

Chapter 3: Application

This chapter explains the application process for MHDC funding, including MHDC's review process, application of underwriting standards, and priorities for funding. Please review this chapter closely when considering or completing an application for funding.

A. APPLICATIONS FOR FUNDING

1. Application Information

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

Applicants requesting tax credits must indicate whether they are seeking the 9% credit (competitive credit) or the 4% credit (for tax-exempt bond developments). An Application will only be considered for the type of credit requested in that application. MHDC shall have the right to consider any application for 4% Credits for a potential allocation of 9% Credits if the proposal meets the requirements and competes successfully with other 9% Credit applications in the evaluation process. If you wish to have a proposal considered for both 9% and 4% credits, you must provide complete and separate Applications for each credit type, structured appropriately ("Dual Proposal"). A Dual Proposal is essentially a submission of two Applications for the same site(s). MHDC will not accept more than one Application for any site(s) utilizing the same type of credit. For example, a 9% family proposal and a 9% elderly proposal for the same site(s) will not be considered. A 9% elderly proposal and a 4% family proposal (or vice versa) will be considered.

2. Submitting an Application

All Applications in response to the 2009 NOFA must be physically received at MHDC's Kansas City office located at 3435 Broadway, Kansas City, MO 64111 by **4:30 pm** CDT on **September 5, 2008** (Fall NOFA) or **March 20, 2009** (Round 2 NOFA). There are no exceptions to this requirement. Due to the competitive nature of the funding programs, it is in the applicant's best interest to provide as complete and accurate documentation as

possible. The Application gives staff a first impression of a proposed site. Poorly-prepared Applications will not demonstrate a strong competitive proposal and may give staff reason to question the capacity or ability of the developer and its consultant, if applicable. Early submittals are encouraged but do not receive preferential treatment.

3. Clarification and Review

Applicants seeking clarification of any of the information in this chapter or requesting review of specific application characteristics as allowed below must contact Janell Thome, Director of Rental Production, at MHDC in writing to have the request reviewed and answered. A log of all questions and answers shall be posted on MHDC's Rental Production website during the pre-application period.

MHDC staff shall not under any circumstances perform a pre-deadline review of an application.

B. HOUSING PRIORITIES

MHDC has created the housing priorities found below to highlight and encourage the types of development that will best meet the Commission's mission. The priorities are not a substitute for the selection criteria, and Applications that qualify for one or more of the priorities are not assured funding. Applications are reviewed as a complete package and all selection criteria and review stages are considered. Applications that meet one or more of the housing priorities will be given extra consideration and are encouraged, but qualifying for a housing priority cannot overcome other deficiencies in the Application, such as a weak market or poor feasibility.

Qualification for any of the priorities, except the Geographic Priority, is at the sole discretion of MHDC. Submitting the proper documentation will qualify an Application for consideration for priority; however, the quality of that documentation will determine if the Application meets one of the housing priorities.

1. Geographic Priority

- a. Disaster Housing Credits shall be allocated only to proposals located in the Midwestern Disaster Area which meet MHDC's standards and are deemed worthy following evaluation according to the selection criteria outlined in section III.B of the QAP. The Midwestern Disaster Area is defined as the counties designated by the Act to be eligible for Disaster Housing Credits, said counties being Adair, Andrew, Barry, Callaway, Cass, Chariton, Clark, Gentry, Greene, Harrison, Holt, Jasper, Johnson, Lewis, Lincoln, Linn, Livingston, Macon, Marion, Monroe, Newton, Nodaway, Pike, Putnam, Ralls, St. Charles, Stone, Taney, Vernon, and Webster.
- b. An attempt will be made to allocate the 9% Credit across the state on a population proportionate basis adjusted annually, with the state divided into the following areas:
 - i. **St. Louis Region - 34%:** Franklin, Jefferson, St. Charles, St. Louis City and St. Louis counties.
 - ii. **Kansas City Region - 19%:** Cass, Clay, Jackson, Platte, and Ray counties.
 - iii. **Out State Region - 47%:** All other counties.

MHDC will make its best effort to reserve credits in the above listed manner, but given the needs of individual deals and the strength of applications in each region it may not be feasible for final approvals to achieve the exact geographic distribution listed. MHDC is not obligated to approve 100% of the federal credits available if it deems there are not enough worthy applications competing for the credits.

The above percentages do not apply to bond developments seeking the 4% credit; however, MHDC does encourage and will give extra consideration to bond developments in the out state region that meet all the other requirements.

2. Non-Profit Involvement Priority

Section 42(h)(5)(A) states that not more than 90% of the state housing credit ceiling can be allocated to developments that do not involve a qualified non-profit organization. This is commonly known as the "non-profit set-aside" and applies only to the 9% low-income housing tax credit. MHDC will give priority to Applications that involve a qualified non-profit until the 10% requirement has been met. At its discretion, MHDC may continue to give priority to proposals that involve qualified non-profits after the 10% requirement has been met.

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.

Developments that wish to be considered for this priority must fully complete the applicable sections of the FIN-100 and provide the following items with their Application:

- i. Non-Profit Organization's Certificate of Incorporation;
- ii. Articles of Incorporation and By-Laws;
- iii. Certificate of Good Standing;
- iv. IRS Letter Evidencing Non-Profit Status; and
- v. A narrative description of the non-profit's role. The description must include how material participation pursuant to 469(h) will be met and what share of profits, losses and fees (including developer fee) go to the non-profit organization.

The non-profit must be involved in the ownership as either a general partner or co-general partner.

MHDC is also subject to a requirement that 15% of HOME funds be loaned or granted to qualified CHDO organizations. If the development is also seeking HOME under the CHDO set-aside the non-profit entity must be the controlling general partner of the ownership entity to qualify.

3. Disaster Area Recovery Priority

If any part of the state is officially declared a disaster area by the governor, MHDC may give preference to developments in that area which will assist in providing affordable housing to people affected by the disaster.

In order to be considered for this priority the development must provide the following with their Application:

- i. Documentation that the development location has been officially declared a disaster area by the governor.
- ii. A narrative description of how the proposed development will help the area and the people affected by the disaster.

Developments which are located in the Midwestern Disaster Area shall be considered for an allocation of credits from the Disaster Housing Credit allocation.

4. Service Enriched Housing Priority

Developments that offer more than housing are strongly encouraged. Proposals that offer significant services tailored to the tenant population are a priority for MHDC.

To be considered under this priority a development must target a specific population. Examples include but are not limited to:

- a. Elderly households;
- b. Individuals with children;
- c. Formerly homeless individuals and families; or
- d. Individuals with physical and/or developmental disabilities.

Developments that wish to be considered under this priority must fully complete the applicable sections of the FIN-100 and provide the following with their Application:

- i. A detailed supportive services plan which explains the type of services that will be provided, who will provide them, how they will be provided and how they will be funded;
- ii. A services budget which includes a breakdown of both sources and uses; and
- iii. Letters of intent from service providers anticipated to participate in the development's services program.

To qualify for the service priority a proposal must have a defined population, demonstrate that the services are adequate for the population and have a source of funding. Services need to be substantial and not typical of a standard development. For example, an elderly development which offers transportation to residents for shopping once a week is encouraged but is not sufficient to qualify for the priority if it is the only service offered.

Developments that are recommended because they qualify as service-enriched housing will be required to demonstrate that the services promised are delivered throughout the compliance period. Failure to deliver upon expectations will impact future funding decisions and could result in termination of reservations or commitments.

5. Sustainable Housing Priority

MHDC encourages developments that use sustainable building techniques and materials to produce quality affordable and healthy housing for both tenants and the community.

To be considered for this priority a development must:

- a. Utilize one of the recognized green building rating systems (e.g., Enterprise Green Communities, LEED-NC, LEED-H, EarthCraft, Green Globes, etc.) or become Energy Star certified;
- b. Have at least one development team member experienced with the design, construction and/or development of sustainable housing; and
- c. Demonstrate how sustainability will be achieved from the pre-development period through development operations.

Developments that wish to be considered for this priority must include the following with their Application:

- i. A description of the rating system to be utilized and a thorough explanation of the features of that rating system that are going to be utilized in the design of the development;
- ii. A resume for development team members with sustainable development experience and a thorough description of the developments they have worked on and their role in the process; and
- iii. A pre-development, development and operations plan that explains how sustainability will be addressed and what education will be given to employees and residents of the development.

Proposals will be allowed to use a rating system besides those listed above with prior approval of MHDC. The intent of the rating system requirement is to assure that the design and construction for any development wishing to consider itself green is based on an established and verifiable system.

Successful cost-effective sustainable development requires considerable expertise and planning from the earliest stages of the development process. MHDC encourages developments interested in pursuing this priority to talk with the appropriate design professionals prior to submitting their Application.

6. Preservation Priority

The preservation of existing affordable housing is strongly encouraged by MHDC.

To qualify for the preservation priority a development must meet at least one of the following:

- a. Have, and continue to use if possible, project-based rental assistance and/or operating subsidy;
- b. Have a loan made prior to 1984 from any of the following loan programs: HUD 202/811, 221(d)3 or (d)4, 236 or USDA RD 515;
- c. Participate in HUD's Mark-to-Market restructuring program; or
- d. Have a previous allocation of low-income housing tax credits that were placed in service between 1987 and 1994.

To be considered under this priority the following must be included with the Application:

- i. Copies of all loan notes that encumber the property;
- ii. A copy of any project-based income or operating subsidy agreements and rent schedules;
- iii. The most recent audited financial statement for the development; and
- iv. A letter from HUD, RD or MHDC (for developments without HUD or RD financing) indicating the need for preservation.

If a development does not have a HUD or RD loan or project-based rental assistance and requires a letter from MHDC indicating the need for preservation, a letter will be granted only after an inspection of the property by MHDC. Requests for the letter and inspection must be made to the Director of Asset Management.

7. Workforce Housing Priority

MHDC encourages developments that provide affordable workforce housing in growing communities throughout the state.

To qualify for this priority a development must:

- a. Have at least 10% of the total units designated as market-rate units that are affordable to and occupied by households between 60% and 80% of the area median income;
- b. Be located in a community that has experienced a growth rate in households and jobs greater than the statewide average over the last three years;
- c. Have a resolution of support from the local jurisdiction governing the area in which the development will be located; and
- d. Provide tenants access to financial counseling and home-buyer education opportunities that are appropriate for the population.

To be considered for this priority the FIN-100 must demonstrate a market-rate/affordable unit mix and the following documentation must be included with the Application:

- i. Verification that the development locality has experienced above-average growth in households and jobs;
- ii. A copy of the local jurisdiction's resolution of support; and
- iii. A plan that describes the services that will be provided to the intended tenant population.

Clarification of what constitutes verification that the development is in a location that has growth in households and jobs is located in Appendix V of this guide.

Applications that wish to be considered for the workforce housing priority located in the City of Kansas City or the City of St. Louis are not required to have a resolution of support. All other Applications must have a resolution of support. Please contact MHDC with questions concerning the requirement for a resolution of support.

C. SELECTION CRITERIA

All proposals will be reviewed and assessed based on the selection criteria below. Each Application deemed complete will be evaluated using the selection criteria to determine its strength and appropriateness for MHDC funding. The selection criteria incorporate both MHDC preferences and the federal preferences and selection criteria described in Section 42(m)(1)(B)(ii) and 42(m)(1)(C) of the Internal Revenue Code. Because not every development fits into the same category or serves the same population, certain characteristics have different meanings and have different influence on the overall evaluation of each proposal. Despite this inherent difficulty presented by the varied Applications received, MHDC strives to apply the selection criteria in the most consistent and rational way possible.

1. Development Characteristics

The following characteristics will be reviewed closely:

a. **Tenant Population**

It is important that MHDC fund developments that offer quality affordable housing to the populations that need it in the locations where it is needed. Items that will be given consideration with regard to the intended tenants include:

- i. Tenant populations with special housing needs such as persons with physical and/or developmental disabilities, homeless individuals and families, the elderly and other under-served and/or at-risk populations.

This is by no means an exhaustive list of special needs populations. Applicants that feel they are serving a tenant population that is special should explain so in their development narrative.

- ii. Individuals on public housing waiting lists.
- iii. Tenant populations of individuals with children.
- iv. Developments that serve the lowest income tenants.
- v. The quantity, quality and suitability of services provided or offered to the tenants.

Services need to be population-appropriate and applicants should make clear what services will be offered.

It is important that the rest of the development's characteristics are appropriate for the intended tenant population. The intended population will impact how the other selection criteria are evaluated and should always be kept in mind when structuring any MHDC development.

b. Type

The type of development being proposed is an important characteristic and affects how the other selection criteria are applied. Developments will be evaluated on how they contribute to the goal of the Qualified Allocation Plan and the mission of MHDC. Developments fall into at least one of the following types:

- i. New construction
- ii. Historic rehabilitation/adaptive reuse

Any development that will utilize the federal and/or state historic rehabilitation credit will be considered to be a historic deal. Developments that will use the historic credit and are currently being used as housing will be considered both historic deals and acquisition/rehabs. Developments that feature historic rehabilitation and some additional new construction will generally be considered historic deals but will be evaluated on a case-by-case basis.

- iii. Acquisition/rehabilitation of existing housing

Acquisition/rehabilitation includes both preservation developments and any other housing development that features existing tenants.

- iv. Developments intended for eventual tenant ownership

For the purposes of this guide and the 2009 NOFA, the preference for developments intended for eventual tenant ownership applies exclusively to single-family homes.

Regardless of type, developments that obligate themselves to serve qualified tenants for the longest period are given extra consideration.

c. Site

Each site will be reviewed by MHDC staff to determine the overall suitability of the site for affordable housing and for the intended population. Sites reviews will consider:

- i. Marketability;
- ii. Presence of environmental issues and concerns;

- iii. Neighborhood characteristics and land uses; and
- iv. Proximity to appropriate amenities and services.

d. Design

The design of each development will be examined closely to assess its appropriateness for the site, the market and the population being served. The following will be taken into account when evaluating the Application:

- i. Access into and out of the site and parking for residents and employees;
- ii. Placement of buildings on the site;
- iii. Development amenities;
- iv. Type and quality of materials to be used;
- v. Energy efficiency and overall sustainability;
- vi. Condition and suitability of structures being reused;
- vii. Scope of work for rehabilitation or renovation; and
- viii. Design features that are population-appropriate, for example, universal design features, common space, storage space, accessibility, adaptability, etc.

2. Market Characteristics

The following will be analyzed for each proposal:

a. Development Location

Where a development is located affects almost all of the other selection criteria. Important considerations for location include:

- i. Location in a qualified census tract that will contribute to a concerted community revitalization plan;
- ii. Whether existing housing is used as part of a community revitalization plan;
- iii. Location in a community with demonstrated new employment opportunities and a proven need for workforce housing;
- iv. An area designated as a D.R.E.A.M Initiative community; or
- v. Infill of existing stable neighborhoods.
- vi. A county designated as part of the Midwestern Disaster Area.

b. Housing Needs

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

- i. Number and growth of the intended tenant population in the market area;
- ii. Presence, condition, occupancy and comparability of other affordable housing developments in the market area;
- iii. Presence, condition, occupancy and comparability of market rate housing in the market area; and
- iv. Capture and penetration rates for the proposed development.

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.

3. Development Team Characteristics

The following development team members will be evaluated:

- a. Developer
- b. General Partner(s)
- c. Management Agent
- d. Syndicator(s)/Investor(s)
- e. Contractor
- f. Architect
- g. Consultants

Evaluations will assess the experience, performance, financial strength and capacity to complete the proposed development in a timely and efficient manner. A development team's experience with affordable housing, MHDC and the type of development being proposed is important.

Items considered will include, but are not limited to:

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

The general partner, developer, and general contractor that are proposed as the development team 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 developments that are currently in those stages of development.

Development team members that are not in good standing with MHDC or its programs will not be approved for funding. All identities of interest between members of the development team must be documented to MHDC's satisfaction. This includes, but is not limited to, identities of interest between any two or more development team members such as developer, general partner(s), syndicator(s), investor(s), lender(s), architect(s), general contractor, sub contractor(s), attorney(s), management agent, etc.

Please refer to Section II.D.1.b below for further details about the consideration of good standing with MHDC.

4. Feasibility

Applications will be evaluated to determine feasibility and viability throughout the credit period using the assumptions provided by the applicant. MHDC will evaluate:

a. Sources

All developments must demonstrate that sufficient sources are available to the project to assure feasibility. Non-MHDC sources must have a commitment letter from the proposed provider included with the Application. The type of financing and the source of all financing will be taken into consideration.

b. Uses

Development costs must be reasonable for the type of development and location being proposed. Sources and uses must balance.

c. Income

Rents should be appropriate for the market and affordable for the intended population. Other sources of income that are undocumented may not be used to determine feasibility or the size of MHDC debt.

d. Expenses

Operating expenses must be adequate, reasonable and appropriate for the market and type of development being proposed.

e. Long-Term Viability

Operating projections must indicate that the development is viable for the greater of the entire credit period or the term of any MHDC financing.

f. 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 the Code or, for tax-exempt bond-financed proposals, the allocation process established by the Department of Economic Development.

MHDC will not allocate a credit amount that exceeds the amount necessary to assure development feasibility. Guidance for what may be considered appropriate can be found in the underwriting standards below.

5. Community Impact

MHDC seeks to allocate funding to developments that appropriately and efficiently improve their communities. Impact will be influenced by:

a. Community Support

Support from elected officials and community members is important. Community support should highlight the importance of the development to the community and the impact it will have.

b. Catalytic Effect

There is a preference for developments that will successfully encourage further development or redevelopment in the community. Developments that are part of a larger community redevelopment effort or part of a concerted community revitalization plan will also receive extra consideration.

c. Community Needs

How a proposal will address the needs of the population it intends to serve and the community it will serve is important. The existing stock of affordable housing and demographic trends in the area will influence the needs of the community and ability of the proposal to meet those needs. Applications that most clearly and adequately meet those needs will receive preference.

6. Investment Potential

Proposals will be evaluated for their potential to attract investors for the federal tax credit based upon the potential amount of federal credits, the size of the proposed development, the market, the experience and strength of the development team, and financial feasibility.

D. APPLICATION REVIEW

Applications will undergo each of the five staff review stages described below, unless the Application is rejected during one of the stages. If an Application is rejected during the Initial, Primary Documentation or Secondary Documentation Reviews, a written explanation will be provided to the applicant.

1. Initial Review.

The Initial Review will be conducted to determine the applicant and the Application's consistency or compliance with the following:

- a. **Organized Application.** Applications must be submitted in two three-ring binders and organized with tabs according to the checklist provided with the Application. Applications that are not organized will be rejected from further consideration.
- b. **Good Standing with MHDC.** Any member of the development team that is the owner or general partner of a Section 42 development that is currently in noncompliance due to site audits or a failure to comply with the owner's reporting

requirements will be denied participation in the NOFA. In addition, any development team member that is not in compliance or good standing with any other MHDC program will be similarly denied participation. 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 before or after the time of application, the Application will be rejected. Prior performance considered might include, but is not limited to, progress made with previous tax credit reservations, development compliance and payment of fees, and/or violation of the MHDC Workforce Eligibility Policy.

- c. **Consistent with Section 42 Requirements.** The proposal must meet all the requirements set forth in the Code and all relevant U.S. Treasury regulations, notices and rulings.
- d. **Consistent with Fair Housing Requirements.** The submitted proposal must meet all the requirements of The Fair Housing Act of 1968, as amended.
- e. **Consistent with Internal Revenue Service Memorandum of Understanding.** MHDC and the IRS may execute a Memorandum of Understanding ("MOU") to improve the administration of the Federal LIHTC. 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 an allocation of 9% Credit or 4% Credit. An executed IRS Form 8821 for the developer, owner, and general partner entity must be included as part of the Application.
- f. **Consistent with 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 requirements during the reservation process, the allocation process and for a period of three years following the issuance of credits by MHDC, as the administering agent for the MO 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 MO LIHTC. 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.

The Initial Review will be performed in conjunction with the documentation review. If at a later date it is discovered that an Application does not meet one of the Initial Review requirements it will be rejected or, if it has been reserved funds, that reservation is

subject to termination.

2. **Primary Documentation Review.**

All primary documents must be complete and submitted by the application deadline. A missing primary document will result in the rejection of the Application. An exact list of the documents can be found on the FIN-125 and in the application exhibit discussion below.

MHDC may be forced to allow corrections to primary documentation, but this will be allowed only in rare circumstances. Any opportunity for correction will be afforded to all applicants, but applicants should expect that if they turn in an Application missing primary documentation it will be rejected.

3. **Secondary Documentation Review.**

All secondary documentation must be received in order for an Application to receive further consideration. If secondary documentation is missing at the time the Application is submitted, the applicant will be notified in writing of missing items and a date by which deficiencies must be cured ("Cure Date"). Please note that the failure to turn in multiple secondary documentation items does not exhibit a good faith effort at submitting a complete Application as required. If all secondary documentation is not received by the Cure Date the Application will be rejected. The FIN-125 contains an exact list of the secondary documentation required and the application exhibit discussion below further explains the requirements.

It is expected that notification regarding secondary documentation deficiencies and the Cure Date will be mailed on or before September 22, 2008, for the Fall NOFA and April 10, 2009, for Round 2.

If the Initial, Primary Documentation and Secondary Documentation reviews are successfully passed, an Application is deemed complete and will be considered for a recommendation.

4. **Site Review.**

During the course of the application review process MHDC will conduct a review of the

site(s) chosen for each proposal. The review will consist of a staff site visit and a determination regarding the feasibility, marketability, appropriateness of the site(s) for the intended population and assessment of any perceived environmental issues. The results of the site review play an important role in the Competitive Review.

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

5. **Competitive Review.**

Once an Application has gone through an Initial, Primary Documentation, Secondary Documentation and Site Review and is considered complete to MHDC's satisfaction, it will undergo a Competitive Review. The Competitive Review uses the established housing priorities, selection criteria, and underwriting standards to determine recommendations for funding. All factors are considered and those Applications deemed to best meet the goals of MHDC will be recommended to the commission for formal approval.

E. APPLICATION EXHIBITS

Each applicant is required to submit the exhibits applicable to the type of development they are proposing. Questions as to whether an exhibit is applicable to a specific Application must be asked prior to the application deadline. MHDC-required forms may be found at http://www.mhdc.com/rental_production/2009_FY_items/registration-docs.htm (registration is required).

Exhibits 1-10 constitute the primary documentation and exhibits 11-18 constitute the secondary documentation. MHDC staff may contact applicants for clarification or questions regarding any submitted exhibit; such contact does not indicate anything other than a request for information.

1. CD-ROM

The CD-ROM must include the required electronic documents in the proper form. Each document on the disc should be properly labeled and should be checked to make sure it opens properly. Only **one** disc needs to be included; therefore, the copy binder does not need to have anything in the tab for exhibit 1. The required electronic documents include:

- a. FIN-100: Include both an Excel version and a PDF version that includes the signatures.
- b. Development Narrative: A Word version of the narrative is required.
- c. Development Location Map: A PDF version of a map must include the site location and sufficient detail to understand the location in regards to cross streets and the general area.
- d. Site Photographs: Pictures either as individual JPGs or a Word document with the pictures included must be submitted.
- e. Site Plan or Subdivision Map: A PDF of the appropriate Site Plan or Subdivision Map must be included.
- f. Executed Form 1302: A PDF of the executed site evaluation form is required.
- g. Market Study: A PDF copy of the market study must be on the CD-ROM.
- h. School Superintendent Contact: For new construction family developments a PDF of either a response from the school superintendent or the letter contacting the superintendent is required.
- i. FIN-305: Seller Certification: A PDF copy of the executed form is required.
- j. Supportive Service Plan: A PDF copy of the supportive services plan, if applicable, is required.
- k. Elevations/Photos: For existing buildings individual JPGs or a Word document with pictures will qualify. For new construction developments a PDF of the building elevations needs to be included.
- l. Relocation Documents: PDF copies of the Current Tenant List, Relocation Plan, General Information Notice (GIN), and executed Acceptance of MHDC Relocation Policy must be provided.
- m. MHDC Form 2004-B: A PDF of the management profile must be included on the CD-ROM.

The required electronic documents are important for the Site Review portion of the application process and must be included at the time of application.

2. FIN-100

The FIN-100 must be filled out completely, accurately and must be executed in the appropriate places. The FIN-100 in the original binder must have original signatures. If you have any questions when filling out the FIN-100, please contact MHDC.

3. Application Fee

The check for the applicable application fee must be included with the original binder. The copy binder must have a copy of the check in exhibit 3. The applicable application fees are:

- a. Non-Profit Priority Application Fee. Proposals that qualify for the Non-Profit Priority and request consideration under that priority owe a \$750 application fee.
- b. Dual Proposal Application Fee. Proposals which would like the same site(s) to be given consideration as either the 4% credit or the 9% credit and provide an application for each scenario owe a \$2,000 application fee.
- c. Standard Application Fee. All Applications that are not considered non-profit priority or dual proposal applications owe a \$1,500 application fee.

4. Development Narrative

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

- a. Development Characteristics: Describe the type of development, population served, amenities and services of the Application.
- b. Market Characteristics: Describe the rent structure and how those rents compare with other affordable and market rate properties in the area. Also discuss how the Application will address the relevant housing needs.
- c. Development Team Characteristics: Explain the key development team members and highlight experience with similar development types.
- d. Feasibility: Provide a description of anything unusual regarding feasibility that may not be obvious from looking at the rest of the submitted information.
- e. Community Impact: Explanations of the level of local support, catalytic effect and how the Application will address the needs of the community are important.
- f. Other Salient Information: Provide any information or description of the

development that explains any unique or important characteristics that would help MHDC better understand what you are trying to accomplish.

The development narrative is intended to be the applicant's chance to address the selection criteria that MHDC will use. Any information that can help illuminate and distinguish an Application is encouraged. Please be clear and concise when creating the narrative and keep the stated purpose in mind.

5. Site Review Information

MHDC's site reviewers use the information in the site review exhibit to properly evaluate the proposed site and proposal. The site review information consists of:

- a. Development Location Map: Map must clearly identify site address and location. Detailed directions are welcome, especially with respect to vacant ground.
- b. Site Photographs: Photos of the site, including landmarks and surrounding properties need to be included. Please include color photos in both the original and copy binders.
- c. Site Plan or Subdivision Map: If a proposal is for single-family homes in a subdivision, a subdivision map with the lots for the Application must be included. All other proposals are required to provide a site plan that identifies the footprint of the building(s) and site amenities. Please include distances from the property perimeter to the building locations or other references that will assist site inspectors in identifying the proposed footprint on vacant ground.
- d. MHDC Form 1302 Site Evaluation: The form should be filled out completely and as accurately as possible and must be signed by the person who filled it out.

6. Market Study

- a. Form 1300-S: Completed by the market analyst and included as both an exhibit on its own and as part of the full market study.
- b. Full Market Study: The market study must be dated within six months of application and address specifically the property in question. If the market study is dated within 18 months of the application due date, an update letter must be provided. No market study older than 18 months will be accepted. A favorable statement of conclusions about the strength of the market for the proposed development does not operate to vest in an applicant or development any right to a reservation or an allocation of tax

credits in any amount. The market study must:

- i. Be prepared by an experienced market analyst who is an independent third party, completely unaffiliated with the developer and/or owner of the proposed development.
- ii. Contain a statement by the analyst that:
 - (A) The report is in full compliance with MHDC's Market Study Guidelines. The MHDC Market Study Guidelines can be found at the MHDC website http://www.mhdc.com/rental_production/market_study/index.htm and as Appendix C of this guide.
 - (B) The information included is accurate and that the report can be relied upon by MHDC as a true assessment of the low-income housing rental market in the area of the proposed development.
 - (C) The document is assignable to lenders and/or syndicators that are parties to the development's financial structure.
 - (D) Acknowledges and agrees that the market study will be shared with other parties that will assist MHDC in the analysis of the market study.
 - (E) Justifies the need for the type of rental housing and the number and size of units proposed.

7. Site Control

a. Applicant Site Control

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

- i. Executed purchase option agreement;
- ii. Executed purchase contract;
- iii. Executed long-term land lease or option on a long-term lease; or
- iv. Other commitments / agreements approved by staff prior to application.

All applicants must demonstrate proper site control for at least 50% of the sites listed in the FIN-100 as being a part of the development. For developments that do not evidence 100% site control a description of how site control will be obtained is mandatory. Failure to provide such description will result in rejection of the Application. The use of eminent domain to obtain site control of any sites not under control at the time of application may be deemed acceptable by MHDC if at least

50% of the total parcels making up the development site are under control at the time of application. In any event applicants who do not clearly have acceptable site control should contact MHDC prior to the application deadline. Approval of site control prior to the application and pursuant to (iv) above is highly advisable.

b. Seller Site Control

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

- i. A vesting deed (e.g. a warranty deed); or
- ii. Title policy that clearly indicates the current owner.

For transactions in which there is an identity of interest between the seller and the buyer, the applicant must include a copy of the seller's contract or settlement statement for each property transfer from the purchase of the site back to the last arm's length transaction, if the last arm's length transaction took place after 1958. MHDC reserves the right to request last arm's length transaction information for pre-1958 transfers.

c. Legal Description

A legal description of the proposed development site must be included as a separate exhibit.

Further information regarding site control information can be found in the MHDC Site Control Requirements attached as Appendix W of this guide.

8. Public Official Contact Verification

The public officials listed below must be contacted prior to the submission of the Application. Officials should be contacted via certified mail or some other manner that can be shown to have been received by the official. Contact letters must address the population being served, the number of units proposed, and any other relevant information that demonstrates the official has received a sufficient description of the proposed development.

- a. Chief Elected Official Contact
- b. State Senator Contact
- c. State Representative Contact
- d. City Councilperson or Alderman Contact
- e. Public Housing Authority Executive Director Contact
- f. School Superintendent Contact (New Construction Family Developments only)

Scattered site developments must contact public officials for each locality/jurisdiction in which their sites are located.

9. Statutorily Required Documentation

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

- a. IRS Form 8821 for Developer
Tax Information Authorization for the Developer. Please fill out only Section 1 and sign Section 7.
- b. Missouri Form 8821 for Developer
Authorization for Release of Confidential Information for the Developer. Please fill out only the top section and sign the authorization below.
- c. IRS Form 8821 for General Partner
Tax Information Authorization for all general partners that are not affiliates of the developer. Please fill out only Section 1 and sign Section 7.
- d. Missouri Form 8821 for General Partner
Authorization for Release of Confidential Information for all general partners that are not affiliates of the developer. Please fill out only the top section and sign the authorization below.
- e. FIN-109 Legal Employment Practices Certification
In accordance with RSMo 285.025, MHDC requires all applicants for financing under MHDC Rental Production programs to certify that they do not employ illegal aliens/undocumented workers in compliance with federal, state, and local hiring laws.
- f. FIN-305 Seller Certification
The FIN-305 is required for all Applications with existing tenants who request an MHDC loan. The form may be found in the Relocation Guidelines & Forms in Appendix D of this guide.

g. Evidence of Consistency with Consolidated Plan

Developments requesting a loan from MHDC and located in a jurisdiction with a consolidated plan filed with HUD are required to provide certification that the proposed development is in compliance with that plan.

10. Housing Priority Documentation

For Applications that are requesting consideration under one or more of the established Housing Priorities the required documentation must be provided in the application binders.

11. Zoning Letter

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

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

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

If there is no zoning in a jurisdiction, a letter from the locality stating no zoning exists is acceptable in lieu of a zoning letter.

12. Architectural Items

Elevations, floor and unit plans included as exhibits in the Application cannot be larger than 11" x 17" and must be drawn to scale.

a. Elevations (new construction) or Photos (rehabilitation/conversion)

Include color photos instead of schematic elevations for existing buildings that are being rehabbed or converted.

- b. Floor Plans

Floor plans should be provided for each floor; if one or more floors have identical plans, it is acceptable to show one plan with the number of each floor with that plan highlighted.
- c. Unit Plans

Include a plan for each unit type being proposed. In the case of historic conversions, at a minimum one plan for each bedroom number category being proposed is required. If there are large square footage differences within a bedroom number category include an example near the extremes and a typical unit in that category. Unit plans must have the square footage for the unit listed.
- d. Scope of Work

Rehabilitation developments must include a detailed scope of work describing what is being contemplated and should be completed by the project architect or contractor. The scope of work should be in narrative form or a list broken down by CSI divisions or another easily understood format with sufficient detail to comprehend what will be done.
- e. Physical Needs Assessment

All rehabilitation projects must provide a Physical Needs Assessment ("PNA"). The PNA must follow the requirements found in the MHDC Form 1201 "Physical Needs Assessment Guidelines" located in Appendix F of this guide. A Capital Needs Assessment prepared within six months of the application deadline according to USDA guidelines will satisfy MHDC's requirements for the PNA for Applications that include both MHDC and USDA financing.
- f. Structural Letter

In lieu of a PNA, historic developments that involve a gut rehab of the building must submit a letter from a structural engineer or equally qualified professional that certifies the building has been inspected and is structurally sound for the intended use.
- g. Historic Approval

For proposals structured with historic tax credits, include either (a) the Federal Register publication demonstrating the property is listed individually on the National Register of Historic Places, (b) the Part 1 approval confirming the property

continues to be certified as contributing to the significance of a certified historic district listed on the National Register of Historic Places, or (c) the Eligibility Assessment performed by the State Historic Preservation Officer accompanied by a timeline for the review and approval of the nomination for national register designation by the Missouri Advisory Council on Historic Preservation and the National Park Service.

13. Relocation

For developments requesting HOME funds and requiring temporary or permanent relocation of existing residential or commercial tenants, the owner must comply with the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 ("URA"); for developments requesting all other types of MHDC program financing and requiring permanent relocation of existing residential or commercial tenants, the owner must comply with the requirements of Missouri Revised Statute 523.205. Each of the exhibits below is required regardless of the type of financing.

a. Current Tenant List:

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

b. Relocation Plan

The plan must include a brief description of the type of relocation anticipated and how it will be handled. The plan must have a list of all buildings (with addresses) which are currently occupied by renters or owner-occupants of residential or commercial buildings that are being renovated or demolished as a part of the proposed Application. Also provide a breakdown of the relocation expenses expected to be incurred and which reflect the number used in the development budget of the FIN-100.

c. GIN (General Information Notice)

Please provide a copy of the GIN required by the URA for application purposes.

d. Acceptance of MHDC Relocation Policy

Include a signed statement that you have read and accepted the MHDC Relocation Policy located in Appendix D.

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

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

14. Homeownership Plan

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

15. Preliminary Financing Commitments

All non-MHDC sources of debt and equity must evidence a commitment or acceptable documentation in lieu of a commitment. All preliminary commitment letters must include the information required by the MHDC Guidelines for Preliminary Financing Commitments found in Appendix H of this guide. At a minimum there should be commitments for the following applicable types of funds:

a. Federal Housing Credit Equity:

If one syndicator/investor is purchasing all housing and historic tax-credits, one commitment which meets the requirements for each type of credit is acceptable. If the syndicator/investor is also providing a bridge loan, that commitment can be included in the equity commitment so long as it meets the requirements described in Appendix H.

b. State Housing Credit Equity

c. Federal Historic Rehab Credit Equity

- d. State Historic Rehab Credit Equity
- e. Other Non-MHDC Financing: All sources listed in the Application as sources must evidence some form of commitment consistent with the guidelines located in Appendix H.

16. PHA Approved Utility Allowances

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

17. Developer and General Partner Information

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

- a. FIN-105 Experience Summary for Developer(s)
If the developer/applicant wishes to utilize a form different than the FIN-105, the report provided must at a minimum include all the information requested on the FIN-105.
- b. FIN-107 Developer Qualifications
The purpose of this form is to illustrate the financial and operational capacity of the developer. The financial statement of the developer must be included with the FIN-107.
- c. FIN-105 Experience for General Partner(s)
If there is a general partner that is not an affiliate of the developer, a FIN-105 for that entity is required.

18. Management Company Information

a. Experience Summary (FIN-105)

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

b. MHDC Form 2004-B Management Profile

The management profile must be completed for all management companies.

19. Letters of Support

MHDC strongly encourages letters of support from the public officials that are required to be contacted and from other interested community members. Letters should clearly reference the development being supported. Resolutions of support are not required, except in the case of the Workforce Housing Priority, but are strongly encouraged. All letters and resolutions should be included in this exhibit.

F. APPLICATION UNDERWRITING STANDARDS

In accordance with the QAP, Section 42 of the Internal Revenue Code, Missouri State law and other applicable Federal laws, MHDC has created the underwriting standards listed below. The standards are based upon recognized underwriting practices and MHDC's own experience with the various affordable housing programs and developments. Due to the changing economic and market dynamics of the affordable housing industry, MHDC reserves the right to deviate from these standards when appropriate and reasonable. MHDC recognizes the unique nature of each Application and will consider a development's individual situation but will not apply the standards in a capricious manner.

1. Sources

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

a. Debt

- i. Debt Service Coverage: All hard MHDC debt must show initial debt service

coverage (DSC) of at least 1.20 and no more than 2.0. If the DSC falls below 1.15 during the 15 year compliance period, the applicant must explain how deficits will be dealt with. For projects utilizing non-MHDC debt, MHDC will use the DSC ratio indicated by the lender in their preliminary financial commitment. If the DSC falls below their standard during the compliance period, the applicant (or their lender) must explain how deficits will be dealt with. MHDC reserves the right to underwrite to the standard for MHDC debt regardless of source.

- ii. Interest Rate: For MHDC debt the appropriate rate for the applicable funding source will be used. As a rough guide, but subject to change without notice, the following standards should be considered:

MHDC Fund Balance Construction Loan:	Prime – 1%
MHDC Fund Balance Loan Permanent Loan:	3.00%
HOME Loans:	1.00%
Participation Loans Construction:	approximately 30 Day LIBOR + 1%
Participation Loans Permanent:	4.25-6.25%
Risk Share (Tax-Exempt Bonds Only)	TBD

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

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

Construction Loans:

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

Permanent Loans:

Hard permanent loans will feature a 20-year term, with the exception of loans for single-family homeownership projects which will feature an 18-year term. Soft loans from MHDC will generally have the same term as the hard first mortgage; if there is no hard first mortgage, they will have a 30-year term.

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

- iv. Amortization: Hard permanent loans from MHDC will amortize over thirty (30) years for all deals except single-family homeownership developments, which will amortize over twenty-five (25) years. Soft loans will not amortize but will require an annual payment equal to 50% of available cash-flow. MHDC considers annual payments on cash-flow notes to take priority over the payment of deferred developer fee. The definition of "cash-flow" and the priority of payment will be determined during firm commitment. Non-MHDC loans will be underwritten with the amortization described in the preliminary commitment letter.
- v. Deferred Developer Fee: In cases where MHDC is providing a loan that is dependent upon cash flow for repayment, deferred developer fee should be structured as a note and its position in the distribution of cash flow clearly indicated. MHDC reserves the right to create, eliminate or adjust deferred developer fee in order to efficiently utilize resources and appropriately underwrite each deal. Deferred developer fee in excess of 50% of the total developer fee should be avoided.

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

b. Equity

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

To calculate the maximum amount of credits for which the proposed development is eligible, utilize 9.0% for the 9% credit and the IRS-issued Applicable Percentage in effect at the time of application for the 4% credit. MHDC staff has the right to adjust the Applicable Percentage to a rate in

effect for subsequent months during the underwriting process.

The 2009 QAP allows an increase in eligible basis of 30% for proposed developments located in HUD-designated Qualified Census Tracts or Difficult Development Areas, proposed developments located in counties designated as Midwestern Disaster Areas, proposals meeting the criteria of the Preservation Priority, and proposals meeting the criteria of the Service-Enriched Housing Priority.

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

MHDC will underwrite with a price floor of \$0.37 per credit on the state low-income housing tax credit. Given the changing landscape of the federal credit equity market, MHDC will determine a reasonable floor for the federal tax credit at the time of application review. At the time of this revision, \$0.72 appears to be an acceptable floor. MHDC reserves the right to adjust and update how equity pricing is underwritten.

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

2. Uses

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

- a. **Total Replacement Cost** - The maximum total replacement cost for a

development cannot exceed the total replacement cost calculated using the most recent HUD 221(d)(3) limits. A variance of 125% is allowed for the eight Missouri Metropolitan Statistical Areas (MSA) (Jefferson City MO, Columbia MO, St. Louis MO-IL, Springfield MO, Fayetteville-Springdale-Rogers AR-MO (McDonald County), Kansas City MO-KS, St. Joseph MO-KS, Joplin MO) and for all historic rehabilitation developments. 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 deals 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 the Qualified Allocation Plan are present.

- b. Contractor Fees** - MHDC will limit contractor fees to the following:
 - i. Aggregate Contractor Fees (defined as Builder's Profit, Builder's Overhead, and General Requirements) may not exceed 16% of Total Construction Contract Costs minus Builder's Profit, Overhead, and General Requirements. General requirements must include the cost of builder's risk insurance and all bonding costs.
 - ii. Builder's Profit may not exceed 8% of Total Construction Contract Costs minus Builder's Profit, Overhead, and General Requirements.

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

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

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

- e. **Construction Inspection Fee** - MHDC may at its discretion hire a third-party firm to perform inspections during the construction period. The fee for construction inspection will vary, depending on the length of the construction period and the type of construction being performed. Typical fees will range from \$7,500 to \$15,000.
- f. **Contingency** - Contingency should be 5%-7.5% of the total construction costs for new construction and 7.5% to 10% for acquisition/rehabs. Numbers outside of those ranges require an explanation for the variance.
- g. **Tax Credit Fee** - The fee will be equal to 7% of the annual federal tax credit amount awarded to the project.
- h. **Tax Credit Monitoring Fee** - The fee is equal to \$150 per tax credit unit.
- i. **AHAP Fee** - The AHAP fee is equal to 0.5% of the AHAP credit amount plus the \$100 application fee.
- j. **Syndication Costs** - The fees paid by the developer for syndication related expenses will be reviewed for reasonableness. Investor due diligence, including architectural review, and fund bridge loan fees and interest should not be reflected in the development budget. An explanation of the nature of the syndication costs is required to be completed on the FIN-100.
- k. **Operating Reserve** - The operating reserve should reflect 6 months' worth of operating expenses and debt service. Amounts outside of that range should be accompanied by an explanation.
- l. **Replacement Reserve** - The initial replacement reserve should be for \$600 dollars per unit. Any other amounts require an explanation.

3. Income

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

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

4. Operating Expenses

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

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

G. PUBLIC SUPPORT AND HEARINGS

1. Support Letters

As previously indicated, a letters of support from the chief elected official, state senator and representative for the proposed development location are strongly encouraged to be included with the Application if at all possible. The Commission places great importance on the demonstration of need for the proposed development in the community, and a key indicator of its potential and perception may be found in the opinions expressed by these officials. In municipalities and counties from which MHDC has received multiple Applications, staff reserves the right to contact mayors and county executives to request a prioritization of the Applications.

While support letters are not required from other officials, community groups, neighborhood partners, current residents or citizens at the time of application, all correspondence is welcome. Letters may be included in the Application or sent directly to MHDC (c/o Rental Production). All correspondence relating to proposals submitted in the Round 2 NOFA must be submitted by May 8, 2009, in order to be considered in the competitive review process.

2. Public Hearings

To comply with program requirements, MHDC staff will send notification to the chief executive officer of the local jurisdiction, the state senator and state representative for the district of the proposed development, and the executive director of the local public housing authority for all Applications. Those notified will be given an opportunity to comment on the proposed development. MHDC will consider the comments and may contact the local jurisdiction for additional information. MHDC will also publish a notice in a regional newspaper requesting public comment on the development. Public hearings will be held in St. Louis, Kansas City, Springfield, and Columbia, according to a schedule yet to be determined, to afford the public an opportunity to comment on developments proposed in a given region. Specific dates and times will be published in regional newspapers and on the MHDC website.

All communication from the public must be received no later than the date of the final

public hearing to be included in the evaluation process.

H. APPLICATION APPROVAL

1. Code of Conduct

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

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

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

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

the interested party's proposal, application, bid or response. Failure to file the notice with MHDC or failure to provide a copy of the notice filed with MHDC to any competitor may result in the disqualification of the interested party's proposal, application, bid or response, at the discretion of the Commission.

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

2. Commission Approval

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

At the December meeting, the Commissioners have the right to inquire further about the Applications, to approve the list as recommended, or to add Applications to or delete Applications from the list. Following their approval of the final list of Applications for low-income housing tax credit, HOME, and/or Fund Balance financing, staff will proceed with the Conditional Reservation process.

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