.

4. The proceeds or receipts expected to be generated by reason of the tax credit.

5. The percentage of the credit dollar amount used for project costs other than the cost of non-basis items.

6. The use of federal funds and other assistance (applicable HUD subsidies will be subject to a subsidy layering review based on HUD's most current subsidy layering review guidelines).

7. Other factors which may be relevant to the economic feasibility of the development, such as the area economy or the housing market.

8. The determination of Total Development Costs and the balancing of Sources and Uses.

9. MHDC will arrive at the credit amount needed by using three calculation methods. The amount of credits reserved will be no greater than the smallest of the amounts resulting from the three calculation methods. MHDC retains the right to reserve less than the result of the three methods. The calculation methods are:
   a. Method One: Qualified Basis Calculation;
   b. Method Two: Funding Gap Calculation; and
   c. Method Three: Cost Reasonableness Calculation.

10. For evaluation purposes during the NOFA period, MHDC will select:
    a. An applicable percentage based on current trends - The applicable percentage to be used for the current year will be reflected in the Developer's Guide; and
    b. A tax credit equity factor based on current market trends. MHDC will determine minimum pricing levels that will also be used in the evaluation process at both Carryover and Final Allocation.

11. The 130% increase in basis allowed for developments located in any of the following areas:
    a. Qualified Census Tracts
    b. Difficult Development Areas
       In addition to HUD-designated Difficult Development Areas, Midwestern Disaster Areas shall be designated difficult development areas. Therefore, proposals achieving carryover allocation of Disaster Housing Credits after October 3, 2008, may be eligible for a basis adjustment up to 130% of qualified basis pursuant to 42(d)(5)(B)(v) of the Code if necessary to make the development financially feasible.

12. Based on its evaluation, MHDC will estimate the amount of tax credits to be reserved for the development. If there are changes in the sources and/or uses of funds or other material changes at various stages of processing, MHDC will, if necessary, adjust the tax credit amount to reflect the changes (not to exceed the amount reserved or allocated), and the tax credit amount may be reduced. This determination is made solely at MHDC's discretion and is in no way a representation as to the actual feasibility or viability of the development.

13. The analysis to determine the tax credit amount necessary will be conducted at the following processing stages:
    a. The time of preliminary application;
    b. The time a carryover allocation is approved (if applicable); and
    c. The time the development is placed in service (after all project costs are finalized and a third party cost certification has been completed) and requests issuance of IRS Form(s) 8609.

J. Award of Conditional Reservation

Developments that receive approval from the MHDC Board of Commissioners will be awarded a Conditional Reservation (the "Reservation") of tax credits. Reservations may be made subject to such conditions as MHDC determines necessary or appropriate to assure that the development will meet the goals of this Plan in a timely manner. This may include, but is not limited to, the development's progress toward completion and compliance with MHDC and federal and state tax credit requirements. Should MHDC learn 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 at the time of application, the application will be rejected. The prior performance considered might include, but is not limited to, progress made with previous tax credit reservations, development compliance and payment of fees, and violation of MHDC's Workforce Eligibility Policy.

Each applicant receiving a reservation of tax credits is required to reflect their acceptance by signing and returning one copy of the Reservation to MHDC. Attached to and made a part of each Reservation is the MHDC form 2013, which reflects MHDC's underwriting of the development (i.e. tax credit allocation, approved rents, total development costs, operating budgets, debt service and sources and uses). This underwriting in no way assures feasibility or viability of the development. It is the MHDC declaration of approved rents and credit allocation at a particular stage of processing. With the acceptance of the Reservation, all applicants must also execute the Qualified Action Plan Certification by which they pledge compliance with the directive of this Plan to utilize local vendors (see Evaluation Factors, section II.E.6).

Applicants receiving a reservation of tax credits must submit a package of updated development information before the earlier of the commencement of construction or May 1st of the year in which the credits are reserved. The documentation required will be listed in the Developer's Guide. Following a review and comment period, staff will present the applicant with an agreement confirming the approved budget and development plan prior to the owner proceeding to closing and/or carryover allocation. For developments also receiving a conditional commitment from MHDC for grant or loan funds, this requirement will be met through the firm submission/firm commitment process.

Reservations will expire on September 1, 2008. All projects receiving a Reservation must apply for a carryover allocation prior to this expiration date or show to staff's satisfaction that the development can achieve final allocation by December 31, 2008. If carryover is not being filed, the first unit must be placed in service and the cost certification must be received by MHDC staff prior to December 31, 2008.

Exception for developments approved for Disaster Housing Credits and achieving carryover allocation after October 3, 2008:

All projects receiving a Reservation of Disaster Housing Credits after October 3, 2008, must execute the MHDC Conditional Reservation Agreement and Carryover Allocation Agreement and return it to MHDC no later than December 31, 2008, and must file a complete firm submission package no later than July 1, 2009.

Initial monthly rents shall not exceed those MHDC approved rents as reflected on the MHDC Form 2013 attached to the Reservation, Carryover and Final Allocation. Any increase in the annual rents must be approved by MHDC.

K. Rescission of Reservations

A reservation is subject to rescission should the development applicant fail to comply, in a timely manner, with the conditions thereof; including, but not limited to, failure to provide evidence, satisfactory to MHDC, of financial feasibility, sufficient progress toward placement in service or eligibility for a carryover allocation.

III. CARRYOVER ALLOCATION

A. Requirements for Carryover Allocation

The Code allows an allocation of federal tax credits to a qualified building(s) that will not be placed in service in that year ("Carryover Allocation"), provided that:

1. The building(s) is placed in service by December 31 of the second calendar year following the year of allocation; and

2. The taxpayer's basis in the building(s) is more than 10% of the reasonably expected basis in the building(s) as of December 31 of the second calendar year following the year the Carryover Allocation is made (the "10% Test"). Section 42(h)(1)(E)(ii) of the Code as amended allows up to 12 months after the date of the Carryover Allocation to fulfill the requirement to expend more than 10% of the reasonably expected basis. The required basis amount must be achieved by the later of:
   a. The close of the calendar year in which the allocation is made; or
   b. Twelve months after the date of the Carryover Allocation.

3. To be considered for a carryover allocation, the owner will be required to submit an application package containing all of the documentation requested in the Developer's Guide no later than September 1 of the year in which the Reservation is executed.

   Exception for developments approved for Disaster Housing Credits and achieving carryover allocation after October 3, 2008: To achieve Carryover Allocation, the owner must submit a fully-executed MHDC Carryover Allocation Agreement, the carryover allocation fee, and a certificate of limited partnership or certificate of incorporation for the ownership entity from the Missouri Secretary of State prior to December 31, 2008. To successfully complete the 10% Test, no later than twelve months after the date of the Carryover Allocation the owner must submit an application package containing all of the documentation requested in the Developer's Guide, take ownership of the property, and admit the investor as the limited partner or member of the ownership entity.

MHDC reserves the right to request additional documents or certifications as it deems necessary or useful in the determination that the development is eligible for a carryover allocation.

B. Carryover Allocation Agreement

Developments that satisfy the requirements for a carryover allocation of tax credits will be required to enter into a Carryover Allocation Agreement. This document will define the amount of tax credit allocated to the project, the low-income unit set-asides, the percentages of median income to be served, the special housing needs units committed to (if any) and any other such requirements as MHDC may apply. The credit amount defined in the Carryover Allocation Agreement **may be reduced, if warranted, at the time a final allocation is made**.

C. Recapture of Carryover Allocations

MHDC retains the right to recapture a carryover allocation of credits to a development prior to the end of the two-year carryover allocation period allowed under the Code. Each Carryover Allocation will be subject to a written agreement that will contain conditions and deadlines that are precedent to a final allocation of tax credits by the Commission. Should the development or owner fail to comply with all such conditions and deadlines, MHDC may, in its sole discretion, rescind the Carryover Allocation and use the recaptured credits for other developments.

IV. FINAL ALLOCATIONS

Developments that received a carryover allocation of federal credits must be placed in service by the end of the second year following the year of the allocation or the tax credits are subject to recapture. The placed in service date for new construction is the date on which the building is certified as being suitable for occupancy in accordance with state or local law. The placed-in-service date for rehabilitation is the close of the 24-month period over which the expenditures are aggregated and the rehabilitation process is certified as being complete.

A. Final Allocation Processing

MHDC will make final allocations of tax credits ("Final Allocation") no later than the end of the year in which an eligible building or development which has received a reservation, a letter of determination or a carryover allocation is placed in service. The credit amount that will be allocated is based on MHDC's final determination of the qualified basis for the building or development based on an accountant's certification of final costs provided by the owner and a final determination of the credit amount as outlined in Section II.I. **The final credit amount allocated may be less than the amount reserved or allocated previously**.

Owners may submit a request for a final allocation of tax credits at any time during the year. Developments with a reservation of 9% tax credits which have not applied for a carryover allocation must submit a request for final allocation by December 15, 2008; all other developments must file a request for final allocation no later than six months after substantial completion. Owners must include all documentation as stated in the Developer's Guide to successfully complete Final Allocation. MHDC reserves the right to request additional documents or certifications as it deems necessary or useful in the determination that the development is eligible for Final Allocation.

B. Issuance of IRS Form 8609

IRS Form 8609(s) will not be issued by MHDC until the following conditions have been met **(no exceptions will be made):**

1. Each building in the project (all buildings) is a qualified low-income building as defined by Section 42 of the Code. MHDC will not issue 8609(s) for any portion of an incomplete development.
2. The owner and the development are in compliance with the terms of the LURA.
3. The owner has provided, in a format provided by MHDC, a completed final application package (for the complete development).

4. The owner has provided a complete copy of the executed Partnership Agreement and all executed Amended and Restated Partnership Agreement(s) with exhibits and schedules.
5. The owner has paid the Final Allocation fee (if applicable) and the compliance monitoring fee.
6. The owner representative and the management agent have successfully completed a compliance training session conducted or approved by MHDC and submitted proof of attendance in the form of compliance training certificates.
7. MHDC has completed its final inspection of the property.
8. MHDC has made its final determination of the credit amount and its final determination pursuant to Section 42(m)(2) of the Code.

The owner of the development must file with MHDC: (i) an executed copy of the 8609 for the first year in which credits are claimed, and (ii) an executed copy of the Missouri Eligibility Statement by March 15 of each year for every year in which state low-income housing tax credits are claimed.

V. LAND USE RESTRICTION AGREEMENT

Section 42(h)(6) of the Code requires that a development be subject to "an extended low-income housing commitment." The Commission complies with these requirements by the execution and recording of a Land Use Restriction Agreement (the "LURA") at the later of construction closing or the time the Carryover Agreement is executed. Developments financed with Private Activity Bonds must contact MHDC within seven (7) days of the bond closing to begin the processing of the LURA. The LURA sets forth, as covenants running with the land for a minimum of thirty (30) years (or additional years if the development owner has committed to a longer use period), the low-income unit set-asides, the percentages of median income to be served, the special housing needs units committed to (if any), and any other such requirements as MHDC may apply based on the allocation plan.

The development owner will be required to have all lien holders of a development complete and sign a "Partial Subordination to the Land Use Restriction Agreement." Section 42(h)(6)(E)(ii) of the Code requires that even in the event of foreclosure, deed in lieu of foreclosure or unwillingness to maintain the low-income status of the project, that for a period of 3 years the following is not permitted: (i) The eviction or the termination of tenancy (other than for good cause) of an existing tenant of any low-income unit; or (ii) The gross rent can not be increased for any low-income unit. The Partial Subordination to the Land Use Restriction Agreement will require all lien holders to honor those provisions of the LURA.

VI. DEVELOPMENTS FINANCED WITH TAX-EXEMPT BONDS

Tax-exempt private activity bond financed developments are eligible for federal and state tax credits without competing for an award from MHDC's annual housing credit ceiling. That is the only requirement of this plan that does not apply. Unless otherwise stated, these developments must comply with all other provisions of this Plan.

Under Section 42(h)(4) of the Code, developments financed with tax-exempt bonds may be entitled to the 4% tax credits outside the federal housing credit ceiling. The bonds must have received an allocation of private activity bond cap pursuant to Section 146 of the Code, and principal payments on the bonds must be applied within a reasonable period to redeem the bonds. Tax credits are allowed for that portion of a development's eligible basis that is financed with the tax-exempt bonds. If 50% or more of a development's aggregate basis is so financed, the development is entitled to credits for up to the full amount of the qualified basis.

Developments financed with tax-exempt bonds are required by the Code to apply through the state credit agency for an allocation of tax credits and for a determination that the development satisfies the requirements of this Plan. The proposal does not have to compete for credits under the federal housing ceiling, but applicants must submit an application during the annual NOFA period and must meet all requirements of the application process, including the Threshold Requirements (Section II.B), Evaluation Factors (Section II.D), Development Standards (Section II.E), Underwriting Standards (Section II.F),

Minimum Underwriting Assumptions (Section II.G), Labor Standards (Section II.H) and Determination of Credit Amount (Section II.I).

MHDC is required by the Code to notify the Chief Executive Officer of the local jurisdiction where the proposed development will be located, of the tax credit application, and provide adequate opportunity for comment.

MHDC staff will review the application, determine whether the development is eligible and meets the requirements of this Plan, and make an initial determination of the development's tax credit amount. At the close of the NOFA period, the Commission will approve the recommendation and ranking of successful applications for priority in the consideration of private activity bond allocation by the Department of Economic Development ("DED"). Proposals that do not receive an allocation letter from DED by September 1, 2008, shall be required to re-submit their application for tax credits in the next NOFA period in order to be recommended and ranked for the consideration of bond allocation the following year.

When MHDC has received verification that bonds have been issued, MHDC will issue Building Identification Number(s) (BIN(s)).

For mixed-income developments financed with private activity bonds, when feasible and practicable, MHDC requires that Low-Income units be distributed proportionately throughout each building, and each floor of each building, of the development and throughout the bedroom/bath mix and type. Both market rate and low-income units must have the same design regarding unit amenities and square footage. Amenities include, but are not limited to, fireplaces, covered parking, in-unit washer/dryers, etc.

If the development loan will be FHA-insured, MHDC will complete a HUD-required subsidy-layering review to assure that the development complies with HUD guidelines pursuant to Sec. 911 of the 1992 Housing and Community Development Act.

If the bonds will be issued by a local Industrial Development Authority (IDA), the IDA must submit a request on original letterhead to MHDC no later than four business days prior to closing asking MHDC to evaluate the financing structure and to respond with a letter confirming that the development satisfies the requirements of the Plan and stating the preliminary amount of tax credits. At this time, MHDC will request that the issuer confirm MHDC's determination of the tax credit amount, as required by the Code. In the year in which the development is placed in service, the Owner must request a final allocation of credits. Owner must complete and execute an application package for final allocation requests. All allocation requests must be submitted by December 10th in order to permit timely review and preparation of documents.

Developments receiving credits in accordance with this section are required to follow the same final allocation application process as described herein and to enter into a LURA which will govern the low-income use and any other Plan requirements.

Should MHDC learn 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 at the time of application, the application will be rejected. The prior performance considered might include, but is not limited to, progress made with previous tax credit reservations, non-performance, non-compliance, or failure to comply with established procedures and policies of MHDC, to include MHDC's Workforce Eligibility Policy.

Policy for Bond Financed Multifamily Rental Developments
See Appendix II attached hereto and incorporated herein.

VII. OWNER ELECTIONS

A. Applicable Credit Percentage for Federal Credits

The applicable percentage (except for developments financed with tax exempt bonds) may be "locked in" at two points during the allocation process, (i) the month in which such building is

placed in service, or (ii) at the election of the taxpayer, at the time of a carryover allocation. The Commission's Carryover Allocation Agreement provides a space for such election.

For developments financed with tax-exempt bonds, the applicable credit percentage is established at either, (i) the month in which the building is placed in service, or (ii) at the owner's election, the month in which the bonds are issued. If the latter is desired, the Election Statement (form provided by MHDC as exhibit to the Letter of Determination) must be signed by the owner, notarized and submitted to MHDC before the close of the fifth calendar day following the month in which the bonds are issued.

B. Gross Rent Floor

Section 42(g)(2)(A) of the Code provides that a Low-Income unit is "rent restricted" if the gross rent for such unit does not exceed 30% of the imputed income limitations applicable to the unit. Under Revenue Procedure 94-57, the effective date of the income limitation used to establish the gross rent floor is the time the Commission initially allocates a housing credit dollar amount to the development (that is, the date of a carryover allocation, or if no carryover allocation is made, the date of final allocation) unless the Owner designates a building's placed in service date as the effective date for the gross rent floor. Such designation must be made by advising the Commission in writing no later than the placed in service date. The Carryover Allocation Agreement provides a space for such designation. The effective date used for the determination of the gross rent floor for developments not seeking a carryover allocation will be the date of final allocation, which normally follows the placed in service date.

For Developments financed with tax-exempt bonds, the effective date of the income limitation used to establish the gross rent floor is the date the Commission issues a Letter of Determination for the building, unless the Owner designates a building's placed in service date as the effective date for the gross rent floor. Such designation must be made by advising the Commission in writing no later than the placed in service date.

The gross rent floor election does not replace the MHDC requirement that the initial monthly rents shall not exceed those MHDC approved rents as reflected on the MHDC Form 2013 attached to the Reservation, Carryover and Final Allocation letter. Any increase in the annual rents must be approved by MHDC.

C. Credit Period

Section 42(f)(1) of the Code defines the credit period for federal tax credits as the ten (10) taxable years beginning with (i) the taxable year in which the building is placed-in-service, or (ii) at the election of the taxpayer, the succeeding taxable year. The state credit mirrors the federal credit requirements. If a qualified development is comprised of more than one building, the development shall be deemed to be placed in service in the taxable year during which the last building of the qualified development is placed in service.

VIII. USE OF HOME or NAHASDA FUNDS

The HOME Investment Partnership Act (HOME) and the Native American Housing Assistance and Self-Determination Act (NAHASDA) can be a valuable source to assist in the development of affordable housing. HOME and NAHASDA are considered by Section 42 of the Code as "federal funds." Generally when these funds are used, they are provided to the development as either grants or low interest rate loans. A tax credit development **must** deduct the amount of a federal grant from the eligible basis. Pursuant to changes to the Code implemented as a result of the Housing and Economic Act of 2008 signed into law on July 30, 2008, buildings financed with 9% tax credits and below-market interest rate federal loans and placed into service after July 30, 2008, are not considered federally subsidized, are not required to implement additional income restrictions, and are eligible for the increase in eligible bases permitted for developments located in "qualified census tracts" and "difficult development areas."

IX. SUBSIDY LAYERING REVIEW

Section 911 of the Housing and Community Development Act of 1992 and Section 102 of the Department of Housing and Urban Development Reform Act of 1989 have placed limitations on combining LIHTC with certain HUD and other federal programs. The limitations currently apply to a number of programs under the jurisdiction of the HUD Office of Housing, including but not limited to, Section 221(d)(3), 221(d)(4), 223(f) and 542(c) mortgage insurance, Flexible Subsidy, and project-based Section 8 assistance.

As part of a Memorandum of Understanding (MOU), dated May 8, 2000, between HUD and MHDC, developments combining federal Low Income Housing Tax Credits with these programs will be subject to a subsidy layering review by MHDC.

The MOU requires that HUD and MHDC share information on the developer's disclosure of sources and uses of funds and on development costs for all developments financed with a combination of federal tax credits and HUD Housing assistance. This review is designed to ensure that such developments do not receive excessive federal assistance.

X. FEES

A. Competitive Applications

1. Application Fee

An application fee of $1,500 ($750 for Non-profit developers applying under the 10% tax credit Non-Profit set-aside or HOME CHDO set-aside) is due when the Application is submitted. The fee is non-refundable and must be included with the application. Should a check be returned, for any reason, the application will be immediately rejected and returned to the applicant.

2. Reservation Fee

When the development has received conditional approval, a reservation fee of 3% of the approved annual federal tax credit amount must be paid prior to the issuance of the Reservation Letter. The fee amount is to be rounded up to the next whole dollar. The applicant will have 30 days in which to pay the reservation fee. This fee is non-refundable and will not be adjusted if the final tax credit amount is reduced or the tax credits are returned or recaptured.

3. Allocation Fee

At the time of Allocation (either Carryover or 8609, whichever is achieved first) an Allocation Fee of 4% of the requested annual federal tax credit amount will be due. This amount must be submitted with the Carryover or 8609 application (whichever is submitted first). The fee amount is to be rounded up to the next whole dollar. This fee is non-refundable and will not be adjusted if the final tax credit amount is reduced, or the tax credits are returned or recaptured.

Exception to items 2 and 3 for developments approved for Disaster Housing Credits and achieving carryover allocation after October 3, 2008: a tax credit fee of 7% of the approved annual federal tax credit amount must be paid prior to December 31, 2008, with the execution of the carryover allocation agreement. The fee amount is to be rounded up to the next whole dollar. This fee is non-refundable and will not be adjusted if the final tax credit amount is reduced, or the tax credits are returned or recaptured.

4. Recording Charge

A recording charge of $160 is to accompany the executed LURA when it is returned to MHDC for recording.

5. Compliance Monitoring Fee

A compliance monitoring fee will be assessed to cover the costs of the IRS-required compliance monitoring program. The fee is $10 per low-income unit (including common units) multiplied by 15 years (the initial compliance period). This lump sum payment is to be

included with the application for 8609(s). The 8609(s) will not be issued until the fee is paid in full. MHDC will not allow the compliance monitoring fee to be included in eligible basis.

6. **Document Revisions**
A fee of $100 per form will be charged for revisions to an 8609 or Missouri Eligibility Statement form when the revision is the result of an error caused by incomplete or inaccurate information provided by the developer during the allocation process. One form is filed per qualified building for each type of housing tax credit being allocated.

B. Developments Financed with Tax Exempt Bonds

Developments Financed with Tax Exempt Bonds and applying for the 4% credit will pay the following described fees:

1. **Application Fee –** An application fee of $1,500 is due when the Application is submitted. The fee is non-refundable and must be included with the application. Should a check be returned, for any reason, the application will be immediately rejected and returned to the applicant.

2. **Reservation and Allocation Fee -** Prior to MHDC issuing the 42(m) Determination Letter, a reservation and allocation fee of 7% of the approved annual Federal tax credit amount must be paid or evidenced to be included for payment in the closing transaction. This fee is non-refundable and will not be adjusted if the final tax credit amount is reduced or the tax credits are returned or unused. Any increase in Federal credits from the amount reflected in the 42(m) Determination Letter (the original Allocation) must be requested in writing, and must be accompanied by a check reflecting the increased fee based upon the increased credit amount and the 7% fee.

3. **Recording Charge** – A recording charge of $160 is to accompany the executed LURA when it is returned to MHDC for recording.

4. **Compliance Monitoring Fee** – A compliance monitoring fee will be assessed to cover the costs of the IRS-required compliance monitoring program. The fee is $10 per low-income unit (including common units) multiplied by 15 years (the initial compliance period). This lump sum payment is to be included with the application for 8609(s). The 8609(s) will not be issued until the fee is paid in full. MHDC will not allow the compliance monitoring fee to be included in eligible basis.

5. **Document Revisions**
A fee of $100 per form will be charged for revisions to an 8609 or Missouri Eligibility Statement form when the revision is the result of an error caused by incomplete or inaccurate information provided by the developer during the allocation process. One form is filed per qualified building for each type of housing tax credit being allocated.

XI. SECTION 42 COMPLIANCE MONITORING

Section 42(m)(1)(B)(iii) of the Code mandates that state housing credit agencies monitor all placed in service tax credit developments for compliance with the provisions of Section 42 of the Code. The Code also mandates that the Internal Revenue Service be notified, by the state housing credit agency, of any instance of noncompliance. In addition, MHDC will monitor developments for compliance with the LURA provisions which contain any additional owner commitments made in the development selection process, e.g. additional low income units or an extended low-income use period. MHDC will make available to development Owners a Compliance Manual (Low-Income Housing Tax Credit Program Compliance Manual posted to MHDC's website September 2006, as may be amended from time to time) explaining the LIHTC monitoring process in detail. Developers must finalize and receive approval for the unit mix and on-site management requirements prior to requesting Carryover Allocation or the Letter of Determination. All owner representatives and their management agent representatives will be required to

successfully complete a compliance training session conducted or approved by MHDC prior to the release of IRS Form 8609 for federal tax credits or the Eligibility Statement for state tax credits.

XII. MISCELLANEOUS

A. Status Reporting

Developments receiving Reservations and Carryover Allocations will be required to provide monthly progress reports, in a format prescribed by MHDC. Information requested will be development specific and may include, but is not limited to, such items as zoning and other local development approvals, firm debt, equity and/or gap financing and construction progress toward development completion. Owners of developments that will not be placed in service in the year that the reservation is given may also be required to provide information regarding the Owner's ability to meet Code and MHDC requirements to obtain a carryover allocation.

B. Changes to Development

A reservation of tax credits is based upon information provided in each development application. Until a development is placed in service, any material changes to the development, such as changes in the site, scope, costs, ownership or design, as submitted in the application, will require written notification to and approval by MHDC. Changes in development characteristics, which were the basis, in whole or in part, of MHDC's decision to reserve credits, may result in a revocation of the reservation, or a reduction in the amount of the tax credit award.

C. Transfers of Reservations and Carryover Allocations

Reservations, Carryover Allocations and/or state tax credit allocations are non-transferable, except to an entity in which the transferring holder of the Reservation or Carryover Allocation is the general partner or controlling principal, without MHDC's prior written consent. Because all representations made with respect to the applicant, its experience and previous participation are material to the evaluation made by MHDC, it is not expected that MHDC's consent will be granted for transfers to an unrelated entity unless a new application is submitted and approved.

D. Additional Credits

Owners may apply for an increase in tax credit amounts in subsequent years if a development's eligible basis has increased. Additional credits may be awarded if:

1. There are additional credits available;
2. MHDC is satisfied that the additional amount is necessary for the financial feasibility and viability of the development; and
3. The increased amount of credits does not exceed MHDC's maximum for credit awarded or cost reasonableness limits.

E. Administration of Plan

MHDC reserves the right to resolve all conflicts, inconsistencies or ambiguities, if any, in this Plan or which may arise in administering, operating or managing the reservation and allocation of federal and state tax credits or the State's Low-Income Housing Tax Credit program and the right, in its sole discretion, to modify or waive, on a case-by-case basis, any provision of this plan that is not required by the Code. All such resolutions or any such modifications or waivers are subject to written approval by the Executive Director and are available for review, as requested, by the general public.

F. Amendments to the Plan

MHDC reserves the right to amend this Plan from time to time, pursuant to the Code, for any reason, including, without limitation:

1. To reflect any changes, additions, deletions, interpretations, or other matters necessary to comply with the Code or regulations promulgated hereunder.
2. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Plan.

3. To insert such provisions clarifying matters or questions arising under this Plan as are necessary or desirable and are not contrary to or inconsistent with this Plan or the Code.
4. As to state tax credit matters, to comply with the State Tax Relief Act.
5. To facilitate the award of tax credits that would not otherwise be awarded.

All such amendments shall be fully effective and incorporated herein upon the Commission's adoption of such amendments. **This Plan also may be amended as to substantive matters at any time following public notice and public hearing, and approval by the Commission**.

G. MHDC Discretionary Authority

MHDC reserves the right, in its sole discretion, to:

1. Carry forward a portion of the current year's housing credit ceiling for allocation in the next calendar year.
2. Under certain conditions, issue a reservation for a portion of the next year's housing credit ceiling, and
3. Under certain conditions, issue a binding commitment for some portion of the next year's housing credit ceiling.

MHDC also reserves the right, in its sole discretion, to:

4. Limit the number of developments in a specific market or geographic area.
5. Award a reservation based on the amount of tax credits requested relative to the amount of funding available. This could result in awarding tax credits for a development that will fully utilize the amount available, while denying credit to a development which requested more credit than is available, without regard to location or ranking.
6. Fund fewer than the number of units proposed in an application.
7. Assert discretionary authority concerning all aspects of an application during the underwriting process.

Section 42(m)(1)(A)(iv) of the Code requires MHDC to make available to the general public a written explanation for any exceptions made to the requirements of this Plan.

H. Other Conditions

In making reservations or allocations, MHDC relies on information provided by or on behalf of the developer / applicant. MHDC's review of documents submitted in connection with the tax credit allocation process is for its own purposes. In making reservations or allocations, MHDC makes no representations to the applicant or other party as to compliance of the development with the Code, Treasury regulations, or any other laws or regulations governing federal tax credits or state tax credits.

No member, director, officer, agent or employee of MHDC shall be personally liable on account of any matters arising out of, or in relation to, the allocation of Low Income Housing Tax Credits.

MISREPRESENTATIONS OF ANY KIND WILL BE GROUNDS FOR DENIAL OR LOSS OF THE TAX CREDITS AND MAY AFFECT FUTURE PARTICIPATION IN THE TAX CREDIT PROGRAM IN MISSOURI.

APPENDIX I

WORKFORCE ELIGIBILITY POLICY

WHEREAS, pursuant to Executive Order 87-02, MHDC was designated as the state allocation agency for the federal low income housing tax credit program (the "LIHTC program");

WHEREAS, MHDC also administers the Missouri low income housing tax credit program (the "State LIHTC program");

WHEREAS, the allocation of tax credits through the Federal and State LIHTC programs provide the equity funds which constitute the majority of the funds required to develop multifamily low and moderate income housing financed by MHDC ("Project");

WHEREAS, over the past year, MHDC has received increased reports from individuals that the construction teams constructing certain MHDC-financed Projects included individuals who were illegally in the country ("Undocumented Workers");

WHEREAS, the hiring of Undocumented Workers is a violation of the federal, state and local labor laws and federal immigration laws ("Labor Laws");

WHEREAS, MHDC's guidelines and loan closing documents currently require that the owner and contractor adhere to all applicable Labor Laws;

WHEREAS, MHDC desires to ensure that the Federal and State LIHTC programs are administered in full compliance with all applicable Labor Laws;

NOW THEREFORE, MHDC, in order to address the use by owners or contractors of Undocumented Workers, hereby takes the following actions and measures:

1) MHDC hereby prohibits any owner and its principals of a project to which MHDC has allocated either Federal or State tax credits ("Owner") from using Undocumented Workers in the construction of any MHDC-financed Project;

2) MHDC requires the Owner to impose this prohibition upon its contractor or general contractor ("Contractor") and require the Contractor to obtain a Form I-9 from each of its employees prior to the performance of any work on an MHDC Project ("Form I-9 Requirement");

3) MHDC requires that the Owner require the Contractor to impose the Form I-9 Requirement on any subcontractor, sub-subcontractor, mechanic, third party contractor or agent ("Subcontractor") working on the Project;

4) MHDC also requires the Owner to collect a copy of the Form I-9 for all workers employed by the Contractor or Subcontractor and to keep these documents on the Project site;

5) MHDC requires that the Owner assemble or have the Contractor assemble a list containing the names of all workers who have completed a Form I-9 and to regularly update this list;

6) MHDC requires that an updated list be maintained at the Project site at all times;

7) The prohibition on the use of undocumented workers set forth in paragraph 1 above and the Form I-9 imposed by paragraphs 2-6 (the "Form I-9 Protocol") above must be followed by the Owner on all Projects financed by MHDC;

8) To implement this policy, the Commissioners have instructed the MHDC staff to modify its documents to clearly set forth this policy and staff has now modified the Owner's Loan Commitment, Owner's Certificate and Construction Contract to reflect the requested modifications;

9) The language modifying the Owner's Loan Commitment, Owner's Certificate and Construction Contract is attached hereto as Exhibit "A";

10) Use of Undocumented Workers or non-compliance with the Form I-9 Protocol may subject the Owner and its principals to sanctions;

11) MHDC will also require the Owner which shall require the Contractor and Subcontractor, to on a monthly basis, provide it with a list of all employees employed by the Contractor or any Subcontractor;

12) MHDC will further require the Contractor and any Subcontractor to provide it with a Certificate of Good Standing issued by the Missouri Secretary of State's office;

13) MHDC will require the Contractor and all Subcontractors working on Projects to which MHDC has allocated tax credits or provided MHDC funds to attend mandatory pre-construction conferences.

EXHIBIT "A"

Owner's Loan Commitment Language
MHDC expects the Owner, Contractor and Subcontractors identified in Exhibit "___" of the loan commitment, to comply with all applicable Labor Laws, regulations and hiring practices thereof. This includes the requirements for confirmation of identity and employment eligibility set forth in Form I-9. If MHDC, or a federal, state or local law enforcement agency determines that the Contractor and/or Subcontractor has violated the Labor Laws or the Form I-9 Protocol (as defined below), MHDC may cease disbursement of any MHDC construction funds for the Project, withhold the final allocation of tax credits related to the Project, bar the Owner from participation in any MHDC program for a specified period and if appropriate disburse as liquidated damages, the funds deposited in an escrow established for this purpose.

Owner's Certificate

Owner understands and acknowledges that no Undocumented Workers may be used or employed on any project financed by MHDC and further understands and agrees that the use or employment of Undocumented Workers on a project financed by MHDC may subject the Owner to sanctions imposed by MHDC.

Owner shall require, that prior to performance of any work, the Contractor must obtain a completed Form I-9 from all laborers and mechanics employed in the construction of the Project. In accordance with the requirements set forth in Form I-9, the Contractor and Subcontractors must examine the evidence of identity and employment eligibility for each worker within three (3) business days from the date his or her employment begins (the "Form I-9 Protocol"). Evidence which establishes both identity and employment eligibility is set forth on List A of Form I-9. Evidence of identity only and evidence of employment eligibility only are set forth on Lists B and C respectively. The completion of the Form I-9 Protocol is a condition precedent to the right of any Contractor or Subcontractor to work on the Project. In addition, the Owner acknowledges that MHDC will monitor the Contractor's compliance with the Form I-9 Protocol on at least a monthly basis. The Owner is responsible to confirm the Contractor's compliance with this requirement. As part of the monitoring process, MHDC shall have the right to make on-site inspections and conduct spot interviews of the Contractor and Subcontractors to verify compliance with the Form I-9 Protocol. These inspections will be conducted as part of monitoring regarding prevailing wage compliance, if applicable, and if not solely for Form I-9 Protocol purposes.

Owner shall require the Contractor to include the Form I-9 Protocol, including the duty to obtain evidence of identity and employment eligibility, in the contracts issued by all Subcontractors involved in the construction Project. A copy of the Form I-9 of each Subcontractor's employees must be provided to the Contractor immediately after the conclusion of the three (3) day submission period applicable to each employee.

Owner shall advise the Contractor that use or employment of Undocumented Workers on the Project or non-compliance with the Form I-9 Protocol may result in the imposition of sanctions by MHDC. The imposition of sanctions may result in the disqualification of the Owner and Contractor from future participation in MHDC projects.

Construction Contract

Owner and Contractor warrant that no Undocumented Workers will be employed on the Project and further agree and understand that the use of Undocumented Workers on the Project will constitute a breach of the Construction Contract and may result in the imposition of sanctions by MHDC (the "MHDC Workforce Eligibility Policy"). The imposition of sanctions will include, but is not limited to, the disqualification of the Owner and/or Contractor from participation in future MHDC projects.

Owner and Contractor agree to implement the MHDC Workforce Eligibility Policy by performing the following steps to include:

Contractor, prior to performance of any work, shall require all laborers and mechanics employed on construction of the Project to submit a completed Form I-9. In accordance with the requirements set forth in Form I-9, the Contractor must examine the evidence of identity and employment eligibility within three (3) business days of the date employment begins (the "Form I-9 Protocol"). Evidence which establishes both identity and employment eligibility is set forth on List A of Form I-9. Evidence of identity only and evidence of employment eligibility only are set forth on Lists B and C respectively. The completion of the Form I-9 Protocol is a condition precedent to the right of any laborer or mechanic to work on the Project. In addition, the Owner and Contractor acknowledge that MHDC will monitor the Contractor's compliance with the Form I-9 Protocol on a monthly basis. The Owner is responsible for the Contractor complying with this requirement. As part of the monitoring process, MHDC will make on-site inspections and conduct spot interviews of laborers and mechanics to verify compliance with the Form I-9 Protocol. These inspections will be conducted as part of monitoring regarding prevailing wage compliance, if applicable, and if not solely for Form I-9 Protocol purposes.

Owner shall require that the Contractor include the Form I-9 Protocol, including the evidence of identity and employment eligibility, in the contract issued by all Subcontractors involved in the construction Project. The Form I-9 of each Subcontractor must be provided to the Contractor immediately after the conclusion of the three (3) day submission period applicable to such employee. Non-compliance with the Form I-9 Protocol may constitute a breach of the Construction Contract and may result in the imposition of sanctions by MHDC. The imposition of sanctions may result in, among other things, the disqualification of the Owner and Contractor from participation in future MHDC projects.

APPENDIX II

POLICY FOR BOND FINANCED MULTIFAMILY RENTAL DEVELOPMENTS

It has come to the attention of the Commission that certain affordable rental developments financed with tax exempt bonds and tax credits have had undocumented workers engaged in construction activities.

The Commission takes seriously its stewardship of these affordable housing programs and its role of being the tax credit allocator and administrator of these programs for the federal government and the State of Missouri.

In order to comply with the requirements and regulations governing the allocation of the Federal Low Income Housing Tax Credit and the State Low Income Housing Tax Credit, and to address the issues raised above regarding the use of undocumented workers, MHDC hereby adopts the following policy.

1. If MHDC is the issuer of the bonds, MHDC will not allocate Federal Housing Tax Credits or State Housing Tax Credits in connection with any Tax Exempt Bond financed transaction unless the owner and its principals agree to comply with IRC Section 42, and all relevant Missouri Statutes, and all rules and regulations promulgated thereunder, all federal, state and local labor laws, including any prevailing wage requirements, all MHDC requirements as set forth in the Qualified Allocation Plan and the MHDC Workforce Eligibility Policy.

2. If MHDC is not the issuer of the bonds in connection with any Tax Exempt Bond financed transaction, but receives an application and/or request to allocate the Federal Housing Tax Credits and/or the State Housing Tax Credits, MHDC will not issue any Tax Credits unless the owner and its principals agree to comply with IRC Section 42, and all relevant Missouri Statutes, and all rules and regulations promulgated thereunder, all federal, state and local labor laws, including any prevailing wage requirements, all MHDC requirements as set forth in the Qualified Allocation Plan and the MHDC Workforce Eligibility Policy.

3. The local bond issuer shall agree to require in the bond documents that the owner and its principals comply with relevant Missouri Statutes, all federal, state and local labor laws, including any prevailing wage requirements, and the MHDC Workforce Eligibility Policy.