

MHDC 2012 Developer's Guide

Contents

| | |
|--|----|
| Introduction..... | 1 |
| Rental Production Cycle | 1 |
| MHDC Funding Sources | 2 |
| Federal Low Income Housing Tax Credits..... | 2 |
| Missouri Low Income Housing Tax Credits..... | 3 |
| HOME Loans and Grants..... | 4 |
| Fund Balance Loans | 4 |
| Risk Share Insurance..... | 4 |
| Tax-Exempt Bonds | 5 |
| Affordable Housing Tax Credits..... | 6 |
| Missouri Trust Fund..... | 6 |
| Application Information | 7 |
| The NOFA..... | 7 |
| The Application..... | 7 |
| Submitting an Application | 7 |
| Public Hearings | 8 |
| Housing Priorities | 8 |
| Geographic Priority..... | 8 |
| Nonprofit Involvement Set-aside | 9 |
| Special Needs Priority..... | 11 |
| Service-Enriched Housing Priority | 18 |
| Preservation Priority..... | 21 |
| Emerging Business Initiative..... | 22 |
| Property Disposition Priority..... | 23 |
| Application Review | 24 |
| Initial Review | 24 |
| Primary Documentation Review | 25 |
| Secondary Documentation Review | 25 |
| Site Review | 26 |

MHDC 2012 Developer's Guide

| | |
|---|----|
| Competitive Review..... | 26 |
| Housing Priorities | 27 |
| Application Form, Exhibits and CD-Rom..... | 27 |
| Rental Housing Programs Application..... | 28 |
| Application Fee..... | 28 |
| Development Narrative and Questionnaire | 29 |
| Site Review Information | 29 |
| Applicant Site Control..... | 30 |
| Market Study..... | 31 |
| Preliminary Financing Commitments | 32 |
| Site Control..... | 34 |
| Public Official Contact Verification or Support Letters | 35 |
| Statutorily Required Documentation | 36 |
| Housing Priority Documentation..... | 37 |
| Zoning Letter | 37 |
| Architectural Items | 37 |
| Sustainable Housing Information..... | 39 |
| Relocation and Existing Multifamily Operations Data..... | 40 |
| Homeownership Plan | 41 |
| PHA Approved Utility Allowances | 41 |
| Developer and General Partner Information | 41 |
| Management Company Information..... | 42 |
| Selection Criteria | 42 |
| Development Characteristics | 43 |
| Market Characteristics | 44 |
| Development Team Characteristics | 45 |
| Feasibility..... | 46 |
| Community Impact..... | 47 |
| Application Underwriting Standards | 47 |
| Sources | 48 |
| Construction Loans..... | 48 |

MHDC 2012 Developer's Guide

| | |
|---|----|
| Permanent Loans..... | 49 |
| Amortization..... | 49 |
| Deferred Developer Fee | 49 |
| Eligible Basis | 50 |
| Credit Pricing | 52 |
| Historic Credits | 52 |
| AHAP Credits | 52 |
| Uses | 52 |
| Income..... | 57 |
| Operating Expenses..... | 57 |
| Application Approval..... | 58 |
| Standards of Conduct..... | 58 |
| Commission Approval..... | 59 |
| Community Housing Development Organizations..... | 59 |
| Formation and Structure | 60 |
| Relationship to For-Profit Entities | 60 |
| Capacity/Compliance..... | 61 |
| MHDC Certification Requirements..... | 61 |
| Construction Phase..... | 63 |
| Pre-Construction Conferences | 64 |
| Construction Loan Disbursements | 64 |
| Requesting the Initial Advance of Mortgage Proceeds..... | 64 |
| Requesting Advance of Mortgage Proceeds During Construction..... | 64 |
| Processing the Advance of Mortgage Proceeds During Construction | 65 |
| Construction Retainage | 65 |
| Stored Materials | 66 |
| Change Orders..... | 66 |
| Escrows..... | 66 |
| Requesting the Final Advance of Mortgage Proceeds | 66 |
| Latent Defects | 67 |
| Forms..... | 67 |

MHDC 2012 Developer's Guide

| | |
|--|----|
| Homeownership | 67 |
| Determining Sales Price..... | 72 |
| Additional HOME Rules | 73 |
| Workforce Eligibility | 75 |
| Policy | 75 |
| Compliance Guidance..... | 77 |
| Compliance Requirements | 77 |
| Contract Language..... | 78 |
| Worksite Safety and OSHA Training | 79 |
| Transient Employer Requirements..... | 79 |
| Prevailing Wage..... | 80 |
| Introduction..... | 80 |
| Workers | 80 |
| Wage Rates and Payroll Processing..... | 80 |
| Reporting | 83 |
| Inspections..... | 85 |
| Underpayments and Corrections | 85 |
| Additional Information and Guidance..... | 85 |
| MBE/WBE/DBE and Section 3 Participation..... | 86 |
| M/WBE – Emerging Business Initiative | 86 |
| Participation Initiative | 86 |
| Partnership Initiative | 87 |
| Certification/Definition of M/WBE Companies..... | 87 |
| Application for MHDC Funding..... | 87 |
| Firm Submission | 87 |
| Good Faith Efforts | 88 |
| Compliance Responsibilities..... | 89 |
| Partnership Initiative | 90 |
| Section 3 Participation | 91 |
| Definitions | 92 |
| Section3 Purpose..... | 94 |

MHDC 2012 Developer's Guide

| | |
|---|-----|
| MHDC Policy Statement | 94 |
| Section 3 Coordinator..... | 95 |
| Section 3 Meeting..... | 96 |
| Section 3 Contracting Opportunity Goals..... | 96 |
| Employment and Training Opportunity Goals..... | 96 |
| Formal Section 3 Plan | 97 |
| Components of a Section 3 Plan..... | 97 |
| Implementation Strategies..... | 98 |
| Certification of Section 3 Residents | 99 |
| Certification of Section 3 Business Concerns | 100 |
| Technical Support and Monitoring..... | 100 |
| Forms and Reference Material..... | 100 |
| Pre-Conditional Reservation..... | 101 |
| Ownership Entity Organizational Documents: | 101 |
| Property Information: | 102 |
| Conditional Reservation | 102 |
| Firm Commitment | 103 |
| Firm Commitment Exhibits..... | 103 |
| Ownership entity:..... | 105 |
| General Partner(s) or Managing Member:..... | 105 |
| Federal and State LIHTC Syndicator or Investor:..... | 105 |
| Plans: | 107 |
| Specifications:..... | 107 |
| Scope of Work: | 107 |
| Debt/Grant Commitments: | 108 |
| Equity Commitments:..... | 109 |
| Narrative:..... | 110 |
| Budget: | 110 |
| Maximum Income / Maximum Rents..... | 111 |
| Construction Loan Closing Guidance..... | 112 |
| Key Milestones in the Construction Loan Closing Process | 112 |

MHDC 2012 Developer's Guide

| | |
|--|-----|
| Loan Closing Checklist Due Diligence Requirements..... | 113 |
| Organizational Documents | 114 |
| MHDC Loan Documents | 116 |
| Carryover Allocation | 116 |
| Carryover Allocation Agreement | 117 |
| 10% Test | 117 |
| 10% Test Required Documentation..... | 118 |
| 10% Test Deadline | 118 |
| Final Allocation/Cost Certification..... | 118 |
| Required Documentation | 118 |
| Conversion/Permanent Loan Closing | 120 |
| Conversion Requirements | 121 |
| Permanent Loan Closing Process and Requirements..... | 121 |
| Compliance Reporting | 121 |
| Annual Reporting..... | 121 |
| Asset Management | 124 |
| Lease Up | 124 |
| Establish Username and Password for MHDC Asset Management Reporting Systems (AMRS)..... | 124 |
| AMRS Monthly Occupancy Data Submission Dates | 125 |
| Program Compliance Inspections..... | 125 |
| Affordable Housing Assistance Program (AHAP)..... | 127 |
| AHAP-355 - Owner's Certificate of Continuing Compliance..... | 128 |
| AHAP-356 - Occupancy Report..... | 128 |
| AHAP-350 - Agency Affordable Housing Activities Reporting | 128 |
| AHAP 370 - Homebuyer Income Certification | 128 |
| AHAP-371 -Home Sale Certification | 128 |
| AHAP-372 - Single Family Notice of Change of Ownership | 128 |
| AHAP-320 - Rental Assistance Calculation Worksheet..... | 128 |
| AHAP-325 - Rental Assistance Annual Review | 129 |
| AHAP-330 - Schedule of Rental Assistance Payments Due | 129 |

MHDC 2012 Developer's Guide

| | |
|---|-----|
| AHAP-350 - Agency Affordable Housing Activities Annual Reporting Form | 129 |
| Management Company Set-up at Application/Firm Commitment | 129 |
| Ownership Change/Transfer of Physical Assets (TPA) | 129 |
| Management Company Change | 130 |
| Management Company Fee Increase..... | 130 |
| Rent Increase Guidelines..... | 130 |
| Required Items for a Budget Based Rent Increase..... | 131 |
| Required Items for a Budget Based Rent Increase..... | 131 |
| Market Study Guidelines | 131 |
| Purpose..... | 131 |
| Content..... | 131 |

MHDC 2012 Developer's Guide

Introduction

The Developer's Guide to MHDC Multifamily Programs has been designed to provide a reference document for developers, owners, and all development team members. Rental Production staff has compiled general and administrative guidance on MHDC's multifamily programs throughout the application, reservation/commitment, construction loan closing, construction, carryover allocation, final allocation, and permanent loan closing stages and attached all reference guides and forms. It is meant to be used as a complement to the Qualified Allocation Plan ("QAP") and may be updated from time-to-time at MHDC's discretion.

MHDC's Rental Production Multifamily Programs encompass financing tools for the development of affordable housing which include federal and state low-income housing tax credits ("LIHTC"), HOME loan and grant funds, Fund Balance loans, and Risk Share insurance coupled with tax exempt bonds. Developers may also utilize other MHDC programs such as the Affordable Housing Tax Credit and Missouri Housing Trust Fund as appropriate for the financing of a development.

Rental Production Cycle

Rental Production Multifamily Programs follow an annual funding cycle which begins with the issuance of the QAP. The QAP sets forth the program guidelines concerning the application review and approval process and the reservation and allocation of LIHTC. Following public hearings, the QAP is presented to the Commissioners for approval along with a Notice of Funding Availability ("NOFA") which establishes the approximate amount of annual funding available for each program and the deadline for applications.

Applications received prior to the NOFA deadline are reviewed according to primary and secondary thresholds and selection criteria as described in the QAP. Staff invites comment on each application through the notification of public officials soon after application receipt. Public hearings are held in four locations throughout the state. Evaluation criteria, underwriting review, and site inspection are utilized by staff to formulate a list of recommended applications. The Commissioners then review and approve a final list of proposals for funding.

Following Commission approval, an underwriter is assigned to each proposed development and issues a conditional reservation for financing within four weeks of approval to establish the required documentation and timeline to proceed toward firm commitment. Developers submit environmental reviews, finalize plans and specifications/scopes of work, receive construction bids, and prepare due diligence for MHDC review and approval. Developers are encouraged to complete the firm submission process as early in the year as possible in order to minimize the effects of inclement winter weather on construction progress. MHDC establishes a deadline for firm submission for approved developments in order to assure the approved funding is being utilized and accessed in an expeditious manner. The Underwriting, Legal, Architecture, Mortgage Credit, Asset Management, HOME and Tax Credit Administration teams examine the information and consolidate comments and requirements. Once a development has demonstrated firm and appropriate budgets, supplied all required documentation, showed a readiness to proceed, and received approval

MHDC 2012 Developer's Guide

from each reviewing department, the underwriter issues a firm commitment and the tax credit administrator issues a carryover allocation agreement to be executed by the owner of each development approved for the 9% low-income housing tax credit. MHDC-required deadlines for firm submission are established in the conditional reservation agreement and carryover allocation agreement. Following firm commitment, the development may proceed to closing. Developments receiving construction/permanent loans, grants, or Risk Share insurance from MHDC follow the MHDC requirements. Pre-closing documentation is prepared and submitted by the various members of the development team, including the developer, equity investor, contractor, architect, title company, and closing attorneys. Upon the satisfaction of all requirements, the loan, grant, and/or Risk Share agreements are executed and the financing is closed.

During the construction phase, MHDC monitors construction progress through on-site reviews, the receipt of progress reports from developers, and the processing of draw requests from developments receiving MHDC construction loan financing.

Developments receiving 9% LIHTCs must complete certain steps to demonstrate its progress and compliance with IRS-required deadlines. The carryover allocation process confirms that the development continues to satisfy the requirements of Section 42 and may retain the reservation of credits. MHDC may establish additional deadlines for the closing of the ownership entity including the admittance of the tax credit investor to assure the participation of an equity provider in the transaction and to prevent the loss of credits due to the lack of an investor.

At the end of construction, all developments must file a cost certification with MHDC which certifies the actual costs of the development according to specific program guidelines. The certification is necessary to determine the final approved amounts of the LIHTC allocation and/or the permanent MHDC financing based upon eligibility and reasonableness of cost. Developments with construction/permanent financing submit final documentation to convert the loan from the construction phase to the permanent phase, and all debt instruments begin amortizing. Developments with a commitment for permanent-only financing submit final documentation for approval and proceed to close on the permanent loan.

Each development begins a relationship with Asset Management as lease-up commences and the construction phase transitions to the operating phase. Critical to the long-term viability of a property is its success in leasing and retaining residents and complying with the various restrictions imposed by each financing program. At this point in the development stage, the Rental Production teams pass the oversight of the development to the Asset Management teams.

MHDC Funding Sources

Federal Low Income Housing Tax Credits

There are two types of Federal Low Income Housing Credits, the 9% credits and the 4% credits.

MHDC 2012 Developer's Guide

9% Credit

The total amount of federal tax credits available in any one year is known as the "State Housing Credit Ceiling" and is defined below. Developments which apply for an allocation under the State Housing Credit Ceiling receive what is commonly known as the "9% Credit." The 9% Credit definition for purposes of this Plan includes any 70% present value credit and any 30% present value credit for qualified existing buildings which also will use the 70% present value credit.

The amount of annual tax credits allocated by the federal government to each state is determined on a per capita basis. The anticipated amount of tax credits for Missouri will be announced in the Notice of Funding Availability to precede the application round.

4% Credit

Developments financed with tax-exempt private activity bond volume cap ("Bond Developments") are eligible for an allocation of federal and state tax credits without reducing the State Housing Credit Ceiling. For the purposes of this Plan Bond Developments are said to receive the "4% Credit." This definition includes the 30% present value credit for federally subsidized buildings that feature eligible basis financed by any obligation the interest on which is exempt from federal tax and any 30% present value credit for the qualified existing buildings of Bond Developments.

There is no minimum or maximum amount of Federal 4% credits which are available each year; however, Bond Developments are subject to review by MHDC and shall be ranked pursuant to the priorities and selection criteria of this Plan. The commission will provide a recommendation to the Department of Economic Development for the 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 Missouri Low Income Housing Tax Credits.

Missouri Low Income Housing Tax Credits

Missouri statutes allow for an allocation of State 9% and 4% Low Income Housing Tax as described below:

9% Credit

The State Tax Relief Act provides that any development that is eligible for a federal tax credit allocation is eligible for a state tax credit allocation. Therefore, the contents of this Plan, except where otherwise noted, also apply to the allocation of state tax credits. The amount of state credits in proportion to the federal credits may be reduced by the state legislature, making any allocation subject to 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 the imposed statutory limit as it deems necessary for the financial feasibility of the development.

4% Credit

The amount of State 4% Credits available for Bond Developments is currently capped at \$6 Million in credits per fiscal year. The amount of state credits may be

MHDC 2012 Developer's Guide

reduced by the state legislature, making any allocation subject to 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 the imposed statutory limit as it deems necessary for the financial feasibility of the development.

HOME Loans and Grants

Each year, MHDC receives an allocation of federally funded HOME Funds which provide a financing source for several eligible activities that increase the supply of affordable housing for low and very low income persons. One of these activities is the acquisition and rehabilitation or new construction of rental housing. As HOME Administrator for the State of Missouri, MHDC uses a portion of its annual HOME allocation to finance rental production at a very low interest rate, which results in rents that are affordable to low income families.

The amount of HOME Funds which will be available for financing each year will be published in the NOFA that accompanies the QAP.

Fund Balance Loans

MHDC as part of its annual budgeting process may allocate a portion of its Fund Balance to provide construction and permanent financing on Low Income Housing Tax Credit properties. The amount of this allocation is determined annually and will be listed in the NOFA for that funding round.

If MHDC Fund Balance is used for a loan it must always be in a first position, have a minimum interest rate of 3% and a 1% loan origination fee will be charged.

Risk Share Insurance

Section 542 (c) of the Housing and Community Development Act of 1992 offer a partnership between HUD and Housing Finance Agencies (HFAs) to provide affordable housing opportunities for the housing needs of various communities. This program provides new independent insurance authority that is not under the National Housing Act.

Under this program the HFA enters into a Risk-sharing Agreement with HUD, by contracting to reimburse HUD for a portion of the loss from any defaults that occur while HUD insurance is in force.

There are three levels of HUD approvals for Risk-Sharing commitments - (from HUD handbook 4590.01 Rev-1):

Level I

Approval to originate, service, and dispose of multifamily mortgages where the HFA uses its own underwriting standards and loan terms and conditions, and assumes 50-90 percent of the risk (increments of 10 percent).

Level II

Approval to originate, service, and dispose of multifamily mortgages where the HFA uses underwriting standards and loan terms and conditions approved by HUD. There are two sub-levels in under this level; one, where the HFA assumes at least 25

MHDC 2012 Developer's Guide

percent of the risk, the other is where the HFA assumes 10 percent, or 25 percent, at the HFA's option, of the risk.

Combined Levels I/II

For HFAs that plan to use Level I and Level II processing, the underwriting standards and loan terms and conditions to be used on Level II loans must be approved by HUD as described above.

MHDC has been approved by HUD at Level I with a 50/50 split of risk sharing for loss from any default.

The Risk-Sharing program provides credit enhancement to development proposals in a timely manner than the regular Federal Housing Administration (FHA) multifamily insurance programs. MHDC provides this program to tax exempt bond development proposals, upon request, on a case-by-case basis after a review is made to determine the proposal's long term financial viability among other salient factors.

If a HUD/MHDC Risk-Sharing loan is used, it must always be in the first position. MHDC will charge a 1% loan origination fee on the entire construction loan amount, and another 1% for the permanent loan amount. An upfront annual ½ % Mortgage Insurance Premium (MIP) is due on the outstanding mortgage balance beginning at the initial loan closing and continuing throughout the term of the loan.

Tax-Exempt Bonds

Under section 42(h)(4) of the Code, Bond Developments may be entitled to the 4% Credit. The development must have received an allocation of private activity bond cap pursuant to Section 146 of the Internal Revenue 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.

Bond Developments are required by the Code to apply through the Housing Credit Agency for an allocation of tax credits and for a determination that the development satisfies the requirements of this Plan. Although the proposal does not have to compete for credits from the State Housing Credit Ceiling applicants must submit an application during the posted NOFA period and must meet all requirements of the reservation process and this Plan.

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 for a private activity bond allocation by the Department of Economic Development ("DED"). Proposals that do not receive an allocation letter from DED before the end of the year they received their Conditional Reservation will be required to re-submit their application for tax credits in the next NOFA period if they want to be recommended and ranked for consideration of bond allocation in a subsequent year.

MHDC 2012 Developer's Guide

Affordable Housing Tax Credits

The Affordable Housing Assistance Program (“AHAP”) housing production tax credit is used as an incentive for Missouri businesses and/or individuals to participate in affordable housing production. This state tax credit is earned by an eligible donor for the donation of cash, equity, services, or real/personal property to a non-profit community-based organization for the purpose of providing affordable housing assistance activities or market rate housing in distressed communities. The AHAP credit is governed by Missouri Revised Statutes 32.105, 32.111, 32.112, 32.115, 32.120, and 32.125.

The AHAP tax credit is a one-time credit that may be allocated to an eligible donor for up to 55 percent of the total value of an eligible donation. There are two types of AHAP tax credits: Production credits for donations related to construction, rehabilitation, and rental assistance activities and Operating Assistance credits for donations that help fund the operating costs of the non-profit organization. The program offers \$10 million in Production credits and \$1 million in Operating Assistance credits annually. The amount of the credits available may be reduced by Legislative action.

Missouri Trust Fund

The Missouri Housing Trust Fund was created by the State Legislature in 1994 to help meet the housing needs of very low income families and individuals. The Missouri Housing Development Commission administers the Trust Fund, which provides funding for a variety of housing needs, such as homeless prevention, rehab or new construction of rental housing, rental assistance and home repair.

Eligibility Requirements

Developers or non-profit organizations that provide housing and/or related services may apply. Applicants must demonstrate prior, successful housing experience and have the financial capacity to successfully complete and operate the housing and/or service proposed. Provider of services must have qualified and trained staff, and a successful record of providing the proposed services.

Proposed housing proposals must:

1. Meet a demonstrated need for housing for very low income persons;
2. Provide housing and related services in compliance with the statute;
3. Leverage Trust Fund dollars with other grants or loans, tax credits, or other forms of subsidy;
4. Provide housing and/or housing services to persons below 50 percent of median income with corresponding rents or fees;
5. Be economically feasible.

Application Process

The Commission sets the schedule annually. Typically, a Notice of Funding Availability (NOFA) is published during the month of June. The deadline for proposal submission is in September, and recommendations are made to the Commission in December. The NOFA is sent to all parties on the Community Initiatives mailing list. The Application Packet is available on the MHDC web site.

MHDC 2012 Developer's Guide

Application Information

This section explains the application process for MHDC funding, including MHDC's review process, application of underwriting standards, and priorities for funding. This section should be reviewed closely when considering or completing an application for funding.

The NOFA

MHDC will from time to time issue a Notice of Funding Availability ("NOFA"). There will be at a minimum one NOFA for 2012. Any NOFA will indicate the funding types, funding amounts, and application deadlines for that particular round. The NOFA, the Qualified Allocation Plan ("QAP"), and this Developer's Guide to MHDC Multifamily Programs ("Developer's Guide") describe and clarify the procedures, priorities and expectations for each application and applicant for MHDC funding. Should a question arise that cannot be answered by the NOFA, QAP or Developer's Guide, please contact MHDC's Director of Rental Production or Senior Underwriter at your convenience

The Application

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 copies of all exhibits. The exhibit names on the CD must match the MHDC application check list. The appropriate application fee and another three-ring binder with copies of each application exhibit must also be submitted.

Applicants requesting tax credits must indicate whether they are seeking the 9% credit (competitive credit) or the 4% credit (for tax-exempt bond developments). 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 and also reserves the right to evaluate a 9% application for 4% credits. 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. If more than one application is received for a site or a collection of sites, the first application received will be accepted and any subsequent applications will be rejected.

Submitting an Application

All Applications in response to the 2012 NOFA must be physically received at MHDC's Kansas City office located at 3435 Broadway, Kansas City, MO 64111 are due as follows:

1. Applications for the Joplin, MSA and the City of Berkley, St. Louis County, MO will be accepted by MHDC until 4:30 PM CDT on Friday, October 14, 2011. The targeted date for presentation of the recommended applications will be the December 2011 Commission Meeting.
2. Applications for the remainder of the state and any remaining applications for the Joplin, MSA and Berkley will be accepted by MHDC until 4:30 PM CST on Monday,

MHDC 2012 Developer's Guide

November 14, 2011. The targeted date for presentation of recommended applications will be the February 2012 Commission meeting.

The application due date for 2012 Round 2, if available, will be announced at a later date by issuance of a new NOFA for the 4% credits. 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.

Public Hearings

In compliance 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 each application. 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.

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.

Geographic Priority

As shown of the 2012 9% LIHTC NOFA, a special allocation of \$5,000,000 in Federal Low Income Housing Tax Credits and \$5,000,000 in State Low Income Housing Tax Credits have

MHDC 2012 Developer's Guide

been reserved for the Joplin, MO. MSA and the City of Berkley, St. Louis County, MO as a result of significant damage to those communities from the tornados in 2011.

Additionally, MHDC will endeavor to set aside 33% of federal and state 4% and 9% Credits for developments containing units qualifying under the Special needs priority, outside of Geographic Region percentages, subject to the quality of the special needs proposals received and their ability to meet selection criteria and underwriting requirements described in this QAP.

An attempt will be made to allocate the balance of the 9% federal credit ceiling remaining after the special needs housing allocation (as described below) across the state on a population proportionate basis adjusted annually, with the state divided into the following areas:

1. St. Louis Region - 33%: Franklin, Jefferson, St. Charles, St. Louis City and St. Louis counties.
2. Kansas City Region - 19%: Cass, Clay, Jackson, Platte, and Ray counties.
3. Out State Region - 48%: 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. As noted above, the Joplin, MO. MSA and the City of Berkley in St. Louis County, MO. have been given a special allocation of credits, in addition, the commission reserves the right to classify specific developments as serving "Targeted Areas," which could allow for funding of said development(s) without regard to the targeted geographic set-aside. Parts of the state officially declared a disaster area by the governor may be designated a Targeted Area as determined on a case-by-case basis by the commission in order to give special consideration to developments that assist in providing affordable housing to people affected by the disaster. In the event of such a determination by the commission, a notice announcing the Targeted Area designation will be posted with the QAP and the NOFA at www.mhdc.com.

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.

Nonprofit Involvement Set-aside

Forms or documents referenced for the Nonprofit Involvement Set-Aside may be accessed at the following link: www.mhdc.com/docs/b

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 nonprofit organization. This is commonly known as the "nonprofit set-aside" and applies only to the 9% LIHTC. MHDC will give priority to applications that involve a qualified nonprofit until the 10% requirement has been met. At its discretion, MHDC may continue to give priority to proposals that involve qualified nonprofits after the 10% requirement has been met.

Section 42(h)(5)(C) of the Code defines a qualified nonprofit organization as:

1. A 501(c)(3) or (c)(4) nonprofit organization; and

MHDC 2012 Developer's Guide

2. Having an expressed purpose of fostering low-income housing; (This purpose must be expressed in the organization's by-laws; if they are not, the development will not be considered for this priority.) and
3. 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
4. Is not affiliated with, nor controlled by, a for-profit organization.

HOME regulations dictate that 15% of HOME funds be loaned or granted to qualified Community Housing Development Organizations ("CHDO"). Certain legal, organizational, and other requirements apply for a nonprofit organization to qualify for CHDO status (24 CFR Part 92.2). If the development is seeking HOME under the CHDO set-aside, the nonprofit entity must be the controlling general partner of the ownership entity to qualify.

Developments that wish to be considered for the nonprofit involvement priority under either the tax credit nonprofit set-aside or the CHDO set-aside must fully complete the applicable sections of the FIN-100 and the FIN 100 Addendum and provide the following items with their application:

1. Nonprofit Organization's Certificate of Incorporation;
2. Articles of Incorporation and By-Laws;
3. The articles of incorporation and by-laws must include any and all amendments and should have the portion describing the organization's purpose of fostering low-income housing highlighted.
4. Certificate of Good Standing;
5. The certificate of good standing must be dated within 30 days of the application due date. An official certificate may be obtained from the Missouri Secretary of State web site for a nominal fee. A screen print of the search screen indicating the status of an entity is not a certification and therefore is not an acceptable demonstration of good standing.
6. IRS Letter Evidencing Nonprofit Status; and
7. Nonprofit Questionnaire.
8. The nonprofit questionnaire must be completed, executed and include all relevant attachments, such as a list of the board members and the most recent audited financial statement.
9. CHDO Recertification Form R-100.
10. The CHDO recertification form is required for all nonprofit applicants requesting HOME funds from the CHDO set-aside. All the attachments requested in the R-100 must be included.

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

MHDC 2012 Developer's Guide

Special Needs Priority

Any forms or documents referenced in the Special Needs Priority Section may be accessed at the following link: www.mhdc.com/docs/b

Developments that provide permanent supportive housing and integrated housing for persons with special needs are strongly encouraged. Proposals that commit to a special needs set-aside of no less than 10% of total units up to a maximum of 100% of total units will receive priority consideration. MHDC will endeavor to set aside 33% of federal and state 4% and 9% Credits for developments containing units qualifying under the Special needs priority, outside of Geographic Region percentages, subject to the quality of the special needs proposals received and their ability to meet selection criteria and underwriting requirements described in this QAP.

A person with special needs is a person who is physically, emotionally or mentally impaired or suffers from mental illness; developmentally disabled; homeless; or a youth aging out of foster care. A development with a special needs set-aside may not give preference to potential residents based upon having a particular disability or condition to the exclusion of persons with other disabilities or conditions. Applicants must submit documentation that demonstrates they have obtained commitments from a lead referral agency which will refer special needs households qualified to lease targeted units and from local service agencies which will provide a network of services capable of assisting each type of special needs population defined above.

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:

1. A draft referral and support agreement with the lead referral agency.
2. A description of the experience of the lead referral agency, their ability to provide access to support services, and their capacity to maintain relationships with the managing agent and community service providers throughout the compliance period.
3. A marketing plan demonstrating how the property will be affirmatively marketed to persons with special needs, the screening criteria that will be used, and the willingness of all parties to negotiate reasonable accommodations to facilitate the admittance of persons with disabilities into the property.
4. Documentation of supportive services appropriate to each type of special needs population.
5. An affordability plan addressing the type of rental assistance or rent structure that may be utilized to make targeted units affordable to special needs households with extremely low income.

A detailed description of the special needs housing priority is as follows:

Persons with Special Needs Definition

Persons with special needs are those whose condition or circumstances qualify under one of the following categories:

1. A person who has a physical, mental or emotional impairment which is expected to be of long-continued and indefinite duration; substantially

MHDC 2012 Developer's Guide

impedes his or her ability to live independently; and is of such a nature that such ability could be improved by more suitable housing conditions.

2. A person who suffers from mental illness.
3. A person who has a developmental disability, which is a severe, chronic disability that—
 - a. Is attributable to a mental or physical impairment or combination of mental and physical impairments;
 - b. Is likely to continue indefinitely;
 - c. Results in substantial functional limitations in three or more of the following areas of a major life activity:
 - i. Self-care;
 - ii. Receptive and expressive language;
 - iii. Learning;
 - iv. Mobility;
 - v. Self-direction;
 - vi. Capacity for independent living; and
 - vii. Economic self-sufficiency; and
 - d. Reflects the person's need for a combination and sequence of special, interdisciplinary, or generic care, treatment or other services which are of lifelong or extended duration and are individually planned and coordinated.
4. A person who is homeless, defined as an individual or family who lacks a fixed, regular and adequate nighttime residence and is:
 - a. An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including but not limited to a car, park, abandoned building, bus or train station, airport or camping ground;
 - b. An individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements (including hotels and motels paid for by federal, state or local government programs for low-income individuals or by charitable organizations, congregate shelters, and transitional housing); or
 - c. An individual who is exiting an institution where he or she resided for 90 days or less and who resided in a shelter or place not meant for human habitation immediately before entering that institution.
5. A youth aging out of foster care at the age of 18 or older when their foster care case closes. Foster care placements include:
 - a. Licensed foster family homes;

MHDC 2012 Developer's Guide

- b. Relative provider homes;
- c. Group homes;
- d. Emergency shelters;
- e. Residential facilities;
- f. Child care institutions;
- g. Pre-adoptive placements; or
- h. Independent living placements.

Youth is defined as someone (between the ages of 18 and 24) or a legally emancipated minor. This includes youth that are homeless, have run away, aged out of the foster care system, and/or exited the juvenile justice system.

The special needs resident may be either an adult or youth who is a member of the household.

Targeted Units Definition

Targeted units are those units set aside for tenancy by persons with special needs. Targeted units must be rented to households referred to the development by the lead referral agency. In calculating the number of targeted units that must be made available, owners and managers must always round up to the next unit. Developers will submit a draft referral and support agreement with the application which declares the number of targeted units to which they commit and outlines the required responsibilities of the owner, property management company and lead referral agency in regard to the targeted units. Developments that receive a conditional approval of the award of tax credits must submit and receive MHDC approval of a final referral and support agreement with the firm submission process.

The lead referral agency shall be an agency that coordinates a range of local disability and homeless services agencies to develop a collective process for referring and making their services available to qualified residents. A lead referral agency acts as the point of contact with property management over the life of a property and represents the local services system in dealings with management of the property. The lead referral agency might serve a particular disability group, but marketing and referrals must be inclusive of persons with all types of disabilities.

Lead Referral Agency Role

A Lead Referral Agency will:

1. Designate a point of contact to receive notices from the property management company when a targeted unit is available.
2. Receive and process referrals from service providers regarding their special needs consumers who are interested in and meet the requirements to apply for available targeted units.
3. Maintain and regularly update a list of eligible special needs households interested in applying for targeted units.

MHDC 2012 Developer's Guide

4. Help arrange tenant-based rental assistance for eligible special needs households who do not already have assistance through their case management services.
5. Upon notification that a reserved unit is available, select the household at the top of the list waiting for that unit type and communicate to their service provider that a targeted unit is available.
6. Coordinate with a household's original referral source to ensure that the original referral source: (a) contacts the property manager in a timely manner, (b) assists the household(s) during the application for tenancy process, including requesting and negotiating reasonable accommodations, if necessary, and (c) makes supportive services available to the household(s) and/or acts as referral agent for other community services needed.
7. Submit a standard letter of referral to property management, which will then process the referred household's application for tenancy using the same screening criteria that is applied to all other residents of the development.
8. Provide or ensure property management receives the household's required documentation pursuant to compliance requirements.
9. Address appropriate application or tenancy issues or concerns by property management, the service provider(s) and/or household if they are not able to be adequately resolved or handled by the primary parties.
10. Participate in the local continuum of care and report data through the HMIS database or ensure the household's service provider reports data in HMIS for residents who qualified under the definition of homeless at the time the referral was made.
11. Monitor local housing authorities and notify local service providers when waiting lists are open.

Development Owner Role

The Development Owner will:

1. Agree that any special needs housing commitment will be established, implemented and kept in compliance with the Fair Housing Act, as amended; the Architectural Barriers Act of 1968; the Americans with Disabilities Act; and any other local, state and federal nondiscrimination or accessibility laws, regulations or requirements.
2. Agree that the targeted units will not be segregated within the property and that the targeted unit mix will depend on the needs of referred households.
3. Agree to provide reasonable accommodation for special needs households in the tenant application.
4. Assure that the targeted units remain available to eligible special needs persons through the referral process for the entirety of the compliance period.

MHDC 2012 Developer's Guide

Property Management Company Role

The Property Management Company will:

1. Notify the lead referral agency of available reserved units within a timely manner. At initial lease-up this notification must occur ninety days prior to the anticipated receipt of a certificate of occupancy or when marketing begins, whichever comes first. During ongoing operations, the manager will notify the lead referral agency upon receipt of notice of intent to vacate a targeted unit.
2. Work with the lead referral agency to coordinate the first contact with the special needs household and their services provider to initiate the application process.
3. Collaborate with the referred household's services provider, as appropriate and applicable, to address the household's needs for assistance at application, accessibility accommodations, or assistance during tenancy.
4. Use the lead referral agency as their main point of contact to ensure that community supports are made available to tenants in the targeted units; however, tenancy will not be contingent upon participation in services.
5. Notify the lead referral agency in a timely manner of issues or concerns that may adversely affect the tenancy of the household.
6. Contact the lead referral agency if there are any issues or concerns that have not been satisfactorily resolved with the household and/or services provider.

Although the development's property manager may agree to assist the household in other ways, it is intended that the household renting a targeted unit has the same rights and responsibilities as every other resident in the development.

Programmatic Requirements

Developments must meet the following criteria in order to be considered under the special needs housing priority during application evaluation and to maintain its commitment to special needs populations through the design, construction and operations process:

1. The development may not give preference to potential residents based on having a particular disability or condition to the exclusion of persons with other disabilities or conditions.
2. The development must meet the needs of targeted tenants through access to supportive services, transportation, proximity to community amenities, etc. If services are not provided on-site, transportation to off-site locations must be made available. Services must be provided and/or coordinated by local service agencies appropriate to the needs of persons with varied types of disabilities. Since service providers are often specialized, relationships should be cultivated with several types of agencies to ensure services will be available for the different types of special needs households that may reside at the property at one time. Service programs should be designed to stress residential stability and independence.

MHDC 2012 Developer's Guide

3. Special needs residents must not be required to receive services from only one particular service provider nor must they be required to participate in supportive services as a condition of tenancy.
4. Special needs properties that are operated as transient housing, nursing homes, life care facilities or dormitories are ineligible for consideration for tax credits.
5. Developments meeting the criteria for the special needs housing priority may be given "difficult development" status allowing MHDC to increase the eligible tax credit allocation by up to 30% if the developer can demonstrate that the property will incur direct costs in addition to costs covered by third-party service providers in the provision of services to enhance the residential stability and independence of special needs residents. The determination of the application's qualification to receive a boost will be determined in MHDC's sole discretion. The amount of boost will be based upon the funding reasonably necessary to provide special needs services that are performed by project-based or third-party providers at a cost to the property.
6. In mixed-population developments, targeted units cannot be segregated within the property or be distinguishable in any way from non-targeted units (beyond the presence of accessible features or assistive technology, if necessary).
7. The development must include community space appropriate to the needs of the populations being served.
8. Developments that target 100% of the units to special needs households must be designed and constructed in accordance Universal Design principles. Mixed-population developments must increase the number of units accessible to the mobility impaired from the general MHDC requirement of 5% to a percentage that matches the total number of targeted units.
9. While the increased number of required accessible units for mixed-population developments equals the number of targeted units, accessible units are not necessarily the same as the targeted units. Some special needs households may have disabilities that require an accessible unit, while others may have disabilities that are not physical in nature. Similarly, some households who are independent and apply for non-targeted units may need an accessible unit. Therefore, accessible units are not required to be held open during lease-up in mixed-population developments but should be made available whenever possible to any household requiring accessibility.
10. The roles of owner and property manager should be separated from the role of lead referral agency/primary service provider, as each type of entity has an expertise relative to the Low Income Housing Tax Credit program in the case of the former and to the service of special needs populations in the case of the latter. A depth of experience in both is rarely found within the same entity but is essential for the success of obtaining equity investment, navigating tax credit compliance rules with confidence, and providing the highest quality assessment and services for persons with special needs.

MHDC 2012 Developer's Guide

However, entities that have an exemplary history of functioning in all three roles in the context of a similarly-situated LIHTC development may be considered by MHDC staff to have proven themselves to have the capacity to meet the challenges of successfully serving the residents while competently performing the ownership and management functions under the LIHTC program.

11. Persons with special needs must be referred to the property by the lead referral agency in order to be eligible to be qualified for a targeted unit. Such persons must have a case manager at the time they apply for housing.
12. Rents should be made as affordable as possible to special needs households. Affordability may be accomplished through project-based or tenant-based subsidies. The lead referral agency is responsible for coordinating tenant-based rental assistance with service providers or governmental agencies whenever necessary and possible. In the absence of project-based or tenant-based assistance, the owner may need to be prepared to consider other methods to ensure affordability of rent to special needs households below 40% AMI. The proposal must identify the strategies that will be pursued for obtaining assistance through the following means:
 - a. 30% AMI rents with no additional rental or operating subsidy;
 - b. Shelter Plus Care rental assistance;
 - c. HUD Supportive Housing Program (Continuum of Care funds);
 - d. Missouri Department of Mental Health Supported Community Living rental assistance;
 - e. Missouri Department of Mental Health Rental Assistance Program funds;
 - f. Project-based rental assistance established through an AHAP-related donation to a qualified non-profit;
 - g. Section 8 vouchers;
 - h. HUD project-based Section 8 rental assistance;
 - i. USDA project-based rental assistance; or
 - j. Other identified sources.
13. A property with mixed populations must screen all referred special needs applicants using screening criteria established for all applicants at the development according to state and federal Fair Housing law.
14. Leases for residents of tax credit properties must meet the minimum lease period and other requirements prescribed by the LIHTC program and any applicable federal or state funding programs. Leases for special needs residents in mixed-population developments cannot be more restrictive than leases executed with other residents of the same property.
15. During and after lease-up, lead agency referrals must be moved in first regardless of chronological order of the general waiting list until all targeted units are occupied with referrals. Management may not have a preference

MHDC 2012 Developer's Guide

for referrals with a Section 8 voucher. During lease-up, the properties which are not 100% special needs are required to hold the number of designated special needs units for a period of 90 days for leases to persons with Special Needs, after the 90 day period these units may be leased to the general population meeting the properties leasing criteria. As units become vacant, they must be held open for a period of 30 days or until the number of required special needs units have been leased. After the 30 day period they may be leased to other qualified tenants.

16. A mixed-population property must hold a targeted unit vacant for a qualified special needs household for a period of ninety days after certificate of occupancy during initial lease-up and for a period of thirty days after a unit becomes vacant during ongoing operations of the development
17. For preservation properties and other developments that are occupied during construction, the owner will not be required to displace any current residents but shall be required to comply with the targeted unit commitment as units turn over and become available for vacancy so long as such compliance does not occasion an event of noncompliance under other applicable federal law or regulations under which a development is operated or is receiving federal subsidy.
18. The LURA will incorporate the number of special needs units committed at application which will be reviewed for compliance throughout the 15-year compliance period.

Questions regarding a proposal's eligibility to be considered under the special needs housing priority should be directed prior to the application deadline to the MHDC director of rental production.

Service-Enriched Housing Priority

Any forms or documents referenced in the Service-Enriched Priority Section may be accessed at the following link: www.mhdc.com/docs/b

Developments that offer more than housing are strongly encouraged. Proposals offering 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:

1. Elderly households;
2. Individuals with children;
3. Formerly homeless individuals and families;
4. Individuals with physical and/or developmental disabilities; or
5. Individuals diagnosed with mental illness.

The applicant should demonstrate they have experience with the population in question. If the applicant does not have experience with the specified population, they should have a commitment(s) from a service provider(s) who does have the necessary experience. Any commitments should be for the entire 15-year compliance period.

MHDC 2012 Developer's Guide

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:

1. 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
2. A project-specific services budget which includes a breakdown of both sources and uses; and
3. Letters of intent from service providers anticipated to participate in the development's services program.

Depending on the population served, additional information may be required. MHDC reserves the right to request further documentation before determining if a particular application qualifies for the service-enriched housing priority.

To qualify for the service-enriched housing priority a proposal must have a defined population, demonstrate 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 it is not sufficient to qualify for the priority if it is the only service offered.

The service-enriched housing priority designation will be determined by the sole opinion of MHDC. The expectations and level of services necessary for qualification for the priority are high. However, MHDC encourages services be provided to tenants of all developments. Population-appropriate services indicate a commitment by the owner to the tenants that is viewed favorably.

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. If the owner determines a particular program offered as part of the committed services is not meeting the needs of the resident population, the owner must replace it with another more appropriate service.

9% developments that qualify for the service-enriched housing priority are eligible for designation as a difficult-to-develop area. This designation allows an increase in qualified basis up to 30%. Please see the discussion of difficult development areas below. The designation will only be made if necessary for financial feasibility and within all requirements of the QAP and Section 42 of the Internal Revenue Code.

The following are the minimum requirements:

Applicants seeking designation under the Service-Enriched Housing Priority must provide substantial resident services appropriate to the population served by the development. The property must employ staff dedicated to providing social services (service coordinator) or contract with a service agency to provide a service coordinator. The purpose of the service coordinator is to direct the service program, provide coordination of services with agencies and other service providers, and work with residents to identify programmatic needs. The service coordinator must work at the property at least twenty hours a week for developments consisting of 40 units or less or forty hours a week for developments with more than 40 units.

MHDC 2012 Developer's Guide

The supportive service plan must demonstrate the applicant's commitment to provide a significant number of services and activities appropriate to the resident population. The services must be provided on site and on a regular schedule. Below is a menu of preferred services from which the developer may select. Developers may suggest alternative services which must be reviewed and approved by MHDC. The more services provided either from the preferred menu or substituted selections will reflect more favorably upon the application's supportive service commitment. MHDC in its sole discretion will determine whether the number and type of services proposed are significant enough for the application to meet the requirements of the service-enriched housing priority.

1. Family properties – menu of preferred services:
 - a. regularly-held resident meetings;
 - b. after-school programs for children;
 - c. financial literacy courses for adults;
 - d. Parents as Teachers program offered through the local school district;
 - e. credit and/or budget counseling;
 - f. life skills or job application training,;
 - g. referrals to Angel Food Ministries or like agencies;
 - h. nutrition classes;
 - i. computer lab or computer check-out program;
 - j. food pantry;
 - k. clothes closet; and
 - l. library.
2. Senior properties – menu of preferred services:
 - a. regularly-held resident meetings;
 - b. transportation to shopping and medical visits;
 - c. nutrition classes;
 - d. enrichment classes such as seminars on health issues, prescription drugs, Medicare, the internet;
 - e. coordination with an agency that provides assistance with paying bills and balancing checkbooks;
 - f. annual health screens;
 - g. assistance preparing a Vial of Life;
 - h. American Red Cross I'M OK program;
 - i. referrals to Angel Food Ministries or like agencies;
 - j. exercise program such as the Arthritis Foundation Exercise Program;
 - k. monthly community activities (i.e., pot luck dinners, holiday events, bingo);
 - l. access to fitness equipment;

MHDC 2012 Developer's Guide

- m. food pantry or access to a mobile food pantry if available;
- n. housekeeping; and
- o. computer lab or check-out program.

Services provided to seniors must be mindful of the varied needs and desires of an independent senior population as compared to a more elderly and fragile population.

All services must have an identified service provider evidenced by a commitment letter from that provider and must demonstrate a source of funds to pay for the services similar to that mentioned above. All services must be free to the residents, completely voluntary to each individual and provided on site throughout the length of the 15-year compliance period. If a particular service offered is discontinued due to lack of interest from the residents or because it does not meet the needs of the resident population, the owner must be prepared to replace it with another more appropriate service.

Service-enriched housing developments may be qualified to receive a boost in eligible basis allowed for projects that meet MHDC's difficult-to-develop status as outlined in the QAP. In order to receive the boost, the property must establish a services escrow in the construction budget equal to two years' worth of service program operating expenses. The budget must be approved by MHDC at firm commitment, and the escrow must be funded no later than conversion of the development from construction financing to permanent financing. The applicant must provide the proposed annual budget with the application, include the two-year total in the development budget in the FIN-100, and demonstrate how the property will continue to fund the service program from the third year of operations through the compliance period.

The percentage of basis boost allowed will be calculated as the amount of credits necessary to generate sufficient equity to fund the two-year services escrow, not to exceed 30% of eligible basis. Sources of funding in future years may include income from operations or verifiable public grants and funds.

Preservation Priority

The preservation of existing affordable housing is a priority of MHDC. This priority does not negate all of the other selection criteria set out in this QAP.

To qualify for the preservation priority a development must meet at least one of the following and if receiving federal historic credits and/or state historic credits must waive the right to opt out for an additional fifteen years.

1. Have, and continue to use if possible, project-based rental assistance and/or operating subsidy;
2. Have a loan made prior to 1985 from any of the following loan programs: HUD 202/811, 221(d)3 or (d)4, 236 or USDA RD 515;
3. Participate in HUD's Mark-to-Market restructuring program; or
4. Have a previous allocation of LIHTCs in which the first year of the credit period was 1996 or earlier and be in or have completed the final year of the initial 15 year compliance period for all buildings in the development.

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

MHDC 2012 Developer's Guide

1. Copies of all loan notes and regulatory agreements encumbering the property, including any subsequent modifications;
2. A copy of any project-based income or operating subsidy agreements and rent schedules, including both original and modified subsidy agreements or contracts;
3. Audited financial statements for the development covering the three most recent years.
4. A letter from HUD, RD or MHDC (for developments without HUD or RD financing) indicating the need for preservation.
5. Provide physical needs assessment.

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.

Developments that are not considered for the preservation priority but that do contemplate the acquisition and rehabilitation of existing housing are encouraged and given extra consideration.

Emerging Business Initiative

This priority is defined as a participation initiative or a partnership initiative and applies to all developments with more than 6 units.

Participation Initiative

The EB participation goal is set at a minimum 10% for MBE and 5% WBE of hard costs and 10% for MBE and 5% for soft costs. This may be satisfied by emerging businesses providing competitively priced services/materials in the following categories:

1. Hard costs for the actual physical costs of construction, which include but are not limited to general contracting, grading, excavation, concrete, paving, framing, electrical, carpentry, roofing, masonry, plumbing, painting, asbestos removal, trucking, and landscaping. When calculating hard costs, general requirements, overhead, bond costs and contractors profit should be excluded.
2. Soft costs for planning, architectural, relocation, legal, accounting, environmental, engineering, surveying, developer fee, consulting fees, title company, disbursing company, market study, appraisal, soils report. In the calculation of soft costs, the developer fees may be, but are not required to be, included in the calculation of participation levels. Additionally, development costs that do not include actual services or materials, such as public sector financing, construction interest, and bond issuance costs shall not be included in the calculation.

A utilization plan detailing how the applicant intends to meet the goal must be included in the proposal for funding. Evidence of MBE/WBE proposals and certifications will be required as a part of the firm submission requirements. In the

MHDC 2012 Developer's Guide

event there is also an award of HOME funds made, there may be additional requirements (Section 3) that must be met to be in compliance with federal regulations.

Partnership Initiative

A preference in funding will be given to proposals (a) with a mentor/protégé (developer/co-developer) relationship; or (b) with a greater percentage of MBE/WBE businesses and /or contractors than set forth in the participation initiative.

1. Developers applying under the mentor/protégé preference must provide a comprehensive plan detailing the partnership between the mentor/protégé.
2. Developers applying under the MBE/WBE preferences under the partnership initiative must commit to provide participation of MBE/WBE businesses and/or contractors above the goals set out under the participation initiative.

In the application for funding under the MBE/WBE preference the developer must provide a comprehensive utilization plan detailing how the applicant intends to exceed the participation goal, including any history of securing MBE/WBE businesses and/or contractors.

Evidence of MBE/WBE certifications and proposals will be required as a part of the firm submission requirements.

This preference does not negate all of the other selection criteria set out in the QAP.

Property Disposition Priority

Applicants may compete for the purchase of real estate owned by MHDC. The application must propose an acquisition/rehabilitation transaction that will be evaluated on its merits according to the selection criteria and its ability to demonstrate potential long-term success as an operating affordable housing property. The application serves as both the developer's competitive bid to purchase the asset and the developer's application for financing to fund the property's acquisition and renovation. Therefore, multiple applications for the same property may be submitted by different development teams competing for the opportunity to purchase it.

To qualify for the property disposition priority the development must be listed publicly by MHDC as real estate owned and available for competitive bid. Application fees and market study requirements will be waived for applicants submitting proposals under this priority.

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

1. A signed option contract representing the applicant's offer to purchase the MHDC-held property on the MHDC option contract form. The MHDC form will be made available on the MHDC website in conjunction with any real estate owned that is publicly posted.
2. Any other certifications or documents which may be required by MHDC and made available on the MHDC website in conjunction with the listing of any MHDC-owned real property.

MHDC 2012 Developer's Guide

Application Review

Any forms or documents referenced in the Application Review Section may be accessed at the following link: www.mhdc.com/docs/b

All applications submitted in response to a NOFA 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.

Initial Review

The Initial Review will be conducted to determine if the applicant and their application meet the following requirements:

Organized Application

Applications must be submitted in three-ring binders and organized with tabs according to the FIN-125 checklist. An application that is not organized in the manner described above will be rejected.

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. If MHDC learns that any principal involved with a proposed development has serious and/or repeated non-performance or non-compliance issues in Missouri or any other state before or 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.

Please contact MHDC prior to submittal if you plan to apply and you are unsure whether you or your development team members are in good standing.

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.

Consistent with Fair Housing Requirements

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

MHDC 2012 Developer's Guide

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 Low Income Housing Tax Credit ("LIHTC"). Under the terms of this MOU, all developers must complete IRS Form 8821 (Rev. 8-2008), Tax Information Authorization, as a condition of consideration for an allocation of 9% Credit or 4% Credit. An executed IRS Form 8821 for the developer and general partner entity must be included as part of the application.

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 state LIHTC, to comply with the provisions of the act. All developers must complete MDOR Form 8821 (Rev. 11-2007), Missouri Department of Revenue Authorization For Release of Confidential Information, as a consideration for the allocation of the state LIHTC. MHDC will obtain tax clearance regarding the developer/applicant from the Missouri Department of Revenue at the time of application.

The Initial Review will be performed in conjunction with the documentation review (described herein). If at a later date it is discovered that an application does not meet one of the Initial Review requirements it will be rejected, or if funds have been reserved, that reservation may be terminated.

Primary Documentation Review

All primary documents must be complete, fully executed and submitted by the application deadline. A missing primary document will result in the rejection of the application. Documents in draft form or missing signatures are not acceptable and will be considered a missing document. An exact list of the documents can be found on the FIN-125 application checklist 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.

Secondary Documentation Review

All secondary documentation must be submitted in order for an application to receive further consideration. If six or more secondary review documents are missing or incomplete at the time the application is submitted, the application may be rejected. If five or fewer secondary documents are missing or incomplete at the time the application is submitted, the applicant will be notified in writing of deficient items and a date by which deficiencies must be cured ("Cure Date"). If the requested documents are not received by the Cure Date, the application will be rejected. The FIN-125 application checklist contains an exact list of the secondary documentation required, and the application exhibit discussion below further explains the requirements.

MHDC 2012 Developer's Guide

It is expected, but not guaranteed, that notification regarding secondary documentation deficiencies and the Cure Date will be mailed within 10 business days of the application due date established in the NOFA.

If the Initial, Primary Documentation and Secondary Documentation reviews are successfully passed, an application is deemed complete and will be considered for further review.

Site Review

During the course of the application review process MHDC will conduct a review of the site(s) chosen for each proposal. The site selected for the development is a critical component of the application. Each site is inspected by MHDC who evaluates the following items:

1. Ingress and Egress
2. Visibility for Marketing Purposes
3. Proximity to groceries, pharmacies, restaurants, public parks, etc.
4. Potential noise concerns from nearby highways, airports, etc.
5. Potential flood plain issues
6. Existence of wetlands areas
7. Potential habitat for endangered species
8. Competition with other apartment properties in the immediate area

These site considerations are not a substitute for an environmental report but are meant to alert MHDC staff to potential concerns and the results play an important role in the Competitive Review.

Vacant land presents a challenge in correctly identifying the location of a proposed site, particularly in rural areas and pre-construction phase subdivisions. MHDC requires applicants to place a sign on the property clearly 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.

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, at the sole discretion of MHDC, to best meet the goals of MHDC will be recommended to the commission for formal approval.

MHDC 2012 Developer's Guide

Housing Priorities

MHDC has created the housing priorities shown previously 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.

Application Form, Exhibits and CD-Rom

Any forms or documents referenced in the Application Exhibits Section may be accessed at the following link: www.mhdc.com/docs/b

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.

If you have questions about the application exhibits, especially if you are not sure whether an exhibit applies to your particular development, please contact the Director of Rental Production or the Senior Underwriter. Any item that may serve to satisfy the requirements of multiple exhibits should be copied and included in each applicable exhibit tab. For example, a letter of support from the city that also confirms the zoning for an application must be included both in exhibit tab 10 (Public Official Contact Verification and Support Letters) and exhibit tab 13 (Zoning Letter).

If an exhibit is required for your type of development, but you feel there is a reason why it should not be applicable for your application, you may request a waiver of that exhibit. Please note that waiver requests must be submitted on the MHDC waiver form and submitted and approved prior to the application due date. Waivers will only be granted in rare circumstances with a rational explanation and proper justification.

Application exhibits 1-8 constitute the primary documentation and exhibits 9-20 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.

The CD-ROM must contain copies of the application and all exhibits. The exhibit names on the CD must match the MHDC application check list. Please refer to MHDC form FIN-125 which specifies the format required for the exhibits.

The required electronic documents are important in the application review process and must be included at the time of application. Please test the CD-R after loading the documents to ensure that the files open properly and every required document is included in the requested format.

MHDC 2012 Developer's Guide

Rental Housing Programs Application

FIN-100 Application

The FIN-100 must be filled out completely, accurately and must be executed in the appropriate places:

1. Tab VIII Development Budget: Contractor's/Mortgagor's Cost Breakdown – all applications
2. Tab IX Tax Credit Addendum (tax credit applicants only)
3. Tab XIX Application Certifications and Authorization – all applications.

The FIN-100 in the original binder must have original signatures. Please be sure to utilize the FIN-100 provided for the 2012 NOFA round, which is dated August 2011 at the bottom of each page. Submitting the application on a previous form of FIN-100 will not be acceptable, as changes are made from year-to-year to reflect QAP revisions and new MHDC requirements. If you have any questions when filling out the FIN-100, please contact MHDC.

FIN-100-Addendum

The FIN-100-Addendum must be filled out completely and accurately with the certification executed by all reporting parties. The FIN-100-Addendum in the original binder must have original signatures. If you have any questions when filling out the FIN-100-Addendum, please contact MHDC.

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:

Nonprofit Priority Application Fee

Proposals that qualify for the Nonprofit Priority and request consideration under that priority owe a \$750 application fee. Bond developments requesting 4% credits, even if the owner is a qualified nonprofit, are not eligible for the nonprofit priority application fee.

Standard Application Fee

All applications that do not pay the nonprofit priority application fee owe a \$1,500 application fee.

It is important that the development name be written on the check submitted.

Exception: Applicants submitting proposals under the Property Disposition Priority for a property that is listed publicly by MHDC as real estate owned and available for public bid are not required to submit an application fee.

MHDC 2012 Developer's Guide

Development Narrative and Questionnaire

Narrative Description

The narrative description should present any information you feel is necessary to understand your development. It is your opportunity to argue for and convince MHDC why your development is important and why it should be funded. Anything that you feel is not adequately described in the rest of the application should be covered in the narrative description. The narrative must include a brief description of the following items:

1. **Development Characteristics:** Describe the type of development, population served, amenities and services of the Application.
2. **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.
3. **Development Team Characteristics:** Explain the key development team members and highlight experience with similar development types.
4. **Feasibility:** Provide a description of anything unusual regarding feasibility that may not be obvious from looking at the rest of the submitted information.
5. **Community Impact:** Explanations of the level of local support, catalytic effect and how the Application will address the needs of the community are important.
6. **Other Salient Information:** Provide any information or description of the development that explains any unique or important characteristics that would help MHDC better understand what 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.

Development Questionnaire

The questionnaire must be completed as accurately and completely as possible. The questionnaire is a complement to the narrative description and the description need not cover items already covered in the questionnaire.

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:

Development Location Maps

Two maps must be submitted: (i) a community-wide map that clearly identifies the site with respect to the town as a whole, or for large metropolitan areas, its proximity to the intersection of two major thoroughfares; (ii) a more detailed map showing the property within the context of a five- to ten-block area. Please provide

MHDC 2012 Developer's Guide

an appropriate amount of information so that a person completely unfamiliar with the community can reasonably find the property based upon the maps provided. Detailed directions are welcome, especially with respect to vacant ground.

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.

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.

FEMA Flood Map

Include a copy of the FEMA flood map panel that covers the application site, clearly marking the boundaries of the subject property. Please include the panel number if it is not printed on the maps. FEMA maps may be found at www.msc.fema.gov (under "What are you looking for?" choose "Flood Maps").

Applicant Site Control

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

1. Executed purchase option agreement;
2. Executed purchase contract;
3. Executed long-term land lease or option on a long-term lease; or
4. Other commitments / agreements approved by staff prior to application.

Applicants that already own the ground as evidenced by a vesting deed need only provide a copy of that deed for the applicant site control. You will also need to provide the identity of interest transaction information in the seller site control section described below. 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 6.d. above is highly advisable.

MHDC 2012 Developer's Guide

Market Study

Any forms or documents referenced in the Market Study Section may be accessed at the following link: www.mhdc.com/docs/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.

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:

1. 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.
2. Contain a statement by the analyst that:
 - a. The report is in full compliance with MHDC's Market Study Guidelines. The MHDC Market Study Guidelines can be found at the MHDC website.
 - 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.
 - f. Acknowledges and agrees that the rents proposed by the developer are reasonable and comparable to LIHTC rental rates in the subjects PNA.

Nonprofit entities applying for CHDO HOME funds to develop eight or fewer units may submit a self-prepared market analysis in lieu of engaging a market analyst to perform a full market study. Applicants seeking approval under the Property Disposition Priority are not required to submit a market study.

MHDC 2012 Developer's Guide

Preliminary Financing Commitments

Any forms or documents referenced in the Preliminary Financing Commitments Section may be accessed at the following link: www.mhdc.com/docs/b

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 Exhibit 5 of this guide. At a minimum there should be commitments for the following applicable types of funds:

1. Federal Housing Credit Equity. If one syndicator/investor is purchasing all housing and historic tax credits, one commitment that 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 contains all of the terms of the bridge loan.
2. State Housing Credit Equity
3. Federal Historic Rehab Credit Equity
4. State Historic Rehab Credit Equity
5. Other Non-MHDC Financing. All debt and grant financing must have a commitment letter included with the application; this includes any construction loans shown in the FIN-100. If a loan is to be assumed by the applicant, a letter from that lender indicating they are aware of the application and that assumption is possible if certain steps are followed is required. Copies of any notes for assumed sources, if not already provided under the Preservation Priority, are also required.

All commitment letters must include the contact information for the person writing the commitment. MHDC may contact the author of the commitment to discuss the development and their commitment.

MHDC requires a preliminary commitment letter at the time of application for all non-MHDC sources of financing. Updated commitment letters are required at the time of firm submission for approved applications.

Debt/Grant Commitments

1. Any debt or grant funds that will be a part of the development's financing must have a commitment letter or a letter stating that an application has been received for the source in question. Commitment letters must indicate the:
 2. Loan or grant amount.
 3. Loan term and amortization. The minimum acceptable term for permanent loans is sixteen years.
 4. Interest rate. Permanent loans must have a fixed interest rate throughout the term of the loan.
 5. Fees associated with the loan or grant.
 6. Reserve requirements.
 7. Lien position of the loan.

MHDC 2012 Developer's Guide

8. Relevant requirements that may affect other financing sources or the operations of the property.
9. Contact information for the person providing the commitment and to whom MHDC's questions can be directed.

Commitment letters are required for both construction and permanent sources.

If a loan is going to be assumed or an existing loan is to be restructured, you must provide a copy of the current note and a letter from the lender that states that the loan can be assumed and details the terms and conditions of any assumed or restructured note. This is of particular applicability to HUD- and RD-financed developments that are being preserved.

If a loan/grant has been applied for or will be applied for from a competitive source (e.g., city funds, Federal Home Loan Bank), a letter is required that either acknowledges the funds have been applied for or verifies that a funding round is coming up and the applicant is eligible to apply. The letter should indicate the amount of funds requested and the timing for funding decisions. Applicants should be prepared to explain alternative plans if they are not successful in any non-MHDC competitive funding rounds.

An updated commitment letter must be provided with the firm submission and should update the information from the commitment provided at application. Debt, except for assumed debt, must have a commitment letter at the time of firm submission. Assumed debt should include a letter from the lender indicating what needs to be done for the assumption to be finalized and when that is expected to occur.

Equity Commitments

If all the various types of tax credit equity are to be provided by the same syndicator, one commitment letter meeting all the requirements below will be sufficient.

Any development with tax credit equity listed as a source must include a preliminary commitment letter or letter of interest. The letter must state:

1. The ownership percentage and amount of annual credits to be purchased by the equity provider.
2. The price per dollar of annual credit purchased. Investors taking more than a de minimis share of ownership interest must provide a capital contribution in exchange for their share of federal tax credits.
3. The total amount of capital contributions.
4. The amount of equity paid in during the construction period.
5. Any fees, such as an asset management fee, that must be paid over the compliance period.
6. Any reserve requirements.
7. For historic rehabilitation tax credit equity, the eligible basis calculated for both the state and federal historic credits.

MHDC 2012 Developer's Guide

8. For developments committing to special needs housing units, that the investors is aware of the special needs housing commitment being proposed by the developer and demonstrate that the investor has conducted a preliminary review of the special needs development.
9. Contact information for the person providing the commitment and to whom MHDC's questions can be directed.

At firm submission commitments for tax credit equity must include an update of all the information provided with the application and also include the following information:

1. Capital contribution timing and amounts including the dates or milestones when equity will be contributed to the partnership. Developments with a loan from MHDC must meet the MHDC required contribution of 10% of federal and state LIHTC equity invested at construction closing with another 10% invested at 50% construction completion.
2. Description of development costs attributed to limited partner, including syndication costs.

If a bridge loan is to be provided by the equity investor the terms and conditions of that loan can be included with the equity commitment and do not need to be presented in a separate commitment letter.

Timing Requirements

All equity commitments must be signed by the provider of the commitment and dated within 45 days of the application deadline or firm submission date.

Site Control

Any forms or documents referenced in the Preliminary Financing Commitments Section may be accessed at the following link: www.mhdc.com/docs/b

Seller Site Control

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

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

For transactions in which there is an identity of interest between the seller and the buyer or between the seller and a member of the development team identified in the FIN-100 or FIN-100-Addendum, 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 on or after 1960. MHDC reserves the right to request last arm's length transaction information for pre-1960 transfers.

MHDC 2012 Developer's Guide

FIN 305: Seller Certification

The FIN-305 is required for every application requesting a loan from MHDC. If no loan is requested, but MHDC awards a loan, the FIN-305 must be completed and submitted prior to the execution of any conditional reservation.

Legal Description

A legal description of the proposed development site must be included as a separate exhibit. The legal description must match what is included in the applicant's site control. If the site(s) being purchased is larger than the site(s) for the development, a narrative description of how much of the site is for the development and a breakdown of the costs attributable to the development's site is required. For multiple-parcel single-family proposals, clearly label the legal descriptions, contracts/options, and any other documentation related to the various sites so staff can match the documentation to the proposed parcels.

Public Official Contact Verification or Support Letters

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.

1. Chief Elected Official Contact
2. State Senator Contact
3. State Representative Contact
4. City Councilperson or Alderman Contact
5. Public Housing Authority Executive Director Contact
6. School Superintendent Contact (new construction and historic conversion family developments only)
7. City Council or County Board Resolution of Support
8. If the proposed development is located within the City of St. Louis or the City of Kansas City, evidence that the developer has contacted the housing office in that location.
9. Other Letters of Support

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

You must submit either (a) a copy of the letter sent to the official and evidence that the letter was received or (b) a copy of a letter of support from the official. MHDC recommends using certified mail and obtaining the returned receipt card to prove that the letter was received, but other proof is acceptable if discussed in advance with MHDC. MHDC strongly encourages letters of support from the public officials that are required to be contacted. Letters should clearly reference the development being supported. Resolutions of support

MHDC 2012 Developer's Guide

from municipal or county boards are not required but are strongly encouraged. All letters and resolutions should be included in this exhibit.

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 the public 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).

Statutorily Required Documentation

Any forms or documents referenced in the Preliminary Financing Commitments Section may be accessed at the following link: www.mhdc.com/docs/b

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

IRS Form 8821 for Developer

Tax Information Authorization for the Developer. Please fill out only Section 1 and sign Section 7.

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.

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.

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.

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.

MHDC 2012 Developer's Guide

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.

Housing Priority Documentation

For applications that are requesting consideration for one or more of the established Housing Priorities, the required documentation must be provided in the application binders. Please see the discussion of the required documentation under the Housing Priorities section above. If the required documentation is missing or does not fulfill the requirement, the application will not be considered for the desired priority, but it will still be considered for funding.

Zoning Letter

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

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

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

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

Architectural Items

Any forms or documents referenced in the Preliminary Financing Commitments Section may be accessed at the following link: www.mhdc.com/docs/a

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

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

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

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.

MHDC 2012 Developer's Guide

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.

Development Characteristics Worksheet

The worksheet must be filled out and executed. The development characteristics described or chosen must be adhered to by the owner. Failure to do so may result in the termination of any conditional reservation or firm commitment.

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.

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." 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. Applicants seeking to assume USDA-RD debt must follow the USDA requirements for an "as is" needs assessment and should contact the state USDA office for more details.

Developments that involve a gut rehab of the building are not required to provide a PNA, but an assessment of the structural condition of the building is required as detailed below.

Structural Letter

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

Historic Approval

For proposals structured with historic tax credits, include information regarding the status of federal and state historic tax credit review for the property. Required information includes:

1. Historic Designation: 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

MHDC 2012 Developer's Guide

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.

2. State Historic Tax Credit Approval: copy of correspondence or other documentation proving the developer has discussed with DED the submission of the development for approval of state historic tax credits.

Be advised that MHDC may contact DED regarding the status of historic tax credit applications.

Sustainable Housing Information.

New construction proposals must utilize sustainable building techniques and materials to produce quality, affordable and healthy housing. All new construction applicants must provide documentation demonstrating how the development team and the property will achieve and maintain the green building standard to which they have committed. Green rating systems accepted by MHDC include Enterprise Green Communities, any of the current LEED rating systems and the NAHB National Green Building Standard. Any certification level of these systems is acceptable. The development team must indicate in the Development Characteristics Worksheet the rating system to which they are committing. New construction applications must also include:

1. The scope of the criteria and features being incorporated from the chosen green building rating system accompanied by the applicable checklist:
 - a. Enterprise Green Communities – Green Communities Criteria Checklist;
 - b. LEED – LEED Checklist;
 - c. NAHB National Green Building Standard – Designer's Report from the Green Building Scoring Tool;
2. Resumes for development team members with sustainable development experience, proof that at least one team member is a LEED AP®, LEED Green Associate™ or a Certified Green Professional™, and a thorough description of the developments they have worked on and their role in the process; and
3. A pre-development, development and operations plan explaining how sustainability will be achieved from design through construction and operations, including what education will be given to employees and residents of the development. The plan does not need to go into great detail, but it should make it clear that thought has been given to how sustainability will be addressed at each stage of the development process.

Successful cost-effective sustainable development requires considerable expertise and planning from the earliest stages of the development process. MHDC encourages developers to talk with the appropriate design professionals prior to submitting their application.

MHDC will verify at certain stages of the application and development process that any sustainable housing features promised are delivered. New construction developments must demonstrate at firm submission and at construction completion that the development has

MHDC 2012 Developer's Guide

been designed to meet certification under the chosen system, and should it continue with all the requirements for certification, could be certified. Formal verification that the property meets the green building standard performed by a certified third-party reviewer is welcome but not required. The development will be reviewed by MHDC inspectors to assure the development was constructed in accordance with the plans and specs as approved by MHDC. Failure to provide the sustainable housing promised at the time of application may result in the recapture of funding and will reflect poorly on future applications.

Relocation and Existing Multifamily Operations Data

Any forms or documents referenced in the Preliminary Financing Commitments Section may be accessed at the following link: www.mhdc.com/docs/a

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.

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.

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 being renovated or demolished as a part of the proposed application. Also provide a breakdown of the relocation expenses expected to be incurred which reflect the number used in the development budget of the FIN-100. If an identity of interest exists between a member of the development team and the firm hired to perform the relocation planning and execution, the profit for relocating tenants will be limited to a maximum of 20% of the relocation costs.

MHDC reserves the right to require a cost certification of relocation costs for any project that has a relocation expense. MHDC is likely to exercise this right when an identity of interest exists as described above.

GIN (General Information Notice)

Please provide a copy of the GIN required by the URA for application purposes. At the very least you must provide a copy of the proposed GIN to be distributed to tenants if funding is approved.

MHDC 2012 Developer's Guide

Acceptance of MHDC Relocation Policy

Include a signed statement that you have read and accepted the MHDC Relocation Policy.

Annual Financial Statements

Provide a copy of the annual financial statements of the property for the most recent three years. If the applicant is related to the current ownership entity, any financial statements that are unaudited must be accompanied by a certification from an authorized representative of the owner that the information is true and accurate to the best of their knowledge.

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. The homeownership plan proposed by the applicant is expected to mirror the structures described in the Homeownership Policy. Developers submitting a property proposing home ownership are required to opt out after the initial 15 year compliance period.

PHA Approved Utility Allowances

Any forms or documents referenced in the Preliminary Financing Commitments Section may be accessed at the following link: www.mhdc.com/docs/b

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. The utility allowance schedule must be dated within 12 months of the application due date. If the provided schedule is more than 12 months old, a letter from the issuing authority stating the included allowance is the most recent must be included.

Developer and General Partner Information

Any forms or documents referenced in the Preliminary Financing Commitments Section may be accessed at the following link: www.mhdc.com/docs/b

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/individual.

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.

MHDC 2012 Developer's Guide

FIN-107 Developer Qualifications

The purpose of this form is to illustrate the financial and operational capacity of the developer.

Developer Financial Statements

Financial statements for the developer entity and its principals must be sent or delivered under separate cover to the attention of the Director of Rental Production prior to the application deadline. Submitted audited financial statements must have been issued in the last twelve months. If the document provided is not an audited financial statement, it must be dated within the past 90 days and must be accompanied by a certification executed by an authorized representative of the entity or the principal stating that the statement is true and correct to the best of their knowledge.

FIN-105 Experience for General Partner(s)

If there is a general partner that is not an affiliate of the developer, a FIN-105 for that entity is required.

Management Company Information

Any forms or documents referenced in the Preliminary Financing Commitments Section may be accessed at the following link: www.mhdc.com/docs/b

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.

MHDC Form 2004-B Management Profile

The management profile must be completed for all management companies.

Sample Lease

Provide a copy of the sample form of lease intended to be utilized for the property and its residents.

Selection Criteria

While the housing priorities above list the types of housing that are of the most importance to MHDC, the selection criteria below indicate what factors are used in making funding recommendations for each application. 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

MHDC 2012 Developer's Guide

applications received, MHDC strives to apply the selection criteria in the most consistent and rational way possible.

Development Characteristics

The following characteristics will be reviewed closely:

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 given consideration with regard to the intended tenants include:

1. 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 list is not 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.
2. Individuals with mental illness.
3. Individuals on public housing waiting lists.
4. Tenant populations of individuals with children.
5. Youth aging out of foster care.
6. Developments serving the lowest-income tenants.
7. 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.

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 QAP and the mission of MHDC. Developments fall into at least one of the following types:

1. New construction
2. 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.

MHDC 2012 Developer's Guide

3. Acquisition/rehabilitation of existing housing. Acquisition/rehabilitation includes both preservation developments and any other housing development that features existing tenants.
4. Developments intended for eventual tenant ownership. For the purposes of this guide and the 2012 NOFA, the preference for developments intended for eventual tenant ownership applies exclusively to single-family homes.

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

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. Site reviews will consider:

1. Marketability;
2. Presence of environmental issues and concerns;
3. Neighborhood characteristics and land uses; and
4. Proximity to appropriate amenities and services.

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:

1. Access into and out of the site and parking for residents and employees;
2. Placement of buildings on the site;
3. Development amenities;
4. Type and quality of materials to be used;
5. Energy efficiency and overall sustainability;
6. Condition and suitability of structures being reused;
7. Scope of work for rehabilitation or renovation; and
8. Population-appropriate design features, for example, universal design features, common space, storage space, accessibility, adaptability, etc.

Market Characteristics

The following will be analyzed for each proposal:

Development Location

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

1. Location in a qualified census tract that will contribute to a concerted community revitalization plan;

MHDC 2012 Developer's Guide

2. Whether existing housing is used as part of a community revitalization plan;
3. Location in a community with demonstrated new employment opportunities and a proven need for workforce housing;
4. An area designated as a D.R.E.A.M Initiative community; or
5. Infill of existing stable neighborhoods.

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:

1. Number and growth of the intended tenant population in the market area;
2. Presence, condition, occupancy and comparability of other affordable housing developments in the market area;
3. Presence, condition, occupancy and comparability of market rate housing in the market area; and
4. Capture and penetration rates for the proposed development.

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.

Development Team Characteristics

The following development team members will be evaluated:

1. Developer
2. General Partner(s)
3. Management Agent
4. Syndicator(s)/Investor(s)
5. Contractor
6. Architect
7. 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:

1. Number of affordable developments completed;
2. Occupancy of developments owned and/or managed;
3. Number of developments in the planning and development stages;
4. Quality and condition of previously-completed developments;

MHDC 2012 Developer's Guide

5. Previous and outstanding compliance issues;
6. Performance of previously-completed developments; and
7. 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.

Feasibility

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

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.

Uses

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

Income

Rents should be appropriate for the market and affordable for the intended population. MHDC strongly encourages applicants to propose LIHTC rents which are at least 10% below market rents and are comparable with other LIHTC developments in the Primary Market Area (PMA). Other sources of income that are undocumented may not be used to determine feasibility or the size of MHDC debt.

Expenses

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

Long-Term Viability

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

MHDC 2012 Developer's Guide

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.

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. The strength and previous performance of all limited partner investors will be taken into consideration during the feasibility review.

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

Community Impact

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

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.

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.

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.

Application Underwriting Standards

Any forms or documents referenced in the Preliminary Financing Commitments Section may be accessed at the following link: www.mhdc.com/docs/a

MHDC 2012 Developer's Guide

In order to conduct the feasibility evaluation described above and 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.

Sources

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

Debt

All sources of debt, with the exception of MHDC debt, must have a commitment letter. Please see the application exhibit section above for more information.

1. **Debt Service Coverage:** All hard MHDC debt must show initial debt service coverage (DSC) between 1.20 and 2.00. If the DSC falls below 1.15 during the 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. If no explanation is provided for DSC ratios below the standards listed, MHDC will underwrite a debt-service reserve into the development. If a development does not have a loan or only has cash-flow contingent loans, the development must demonstrate that the ratio between income and expenses is greater than 1.00 for the entire 15-year compliance period. MHDC will not recommend a development for funding if the DSC is below 1.00 in any year during the compliance period.
2. **Interest Rate:** For MHDC debt the appropriate rate for the applicable funding source will be used. Please consult the latest MHDC term sheets for the appropriate rates on MHDC debt. For non-MHDC debt the interest rate described in the lender's preliminary commitment will be used. MHDC will not accept permanent loan interest rates that float or are reset during the first sixteen years of operations.
3. **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

If the loan is a HOME loan in second position during construction, the term will be equal to that of the first position construction loan. If the HOME loan is the

MHDC 2012 Developer's Guide

only construction loan, the term will be determined at firm commitment, but will generally not exceed 18 months.

If the loan is a participation loan the loan term will be 18 months. A development may request in their application a construction loan term of 24 months for participation loans. A 24-month term will increase the construction period interest rate. Such a request must be made in writing, and is most appropriately made in the development's narrative.

MHDC will require recourse on the entire construction loan during the construction period. Exceptions to this recourse may be granted for Non Profits and CHDO's.

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, it will have a 30-year term.

Non-MHDC debt will be underwritten with the term described in the preliminary commitment letter. MHDC will not accept any permanent loan term less than sixteen years.

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. The definition of "cash flow" and the priority of payment will be determined in the firm commitment. Non-MHDC loans will be underwritten with the amortization described in the preliminary commitment letter.

Deferred Developer Fee

In cases where MHDC is providing a loan 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 and will be allowed only in rare circumstances. It must be demonstrated that any developer fee can be paid back from cash flow. Preferably this repayment will take place within the first 10 years, but in no event can the repayment projection take longer than 15 years. MHDC reserves the right to reduce developer fee in order to facilitate developer fee repayment.

MHDC 2012 Developer's Guide

Equity

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 construction loan interest, relocation and bond-related costs. If you include 100% of these line items in eligible basis, you must provide a reason why or a calculation of how you arrived at 100% of the cost being eligible.

To calculate the maximum amount of credits for which the proposed development is eligible, utilize 9.00% for the 9% credit for developments placing in service prior to December 31, 2013. Use 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.

Developments located in a qualified census tract or difficult development area, as defined by HUD, are eligible for an increase in qualified basis of up to 30%. Additionally, 42(d)(5)(B)(v) of the Internal Revenue Code allows MHDC to establish other areas or development types eligible for an increase in qualified basis. For 2012 MHDC has established the following as eligible for the increase in qualified basis:

1. Preservation Priority: A 9% development that qualifies for the preservation priority is eligible for the basis increase. This increase should facilitate better rehab in both scope and quality than what could be accomplished without the increase. The increase is not intended to result in a higher acquisition cost.
2. Special Needs Housing Priority: A 9% development that is determined by MHDC in its sole discretion to meet both of the following criteria:
 - a. The proposal must successfully meet the definitions and requirements of the special needs housing priority as described above.
 - b. The proposal must demonstrate the property will incur direct costs in addition to costs covered by third parties in the provision of services to enhance the residential stability and independence of special needs residents.
3. Service-Enriched Housing Priority: A 9% development that is deemed to meet the requirements of the service-enriched housing priority, in the sole opinion of MHDC, is eligible for the basis increase. The services provided must be significant and available for the entire compliance period. Threshold requirements for qualification under the service-enriched housing priority and source and use considerations are outlined above.
4. Workforce Housing in a County Below Statewide Median Income: Developments located in counties that have a median income less than the 2011 statewide median income as established and published by HUD are eligible for the basis increase, provided that 20% of the total units in

MHDC 2012 Developer's Guide

the development are set aside for households between 60% and 80% of the area median income. The rents in the 60%-80% units should not be different than similar tax credit units in the development. The intent is to capture the households that are just over the tax credit income limits but who still have a need for quality affordable housing. The increase in qualified basis should off-set the reduced eligible basis generated by fewer tax credit units. The published income limits for each development's county still apply and must be used for determining resident eligibility.

5. Mixed-Use Economic Development Area: The development must be part of a larger mixed-use economic development area. For a development to qualify as part of a mixed-use economic development area, it must:
 - a. Be part of a mixed-use economic development area that includes different housing types for different household income levels, new retail/office/light industrial space that creates new permanent jobs, and new public space or activity centers designed for users of the area; or
 - b. Be part of a Transit Oriented Development ("TOD") plan.
 - c. MHDC in its sole discretion will determine whether an application meets the definition of a transit-oriented development ("TOD") for the purposes of being eligible for the 30% boost available to mixed use economic development areas. The following criteria will be considered in the determination of a development's ability to meet the definition of a TOD:
 - i. The development must be located within five blocks of a light rail transit stop.
 - ii. The master development plan must include a balanced mix of uses, providing residents the ability to live, work and shop in the same neighborhood.
 - iii. Transit service at the stop must be frequent (every 15-30 minutes).
 - iv. The transit service must offer increased mobility choices and good transit connections.
 - v. The master development must include significant retail development.
 - vi. The master development must include a mix of housing choices (rental and for-sale, affordable and market-rate).
 - vii. The development must include a mix of transportation choices including biking and walking.
6. MHDC will decide, in its sole discretion, what evidence and what types of development will qualify for the increase in qualified basis for mixed-use economic development areas. An important factor is that the MHDC development is not the only development taking place and that it will enhance the overall plan, rather than be the overall plan. It is expected

MHDC 2012 Developer's Guide

that the plan, of which the MHDC development is a part, contemplates the development of multiple buildings over an area of reasonable size. This will not apply to a singular structure, regardless of location.

Credit Pricing

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

A minimum of 10% of federal and state tax credit equity must be invested in the development at closing and again at 50% of construction completion if MHDC is providing a construction/permanent loan. If HUD is providing loan insurance, equity contributions must meet or exceed current HUD guidelines. Investors taking more than a de minimis share of ownership interest must provide a capital contribution in exchange for their share of federal tax credits.

MHDC will underwrite with a price floor of \$0.40 per credit on the state LIHTC. Given the changing landscape of the federal LIHTC equity market, MHDC will determine a reasonable floor for the federal tax credit at the time of application review. MHDC reserves the right to adjust and update how equity pricing is underwritten.

MHDC reserves the right to contact any person or entity providing a preliminary financing commitment for tax credit equity to discuss your development and/or their level of activity and/or interest in investing in Missouri.

Historic Credits

Please indicate on the FIN-100 whether a master tenant/lease pass-through 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. The pricing and amount of historic credit equity listed in the FIN-100 must be the net amount provided to the partnership, excluding special reserves and costs taken from the gross price for put and call options, syndicator bridge financing, etc.

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.

Uses

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

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

MHDC 2012 Developer's Guide

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 QAP are to be incorporated into the proposal. Developments that exceed the cost limits will be underwritten for MHDC tax credit and loan resources up to the amount necessary to finance 100% of the cost limits; filling the financing gap resulting from the excess costs is the responsibility of the developer.

Contractor Fees

MHDC will limit contractor fees to the following:

1. Aggregate Contractor Fees (defined as builder's profit, builder's overhead and general requirements) may not exceed 14% of total construction contract costs minus builder's profit, overhead, and general requirements. General requirements must include the cost of builder's risk insurance, permits, fees and all bonding costs.
2. Builder's profit may not exceed 6% of total construction contract costs minus builder's profit, overhead, and general requirements.

Bonding Costs and permit costs shall not be included in the calculation of contractor fee limits for general requirements, overhead and builder's profit.

Developer + Consultant Fees

MHDC will limit the fee to the developer and to consultants performing work typically completed by the developer. The following expenses must be paid through the developer fee:

1. Developer overhead, including but not limited to postage, copying costs, staff travel to site and meals;
2. Developer profit;
3. Costs incurred for the submission of applications in years prior to the round in which tax credits or loans were awarded;
4. Development consultant and credit consultant fees (not including historic preservation, environmental, green building or syndication consultants);
5. Real estate brokerage fees and loan brokerage fees paid to a related party; and
6. Compensation for any construction management oversight provided by the developer.

Please note that the developer fee approved at the time of conditional reservation will not be increased without commission approval.

MHDC 2012 Developer's Guide

New Construction Developments: are limited to the lesser of: (a) 15% of the first \$4,000,000 of total replacement costs plus 10% of any total replacement costs over \$4,000,000; or (b) the per-unit calculation from the chart below.

Acquisition/Rehab and Historic Preservation Developments: are limited to the lesser of: (a) 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, or (b) the per-unit calculation from the chart below.

| Total Units | Per Unit Limit |
|--------------------|-----------------------|
| First 40 Units | \$20,000 |
| Units 41-100 | \$17,500 |
| Units 101-150 | \$15,000 |
| Units 151+ | \$12,500 |

Example 1:

A 50-unit new construction deal with total replacement costs of \$8,250,000 would be eligible for the lesser of:

$$\text{Per Unit} = (40 \times \$20,000) + (10 \times \$17,500) = \$975,000$$

$$\text{Cost Calculation} = \$4,000,000 \times 15\% = \$600,000 + (\$4,250,000 \times 10\% = \$425,000) = \$1,025,000$$

Therefore, the maximum allowable developer + consulting fee = \$975,000

Example 2:

A 120-unit rehab deal with acquisition costs of \$3,000,000 and non-acquisition total replacement costs of \$4,200,000 would be eligible for the lesser of:

$$\text{Per Unit} = (40 \times \$20,000) + (60 \times \$17,500) + (20 \times \$15,000) = \$2,150,000$$

$$\text{Cost Calculation} = (\$2,000,000 \times 8\%) + (\$1,000,000 \times 6\%) + (\$4,000,000 \times 15\%) + (\$200,000 \times 10\%) = \$840,000$$

Therefore, the maximum eligible developer + consulting fee = \$840,000

Extra consideration will be given to developments that request developer fees below the maximum amount allowed.

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 and Permanent Loans: 1% of principal amount

HOME Loans: No fee is charged

Participation Loans - Construction: 0.75% of principal amount

MHDC 2012 Developer's Guide

Participation Loans - Permanent: 0.5% of principal amount

Risk Share (Tax-Exempt Bonds Only) 1% of principal amount

Construction Inspection Fee

MHDC will charge a fee to perform, or hire a third-party to perform, periodic inspections of the construction progress for all MHDC developments. The fee may vary depending on the length of the construction period. The fee will be determined at firm commitment and will be due at closing. For application purposes, use the following guideline to budget the MHDC construction inspection fee:

Construction Period Estimated Fee

1 – 12 months \$ 7,500

13 months or more 10,000

Appraisal Fee

MHDC will require an appraisal on all properties, with the exception of HOME CHDO properties, to confirm the fair market value of the land and improvements at acquisition, the market value at completion and stabilization using the restricted rents and the value of the proposed tax credits. MHDC shall order the appraisal and assess a fee of \$5,000 from the development at Conditional Reservation. The development will be either further assessed or refunded the difference if the actual cost of the appraisal is more or less than the fee collected. The appraisal fee is non-refundable once the appraisal services have been provided.

Construction Costs

Owners are required to pay at least federal prevailing wage to all laborers and mechanics employed in the construction of the development as determined and posted by the United States Department of Labor for the locality of the site and current within ten days of construction closing. The application construction budget must utilize the appropriate Davis-Bacon wage determination in effect at the time of application. For properties with four or fewer floors, use the “residential” decision. For properties with five or more floors, use the “building” decision. Wage determinations may be found at <http://www.access.gpo.gov/davisbacon/>.

Construction Loan Interest

The amount of construction loan interest calculated and the amount included in eligible basis should be carefully considered, and you should be able to explain how you arrived at it. MHDC will underwrite a reasonable construction loan into any application that shows tax credit equity as its only significant source during construction.

Contingency

The FIN 100 referenced in this section may be found at the following link:
www.mhdc.com/docs/b

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

MHDC 2012 Developer's Guide

an explanation for the variance. MHDC does not distinguish between hard cost contingency and soft cost contingency. If you have soft cost contingency that you feel does not belong in eligible basis, please make sure you show it that way on your FIN-100.

Tax Credit Fee

The fee will be equal to 7% of the annual federal tax credit amount awarded to the project.

Tax Credit Monitoring Fee

The fee is equal to \$300 per tax credit unit.

AHAP Fee

The AHAP fee is equal to 0.5% of the AHAP credit amount plus the \$100 application fee.

Syndication Costs

The FIN 100 referenced in this section may be found at the following link:

www.mhdc.com/docs/b

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.

Operating Reserve

The operating reserve must reflect at least six months of operating expenses and debt service. Amounts less than six months must be accompanied by an explanation.

Replacement Reserve

The initial replacement reserve should be for \$600 dollars per unit. Any other amounts require an explanation.

Debt-Service Reserve

If the development cannot maintain the debt-service requirements described above, a debt-service reserve in addition to the operating reserve will be required.

Other Uses

All uses will be examined for their reasonableness and may be questioned during the review of the application. You should be able to explain how you arrived at any particular line item, but it will be in the sole discretion of MHDC whether to accept an explanation or the cost for any line item. Any costs incurred for submission of tax credit applications in years prior to the development being awarded tax credits or loans shall be repayable to the developer only as part of the developer fee.

MHDC 2012 Developer's Guide

Income

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

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. MHDC would like to see a minimum 10% variance between tax credit and market rents. For properties which are located in an area where tax credit rents and market rents are the same, tax credit rents may not exceed the HUD Fair Market Rents. A preference in funding will be given to applications committing to maintain rents that provide the greatest discount to market rents while also committing to maintain the quality and the viability of the development.

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 may not be recognized for tax credit amount and/or loan sizing purposes.

Income Trending

For purposes of the 15-year pro forma MHDC will use a 2% inflation factor for all sources of income.

Vacancy

Family developments will be underwritten with a rental income vacancy factor of 7%. Elderly developments will use a rental income vacancy factor of 5%. Recognized commercial income may use a lower or higher vacancy rate depending on the type of income. MHDC will also look at how higher vacancy rates affect the development and what is the break-even vacancy rate. MHDC reserves the right to use higher vacancy rates than those shown above based on actual vacancy rates in the market.

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 demonstrating feasible yet reasonable expenses that will assure long-term operating stability and quality. The presence of a full-time manager is strongly encouraged.

Expense Trending

For purposes of the 15-year pro forma MHDC will use a 3% inflation factor for annual increases in operating expenses.

MHDC 2012 Developer's Guide

Replacement Reserves

MHDC requires all projects to 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.

Application Approval

Standards of Conduct

The MHDC Standards of Conduct adopted on July 31, 2009, contains the following requirements concerning contact with commissioners and staff during the application process:

Definitions:

Commissioner

All appointed and ex officio members of MHDC, including all proper designees of any member which are authorized to vote on behalf of the member they represent.

Competitive Matter

Any matter which shall be put to the Commission for a vote where two or more Interested Parties could benefit from an outcome of the Vote, including, but not limited to the award of any MHDC controlled or administered resources and any Commission approved contracts for services.

Director

The executive director of MHDC.

Disclosure Period

The period of time after an Interested Party submits a proposal, application, bid or response in a Competitive Matter.

Employee

The Director and all employees of MHDC.

Interested Party

Any person or entity (or anyone acting at their direction or on their behalf) who submits a proposal, application, bid or response to a solicitation, request, notice or invitation to do so vis-à-vis a Competitive Matter.

Quiet Period

The period consisting of seven days prior to a scheduled MHDC decision on a Competitive Matter.

MHDC 2012 Developer's Guide

Commissioners and Employees may at any time and for any legal purpose initiate contact with anyone, including Interested Parties or agents of Interested Parties, in the course of investigating any Competitive Matter.

If an Interested Party initiates communication, in any form, with a Commissioner or Employee regarding a Competitive Matter following submission of the Interested Party's proposal, application, bid or response, the Interested Party shall follow the following disclosure procedure: 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 MHDC staff 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 Interested Party.

During the Quiet Period, Interested Parties shall not initiate contact with Commissioners or Employees.

Failure to honor the provisions set forth herein regarding the Disclosure Period and/or Quiet Period shall result in the disqualification of the Interested Party's proposal, application, bid or response.

The complete version of the Standards of Conduct may be found on the MHDC website at http://www.mhdc.com/about/Standards_of_Conduct.

Commission Approval

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

At the approval meeting, the commissioners have the right to inquire further about the applications, to approve the list as recommended, or to add applications to or delete applications from the list. Following their approval of the final list of applications for LIHTCs, HOME, and/or other MHDC-administered 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 rescuing themselves from decision-making or action pertaining to the situation.

Community Housing Development Organizations

Pursuant to 24 C.F.R. §92.2, the U.S. Department of Housing and Urban Development ("HUD") has established specific criteria which an entity must satisfy in order to qualify as a CHDO. These criteria generally fall into three categories: (i) the entity's formation and

MHDC 2012 Developer's Guide

structure, (ii) the entity's relationship (if any) to for-profit entities and (iii) the entity's capacity to comply with and perform under HUD's HOME program.

Formation and Structure

In order to qualify for CHDO status, an entity must be validly incorporated under applicable State and/or local laws, and must be a non-profit corporation holding a tax exemption ruling from the Internal Revenue Service pursuant to either 501(c)(3) or (4) of the Internal Revenue Code of 1986. In addition, it must meet all of the following requirements, all of which must be clearly set forth in the entity's organizational documents:

1. No part of the non-profit corporation's net earnings may inure to the benefit of any of its members, founders, contributors or individuals related to the non-profit corporation.
2. The non-profit corporation must have, among its stated purposes set forth in its Articles of Incorporation, the "provision of safe, decent, affordable housing to low-income and moderate-income persons."
3. At least 1/3 of the non-profit corporation's Board of Directors must be comprised of residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations.
4. No more than 1/3 of the non-profit corporation's Board of Directors may be comprised of public sector officials/employees and/or appointed by board members who are public sector officials/employees.
5. The non-profit corporation must provide a formal process which allows low-income program beneficiaries to advise the corporation on its decisions regarding the design, siting, development, and management of affordable housing projects. The non-profit corporation's organizational documents should not only note the existence of such a process, but also provide a description of the process itself.

Relationship to For-Profit Entities

A CHDO may be sponsored or created by a for-profit entity. However, HUD places certain restrictions on the relationship that may exist between the non-profit corporation and the related for-profit entity. Specifically, the following restrictions apply:

1. The non-profit corporation must not be controlled by, nor under the direction of, any individual or entity that seeks to attain monetary profit or any other gain from the non-profit corporation.
2. The for-profit entity must not have among its stated purposes the development or management of housing. Therefore, non-profit corporations sponsored or created by entities such as contractors, housing developers and real estate management firms would not qualify for CHDO status.
3. The for-profit entity cannot have the power to appoint more than 1/3 of the non-profit corporation's Board of Directors, and the directors appointed by the for-profit entity are prohibited from having the authority to appoint any of the

MHDC 2012 Developer's Guide

director positions comprising the other 2/3 of the board of the non-profit corporation.

4. The non-profit corporation must be completely free to contract for goods and services from vendors of its own choosing.

Capacity/Compliance

In order to qualify as a CHDO, the non-profit corporation must be able to demonstrate its ability to comply with all HOME rules, as well as the capacity to successfully develop low-income housing. Specifically, there are three components that each non-profit corporation must be able to demonstrate:

1. First, the non-profit corporation must be able to demonstrate a general capacity to carry out activities for which the HOME program was created. Under HUD's HOME regulations, this capacity may be demonstrated by various means, including, but not limited to:
 - a. Hiring experienced key staff members who have a proven track record of successfully developing low-income housing projects (particularly under the HOME program); or
 - b. Engaging a consultant with a proven track record of successfully developing low-income housing projects (particularly under the HOME program) along with a plan detailing how appropriate key staff members of the non-profit corporation will be adequately trained to successfully develop low-income housing.
2. Second, the non-profit corporation must demonstrate that it has a history of serving the community in which it intends to develop housing assisted with HOME funds. Usually, the non-profit corporation must show that it has served the community in question for at least one (1) year before HOME funds will be allocated to it. However, exceptions for newly created non-profit corporations seeking CHDO status may be granted where the non-profit corporation is formed by a local church, service organization or neighborhood organization and the parent entity (e.g. local church, service organization or neighborhood organization) has a history of serving the local community for at least one (1) year.
3. Third, the non-profit corporation must demonstrate that utilizes appropriate accounting methods and controls. Specifically, the non-profit corporation's standards of financial accountability must conform to those set forth in 24 C.F.R. §84.21.

MHDC Certification Requirements

Any forms or documents referenced in the MHDC Certification Requirements Section may be accessed at the following link: www.mhdc.com/docs/b

In order to obtain certification as a CHDO from MHDC, a non-profit corporation must submit a CHDO application to MHDC for its review. The application package must include a completed MHDC CHDO Certification/Recertification Form (Form CHDO R100) along with all of the following supporting documentation:

MHDC 2012 Developer's Guide

1. A copy of the Articles of Incorporation for the non-profit corporation. The copy provided should be a copy of the fully executed Articles filed with the Missouri Secretary of State.
2. A copy of the non-profits By-Laws. The copy provided should be signed by the non-profit corporations Secretary and certified as being the most current version of the By-Laws approved by the non-profit corporation's Board of Directors.
3. A Certificate of Good Standing from the Missouri Secretary of State for the non-profit corporation. The Certificate of Good Standing must be dated within thirty (30) days of the date the CHDO application was submitted to MHDC.
4. A copy of the non-profit corporation's tax exemption ruling from the IRS (i.e. letter from the IRS evidencing the non-profit's 501(c)(3) or 501(c)(4) status).
5. Copies of the non-profit corporation's most current financial documentation, including:
 - a. Its current annual operating and capital budget;
 - b. Its current statement of income and expenses;
 - c. Its current budget variance report; and
 - d. Its most current annual audit(s) (if the non-profit applying for CHDO status is a first time applicant or more than two years has lapsed since the non-profit last applied for and received CHDO designation, then the non-profit must provide copies of its most recent three (3) years of annual audits; however, if the non-profit has applied for and received CHDO status from MHDC within the last two fiscal years, then the non-profit need only supply its most recent annual audit).
6. Evidence that the non-profit corporation's accounting processes and procedures maintain compliance with the requirements set forth under 24 C.F.R. §84.21. The evidence of such compliance may consist of either of the following:
 - a. A letter from the Certified Public Accountant performing the non-profit corporation's audit which certifies that the non-profit corporation is in compliance with 24 C.F.R. §84.21; or
 - b. A signed and notarized statement from the President, Executive Director or Chief Financial Officer of the non-profit corporation attesting his/her belief that the non-profit corporation complies with the rules and requirements of 24 C.F.R. §84.21, along with a completed financial questionnaire in the form required by MHDC. If this form of evidencing compliance with 24 C.F.R. §84.21 is utilized, MHDC will review the questionnaire and all supporting documentation and will determine in its sole discretion whether the non-profit corporation has adequately evidenced its compliance with 24 C.F.R. §84.21.
7. A copy of the non-profit corporation's current organizational chart.
8. A copy of the non-profit corporation's current list of Board members (clearly noting the sector each Board member represents).
9. A list of all paid staff members of the non-profit corporation.

MHDC 2012 Developer's Guide

10. Copies of resumes and job descriptions describing the experience of all key staff members of the non-profit corporation.
11. A copy of the non-profit corporation's most recent strategic plan.

Once MHDC has reviewed all required documentation, the applying non-profit corporation will be notified by MHDC staff as to whether it has successfully qualified for CHDO designation or whether there are inadequacies in its application. No loans or tax credits allocated by MHDC to a development, which allocation is predicated on the non-profit corporation's ability to qualify as a CHDO, may be closed or funded until MHDC has designated the non-profit corporation as a valid CHDO.

Construction Phase

Any forms or documents referenced in the Construction Phase Section may be accessed at the following link: www.mhdc.com/docs/a

The Construction Phase of a property development begins with a Notice to Proceed, issued by the Owner to the Contractor, indicating that all the pre-construction requirements have been met by the Development Team. MHDC requires that a copy of the properly executed Notice to Proceed be provided to Missouri Housing Development Commission's office. The MHDC designated project Construction Inspector is a convenient conduit for such communication.

Construction shall be in accordance with the approved Drawings and Specifications which have been prepared by the project's Architect of Record and approved by MHDC and any local governing agencies. The Drawings and Specifications and subsequent work shall always comply with local building codes, zoning ordinances, and other government regulations. Copies of permits which the Contractor has obtained for the work must be provided to MHDC.

Any changes in the construction requirements of these documents must be presented for consideration on an AIA Document G701 (Change Order). After review of the proposed changes, this Change Order must be signed by the Architect, the Contractor, the Owner, and initialed or signed by MHDC's Construction Inspector before it will be considered a Contract Change in Cost or Time. Absolutely no work to which the change order pertains will be allowed to begin prior to the proper execution and approval of that particular Change Order.

Any changes in the Line Items of the Schedule of Values as they appear on FIN 115 must also be accompanied by a properly executed (as indicated above) G701, showing how each and every Line Item will be changed if the change order is approved. Because this Change Order does not affect the total cost of the project, it is referred to as a "Zero Cost Change Order." This request may be submitted as a part of any other Change Order or as a standalone document, but it must be approved and executed by the four parties as with a Change Order for Cost increases/decrease or Time increases/decreases.

During the course of construction, everyone entering or working on the project work site must strictly adhere to the standards set by the Occupational Safety and Health Act (OSHA) and its latest revisions. (See section "Worksite Safety and OSHA Training" in this Guide.) Everyone performing work on the job must have an OSHA-10 card, showing successful completion in a 10-hour training program.

MHDC 2012 Developer's Guide

Pre-Construction Conferences

Before any actual physical work can be performed on the property development, MHDC requires that a Pre-Construction Conference take place. Although certain elements of the construction phase are requirements of Missouri Housing Commission Development (MHDC) and should be included on the agenda, most successful Pre-Construction Conferences are guided and scheduled by the General Contractor.

Construction Loan Disbursements

Any forms or documents referenced in the Construction Loan Disbursements Section may be accessed at the following link: www.mhdc.com/docs/a

Requesting the Initial Advance of Mortgage Proceeds

The initial Advance of Mortgage Proceeds must be submitted seven working days prior to the date of the initial loan closing, and should include the following:

1. Two originals of the Application for Advance of Mortgage Proceeds (MHDC Form 2420 or if bond financing, MHDC Form 2420-2),
2. Two originals of the Application and Certification for Payment (AIA Document G702-1992™)
3. Two originals of the Continuation Sheet (AIA Document G703-1992™) which must match the FIN-115 submitted with firm submission
4. Copies of all paid receipts and/or invoices to support the request
5. Contractor list (MHDC Form 2502) with all appropriate columns completed
6. Copies of all subcontracts, if any have been signed as of Request submission date
7. Copies of all bids, if not previously submitted

Please include all documentation to support the requested disbursement. All documents must be complete and be signed with blue ink. Incomplete documents may be returned to the mortgagor for completion.

Requesting Advance of Mortgage Proceeds During Construction

The Advance of Mortgage Proceeds must be submitted to Missouri Housing Development Commission, Attn: Construction Disbursements, 3435 Broadway, Kansas City, Mo. 64111, and should include the following:

1. Two originals of the Application for Advance of Mortgage Proceeds (MHDC Form 2420 or if bond financing, MHDC Form 2420-2)
2. Updated construction Disbursement Schedule (MHDC Form 2430) reflecting the current actual costs along with any revised projects of future payment requests including the architect' fee for supervision
3. Two originals of the approved Contractor's Advance Form 2440 reflecting the builder's overhead, general conditions and profit in an amount not to exceed the percentage of completion

MHDC 2012 Developer's Guide

4. Two originals of the Application and Certification for Payment (AIA Document G702-1992™)
5. Two originals of the Continuation Sheet (AIA Document G703-1992™) which must match the Contractor's/Mortgagor's Cost Breakdown MHDC Form FIN-115 submitted with firm submission
6. Two originals of the Change Order (AIA Document G701-2001™)
7. Copies of all paid receipts and/or invoices to support the request
8. Contractor's Prevailing Wage Certificate (MHDC Form 2450)
9. Contractor list (MHDC Form 2502) with all appropriate columns completed
10. Copies of any subcontracts not previously submitted
11. Copy of a current certificate of good standing issued by the Missouri Secretary of State's office for the general contractor and all subcontractors (one time submission)

All documents must be complete and be signed with blue ink. Incomplete documents may be returned to the mortgagor for completion. MHDC will not release any funds until the MHDC construction inspector has approved the request.

Processing the Advance of Mortgage Proceeds During Construction

If the Request and all supporting documentation are complete, MHDC will begin its review. Once MHDC approves the Request, it will fund the draw. MHDC strives to disburse all draws no later than five working days from the date the complete request package is received. In the event HOME funds or loan funds from a participating lender are being disbursed, it could take up to seven to ten working days to complete the disbursement. MHDC will send to the title company the disbursement package which will include the following:

1. Letter of instructions
2. Application of Mortgage Proceeds Form 2420 approved by MHDC
3. Disbursement Schedule Form 2430 approved by MHDC
4. Contractor's Advance Form 2440 approved by MHDC
5. Supporting documentation
6. MHDC's funding check or documentation showing information for a wire transfer of funds

MHDC will also send a copy Form 2420, Form 2430, Form 2440 and the letter of instructions to the mortgagor, general contractor and the architect.

Construction Retainage

Subject to the approval of MHDC, the contractor shall be entitled to payment of an amount equal to the total value of classes of work acceptably completed; plus, the value of materials and equipment incorporated in the work; less a 10% holdback or "retainage" (or acceptable substitute security as required by RSMo. §436.306-309) and less prior payments. There will be no retainage on bond fees, permit fees, or stored materials. When construction of the

MHDC 2012 Developer's Guide

development reaches 50%, and if there is no identity of interest between the mortgagor and the general contractor, the retainage may be reduced to 5% of the construction costs, if so approved by MHDC staff and the owner. The remainder of the retainage will be released upon MHDC's receipt and approval of all required due diligence to convert construction loan to permanent status and issue 8609s, if applicable.

Stored Materials

Stored materials must be approved by MHDC staff. Stored materials must be stored in a secure, bonded warehouse or on-site trailer with the appropriate insurance and/or security.

Change Orders

Any adjustments made to previously approved Contractor's/Mortgagor's Cost Breakdown Form 115, the construction contract, or line items must be made by a Change Order AIA Document G701™-2001 "Change Order". Please submit two Change Orders with original signatures in blue ink, along with copies of drawings, specifications or other supporting documentation.

Savings in line items after the final advance of mortgage proceeds is calculated will not be advanced to the mortgagor. At the discretion of MHDC, any savings in line items may result in a reduction of tax credits or the mortgage note amount. HOME program regulations require any undisbursed funds be returned to HUD.

Escrows

Escrows held by MHDC require the submission of a Request for Release of Escrow Funds Form 2460. Please submit two of the completed Form 2460 with original signatures in blue ink along with any supporting documentation to substantiate the release of the escrow.

Requesting the Final Advance of Mortgage Proceeds

The final Advance of Mortgage Proceeds must be submitted to Missouri Housing Development Commission, Attn: Construction Disbursements, 3435 Broadway, Kansas City, Mo. 64111, and should include the following:

1. Two originals of the Application for Advance of Mortgage Proceeds (MHDC Form 2420 or if bond financing, MHDC Form 2420-2),
2. Application and Certification for Payment (AIA Document G702-1992™),
3. Continuation Sheet (AIA Document G703-1992™)
4. Copies of all paid receipts and/or invoices to support the request
5. Escrow funds

Please include all documentation to support the requested disbursement. All documents must be complete and be signed with blue ink. Incomplete documents may be returned to the mortgagor for completion.

MHDC 2012 Developer's Guide

Latent Defects

MHDC requires the general contractor to escrow a sum equal to 2.5% of the construction contract for a period of time to ensure any faulty construction will be cured. This can be accomplished by submitting a letter of credit for said sum, or by reducing an existing letter of credit placed in escrow for completion assurance to the 2.5% at the time the MHDC construction loan converts to permanent status. The latent defect escrow will be held for 15 months from the date of substantial completion, which date is established by the architect, owner and general contractor and approved by MHDC. During the 15 month period, an MHDC inspector will visit the property and any findings will be reported in writing. If there are no findings, the inspector will authorize the release of the latent defect escrow. Please refer to the Design/Construction Compliance Guidelines MHDC Form 1200, Exhibit F for additional information pertaining to latent defect period.

Forms

Application for Advance of Mortgage Proceeds 2420

Application for Advance of Mortgage Proceeds (bond financing) 2420-2

Disbursement Schedule MHDC Form 2430

Contractor's Advance MHDC Form 2440

Contractor's Prevailing Wage Certificate 2450

Release of Escrow Funds MHDC Form 2460

Contractor List 2502

Change Order AIA Document G701™-2001

Application and Certification for Payment AIA Document G702-1992™

Continuation Sheet AIA Document G703-1992

Homeownership

The Commission is dedicated to strengthening communities and the lives of Missourians through the financing, development and preservation of affordable housing. It is through the combined efforts of the Commission and our numerous partners in housing that we are able to supply citizens of Missouri safe, decent, and affordable homes. Homeownership has long been considered the foundation of the house of financial stability as well as the most important achievement in the quest for the American dream. Section 42 of the IRS Code supports homeownership opportunities for residents of single-family low-income housing rental developments by allowing the owners to sell the homes to the residents following the completion of the IRS' initial compliance period. Converting Low Income Housing Tax Credit rental properties into single-family homeownership properties can prove to be beneficial to both resident and owner. The opportunity of homeownership has proven to be a major incentive to residents. This incentive allows the resident the potential of homeownership which might otherwise be out of reach, as well as encouraging them to remain in place, adhere to the lease, and care for the condition of their future home. MHDC has established the Homeownership Policy to guide developers and owners in the planning, development, and eventual conversion of rental/homeownership developments.

MHDC 2012 Developer's Guide

This guide details rules that must be adhered to when converting Low Income Housing Tax Credit ("LIHTC") rental properties into Single Family Homeownership properties at the end of the 15-year LIHTC Initial Compliance Period. Additional restrictions may apply depending upon what other type of financing is involved in the project. Developers and owners of affordable single-family rental developments who wish to convert the properties into homeownership opportunities for the residents must establish a plan for the timing and terms of sales to residents and qualified low-income households at the end of the Initial Compliance Period ("Homeownership Commitment"). Each and every Homeownership Commitment will differ. MHDC realizes that there are many options for determining the sales price besides what are outlined in this document and encourages the use of creativity within the Homeownership Commitment. Above all, a homeownership plan developed by an owner must remain true to the tax credit program by ensuring that the opportunity for homeownership is directed at low-income households at an affordable price. The Homeownership Commitment must be proposed at application, approved by MHDC at firm commitment, recorded with the Land Use Restriction Agreement ("LURA"), and attached to each resident lease.

The following issues apply to and must be addressed in each Homeownership Commitment and in the implementation of the conversion for all single-family rental/homeownership developments proposed with the FY2008 NOFA and thereafter and all Homeownership Commitments filed after the date of this document.

1. Any project that is submitted and reviewed by the Commission as a Single Family Homeownership project is prohibited from requesting a qualified contract at the end of the initial compliance period. In other words, the owner will not be allowed to "opt-out" of the project at the end of the LIHTC Initial Compliance Period. This period is assigned on a building-by-building basis and begins with the first year that the credits are claimed. The LIHTC Initial Compliance Period ends on December 31 of the 15th year of the period for that particular building.
2. Before offering a Right of First Refusal ("RFR") to any resident, the project must have fully completed the LIHTC Initial Compliance Period on ALL units. This will avoid confusion by allowing the owner, residents and MHDC to all be on the same time table.
3. Owners must ensure that the purchase price of each home complies with the minimum purchase price required in Section 42(i)(7)(B) of the Code ("Minimum Price") and defined as an amount equal to the sum of the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the residents) and all Federal, State, and local taxes attributable to such sale.
4. To preserve affordability, MHDC is setting the maximum sales price to be an amount such that the monthly housing payment of principal, interest, property taxes, and property and mortgage insurance ("PITI") plus tenant-paid utilities does not exceed the maximum LIHTC rent based upon bedroom size [assuming a 95% mortgage, 30-year amortization, interest rate equivalent to MHDC's First Place loan program, and typical insurance premium available to low-income households] less a 1% discount for each year the resident has leased the unit ("Maximum Price").
5. The sales price may be determined by a number of methods, but it must be crafted with the intention of being affordable to low-income households at the time of

MHDC 2012 Developer's Guide

conversion. A discount off the sales prices for years of tenancy is highly encouraged. The chosen method must be established in the Homeownership Commitment and must result in a sales price which is not less than the Minimum Price and not more than the Maximum Price. Several illustrative methods for setting the sales price are described below.

6. The owner will offer the RFR within 12 months of the end of their LIHTC Initial Compliance Period. This will be a set date and will not be able to be changed because of market conditions, high interest rates, or other factors which affect the salability of the houses. MHDC will call this date the "Conversion Date".
7. Each lease will contain an addendum to the lease. Within this addendum will be a copy of the Homeownership Commitment. Because it is important for the residents to be aware of the Conversion Date so that they know when the houses will be offered for sale to them, the Conversion Date must be referenced in this addendum to the lease. The Homeownership Commitment should also define the term "Right of First Refusal". Because homes will only be offered to residents in good standing, the Homeownership Commitment should also define the term "good standing". The owner does not have to outline specific discounts that will be offered to the resident as related to the sales price of the homes. However, they should in general terms indicate their plan for pricing the homes. The addendum should also state that the homes cannot be sold at a price lower than the minimum sales price as set forth in Section 42(i)(7)(B) of the Code.
8. The owner will provide information about homeownership training to the resident by way of a notice or a brochure. The owner will begin providing referral information about homeownership training or actual training to residents 5 years before the Conversion Date. The developer will have an agent or plan with a homebuyer credit counselor (this will usually be in the form of a nonprofit agency). This information must be provided to the resident in an addendum to the lease for all properties leased after the date which is 5 years prior to the Conversion Date.
9. The owner should address the issue of how potential homeowners will be educated concerning home maintenance. Several suggestions are: have the property maintenance person work with potential homeowners while doing routine maintenance and minor repairs to units; enlist the help of nonprofit organizations which promote homeownership opportunities.
10. The owner must distribute to all residents, 1 year before the offering of the RFR, information detailing the dates, timeline and information that is contained within the Homeownership Agreement.
11. Each resident will be given up to 6 months after the Conversion Date to decide whether or not to accept the RFR offer from the owner. Any resident who is in "good standing" at the time of the offering of the RFR shall have the right to exercise the RFR. The resident will exercise their RFR by tendering an offer to buy the property. Within this offer there should be a date set for closing.
12. After this 6 month period mentioned in #11 above, the owner has several options in reference to any unsold units:
 - a. The owner can choose to sell the remaining units of the project to a nonprofit partner or another entity that will continue to operate the units as

MHDC 2012 Developer's Guide

- affordable housing in accordance with the LURA. The sale must include 100% of the remaining rental units, not a portion thereof.
- b. The owner can choose to maintain the remaining units of the project as rental units, adhering to all MHDC Extended Use Period guidelines. The remaining units after this initial 6 month selling period may at any time be offered for sale to the current or subsequent qualified residents.
 - c. The owner can offer vacant units for sale to a buyer whose household income does not exceed 80% of the area median income. A potential purchaser who qualifies under this income restriction is not required to lease the unit before they purchase it.
13. At the sale of each home, MHDC will execute a partial release of the Low-Income Housing LURA for that property.
 14. If MHDC holds the mortgage, the owner shall contact MHDC's Loan Servicing department just prior to the Conversion Date to determine the payoff amount for the sale of each home. The required payoff will be calculated over 75% of the homes in the project in order to accelerate the pay down and potentially ease the burden on any remaining unsold homes. The owner can then utilize this figure in calculating the minimum sales price of the home according to Section 42(i)(7)(B) of the Code.
 15. The payoff amount for each home will be equal to the principal balance of the loan as of the conversion date divided by .75 divided by the number of homes in the project. The title company assisting in the transaction must contact MHDC's Loan Servicing department for the payoff prior to the sale of the home and transfer the payoff to MHDC as part of the closing transaction. The loan will be re-amortized following each pay down. An example would be:
 16. The principal balance of a loan on the conversion date of a project is \$500,000. There are 30 homes in the project. The required payoff per home sold would be \$22,222.22 ($\$500,000 / .75 / 30$). If the owner sells and closes on 12 homes in the 5th month following the initial RFR, MHDC will receive a total pay down of \$266,666.64 ($12 \times \$22,222.22$) from the 12 closing transactions. The loan will then be re-amortized based upon the \$266,666.64 pay down. If then in the 10th month following the initial RFR, the owner closes on 3 more homes, MHDC shall receive a total pay down in the amount of \$66,666.66 ($3 \times \$22,222.22$) and re-amortize the mortgage accordingly.
 17. As each home sells and contributes the required pay down of the mortgage, MHDC will execute a partial release of the deed of trust for that home. If full repayment of the loan occurs, the deed of trust will be released for all remaining unsold homes.
 18. Each house that is to be sold to a resident under the RFR must pass a Housing Quality Standards ("HQS") inspection. It must also undergo a physical needs assessment performed by an MHDC approved inspector following MHDC prescribed standards. Any deficiencies described in the physical needs assessment must be addressed by the owner before the Conversion Date. The HQS inspection and/or physical needs assessment cannot be used in place of subsequent inspections.
 19. The owner should address the issue of replacement reserves in the Homeownership Plan. MHDC intends that any excess reserves after repairs and replacements, as determined on a pro rata portion for the unit(s) at the time of sale, will benefit the

MHDC 2012 Developer's Guide

- project and the new homeowner. Several suggestions are: put the unused pro rata portion of the reserves into an account to be used by the neighborhood homeowner's association; use the unused pro rata portion of the reserves for additional down payment assistance to the homeowner; discount the sales price by an amount equal to the unused pro rata portion of the reserve amount; establish a reserve account for the new homeowner from the pro rata portion of the reserve amount.
20. The buyer must also agree to occupy the home as their principal residence.
 21. If the current resident refuses to buy the property or is unable to buy the property, they cannot be asked at any time to vacate the property except for reasons specified in their lease.
 22. A resident in good standing may not be relocated or evicted to expedite the sale of a unit. When renting a unit, a possible resident may not be discriminated against because they do not wish to purchase the unit they are requesting tenancy in.
 23. If a household has had an increase in income since moving into the property, this will not disqualify them from buying the property. They will not be considered over income. If a household qualifies to move into the unit as a resident, they are income qualified as a potential buyer (an exception to this occurs if HOME funds are involved – see below).
 24. In order to assure that all parties are prepared to begin selling the homes as outlined in the homeownership agreement, the owner will meet with staff at MHDC in the 14th compliance year to discuss the above items along with any other topics deemed necessary at the time. The owner must contact MHDC's Asset Management department to begin this process.
 25. The ownership entity may offer the first right of refusal to the nonprofit partner at the end of the Initial Compliance Period, with the nonprofit commencing sales of the units to the residents and qualified buyers thereafter if the following requirements have been met:
 - a. The limited partnership agreement or operating agreement governing the ownership entity has granted a first right of refusal to the nonprofit partner or member;
 - b. The nonprofit entity is a qualified nonprofit for purposes of the LIHTC program, that is, it is a tax-exempt organization formed with the express purpose of fostering affordable housing, is not controlled by a for-profit entity or subsidiary, and has been materially involved in the operations of the development;
 - c. The nonprofit has filed a Homeownership Commitment that has been approved by MHDC, recorded with the LURA, and attached to resident leases; and
 - d. The nonprofit transacts the sales of the homes under the terms of the MHDC-approved Homeownership Commitment and follows all MHDC rules and guidelines applicable to homeownership conversion when the right of first refusal is offered to the residents.

MHDC 2012 Developer's Guide

Determining Sales Price

In order to extend the opportunity for homeownership to existing tax credit residents, the houses must be affordable for people who are at or below 60% of median income for the area.

Residents who buy the houses should be able to replace their rent payment with a house payment which is comparable to what they were paying in rent. This is considered the "Equivalency Principle". To achieve maximum affordability, the monthly mortgage payment including principal, interest, property taxes, property and mortgage insurance (PITI) should not significantly exceed the monthly rents in Year 15. As stated previously, the sales price of the homes to existing residents or qualified buyers must fall between the Minimum Price and Maximum Price defined above.

Listed below and discussed are three possible options for determining the sales price of the property as of the Conversion Date.

Existing Obligation plus Profit

Section 42(i)(7)(B) of the Code defines the minimum purchase price for a LIHTC property at the end of its LIHTC Initial Compliance Period to be the sum of (i) the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of sale) and (ii) all Federal, State, and local taxes attributable to such sale. We also understand that the property will need to have repairs done to it before it is sold and the developer will desire a profit from each sale.

MHDC has taken the above into consideration and suggest the property may be sold for the following amount: [(((the payoff of the entire note) + Exit Taxes + Amount to make any and all repairs deemed necessary to bring the building up to excellent condition)/# of units in the project) + (An amount of profit the owner chooses to add for the sale of each home)]. The resident will then receive a discount off the sales price for each year they have occupied a property within the project, specified by the owner.

Sample assumptions:

15-home development

Remaining mortgage of \$200,000

Exit taxes estimated by limited partner at \$150,000

Repairs necessary = \$180,000 (in addition to replacement reserves)

Profit requested by owner = \$20,000/home

Resident discount = 1% per year of tenancy

A resident who has rented the home for 7 years would pay a purchase price of \$51,460 or $\frac{(\$200,000 + \$150,000 + \$180,000)}{15} + \$20,000 \times 93\%$

Equivalency Principle Approach

The following procedure will occur on the Conversion Date and will be used to decide the sales price for the houses. This price will be used as the sales price for all

MHDC 2012 Developer's Guide

the houses until all the houses are sold regardless of the income level of the buyer. The sales price will be determined using the following guidelines based on a monthly housing payment equal to the current rent being charged for the units assuming a 95% mortgage, 30-year amortization, and an interest rate equal to that used by the MHDC First Place program. Existing residents are offered a 1% discount for each year of tenancy.

1. Current monthly rent = \$550
2. For argument sake, insurance and taxes = \$150 per month
3. Mortgage payment is then = \$400 per month
4. Using an estimated MHDC MRB interest rate = 6.3%, the mortgage amount would be \$64,623
5. Assuming a 95% mortgage, the sales price would be \$68,024
6. If the resident leased the unit for four years, a 4% discount would reduce the sales price to \$65,303

Maximum Price Approach

The following application of the Maximum Price calculation will be based on the maximum LIHTC rent in affect at the time the home is sold regardless of the income level of the buyer. The sales price will be determined using an amount such that the monthly PITI payment plus tenant-paid utilities does not exceed the maximum LIHTC rent based upon bedroom size [assuming a 95% mortgage, 30-year amortization, interest rate equivalent to MHDC's First Place loan program, and typical insurance premium available to low-income households] less a 1% discount for each year the resident has leased the unit.

An example would be:

1. Current maximum LIHTC rent for a 3-bedroom house in Springfield = \$801
2. For argument sake, insurance and taxes = \$150.00 per month; tenant-paid utilities = \$125 per month
3. This allows for a total of \$526 P&I that this family can afford/qualify per month for a house payment with a 30-year term
4. First place program MRB rate is 6.3%
5. The maximum loan amount would then be \$84,980
6. Assuming a 95% mortgage, the sales price would be \$89,452
7. If the buyer happens to be a resident who has lived in the project for 4 years, they would receive a 4% discount off the \$89,452 figure for a sales price of \$85,874.

Additional HOME Rules

HOME funds utilized for new construction rental housing carry an affordability period of 20 years. The affordability period includes income and rent restrictions which are set forth in a Regulatory Agreement. HOME regulations allow for rental units to be sold during the affordability period, but the following rules apply for units that are designated as HOME-

MHDC 2012 Developer's Guide

assisted units. These regulations are in addition to the rules listed at the beginning of this document:

1. During the affordability period, all purchasers of HOME-assisted units must have a household income that is at or below 80% of area median income. This includes both resident purchasers and any subsequent purchasers involved in a resale transaction. The actual income limit is dependent on the household size and the area in which the property is located.
2. For the term of the affordability period, some type of deed restriction will need to be recorded against the property to help assure that the new homeowner adheres to HOME rules throughout the affordability period. This will be put in place by the original owner. This document will expire on the date the original HOME compliance period for the project ends. This deed restriction should address resale provisions associated with the unit. Although the resident purchaser must adhere to these deed restrictions, the original owner is ultimately responsible for compliance with the HOME rules and regulations. The deed restrictions may outline repayment terms by the resident purchaser if the home is sold to someone who does not income qualify under HOME rules. Violations of affordability restrictions may result in recapture of a pro rata portion of the funds by HUD, at which time MHDC will look to the seller's repayment and the original owner to provide the amount of recapture requested.
3. The owner must be involved with future resale of the units, specifically, in qualifying the incomes of subsequent purchasers and reporting to MHDC compliance with regulations regarding the resale of units occurring during the 20-year affordability period.
4. The housing must be considered modest in that the purchase price for the type of single-family housing does not exceed 95% of the median purchase price for the area.
5. The sales price must be affordable to the purchaser. MHDC defines affordability as a transaction in which no more 35% of the purchaser's income may be used to pay monthly PITI payments.
6. The initial homeowner who sells the unit during the affordability period must receive a "fair return" defined by MHDC as the return of the homeowner's initial investment.
7. The buyer(s) must occupy the property as their principal residence and must occupy such property as their principal residence for no less than 11 months of each calendar year. It cannot be rented during the affordability period.
8. The only exception to the 20-year term of the affordability period is if the homebuyer receives HOME funds directly as down payment assistance or subordinate financing. In that case, the affordability period associated with the direct subsidy to the homebuyer commences and the 20-year period associated with the development subsidy (from the initial construction of the property) is terminated. MHDC does not currently offer HOME for purchase assistance, and if it did, it cannot be targeted only to residents of specific developments. The owner may wish to help its residents obtain direct HOME subsidies from Participating Jurisdictions in order to ease the restrictions on the homebuyer, but the availability of funds in the future is something that cannot be completely assured.

MHDC 2012 Developer's Guide

Workforce Eligibility

Policy

Any forms or documents referenced in the Workforce Eligibility Section may be accessed at the following link: www.mhdc.com/docs/a

The MHDC Workforce Eligibility policy was adopted by the Board of Commissioners on September 17, 2010, and reads as follows:

The Missouri Housing Development Commission ("MHDC") hereby establishes a workforce eligibility policy. This policy replaces any and all prior MHDC policies regarding workforce eligibility, including the Workforce Eligibility Policy (passed on March 17, 2006), the Policy for Bond Financed Multifamily Developments (passed on May 2, 2006), the Workforce Eligibility Policy clarification memorandum (passed on November 17, 2007) and all Workforce Compliance Handbooks.

This policy is applicable to all business entities who receive funding from the MHDC in the form of a grant, tax-credit(s) or loan(s) for the purpose of developing rental housing developments (collectively "Resources"). This policy does not extend to the Missouri Housing Trust Fund, any single family program and the affordable housing assistance program.

Any Business Entity receiving Resources shall:

- a) Provide MHDC with an original sworn affidavit which affirms, under penalty of perjury, that the Business Entity is enrolled and actively participating in a federal work authorization program and that the Business Entity does not knowingly employ any person who is an Unauthorized Alien in connection with the contracted services;
- b) Require their General Contractor to provide MHDC with an original sworn affidavit which affirms, under penalty of perjury, that the General Contractor is enrolled and actively participating in a federal work authorization program, that the General Contractor does not knowingly employ any person who is an Unauthorized Alien in connection with the contracted services, and that the General Contractor's employees are lawfully present in the United States;
- c) Require that their General Contractor obtain, and make available for inspection by MHDC, from each subcontractor of any tier, an original sworn affidavit which affirms, under penalty of perjury, that the subcontractor is enrolled and actively participating in a federal work authorization program, that the subcontractor does not knowingly employ any person who is an Unauthorized Alien in connection with the contracted services, and that the subcontractor's employees are lawfully present in the United States;
- d) Provide MHDC with documentation which shows to the satisfaction of MHDC that the Business Entity and their General Contractor have enrolled in a federal work authorization program. An example of a provision of documentation which meets this requirement is a copy of the E-Verify memorandum of understanding;
- e) Require their General Contractor to obtain, make available for inspection by MHDC, and provide copies as requested, from each subcontractor of any tier,

MHDC 2012 Developer's Guide

documentation which shows to the satisfaction of MHDC that the subcontractor has enrolled in a Federal Work Authorization program.

- f) Require a provision which stipulates that “the Contractor shall comply with all applicable federal, state and local labor laws and is not Knowingly in violation of RSMo §285.530(1) and shall not henceforth be in such violation” to appear in its contract with the general contractor, in contracts between the general contractor and subcontractors, and contracts between subcontractors of any tier.
- g) Require a provision which stipulates that the Contractor shall comply with RSMo. §285.230, §285.233, §285.234, §285.500 – 285.515, and §285.550.
- h) Require a provision which stipulates that the Contractor for the purposes of construction of an MHDC project and any subcontractor to such contractor shall provide a ten-hour Occupational Safety and Health Administration (OSHA) construction safety program for their on-site employees which includes a course in construction safety and health approved by OSHA or a similar program approved by the department which is at least as stringent as an approved OSHA program, unless such employees have previously completed the required program. All employees who have not previously completed the program are required to complete the program within sixty days of beginning work on such construction project.

The terms capitalized herein shall have the following meaning:

Business Entity - any person or group of persons performing or engaging in any activity, enterprise, profession, or occupation for gain, benefit, advantage, or livelihood. The term "business entity" shall include but not be limited to self-employed individuals, partnerships, corporations, contractors, and subcontractors. The term "business entity" shall include any business entity that possesses a business permit, license, or tax certificate issued by the state, any business entity that is exempt by law from obtaining such a business permit, and any business entity that is operating unlawfully without such a business permit. The term "business entity" shall not include a self-employed individual with no employees or entities utilizing the services of direct sellers as defined in subdivision (17) of subsection 12 of section 288.034, RSMo.

Contractor - a person, employer, or business entity that enters into an agreement to perform any service or work or to provide a certain product in exchange for valuable consideration. This definition shall include but not be limited to a general contractor, subcontractor, independent contractor, contract employee, project manager, or a recruiting or staffing entity.

Employees - any person performing work or service of any kind or character for hire within the state of Missouri.

Federal Work Authorization Program - any of the electronic verification of work authorization programs operated by the United States Department of Homeland Security or an equivalent federal work authorization program operated by the United States Department of Homeland Security to verify information of newly hired employees, under the Immigration Reform and Control Act of 1986 (IRCA), P.L.99-603.

Knowingly - a person acts knowingly or with knowledge.

Unauthorized Alien - an alien who does not have the legal right or authorization under federal law to work in the United States, as defined in 8 U.S.C. 1324a(h)(3).

MHDC 2012 Developer's Guide

Compliance Guidance

On September 17, 2010, Missouri Housing Development Commission (MHDC) passed a Workforce Eligibility policy. The purpose of this Workforce Eligibility Compliance Handbook (WECH) is to provide guidance for Contracting Parties in connection with MHDC funded developments.

MHDC requires that all Contracting Parties adhere to all applicable labor laws and specifically prohibits the use of undocumented workers in the construction of any MHDC-approved Development. In addition, MHDC requires that all Contracting Parties compel all subcontractors, mechanics, third party contractors, agents or other parties providing construction related labor on a development to likewise adhere to all applicable labor laws and requirements set forth by MHDC. Noncompliance with the requirements set forth may result in very serious sanctions including but not limited to suspension and revocation of funding, rescission of tax credits, and suspension and debarment from MHDC programs.

MHDC encourages the submission of required documentation in an electronic format via email or recorded on a CD. All documentation should be in .pdf format. The CD or emailed files should be clearly labeled with the development name and development number assigned by MHDC. In the event it is impossible or impractical to submit documentation in an electronic format, hard copies may be submitted. Email submissions should be sent to tbeer@mhdc.com. All CD or hard copy submissions should be mailed to MHDC's Kansas City office and clearly labeled "Workforce Eligibility."

Audits of construction sites will be conducted on a periodic basis. Each construction site must have present at all times an individual designated to assist with the audit process.

Compliance Requirements

Contract Language Required.

Specific language is required for all construction contracts executed in conjunction with MHDC-approved developments. The specific language required is included in the following section and is available in electronic Word or pdf format. The required language must be included verbatim in every contract with Contracting Parties.

Use of E-Verify.

Each Contracting Party who has or will have employees that perform labor on site must enroll and actively participate in E-Verify.

Workforce Eligibility Affidavit.

Prior to commencing work or providing labor in connection with any MHDC-approved Development, each contracting party must complete and submit Form MHDC-2507, Workforce Eligibility Affidavit.

Proof of Using E-Verify.

All employers must submit a copy of the employer's Department of Homeland Security Memorandum of Understanding as proof of enrollment in E-Verify.

MHDC 2012 Developer's Guide

Compliance with Missouri Statutes and Transient Employers.

Each contracting party must comply with all applicable federal, state and local labor laws including but not limited to RSMo §285.530(1), 285.233, 285.234, 285.500 – 285.515, and 285.550.

OSHA training.

Within sixty (60) days of commencing work, any person performing construction labor on any MHDC-approved Development must have completed an OSHA construction safety training program or the equivalent of such program as detailed in the Workforce Eligibility Policy. Proof of completion of such training must be made available on site during periodic audits conducted by MHDC.

Contract Language

The following language shall be included in all construction contracts and subcontracts including, but not limited to, those between the Owners, Contractors, Subcontractors, or independent contractors in conjunction with projects which benefit from any Missouri Housing Development Commission (MHDC) administered funding sources including, but not limited to, loans, MHDC issued bonds, and Low Income Housing Tax Credits:

“The contracting parties acknowledge and agree to be bound by the MHDC Workforce Eligibility Policy. If there is a violation of the MHDC Workforce Eligibility Policy, as may be amended from time to time, the contracting parties are subject to sanctions by MHDC. The imposition of sanctions will include, but is not limited to, suspension or revocation of funding provided by MHDC, rescission of credits, and suspension and debarment of the contracting parties.

The contracting parties agree that in order to adhere to the MHDC Workforce Eligibility Policy, each party to this agreement shall comply with the following:

The contracting parties agree that all contracts and subcontracts and down the line contracts and subcontracts entered into as a part of this development shall include the language of this Exhibit 1 verbatim.

The contracting parties agree to enroll and actively participate in the Department of Homeland Security's E-Verify program (E-Verify) for the purpose of verifying the workforce eligibility of employees and to provide a sworn affidavit affirming that the party is enrolled in and actively participating in E-Verify, that the party's employees are lawfully present in the United States, and that the party does not knowingly employ any person who is an unauthorized alien. The parties further agree to provide written documentation showing proof of enrollment in E-Verify in a form acceptable to MHDC such as a copy of the Memorandum of Understanding entered into with Department of Homeland Security. In the event a contracting party is not an employer and is therefore unable to use E-Verify, such party, in lieu of enrolling and participating in E-Verify and providing the above listed documentation, shall provide a sworn affidavit stating that the party is unable to participate in E-Verify because the party is not an employer and does not have employees, that all independent contractors paid by such party are properly classified as independent contractors and should not be classified as employees, that all such independent contractors are lawfully present in the United States, and that any such independent contractors are not unauthorized aliens.

MHDC 2012 Developer's Guide

The contracting parties shall comply with all applicable federal, state and local laws, including but not limited to, RSMo §285.530(1), 285.230, 285.233, 285.234, 285.500-285.515, and 285.550.

The contracting parties shall require participation in or provide a ten-hour Occupational Safety and Health Administration (OSHA) construction safety program for their on-site employees and independent contractors which includes a course in construction safety and health approved by OSHA or a similar program approved by the department which is at least as stringent as an approved OSHA program, unless such employees have previously completed the required program. All employees and independent contractors are required to complete the program within sixty days of beginning work and shall make documentation proving completion of the program available for inspection.

The contracting parties agree to permit site access to MHDC for the purpose of conducting Workforce Eligibility Policy compliance reviews and shall cooperate in providing requested documentation congruent with the terms of this agreement.”

Worksite Safety and OSHA Training

Safety on construction sites is of the utmost importance. Management commitment is the key factor to success of any safety program. Adherence to safety standards must be modeled and enforced by the General Contractor.

Pursuant to the Workforce Eligibility policy, any person performing construction labor on any MHDC-approved Development must have completed an OSHA construction safety training program or the equivalent of such program within sixty days of commencing work. Proof of completion of such training must be made available on site during periodic audits conducted by MHDC.

MHDC provides periodic OSHA training. MHDC provided training is available to any person who is or will be performing labor on an MHDC-approved Development free of charge, except for a nominal charge for training materials. The cost of materials may be waived for non-profit organizations and small emerging businesses including MBE/WBE/DBE and Section 3 businesses. To request a waiver of the materials fee, contact MHDC.

Transient Employer Requirements

MHDC's Workforce Eligibility policy requires compliance with transient employer laws. Transient employer means an out-of-state employer as defined by the Missouri statutes. Out-of-state employers who temporarily transact any business within the state of Missouri are defined as transient employers and are required to register, file a bond, and remit withholding tax to the Missouri Department of Revenue.

Some out-of-state employers are exempt from the transient employer bonding requirement. Employers who meet all three of the following criteria are not required to file a bond with the Department of Revenue:

- a) The principal place of business of the out-of-state employer must be in a county which borders the state of Missouri; and

MHDC 2012 Developer's Guide

- b) The employer must have been under contract to perform work in the state of Missouri for at least sixty (60) days each year for the past two calendar years; and
- c) The employer must obtain a tax clearance issued by the department stating that the employer has complied with the tax laws of this state and with the provisions

Employers required to comply with the transient employer bond requirements must submit proof of compliance prior to commencing work on an MHDC-approved development.

Prevailing Wage

Introduction

The Davis-Bacon Act of 1931 and additional laws known as the Related Acts are a collection of United States federal laws which established the requirement for paying prevailing wage on certain public works or publicly funded projects. These laws require that all contractors and subcontractors pay some of their employees at particular wage rates depending on the type of work each employee performs.

Davis-Bacon laws do not apply to all developments. Only certain circumstances will trigger the applicability of Davis-Bacon such as the use of HOME funds for 12 or more units.

While Davis-Bacon only applies to some developments, the MHDC 2011 Qualified Allocation Plan (QAP) includes a provision that requires payment of prevailing wage on all MHDC approved developments, regardless of whether Davis-Bacon is required by law.

Workers

Prevailing wage will apply to any person performing construction labor on the construction site. Persons performing construction labor are listed as laborers and mechanics and contractors are required to pay those laborers and mechanics a minimum of the locally prevailing wage rates and fringe benefits paid on projects of a similar character.

Working Foremen

Foreman or supervisors that regularly spend more than 20% of their time performing construction work are covered labor hours or mechanics for labor standards purposes for the time spent performing construction work and must be paid prevailing wage.

Administrative, Executive and Clerical

Employees or workers whose duties are primarily administrative, executive, or clerical are excluded from Prevailing Wage requirements. Examples include superintendents who do not perform "hands-on" construction labor, office staff, bookkeepers, and messengers.

Wage Rates and Payroll Processing

Wage rates are set by following the wage determinations published by the Department of Labor for Davis-Bacon. Under Davis-Bacon, laws require that all contractors and subcontractors pay their laborers and mechanics not less than the prevailing wage rates

MHDC 2012 Developer's Guide

and fringe benefits for corresponding classes of laborers and mechanics employed on similar projects within the area.

Wage Determinations

The Wage and Hour Division of the Department of Labor (Division) issues communications known as Wage Determinations (sometimes referred to as Wage Decisions). A Wage Determination is a listing of wage rates and fringe benefit rates for different classifications of laborers and mechanics in a given area for a particular type construction.

The Division issues its Wage Determinations by publication of a notice in the Federal Register. Wage Determinations are effective from the date of notice and have no expiration date. Wage Determinations are continually updated and change frequently. However, only one Wage Determination will be applicable to a development. The Wage Determination that will apply to a development will be the Wage Determination that is in effect on the date the construction loan documents are signed. The Wage Determination of that date is "locked in" and subsequent updates or modifications to Wage Determinations will not affect the wage rates on the development.

In the event a development uses construction financing through a source other than MHDC, the developer is required to notify MHDC within 10 days of the construction loan closing date and provide a copy of the executed construction agreement to MHDC.

Within the body of each Wage Determination, a listing of classifications (laborers and mechanics) will be found. Accompanying those classifications will be basic hourly wage rates and fringe benefit rates that have been determined to be prevailing for the same type of construction within the geographic area covered by the Wage Determination.

Classifications

Some classifications may include a subclass or group number. Common examples include Operator, Truck Driver, and Painter. Subclasses or groups may have different pay rate requirements.

Wage Amounts

All developments with buildings that are four (4) or fewer stories will be required to comply with a "Residential" Wage Determinations. All developments that have buildings with five (5) or more stories must comply with a "Building" Wage Determinations.

Wage rates are based upon classification of the worker. The classification is determined based on the type of work actually being performed by the worker during the pay period. It is important to note that the prevailing wage for each classification must be paid to a worker in the classification regardless of the worker's skill level. For example, if a worker is performing duties normally performed by a Carpenter, that worker must be paid prevailing wage for the classification of Carpenter even if the contractor does not consider the worker to be fully trained.

MHDC 2012 Developer's Guide

In the event a worker performs duties in more than one classification, the employer may pay wage rates separately provided that the employer maintains accurate time records showing the amount of time spent in each classification of work. If time records are not available, the employer must pay the worker the higher of the wage rate of the classifications for the duties performed.

Wages may be calculated by various methods such as piecework. Regardless of the method used to calculate wages, the total wages must be converted to an hourly rate for submission on the certified payroll reports, and such hourly rate must meet the minimum prevailing wage rates.

Apprentice Rates

Apprentices may be paid less than the Wage Determination rate, provided that the person employed is individually registered in a bona fide apprenticeship program registered with the Department of Labor.

Usually, the apprentice wage rate is expressed as a series of percentages tied to the amount of time spent in the program. For example, an apprentice of less than six months would receive 65% of the journeyman's wage rate, while an apprentice who has been in the program between six months and one year would receive 70%, etc.

An apprenticeship certification from the Department of Labor's Office of Apprenticeship must be provided to MHDC. If no apprenticeship certification is provided, the worker must be paid the prevailing wage for his or her classification. Apprenticeship certifications may be obtained by contacting the Office of Apprenticeship at:

| Area | Phone | Facsimile |
|---------------------|----------------|----------------|
| St. Louis | (314) 539-2522 | (314) 539-3035 |
| Kansas City | (816) 502-9095 | (816) 502-9091 |
| Springfield | (417) 831-1693 | (417) 868-8078 |
| Department of Labor | (877) 872-5627 | |

Certifications may also be obtained online through use of the Registered Apprenticeship Partners Information Data System (RAPIDS) by companies with their own approved program.

An approved apprenticeship program will regulate the ratio of apprentices to journeymen. The maximum number of apprentices on the development cannot exceed the ratio allowed in the approved program. In the event a program allows for more than a 1:1 ratio, MHDC requires submission of a copy of the apprenticeship ratios schedule for each class of apprentice performing labor on the site.

Payroll

All workers must be paid weekly.

MHDC 2012 Developer's Guide

Over time must be paid to all covered workers who work in excess of 40 hours during a work week. The overtime rate must be at least 150% of the Wage Determination basic rate plus 100% of any applicable fringe benefit rate.

Fringe benefits are included in some Wage Determinations, and usually are listed as an hourly fringe rate. If the Wage Determination includes a fringe benefit rate for a classification, the fringe benefit rate must be added to the basic hourly rate unless the employer provides bona fide fringe benefits for employees. Fringe benefits can include health insurance premiums, retirement contributions, life insurance, vacation and other paid leave as well as contributions to training funds. Fringe benefits do not include employer payments for contributions required by Federal, State or local laws such as the employer's contribution to FICA.

The total hourly wage rates may be no less than the total of the basic wage plus the fringe benefit wage. If the value of provided fringe benefits is less than the fringe benefit rate stated in the Wage Determination, the difference must be added to the basic wage rate. Likewise, if an employer provides fringe benefits with a value higher than that required, the employer may offset the excess amount against the basic rate. For example, assume that a Wage Determination requires a basic wage of \$15/hour plus a fringe wage of \$5/hour for a total minimum payment of \$20/hour to the employee. The prevailing wage requirements would be met under any one of the following examples:

- a) Providing no fringe benefits and paying \$20/hour
- b) Providing fringe benefits valued at \$5/hour and paying \$15/hour
- c) Providing fringe benefits valued at \$3/hour and paying \$17/hour
- d) Providing fringe benefits valued at \$7/hour and paying \$13/hour

It should be noted that when a lower basic rate is paid due to an offset of fringe benefits, the overtime rate must be calculated based upon the basic rate as stated on the Wage Determination and not on the basic rate actually paid. Based upon the previous example, when the Wage Determination requires a basic wage of \$15/hour and a fringe rate of \$5/hour, the total wage rate including overtime would be \$27.50/hour $((\$15 \times 150\%) + (\$5 \times 100\%))$. In the event the employer provides fringe benefits valued at \$7/hour and therefore pays a basic rate of \$13/hour, the employer must nevertheless calculate overtime based on the Wage Determination rate of \$15/hour rather than the \$13/hour that is actually paid.

Reporting

MHDC requires the submission of certified payroll on a weekly basis. Each certified payroll report submitted must be the original report with an original signature. Photocopies will not be accepted.

Form

Use of Form WH-347 (published by the Division) is recommended for use. Form WH-347 and accompanying instructions may be obtained by visiting the Division's website at <http://www.dol.gov/whd/forms>. It is also available for download from MHDC's website. Use of the most recent revision of the Form is important.

MHDC 2012 Developer's Guide

Many software packages produce certified payroll reports. Reports are not required to be submitted on Form WH-347. Substitute forms are acceptable, provided that the substitute form includes all of the information required by Form WH-347, including the certification language and signatures. In the event a substitute form is used, the proper certification language must be attached. The certification language is available for download from the MHDC website.

Contents

Regardless of which form is used, certified payrolls must be complete, legible, properly executed and dated. The certified payroll reports should contain the name of the development and the name of the contractor or subcontractor for identification purposes.

If fringe benefits are included in the Wage Determination, paragraph (4) of the certification must be completed by checking box (a) to indicate that fringe benefits are paid into an approved plan; or by checking box (b) to indicate that fringe benefits are paid in cash. In the event the employer offsets part of the basic wage due to the value of fringe benefits, MHDC requires a letter from the employer itemizing the benefit plans with the respective amounts paid to each plan and certifying that fringe benefits were paid on behalf of the employees. In the event a single employer provides fringe benefits to some but not all of its employees, the employer should submit separate payrolls.

All deductions that are not required by law or by an order of a proper authority must be authorized in writing by the employee or by a collective bargaining agreement. The written authorization for the deductions should be included with the first payroll.

Numbering

Certified Payroll reports should be numbered sequentially. The sequential numbering of reports helps MHDC identify whether any reports are missing, and relieves the contractor from having to submit reports when no work was performed on the site. The last report to be filed should be labeled "Final Payroll".

A separate certified payroll report with its accompanying payroll certification must be submitted for each payroll for each weekly pay period. Providing one certification for multiple pay periods is prohibited.

Classifications

A job classification must be listed for each worker on each payroll submitted. The job classification listed must show the current classification for the type of work the person is actually performing during the pay period. Only classifications listed on the applicable Wage Determination may be used. Contact MHDC for assistance in determining which classification to use if needed.

If a job classification has an associated subclass or group number, that subclass the group number should be included on the report.

MHDC 2012 Developer's Guide

Owner Operated Subcontractors

When a company is operated only by its owner(s), the certified payroll must be completed by an "upper-tier" contractor.

When an owner of a company works with his or her employees, the owner is only required to list his or her name and work classification, along with a notation of "Owner" and the total hours worked. Owners are not required to report the amount of pay.

Inspections

MHDC will conduct periodic on-site inspections which will include interviews with persons performing labor on the construction site. Interviews with are confidential. MHDC will attempt to conduct the interviews in a manner causing as little disruption as possible.

Postings

A copy of the Wage Determination, together with a copy of the Department of Labor poster entitled "Employee Rights" must be displayed at the site of the work in a prominent and accessible place where it may be easily seen by employees.

Records

Employers are required to maintain payroll records, including back up documentation such as timecards for a minimum period of three years after the construction development is completed. General contractors must maintain a copy of the records of all subcontractors for the same period of time.

Underpayments and Corrections

In the event MHDC discovers any compliance deficiencies in connection with Prevailing Wage, the contractor will be notified immediately. The general contractor is responsible for ensuring that all underpayments are corrected within thirty (30) days. MHDC will require the general contractor to provide our office with:

- a) An amended certified payroll report showing the corrections and labeled as "Restitution Payroll", and
- b) A copy of the check(s) making the restitution, and
- c) A signed statement from each of the underpaid worker(s) stating that they have received the required restitution without threat of repercussions.

Additional Information and Guidance

Additional information about Davis-Bacon and the Related Acts may be obtained by visiting the United States Department of Labor website.

The following documents are used or provide additional information:

- a) Making Davis-Bacon Work – This HUD publication provides guidance that specifically relates to Davis-Bacon. MHDC Prevailing Wage requirements mirror Davis-Bacon.

MHDC 2012 Developer's Guide

- b) Form WH-347 – The certified payroll form provided by the Department of Labor. This form is available in a fillable pdf format and can be downloaded from the website of the Department of Labor.
- c) Form WH-347 Instructions – Guidance provided by the Department of Labor with specific instructions for completing Form WH-347.
- d) HUD-4010 – Information provided by HUD regarding Labor Standards.
- e) LR-96-01 – This letter ruling issued by HUD provides clarification regarding how prevailing wage applies to owners.
- f) Form WH-1321 – The employee rights poster provided by the Department of Labor.
- g) Form WH-1321-SP – The Spanish version of the employee rights poster provided by the Department of Labor.
- h) Payroll Deduction Authorization – This form should be completed by the employee to verify that deductions are authorized.
- i) Form HUD-2554 – This document must be used when the development includes Risk Share financing.

MBE/WBE/DBE and Section 3 Participation

M/WBE – Emerging Business Initiative

This section applies to both the participation and partnership initiative. This section will only apply to developments of more than six units.

Participation Initiative

The Participation Initiative was created to encourage developers/owners/contractors who apply for MHDC's funds to provide opportunities for employment and contracts to M/WBE companies. In the event there is also an award of HOME funds made, there may be additional requirements (Section 3) that must be met to be in compliance with federal regulations. The M/WBE must provide competitively priced services.

The Emerging Businesses (EB) participation goal is set at a minimum of 10% MBE and 5% WBE hard costs, and 10% MBE and 5% WBE soft costs on all soft costs. This may be satisfied by MBE and WBE emerging businesses providing competitively priced services and/or materials in the following categories:

1. Hard costs for the actual physical costs of construction, which include but are not limited to general contracting, grading, excavation, concrete, paving, framing, electrical, carpentry, roofing, masonry, plumbing, painting, asbestos removal, trucking, and landscaping. When calculating hard costs, general requirements, overhead, bond costs and contractors profit should be excluded.
2. Soft costs for planning, architectural, relocation, legal, accounting, environmental, engineering, surveying, developer fee, consulting fees, title company, disbursing company, market study, appraisal, soils report. In the calculation of soft costs, the developer fees may be, but are not required to be, included in the calculation of participation levels. Additionally, development costs that do not include actual

MHDC 2012 Developer's Guide

services or materials, such as public sector financing, construction interest, and bond issuance costs shall not be included in the calculation.

Partnership Initiative

A preference in funding will be given to proposals (a) with a mentor/protégé (developer/co-developer) relations; or (b) with a greater percentage of M/WBE businesses and/or contractors than set forth in the participation initiative.

1. Developers applying under the partnership initiative must provide a comprehensive plan detailing the terms of the partnership with the mentor/protégé (developer/co-developer).
2. Developers applying under the M/WBE preference under the partnership initiative must commit to provide participation of M/WBE businesses and/or contractors above the goal set out under the Participation Initiative.

Certification/Definition of M/WBE Companies

Minority Business Enterprises (MBE) is defined as a business which is at least 51% owned by one or more minority members; or, in the case of a publicly-owned business, one which at least 51% of its voting stock is owned by one or more minority group members, and whose management and daily business operations are controlled by one or more such individuals. Minority group members include, but are not limited to, Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, and Asian Indian Americans. The term "minority worker" shall include representations of all previously stated minority groups.

The term Women Business Enterprise (WBE) is defined as a business which is at least 51% owned by one or more minority members; or, in the case of a publicly-owned business, one which at least 51% of its voting stock is owned by one or more women members, and whose management and daily business operations are controlled by one or more such individuals.

Firms participating must be certified by one of the agencies that perform this function throughout the State of Missouri. These agencies include the City of St. Louis, St. Louis Airport Authority, the City of Kansas City, and the State of Missouri. MHDC will accept certifications from other agencies/and or cities that performed these functions as they deem appropriate.

Application for MHDC Funding

A utilization plan detailing how the applicant intends to meet the goal must be included in the proposal for funding. Evidence of MBE/WBE participation and certification for soft cost firms will be required at application. Evidence of MBE and WBE proposals and certifications for hard cost firms will be required as a part of the firm submission requirements.

Firm Submission

When submitting your firm submission package, you must include the utilization plan with any updated information, copies of any contracts or proposals entered into with M/WBEs along with copies of the M/WBE certification. Early submittal of the MBE/WBE package of items will be encouraged.

MHDC 2012 Developer's Guide

As you receive and accept proposals from M/WBEs after the firm submission package has been delivered to MHDC, please forward to MHDC for review. MHDC must perform a complete review of your proposed utilization plan, along with all supporting documentation, contracts, proposals, bids and certifications prior to the closing of the construction loan.

Good Faith Efforts

All efforts to include M/WBEs must allow sufficient time for the M/WBE to effectively and professionally participate in the bidding process. It is important for the contractor to have evidence of meetings held, written notifications by email or facsimile, or certified letters so the contractor has proof of outreach. To achieve maximum effectiveness, outreach to M/WBE companies should be done at the time of application for firms performing soft cost work and during submission/approval of architect drawings for hard costs. Good faith efforts to achieve the M/WBE program may be demonstrated by the general contractor and include, but are not limited to the following:

1. Efforts made to select portions of the work proposed to be performed by M/WBEs in order to increase the likelihood of achieving the percentage goals, including the breaking down of contracts into economically feasible subcontracts to facilitate M/WBE participation. Be as specific as possible regarding scope of work when soliciting an M/WBE.
2. Provide written notification at least 14 calendar days prior to the opening of bids, soliciting M/WBEs as a subcontractor or a supplier. This shall also include agencies and organizations which provide assistance in recruitment and placement of M/WBEs.
3. Provide plans and specifications in locations that M/WBE contractors typically frequent for contracting and bidding information.
4. Advertise bidding opportunities in general circulation media, trade and professional association publications, small and minority business media and minority and women's business organizations.
5. Efforts made to negotiate with M/WBEs for specific work shall include evidence of the following
 - a. Names, addresses, telephone numbers of M/WBEs contacted, the dates of initial contact and whether initial solicitations of interest were followed up by contacting the M/WBEs to determine with certainty whether the M/WBE is interested. Personal or phone contacts are expected.
 - b. A description of the information provided the M/WBEs regarding the plans and specifications and estimated quantities for portions of the work to be performed.
 - c. A statement why additional agreements with M/WBEs were not reached, and
 - d. Documentation of each M/WBE contacted but rejected, and the reasons for the rejection.

MHDC 2012 Developer's Guide

6. Efforts made to assist the M/WBEs that need assistance in obtaining bonding, insurance or lines of credit required by the contractor.
7. Documentation that qualified M/WBEs are not available or are not interested.
8. Attendance at any meeting scheduled by MHDC or other agencies or organizations to encourage better contractor-subcontractor relationships and M/WBE utilization opportunities (pre-bid conferences, workshops, etc.).
9. Efforts to effectively use the services of available community organizations, contractor's groups and other organizations and agencies that provide assistance in recruitment and placement of M/WBEs.
10. Send information to certifying agencies for distribution of bidding opportunities to M/WBE firms on their listing.

Compliance Responsibilities

Contracts

1. If the contract is awarded on less than the full M/WBE required participation percentage, such award will not relieve the contractor of the responsibility to continue reasonable good faith efforts to provide participation opportunities to M/WBEs throughout the life of the contract. The contractor will be required to document good faith effort to utilize M/WBE subcontractors and/or suppliers prior to entering into a contract with a non-M/WBE.
2. When the owner and contractor is awarded funds through MHDC, they will be requested as to sign an affidavit indicating their desire to reach the stated participation as outlined in their utilization plan.
3. The contractor shall establish a program which will effectively promote increased participation by M/WBEs in the performance of contracts and subcontracts. The contractor shall also designate and make known to MHDC an individual who will be responsible for the administration of the contractor's M/WBE program.
4. The contractor shall enter into subcontracts or written agreements with the M/WBEs identified on the contractor list for the kind and amount of work specified.
5. At any point during the development when it appears that the scheduled amount of M/WBE participation may not be achieved, the contractor shall provide evidence to MHDC demonstrating how the participation percentage will be met.

Record Keeping

The contractor shall keep such records as are necessary for MHDC to determine compliance with the M/WBE contractual obligations. These records shall include the names of contractors, M/WBE and non-M/WBE; copies of all contracts; type of work being performed; documentation such as cancelled checks and paid invoices verifying payment for work, services and procurement; documentation of all

MHDC 2012 Developer's Guide

correspondence, telephone calls and other efforts to obtain the services of M/WBE contractors. Upon request, the contractor shall submit all contracts and documentation. MHDC reserves the right to monitor and/or review actions, statements and documents submitted by any contractor or M/WBE.

Reporting

The contractor shall submit monthly reports on M/WBE involvement. Reports will be required until all contractor performance activity is complete and the project is substantially completed. Reports are required even if no M/WBE performance activity occurred during the monthly reporting period. If MHDC is processing the construction draws, the reports can be included with the draw request package. Tax credit only projects will be required to submit each month.

If M/WBE participation percentages are not met, documentation supporting the good faith efforts shall be submitted with the monthly report. Failure to submit the monthly report may result in the delay of processing draws to the contractor until the reports are submitted.

Substitution of M/WBEs After Contract Award

The contractor shall continue reasonable good faith efforts to achieve the M/WBE participation percentage.

Contracts designated to be performed by an M/WBE on the contractor list shall be performed by the designated M/WBE contractor or an approved substitute. Substitutions of M/WBEs must be approved in writing by MHDC. Substitution of an M/WBE will be allowed only when the M/WBE is unwilling or unable to perform the work specified in the contract or agreement. If the contractor's request to be relieved of the obligation to use a particular M/WBE results in a participation percentage shortfall, the contractor shall immediately take steps to obtain another certified M/WBE to perform an equal amount of allowable work or make the documented good faith efforts to do so. The replacement M/WBE's name and copy of contractor or agreement shall be provided to MHDC for approval using the Substitution Form prior to proceeding with the work.

Negotiating a more advantageous contract with another contractor will not be considered a valid reason for a substitution of an M/WBE. Work eliminated from the development budget will not diminish the contractor's responsibility to make reasonable efforts to provide opportunities for M/WBE participation.

In the event, after good faith efforts have been exhausted and the shortfall cannot be filled with an M/WBE company, MHDC would encourage the owner/contractor to substitute a Section 3 Firm.

Partnership Initiative

A preference in funding will be given to proposals (a) with a mentor/protégé (developer/co-developer) relationship; or (b) with a greater percentage of MBE/WBE businesses and /or contractors than set forth in the participation initiative.

Developers applying under the mentor/protégé preference must provide a comprehensive utilization plan detailing the partnership between the mentor/protégé.

MHDC 2012 Developer's Guide

Developers applying under the MBE/WBE preference under the partnership initiative must commit to provide participation of MBE/WBE businesses and/or contractors above the goal set out under the participation initiative.

This program has been set forth to provide goals and aspirations to do the following:

1. To ensure nondiscrimination in the awarding of funds
2. To create a level playing field for MBE/WBE companies
3. To assist in removing barriers to participation
4. To assist MBE/WBE firms in competing successfully
5. Provide narrowly tailored program in accordance with applicable law

In evaluating the Partnership Initiative, MHDC will require the developer provide a comprehensive utilization plan detailing how the applicant intends to exceed the participation goals, its community support for the development, its proposed contractors/professional services companies, and a narrative indicating any history of securing MBE/WBE businesses and/or contractors. Please refer to the section regarding Good Faith Efforts. These good faith efforts will be applied to the Partnership Initiative. Letters of intents can be provided with the utilization plan that verifies that a MBE/WBE has agreed, based on further negotiations, to execute a formal agreement for the scope of the work to be performed.

Evidence of MBE/WBE certifications for soft cost items will be required at application. Evidence of MBE/WBE certifications and proposals for hard costs items will be required as a part of the firm submission requirements.

The mentor/protégé preference encourages M/WBE firms to partner with a majority firm to carry out the development responsibilities. Joint ventures or partnerships may be formed to be credited for MBE/WBE participation under this initiative. Joint ventures would be entered into which would combine capital, efforts, skills and knowledge between an MBE/WBE firm and the majority firm. The MBE/WBE firm would share in the ownership, management responsibilities, risk, and profits of the development firm. A proposed agreement should accompany the utilization plan with defined roles and ownership.

Section 3 Participation

Introduction

Any forms or documents referenced in the Section 3 Participation Section may be accessed at the following link: www.mhdc.com/docs.a

The guidelines set forth have been prepared to provide information and guidance to those developers/owners with an award of Section 3 covered assistance, and should not be treated as a comprehensive recitation of the Section 3 Act and Section 3 Regulations. It is a summary of the pertinent provisions of the Section 3 Act and Section 3 Regulations, and focuses on the Section 3 requirements imposed on the developer/owner, general contractor and subcontractor receiving the requisite amount of Section 3 covered assistance. MHDC reminds each developer/owner, general contractor and subcontractor that each bears the responsibility to

MHDC 2012 Developer's Guide

familiarize itself with the Section 3 Act and Section 3 Regulations prior to accepting Section 3 covered assistance from MHDC.

Definitions

Developer means any entity engaged in the business of development of affordable housing which is an applicant for Section 3 Covered Assistance or has been awarded Section 3 Covered Assistance in excess of \$200,000 by MHDC.

General Contractor means any entity which has been awarded a construction contract of \$100,000 or more by a Developer to provide general contractor services, which are generated by the expenditure of Section 3 Covered Assistance or in connection with a Section 3 Covered Project.

Department or HUD means the Department of Housing and Urban Development, including its field offices to which authority has been delegated to perform functions under this part.

Employment Opportunities means all employment opportunities arising in connection with a Section 3 Covered Project, as described in 135.3(a)(2), including management and administrative jobs connected with the Section 3 Covered Project. Management and administrative jobs include architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups; and jobs directly related to administrative support of these activities, e.g., construction manager, relocation specialists, payroll clerk, etc.

Housing and community development assistance means any financial assistance provided or otherwise made available through a HUD housing or community development program, through any grant, loan, loan guarantee, cooperative agreement, or contract, and includes community development funds in the form of community development block grants, and loans guaranteed under Section 108 of the Housing and Community Development Act of 1974, as amended. Housing and community development assistance does not include financial assistance provided through a contract of insurance or guaranty.

HUD: See Department or HUD above

Low-income person is defined in the definition of "Section 3 Resident" herein.

MHDC means Missouri Housing Development Commission

Metropolitan area means a metropolitan statistical area (MSA), as established by the Office of Management and Budget.

Neighborhood Area or Section 3 Area means for HUD housing programs, a geographical location within the jurisdiction of a unit of general local government (but not the entire jurisdiction) designated in ordinances, or other local documents as a neighborhood, village or similar geographical designation.

New hires mean full-time employees for permanent, temporary or seasonal employment opportunities.

Non-metropolitan Area means any area outside of a metropolitan area.

MHDC 2012 Developer's Guide

Public and Indian Housing Assistance includes funds used for:

1. Development assistance provided pursuant to Section 5 of the U.S. Housing Act of 1937 (the "1937 Act");
2. Operating Assistance provided pursuant to Section 9 of the 1937 Act; and
3. Modernization Assistance provided pursuant to Section 14 of the 1937 Act.

Recipient means any entity which receives Section 3 Covered Assistance directly from HUD or from another Recipient and includes, but is not limited to, any State, unit of local government, PHA, IHA, Indian Tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, developer, limited dividend sponsor, builder, property manager, community housing development organization, resident management corporation, resident council, or cooperative association. Recipient also includes any successor, assignee or transferee of any such entity, but does not include any ultimate beneficiary under the HUD program to which Section 3 applies and does not include contractors.

Section 3 Business Concern means a company:

1. that is 51 percent or more owned by Section 3 Residents; or
2. whose permanent, full-time employees include persons, at least 30 percent of whom are currently Section 3 Residents, or within three years of the date of first employment with the Business Concern were Section 3 residents; or
3. that provides evidence of a commitment to contract in excess of 25 percent of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications set forth in paragraphs (1) or (2) in this definition of "Section 3 Business Concern".

Section 3 Clause means the contract provisions set forth in 24 CFR 135.38 and is found in Exhibit "B" attached hereto.

Section 3 Covered Contract means a contract or subcontract (including a professional service contract) awarded by a Recipient, Developer, General Contractor or Subcontractor for work generated by the expenditure of Section 3 Covered Assistance of \$100,000 or more, or for work in like amount, arising in connection with a Section 3 Project. Section 3 Covered Contract does not include any contracts for the purchase of supplies or materials, unless the contract includes the installation of the supplies or materials.

Section 3 Covered Project means the construction, reconstruction, conversion or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), or other public construction which includes buildings or improvements (regardless of ownership) assisted with housing or community development assistance.

Section 3 Regulations means the regulations found at 24 CFR Part 135 which govern the application of the Section 3 Act.

MHDC 2012 Developer's Guide

Section 3 Requirements means the employment, training and contracting opportunities imposed by the Section 3 Act upon Recipients and Covered Contractors.

Section 3 Resident means: (1) A public housing resident; or (2) An individual who resides in the metropolitan area or a non-metropolitan county in which the Section 3 Covered Assistance is expended, and who is:

1. A low-income person, as this term is defined in section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)), which is families (including single persons) whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary, with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of prevailing levels of construction costs or unusually high or low-income families; or
2. A very low-income person, as this term is defined in section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)), which is families (including single persons) whose incomes do not exceed 50 per centum of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 50 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes.

Subcontractor means any entity awarded a Section 3 Covered Contract of \$100,000 or more by a General Contractor.

Section 3 Purpose

The Section 3 Act was enacted by HUD (12 U.S.C. 1701u), as amended, to ensure that certain employment and economic opportunities generated by certain HUD-funded Section 3 Covered Assistance are, to the greatest extent feasible, directed to Section 3 Residents and Section 3 Business Concerns. Therefore, upon receipt of the requisite amount of Section 3 Covered Assistance and awards of Section 3 Covered Contracts, the Developer, General Contractor and Subcontractor must comply with the Section 3 Requirements.

MHDC Policy Statement

MHDC is a body corporate and politic of the state of Missouri and its purpose is to provide financing to developers of affordable housing throughout the state of Missouri. A portion of this financing consists of HOME funds, which it administers on behalf of the State of Missouri pursuant to a Memorandum of Understanding entered into with the State. In addition, MHDC serves as the Section 8 contract administrator for HUD, and participates in HUD's Risk-Sharing program. As a result, MHDC is a Recipient of Section 3 Covered Assistance exceeding the \$200,000 threshold, and is obligated to comply with the Section 3 Act and the Section 3 Regulations. MHDC is committed to this purpose, and will work to ensure that to the greatest extent feasible, and consistent with Federal, State and local laws and regulations, the Developer, General Contractor and Subcontractor which it awards

MHDC 2012 Developer's Guide

Section 3 Covered Assistance comply with the Section 3 Act and the Section 3 Regulations through the utilization of these guidelines.

Successful compliance with the Section 3 Act and the Section 3 Regulations by the Developer and General Contractor will be a factor in determining future awards of Section 3 Covered Assistance.

According to the Section 3 Regulations, located at 24 CFR Part 135, Section 3 Covered Assistance Recipients are required to provide employment, training and contracting opportunities to Section 3 Residents or Section 3 Business Concerns. However, the Section 3 Requirements are not imposed upon a recipient that does not engage in the hiring or training of persons, but instead awards contracts to Developers and General Contractors that hire and train in connection with Section 3 Covered Projects. According to the Section 3 Regulations, these recipients may comply with Section 3 by ensuring that the Developers, General Contractors and Subcontractors receiving Section 3 Covered Assistance comply with the Section 3 Act. To the extent MHDC utilizes a small portion of its HOME funds to pay the salary of persons directly related to the HOME program and other HOME relates expenditures, MHDC will comply with the employment, training and contracting opportunities requirements of Section 3.

Section 3 Coordinator

MHDC has established a Section 3 Coordinator, who will serve as the immediate point of contact for the Developer, General Contractor and Subcontractor, and is available to assist in meeting its Section 3 Requirements. In addition, the MHDC Section 3 Coordinator will provide the Developer, General Contractor and Subcontractor with Section 3 materials, including the Section 3 Act, Section 3 Regulations, and these MHDC Section 3 Guidelines. Further, the MHDC Section 3 Coordinator is available to provide technical assistance to the Developer, General Contractor and Subcontractor. Technical assistance may consist of help in understanding the Section 3 regulations, identifying employment opportunities and training programs available to Section 3 Residents, and information on outreach to Section 3 Residents and Section 3 Business Concerns. The MHDC Section 3 Coordinator may also develop Section 3 forums and make presentations at seminars and panel discussions on Section 3.

The MHDC Section 3 Coordinator may engage additional MHDC staff who will assist the MHDC Section 3 Coordinator in the acquisition, assemblage, review and analysis of reports submitted by the Developer, General Contractor and Subcontractor. MHDC staff may also conduct random on-site reviews of the Section 3 Covered Project to assess compliance with the Section 3 Act.

The Developer, General Contractor, and Subcontractor will appoint a Section 3 coordinator and provide the name, address, telephone number and email address of this individual to the MHDC Section 3 Coordinator. This person will be the direct point of contact with the MHDC Section 3 Coordinator and advise the Developer, General Contract, Subcontractor personnel and staff on Section 3 compliance. In addition, the coordinator will be responsible for the submission of all required Section 3 reports to the MHDC Section 3 Coordinator. Further this individual will serve as the point of contact for Section 3 complaints and as the on-site monitor of the Developer, General Contract, and Subcontractor implementation of its respective Section 3 Plan.

MHDC 2012 Developer's Guide

Section 3 Meeting

Once MHDC has awarded the Section 3 Covered Assistance, it will schedule a meeting with the Developers to discuss the Section 3 Requirements. Attendees will include the MHDC Section 3 Coordinator, General Contractors, various MHDC personnel, and the Developer's Section 3 Coordinator and the General Contractor's Section 3 Coordinator, if selected. The purpose of the meeting is to address any questions the attendees may have regarding compliance with Section 3 Regulations. All attendees will be provided with a copy of the MHDC Section 3 Guidelines, the Section 3 Act and the Section 3 Regulations. Each Developer and General Contractor will also be required to submit a statement to the MHDC Section 3 Coordinator acknowledging its receipt of the foregoing documents as well as its understanding that Section 3 Regulations apply to the specific Section 3 Covered Project, and its commitment to submit a Section 3 Plan in accordance with the deadlines set out in the conditional reservation agreement.

Section 3 Contracting Opportunity Goals

Developers, General Contractors and Subcontractors with Section 3 Covered Contracts must establish certain contracting opportunity goals for Section 3 Business Concerns in connection with the Section 3 Covered Project. These numerical goals apply to contracts awarded by the Developer, the General Contractor or Subcontractor. These goals can be met by achieving the following benchmarks:

1. At least 10% of the total dollar amount of all Section 3 Covered Contracts for building trades work arising in connection with housing rehabilitation, housing construction and other public construction; and
2. At least 3% of the total dollar amount of all other Section 3 Covered Contracts.

Employment and Training Opportunity Goals

The Section 3 Act requires the Developer, General Contractor and Subcontractor to utilize Section 3 Residents and Section 3 Business Concerns in relation to the development of Section 3 projects, to the greatest extent feasible. Specifically, the Developer, General Contractor and Subcontractor must establish certain Section 3 goals for each Section 3 Project.

All Section 3 employment and training goals must be explicitly set forth in all Section 3 Plans, as follows:

"The numerical goal for Employment for this Section 3 Covered Project is ___% of new hires.

The numerical goal for Training for this Section 3 Covered Project is ___% of residents hired."

Employment and training goals may be met by either directly providing the employment or training or by facilitating the employment or training. That is, the Developer, Contractor or Subcontractor may satisfy the Section 3 employment and training goals by arranging for the employment or training of Section 3 Residents in connection with: a) the Developer's Section 3 Covered Projects; b) the Developer's non-Section 3 projects; c) other non-Section 3 Projects.

MHDC 2012 Developer's Guide

The MHDC Section 3 Coordinator is available to provide technical assistance in order to meet these employment and training goals.

The Developer, General Contractor and Subcontractor must provide in its Section 3 Plan a breakdown of job categories and positions needed for the Section 3 Covered Project, including positions occupied by permanent employees.

If the Developer, General Contractor or Subcontractor does not have any employment or training opportunities available in connection with the Section 3 Covered Project, this must be reflected in its Section 3 Plan.

Formal Section 3 Plan

After the General Contractor has been selected the Developer shall submit a comprehensive Section 3 Plan, signed by the Developer and the General Contractor. The comprehensive Section 3 Plan will include the Section 3 goals of the Developer and the General Contractor. This comprehensive Section 3 Plan will be submitted to the MHDC Section 3 Coordinator for review and approval, in accordance with the deadlines set forth in the conditional reservation letter, as may be revised by any written extensions.

Upon submission of the comprehensive Section 3 Plan, the MHDC Section 3 Coordinator will review it and either approve it, conditionally approve it, with suggested modifications or disapprove the plan. MHDC will not issue a firm commitment to the Developer until a Section 3 Plan has been approved. After the Section 3 Plan has been approved, it will be made a part of the construction documents, and the MHDC Section 3 Coordinator will review and monitor it regularly to assess its implementation and the attainment of the Section 3 goals.

As subcontracts in excess of \$100,000 are awarded, those Subcontractors will be required to submit its own Section 3 Plan to the MHDC Section 3 Coordinator for review and approval.

Other items that must be submitted to MHDC include copies of all bid documents that are submitted and all contracts that are awarded.

Components of a Section 3 Plan

The Section 3 Plan must include specific information, not limited to the following:

1. Developer, General Contractor, or Subcontractor's statement certifying it intends to comply with the Section 3 Act and Section 3 Regulations, as well as the MHDC Section 3 Guidelines;
2. Developer, General Contractor, or Subcontractor's statement certifying each is aware of the employment, training, and contracting goals, and agree to work together to meet these goals;
3. Name and contact information of the Developer, General Contractor, or Subcontractor's Section 3 coordinator;
4. Identification of the Section 3 Project area (see definition of Neighborhood Area);
5. Developer, General Contractor, or Subcontractor's current workforce;
6. Developer, General Contractor, or Subcontractor's Contractor's workforce necessitated by the Section 3 Covered Project;

MHDC 2012 Developer's Guide

7. Developer, General Contractor, or Subcontractor's Section 3 employment, training and contracting opportunity goals;
8. Specific strategies for notifying Section 3 Residents of Section 3 employment and training goals;
9. Specific strategies for notifying Section 3 Business Concerns of Section 3 contracting opportunities;
10. Commitment to inform all Subcontractors of its Section 3 Plan;
11. Developer's commitment to prepare and submit monthly Section 3 reports to the MHDC Section 3 Coordinator;
12. General Contractor's commitment to prepare and submit monthly reports to its Section 3 coordinator;
13. Commitment of Developer, General Contractor and Subcontractor to include the Section 3 Clause in all construction contracts and subcontracts exceeding \$100,000.00 awarded as a result of the Section 3 Covered Assistance.
14. Commitment to provide employment agencies and local public housing authorities of possible employment, training and contracting opportunities.
15. Commitment by Developer, General Contractor and Subcontractor to conduct aggressive outreach and notification campaign to Section 3 Residents and Section 3 Business Concerns regarding its Section 3 goals, including the usage of site signage, flyers, etc.
16. Inclusion of other strategies which facilitate the achievement of the Section 3 goals established by the Developer, General Contractor and Subcontractor.

Implementation Strategies

In order to comply with the Section 3 Act and the Section 3 Regulations, the Developer, General Contractor or Subcontractor, as applicable, must implement an aggressive campaign to encourage participation of Section 3 Residents and Section 3 Business Concerns. Some strategies to implement this campaign include the following:

1. Publish in a local newspaper a notice of the potential employment and training opportunities for Section 3 Residents and potential contracting opportunities for Section 3 Business Concerns. Written notice must be provided in sufficient time to enable business concerns the opportunity to respond to the bid invitation.
2. Post in a prominent location at the Section 3 Covered Project site notice of the potential employment and training opportunities for Section 3 Residents, and potential contracting opportunities for Section 3 Business Concerns.
3. Submit letters or flyers to the residents of the Section 3 Covered Project advising them of the employment, training and contracting opportunities for the Section 3 Covered Project (applies to rehabilitation when there are existing residents);
4. Provide the residents of the Section 3 Covered Project and the surrounding area with information on how to get certified as a Section 3 Resident or a Section 3 Business Concern;

MHDC 2012 Developer's Guide

5. Provide the local public housing authority with flyers, notices and other information related to the Section 3 employment, training and contracting Opportunities for the Section 3 Covered Project;
6. Provide information to residents of a Section 3 Covered Project and the surrounding area regarding established job training programs located within the Section 3 Covered Project area;
7. Provide minority and women-focused labor and trade organizations with notice of Section 3 employment, training and business opportunity goals
8. Provide minority and women-focused labor and trade organizations with notice of when and where plans and specifications for bid review will be distributed;
9. Provide minority and women-focused labor and trade organizations with notice of the existence of the plan room located in MHDC's Kansas City, Missouri office;
10. Establish public forums regarding Section 3 Covered Projects being developed within the Section 3 area, in which the Developer, General Contractor and Subcontractor will participate;
11. Utilize other strategies set forth in Appendix "A" of the Section 3 Regulations;
12. Seek out referral sources in order to ensure job readiness for public housing residents through on-the-job-training (OJT) and mentoring to obtain necessary skills that will transfer into the external labor market.

Certification of Section 3 Residents

Individuals seeking to participate in Section 3 Covered Projects must first be certified by an organization authorized to provide the required designation that they are eligible Section 3 Residents. If no certifying agency exists for an area, the Developer, General Contractor or Subcontractor shall complete and submit a Certification For Resident Seeking Section 3 Preference in Training and Employment to the MHDC Section 3 Coordinator.

The following information must be provided to the Developer, General Contractor or Subcontractor by the individual:

Name of Individual: _____

Address: _____

City and Zip Code: _____

Phone: _____

Fax: _____

Technical Skill: _____

Training Required: _____

Evidence of income eligibility must be provided by the Section 3 Resident. To be income eligible the Section 3 Resident must qualify either as a "low-income person" or a "very low-income person". For further explanation, please refer to the definition of a Section 3 Resident found earlier in these guidelines. Verification of Section 3 eligibility may consist of any of the following: a) a public housing authority lease agreement; b) evidence of income

MHDC 2012 Developer's Guide

(most recent W-2 or income tax return); c) evidence of the receipt of public assistance; or d) any other evidence acceptable to MHDC Section 3 Coordinator.

Certification of Section 3 Business Concerns

Any business seeking to be certified as a Section 3 Business Concern must be certified by an organization authorized to provide the required designation. If no certifying agency exists for an area, the Developer, General Contractor or Subcontractor shall complete and submit the "Certification for Section 3 Business Concerns Seeking Section 3 Preference in Contracting" to the MHDC Section 3 Coordinator.

Technical Support and Monitoring

The MHDC Section 3 Coordinator is available to provide technical support to Developers, General Contractors and Subcontractors participating in the development of Section 3 Covered Projects. The MHDC Section 3 Coordinator will also maintain a limited database of Certified Section 3 Business Concerns, Section 3 Residents and outreach agencies located in Missouri.

Developers, General Contractors and Subcontractors are required to submit copies to the MHDC Section 3 Coordinator of all outreach attempts, copies of all responses to notices published in the paper and posted other places, copies of all responses to bid invitations, and any other documentation helpful in monitoring compliance with the approved Section 3 Plan

The MHDC Section 3 Coordinator requires reports submitted by the Developer, General Contractor or Subcontractor to assess compliance with the Section 3 Act and the Section 3 Regulations. Reports are due no later than the 20th of each month. A report must be submitted every month; if there is nothing to report, that must be stated on the form. When the Section 3 Covered Project is completed, a final report will be due along with other customary due diligence documentation. The HUD Form 60002 shall be used for the final report.

The MHDC Section 3 Coordinator or MHDC staff may conduct on-site random reviews of the Section 3 Covered Project to determine whether the developer, General Contractor or Subcontractor are complying with its approved Section 3 Plan.

In the event the MHDC Section 3 Coordinator determines that the Developer, General Contractor or Subcontractor is not meeting its employment, training or contracting opportunity goals as set out in the approved Section 3 Plan, she will provide the respective party with written notice of non-compliance. The notice will require the non-complying party to meet with the MHDC Section 3 Coordinator to determine if the non-complying party used its best efforts to meet Section 3 requirements, and if further outreach attempts would result in goals being successfully met.

Forms and Reference Material

Section 3 Regulations

Section 3 Act

Section 3 Plan Template (Owner/Developer and General Contractor)

Section 3 Plan Template (Subcontractor)

MHDC 2012 Developer's Guide

Section 3 Clause

Contracting Plan Worksheet

Outreach to Solicit Bids from Section 3 Businesses

Permanent Employee Listing (Owner/Developer)

Permanent Employee Listing (General Contractor)

Permanent Employee Listing (Subcontractor)

Workforce Needed for Section 3 Covered Project (Owner/Developer-Estimated)

Workforce Needed for Section 3 Covered Project (General Contractor-Estimated)

Workforce Needed for Section 3 Covered Project (Subcontractor-Estimated)

New Hires (Owner/Developer)

New Hires (General Contractor)

New Hires (Subcontractor)

Section 3 New Hires Trained (Owner/Developer)

Section 3 New Hires Trained (General Contractor)

Section 3 New Hires Trained (Subcontractor)

Certification for Business Concerns Seeking Section 3 Preference in Contracting

Certification for Resident Seeking Section 3 Preference in Training & Employment

HUD Form 60002 Section 3 Summary Report

HUD Website at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/section3/section3

Pre-Conditional Reservation

Notice of approval letters are sent to developers of all approved proposals the week after the commission meeting. The letter spells out the various stages of underwriting, from environmental submission/review through firm commitment, and identifies the underwriter assigned to each proposal. Attached to this letter, and provided below, is a checklist of required documents needed to prepare the conditional reservation agreement:

Ownership Entity Organizational Documents:

1. A copy of the letter from the Department of the Treasury or other documentation demonstrating the Employee Identification Number assigned to the ownership entity.
2. A copy of the certificate of limited partnership or certificate of incorporation from the Missouri Secretary of State's office.
3. A copy of the initial limited partnership agreement or operating agreement if available, or for nonprofit organizations, a copy of the bylaws.

MHDC 2012 Developer's Guide

4. A certificate of good standing for the entity if it has been in existence for more than one year. A certificate may be obtained electronically at the Secretary of State's web site for a nominal fee. A screen print of the search screen with a description of the entity's standing is not acceptable.
5. A draft of the signature block for the ownership entity. Please note that if the Development was approved for 9% credits from the non-profit set-aside, the non-profit entity must be one of the signers if it is not the sole general partner or member.
6. A resolution authorizing the individual to sign on behalf of the corporation if the owner is a nonprofit entity.

General Partner/Member Organizational Documents (please provide for every tier of the general partner or member entities that is not an individual):

1. A copy of the letter from the Department of the Treasury or other documentation demonstrating the Employee Identification Number assigned to the general partner/member entity(ies).
2. A copy of the certificate of limited partnership or certificate of incorporation from the Missouri Secretary of State's office.
3. A copy of the initial limited partnership agreement or operating agreement. For nonprofit entities, please provide the articles of incorporation.
4. A resolution authorizing the individual to sign on behalf of the general partner or member entity(ies).
5. A certificate of good standing for the entity if it has been in existence for more than one year. A certificate may be obtained electronically at the Secretary of State's web site for a nominal fee. A screen print of the search screen with a description of the entity's standing is not acceptable.

Property Information:

1. A legal description of the property comprising the development.
2. A site plan accurately identifying the land which comprises the Development. Please provide the following detail:
 - a. Number each building (1, 2, 3, etc.). We will utilize the numbers to create the building identification numbers.
 - b. Display the names of the streets which border the property.
 - c. Clearly mark the boundaries of the property.

Conditional Reservation

Applications that receive approval from the MHDC board of commissioners will be awarded a conditional reservation ("Conditional Reservation") shortly after MHDC receives, reviews and approves the required documents needed to prepare the conditional reservation agreement. In the event MHDC holds more than one NOFA round, the approval and Conditional Reservation dates will be set in the subsequent round NOFAs and the

MHDC 2012 Developer's Guide

Developer's Guide. A Conditional Reservation will describe the type, amount(s), terms and requirements applicable to the development in question. Conditional Reservations will be subject to the requirements that MHDC determines necessary or appropriate to assure that the development will meet the goals of this Plan in a timely manner.

All developments receiving a Conditional Reservation must submit a firm submission package no later than the date established in the Conditional Reservation Agreement.

A Conditional Reservation is subject to rescission should the development fail to comply in a timely manner with the conditions thereof. This includes, but is not limited to, failure to provide evidence satisfactory to MHDC of financial feasibility or sufficient progress toward firm submission, closing and placement in service.

Firm Commitment

All of the forms and documents referenced in the Firm Commitment Section may be found on the following links:

www.mhdc.com/docs/b - for forms and documents related to submission

www.mhdc.com/docs/c - for forms and documents related to firm commitment

www.mhdc.com/docs/f - for forms and document related to asset management

All applications that have been awarded reservations must be issued MHDC Firm Commitments in order for initial loan closing to occur. The Conditional Reservation letter sets a deadline for the submission of firm commitment review checklist items. This deadline must be met in order to meet the requirements and receive a firm commitment. All firm submission items must be sent to the attention of the assigned underwriter.

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

Firm Commitment Exhibits

Each applicant is required to submit the exhibits applicable to the type of development they have been approved for in a three-ring binder with hard copies of all required exhibits with original signatures where applicable. The firm submission package must also contain a CD-R(s) with a PDF version of all exhibits that require an electronic copy as described on the firm submission checklist. Depending on the type of financing, some individual exhibits may not be applicable; but all developments must submit a firm submission package. Questions as to whether an exhibit is applicable to a specific Application must be asked prior to the firm submission deadline.

If you have questions about the firm submission exhibits, especially if you are not sure whether an exhibit applies to your particular development, please contact the Director of Rental Production or the Senior Underwriter. Any item that may serve to satisfy the

MHDC 2012 Developer's Guide

requirements of multiple exhibits should be copied and included in each applicable exhibit tab.

If an exhibit is required for your type of development, but you feel there is a reason why it should not be applicable for your application, you may request a waiver of that exhibit. Please note that waiver requests must be submitted on the MHDC waiver form and submitted and approved prior to the firm submission due date. Waivers will only be granted in rare circumstances with a rational explanation and proper justification.

A firm commitment will be issued only after a review of the firm submission package has been completed, and it is clear to MHDC staff that the appropriate requirements have been or will be met prior to closing. Developments with reservations of HOME financing or Risk Share insurance will not receive a firm commitment until after HUD's Authorization to Release Grant Funds has been received by MHDC.

If the firm submission package reflects changes to the numbers and assumptions in the conditional reservation, it may change the amount of financing that is committed to the development. MHDC reserves the right to terminate any conditional reservation and/or require a development to go back before the commissioners for reconsideration at a regularly-scheduled meeting if the changes presented materially affect MHDC's understanding of the development.

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.

Executed MHDC Form FIN-100

Provide an executed FIN-100 that shows updated cost and financing assumptions. You must update the FIN-100 that was provided to you at conditional reservation; do not use the FIN-100 that was submitted with your initial application. Please be sure to update all tabs with any new or revised information. This includes not only tabs related to budgets but also those devoted to development team members and the development schedule.

Include both the Excel version and a PDF version that includes the signatures on the CD-R submitted as part of the firm submission package.

MHDC Form FIN-101: Identity of Parties

The FIN-101 must be filled out with contact information for the listed members of the development team. The FIN-101 will be an exhibit to the firm commitment and must be as accurate as possible.

Signature Blocks

Please provide signature blocks for the architect, general contractor, title company and federal and state LIHTC investors as they should appear in any MHDC legal documents. If there has been any change to the ownership entity signature block since it was originally provided for the conditional reservation, please submit an

MHDC 2012 Developer's Guide

updated version. It is advisable that your attorney help you prepare or review the signature blocks before sending them to MHDC.

If you do not have an MHDC loan you only need to provide the signature block for the ownership entity.

Organizational Documents

Organizational documents for the ownership entity, its general partner(s) or managing member and members, and the federal and state LIHTC investor(s) must be included. Those documents that were already submitted for the conditional reservation do not need to be provided again.

Ownership entity:

Certificate of Limited Partnership or Certificate of Limited Liability Company;
Limited Partnership Agreement (including MHDC-required limited partnership agreement language) or Operating Agreement (including MHDC-required operating agreement language). See MHDC Requirements – Limited Partnership Agreements and MHDC Requirements—Operating Agreements for details.

General Partner(s) or Managing Member:

Certificate of Incorporation or Certificate of Limited Liability Company;
Operating Agreement or Articles of Incorporation and Bylaws as appropriate for the type of legal structure.

Federal and State LIHTC Syndicator or Investor:

Certificate of Incorporation or Certificate of Limited Liability Company;
Limited Partnership Agreement or Operating Agreement or Articles of Incorporation and Bylaws as appropriate for the type of legal structure.

Financial Statements

Financial statements for the following entities must be provided. Submitted audited financial statements must have been issued in the last twelve months. If the document provided is not an audited financial statement, it must be dated within the past 90 days, and must be accompanied by a certification executed by an authorized representative of the entity stating that the statement is true and correct to the best of their knowledge.

1. Developer entity. If the entity is a newly-created and/or single-purpose entity, the financial statement for the parent company is also required
2. General partner/member entity unless it is the same entity as the developer. If the entity is a newly-created and/or single-purpose entity, the financial statement for the parent company is also required.
3. Federal and state LIHTC syndicator and investor entity(ies).

Please note that financial statements for all entities/individuals must contain a complete listing of all contingent liabilities.

MHDC 2012 Developer's Guide

Certificates of Good Standing

A certificate of good standing must be provided for the major development team entities. A certificate may be obtained electronically at the Secretary of State's web site for a nominal fee. A screen print of the search screen with a description of the entity's standing is not acceptable.

1. Architect
2. General contractor
3. Title company
4. Management company
5. Surveyor
6. Environmental Firm

Site Control

Evidence of valid site control by the ownership entity must be included. Please provide any initial options or purchase contracts and all subsequent amendments or extensions if applicable.

Title Commitment

The owner's title commitment is required for all developments. The commitment must be on form 2006 ALTA Loan Policy (6/17/06) and MHDC must appear as the proposed insured, with the amount of the MHDC loan on Schedule A. All title commitments and pro forma title policies must be signed by a representative of the title company. The legal description must be identical to the legal description shown on the survey. Refer to Title Insurance Requirements for a complete description of MHDC standards for title commitments, policies, services, and acceptable title insurers.

Copies of exception documents are required for developments requesting a loan from MHDC.

Survey

A full-size draft of the survey and surveyor's report, Form HUD 92457, must be included. Although a draft survey is required for firm commitment consideration, the final survey must be updated within 90 days of closing, and the surveyor's report must be updated within 30 days of the closing. The legal description must be identical to the legal description shown in the title commitment. Refer to Preparation and Review Guidelines for Surveys and Surveyor's Reports Required for MHDC Multifamily Projects for a complete description of MHDC's survey requirements.

MHDC Form 3345: Plan Review Worksheet

Please provide an executed plan review worksheet that accurately breaks down the unit information by building. The unit and square footage data must agree with the FIN-100 and the plans and specifications. Please provide both the Excel workbook and a PDF copy with signatures on the CD-R.

MHDC 2012 Developer's Guide

Plans and Specifications

Please provide a complete set of construction drawings and specifications. See MHDC Form 1200, Design/Construction Compliance Guidelines dated August 1, 2009, as may be amended from time-to-time, for detailed requirements.

Plans:

Please submit an e-file or one full-size paper copy of architectural /engineering drawings, including a schedule of units and square footage.

Specifications:

Please submit one set. Please note: (a) HOME-financed developments with 12 or more HOME-assisted units must include the current edition of the "General Conditions of the Contract for Construction" (AIA Document A201) as amended, and the "Federal Labor Standards Provisions" (form HUD-4010); (b) developments receiving Risk Share insurance must include the current edition of the "General Conditions of the Contract for Construction" (AIA Document A201) as amended, and the "Supplementary Conditions of the Contract for Construction" (form HUD-2554).

Scope of Work:

A detailed scope of work must be included for rehabilitation developments, fully describing the planned interior and exterior improvements. Please include the scope of work in the binder if applicable.

Development Characteristics Worksheet

Please provide a new Development Characteristics Worksheet with original signatures from the developer, owner and architect. If none of the information has changed since the original submitted with the application, simply reprint the original Excel file and execute with updated signatures. This worksheet codifies the development team's commitment to provide the amenities described. Any revisions during the design and construction process must receive the review and approval of MHDC staff. A final Development Characteristics Worksheet will be executed at construction completion.

Sustainable Housing Documentation

All new construction developments must provide detailed information regarding what steps have been taken to meet the sustainable housing criteria and what features and techniques have been incorporated into the design of the development. This information should be in the form of the checklist or scoring system associated with the chosen green building program.

Termite Inspection Report or MHDC Termite Certification

If your development consists of existing buildings, a termite inspection report must be provided. If termite infestation is found in the report, the scope of work must include what steps will be taken to eliminate the problem. The scope of work must be updated during construction if additional damage is found.

MHDC 2012 Developer's Guide

All developments must execute and submit the MHDC Termite Certification form.

Owner-Architect Agreement

Please include a copy of the Owner-Architect Agreement (AIA B181 with MHDC Rider). If this agreement does not include all required architectural and engineering disciplines, then include copies of all consulting contracts.

Contractor Due Diligence

You must include the following contractor due diligence items:

1. Contractor's Qualification Statement (AIA A305)
2. Contractor's Audited Financial Statement
3. MHDC Form FIN-116: Credit Summary with contractor's tax I.D. number
4. MHDC Form FIN-105: Experience Summary and a company resume
5. Construction Contract (If MHDC is not the First Lien Position Lender)

Equal Employment Certification (HUD Form 92010)

Include an executed Equal Employment Opportunity Certification (HUD Form 92010) for the owner (for developments with HOME financing) or the general contractor (other financing).

This exhibit is not required for tax-credit only transactions.

MHDC Form FIN-115: Contractor's/Mortgagor's Cost Breakdown

Please include the cost breakdown properly completed with the division of labor and materials on form FIN-115, executed by both the owner and contractor. The FIN-115 will be updated prior to construction closing to reflect any changes in the closing plans and specifications.

MHDC Form FIN-150: Construction Draw Schedule

Only developments with a construction loan from MHDC must complete and provide Form FIN-150. If you have questions regarding the FIN-150 please contact your underwriter.

Updated Financing Commitments

Debt/Grant Commitments:

All construction and permanent debt/grant sources of financing listed in the FIN-100, other than those provided by MHDC, must have a commitment letter from the provider of the financing. The commitment letters must include the terms and fees associated with the financing. Permanent loan terms must be at least 18 years. If reserves are being assumed, a letter from the current lender must be provided indicating that the reserves may be assumed by the new ownership entity. You must also provide a statement indicating the current balance of such reserves. For Acquisition/Rehabilitation proposals with

MHDC 2012 Developer's Guide

existing tenants, please list construction period income as a source. You must include a description and calculation for the amount listed.

Equity Commitments:

All sources of tax-credit equity listed in the FIN-100 must have a commitment letter. The commitment letters must include the amounts, timing of capital contributions, reserve requirements, terms and fees associated with equity contributions. A minimum of 10% of federal and state tax credit equity must be invested in the development at closing and again at 50% of construction completion if MHDC is providing a construction/permanent loan.

Please see the MHDC Guidelines for Preliminary Financing Commitments for further details.

Management Agent Documentation

Please submit the following documentation for the management company, executed with original signatures as applicable. If you are unable to fill out all the documents in their entirety for a new construction development, please so note. Any incomplete or missing documents will be required to be submitted to MHDC Asset Management immediately once the management company and site staff are in place.

1. Articles of incorporation.
2. MHDC Form FIN-116: Credit Summary including tax I.D. number.
3. Audited financial statement.
4. MHDC Form FIN-105: Experience Summary and company resume. If the development will receive Risk Share insurance, also include Form HUD-2530 as filed electronically with HUD.
5. Exhibit A-4: Property Owner's Management Agent Certification (MHDC Form 2004-A).
6. Exhibit A-5: Management Entity Profile (MHDC Form 2004-B).
7. Exhibit A-6: Authorization for Release of Information.
8. Exhibit A-7: Project Training Certificate Checklist.
9. Exhibit J: Authorized Representative Designation.
10. Exhibit J-1: Management Authorized Representative Designation.
11. Exhibit L: Property Information Sheet

Affirmative Fair Housing Marketing Plan

Provide an executed and complete HUD Form 935.2A: Affirmative Fair Housing Marketing Plan for your development.

PHA Approved Utility Allowance Information

Provide the most recent utility allowance schedule from the local housing authority that is available for the development type and geographic area in question. If the

MHDC 2012 Developer's Guide

schedule provided has an effective date that does not use the current year, you must provide a statement from the housing authority which says the estimate is still valid.

Management/Maintenance Plan

A management/maintenance plan that describes in detail the operation, management and maintenance of this development must be included. The plan should be customized to meet the needs of the development.

Proposed Lease Agreement

Please provide a copy of the proposed lease agreement that will be used by the development. The submitted agreement must be accompanied by the appropriate HOME or Low Income Housing Tax Credit lease addendum.

Lease-Up Narrative and Budget

Narrative:

A lease-up narrative that describes in detail the marketing plan and lease-up projections for the development must be provided.

Budget:

Please use MHDC Form FIN-117 to show occupancy and expense projections for the lease-up period.

Service-Enriched Housing Documentation

If you said that you would be providing social services in your original application or if you plan to include them as the development goes forward, you must include an updated plan that sufficiently explains what services are going to be provided to the tenants, by whom and at what cost. The plan must also include letters of intent from any social service provider(s) mentioned.

Special Needs Housing Documentation

If you said that you would be providing housing opportunities for persons with special needs, you must include an updated plan that sufficiently explains what services are going to be provided to the tenants, how the units are to be marketed, by whom and at what cost. The plan must also include an Affordability Plan.

Relocation Documents

All developments subject to MHDC's Relocation Policy are required to submit the stage 2 documentation for their type of financing.

Section 3 Plan

Developments subject to the Section 3 Requirement are required to provide a draft Section 3 plan for their development. Please see the Section 3 Guidelines for details.

MHDC 2012 Developer's Guide

Tax Abatement/PILOT Information

Any development receiving tax abatement or entering into PILOT agreement must provide a detailed description of the percentage, length and terms granted to this specific development. A copy of any agreement or ordinance granting the tax relief must be included. If that document covers more than the development in question, a description of what is applicable to the MHDC financed development is necessary. If the tax relief does not cover the entire compliance period, a description of what steps will be taken to cover the cost of full taxes must be provided.

Homeownership Plan

Developments that have indicated they will offer single-family homes for sale to qualified residents at the end of the 15-year compliance period must provide a homeownership plan that details their intent. The plan must reflect the structure required in the MHDC Homeownership Policy.

Executed CHDO Operating Grant Agreement

CHDOs approved for operating grant funds must return the operating grant agreement executed by an authorized representative of the organization.

Once a complete firm submission package is received by MHDC, loan closing requirements and a closing checklist will be forwarded to you. Please note that a closing date will not be determined until a firm commitment is issued. Tax-credit only developments are also required to provide information to MHDC prior to closing which will be described in the firm commitment.

If your development necessitates the assignment of a HAP contract, it is required that you have received the paperwork from the seller required for the assignment six weeks prior to closing. This should allow adequate time for contract administration staff and HUD to review and approve any transfer.

Maximum Income / Maximum Rents

Due to recent legislation changes regarding the determination of rent and income limits, it has been determined that the Missouri Housing Development Commission (MHDC) will no longer be publishing the Maximum Income/Maximum Rent Schedule for Missouri counties. Please use the links provided below to access the appropriate income limits based on your property's funding. Income limits and Maximum rent levels can be determined by accessing Novogradac & Company LLP's Rent & Income Limit Calculator©. Directions on how to use the calculator are provided in the Management Resources section below. The [Rent & Income Limit Calculator©](#) will calculate IRC Section 42(i)(3)(A) low-income housing tax credit (LIHTC) rent and income limits for every Missouri county and metropolitan statistical area (MSA.) It is important to note that the determination of maximum income and rent limits is complex, and the use of a Compliance Professional is highly recommended.

MHDC 2012 Developer's Guide

Construction Loan Closing Guidance

MHDC's legal department is charged with the role of overseeing and coordinating closings on all developments receiving loan funds and/or tax credits from MHDC. This process includes the receipt and review of all required due diligence items, drafting and negotiation of all MHDC loan and/or tax credit documents, review of all loan documents from other lenders (if any) providing loan funds to the transaction, as well as reviewing and approving all other collateral documentation which is germane to the development. This chapter provides an overview of MHDC's construction loan closing process, including certain specific requirements to be fulfilled and key timing issues relevant to the process.

Key Milestones in the Construction Loan Closing Process

Within MHDC's construction loan closing process there are eight (8) notable stages.

Firm Submission

While there are multiple steps that occur with regard to underwriting and environmental requirements prior to a borrower providing a firm submission to MHDC, the firm submission itself is the first key milestone in the loan closing process. When the firm submission documentation is provided to MHDC, MHDC will assign a closing attorney from its legal department to spearhead the transaction on behalf of MHDC. This is the initial point at which MHDC's legal department generally becomes involved in a multi-family housing development. Once MHDC has assigned a closing attorney to the development, the borrower should begin including MHDC's attorney in all conference calls and correspondence related to the development.

Review of Firm Submission Due Diligence

Once MHDC has assigned a closing attorney to the transaction, that attorney will review all due diligence provided as part of the firm submission. The MHDC attorney will identify all comments or concerns related to the firm submission due diligence items and prepare a comprehensive list of issues to be addressed.

Firm Submission Comments and Closing Checklist Circulated

Upon completion of a comprehensive list of issues and concerns related to the firm submission due diligence items, the closing attorney will circulate comments to the firm submission items, along with MHDC's complete construction loan closing due diligence checklist. This checklist provides a comprehensive list of all items which the borrower will be required to submit and which MHDC will have to approve before the construction loan closing can occur. If the borrower has not already started including the MHDC closing attorney on all conference calls and correspondence prior to this stage, it is imperative that the borrower immediately begin including MHDC's attorney at this point. Failure to do so is likely to cause several issues which will inevitably slow down the closing process, such as failure to properly submit or correct issues with required items on MHDC's loan closing checklist.

MHDC 2012 Developer's Guide

On-Going Loan Closing Due Diligence Submission and Review

Once MHDC's attorney has circulated comments to the firm submission items and a copy of MHDC's loan closing checklist has been sent out, it is incumbent upon the borrower to work diligently to submit all items on the closing checklist for MHDC's review and approval. As items are received, MHDC will review due diligence and provide comments on any deficiencies as necessary. It is the borrower's responsibility to address such deficiencies in a timely manner.

Issuance of Firm Commitment

The Firm Commitment issued to the borrower by MHDC contains all of the key terms of the business deal being agreed to between MHDC and the borrower as it pertains to the loan funds and/or tax credits being issued by MHDC. Once the Firm Commitment is issued, MHDC's closing attorney can then begin drafting MHDC loan documents and working with the borrower to establish a closing timeline and projected closing date.

Draft and Circulation of MHDC Loan Documents

After the Firm Commitment has been issued, MHDC's closing attorney will draft proposed loan documents and will then circulate draft documents to all necessary parties for review.

Finalization of Loan Closing Due Diligence and MHDC Loan Documents

Subsequent to the MHDC loan documents being circulated, in addition to continuing to receive and review due diligence items from MHDC's loan closing checklist, MHDC's closing attorney will field and review any comments to MHDC's loan documents. It is important to note that, while MHDC attempts to be reasonable in addressing legitimate concerns or requested changes to MHDC's loan documents in order to properly and accurately reflect the business deal MHDC has agreed to, MHDC generally will not make material changes to its documents.

Execution of MHDC Loan Documents and Release of Funds

Once all items on MHDC's loan closing checklist have been submitted to MHDC and approved by the appropriate parties, and all parties to the transaction have approved the MHDC loan documents, the transaction will be cleared to close and fund. MHDC generally requires that all due diligence be submitted in final form and approved by MHDC at least seven (7) days prior to the scheduled closing date. Likewise, MHDC generally requires that all MHDC loan documents be fully negotiated and agreed to at least three (3) days prior to the scheduled closing date. Unless MHDC's closing attorney specifically approves an alternative arrangement, MHDC will require that the closing on an MHDC loan take place in MHDC's Kansas City office.

Loan Closing Checklist Due Diligence Requirements

All Legal and Closing Forms may be accessed at the following link: www.mhdc.com/docs/g

MHDC 2012 Developer's Guide

MHDC's construction loan closing checklist indicates all due diligence which must be submitted to and approved by MHDC before closing on an MHDC loan. MHDC will not close on or fund a construction loan prior to the satisfaction of all items on the MHDC loan closing checklist. The purpose of this section is to highlight some of the key due diligence issues which should be top of mind to all borrowers when working toward a closing on an MHDC loan. As such, please note that this is not an all inclusive list of required items. However, in reviewing that checklist, please keep in mind that every loan closing involves a unique set of facts and circumstances. Therefore, depending on the specifics of a given development, some items noted on the form checklist may be rendered inapplicable and additional items not shown on the checklist may be added.

Title Insurance Requirements

For all developments receiving an MHDC loan, MHDC will require that a lender's title insurance policy be provided. The title insurer issuing the lender's policy must have an acceptable A.M. Best rating in order for the policy to be acceptable. MHDC requires that the title insurer issue to MHDC a pro forma lender's title policy prior to the closing date. This pro forma policy should be in a final form acceptable to MHDC at least seven (7) days prior to the date on which the MHDC loan is scheduled to close.

Organizational Documents

MHDC requires that all pertinent organizational documents be submitted to MHDC for each tier of the ownership entity. Among the pertinent organizational documents which must be submitted are all documents required to be filed with the Missouri Secretary of State in order to validly organize the entity, any governing documents of the entity which may not be filed with the Secretary of State (e.g. Operating Agreements, Partnership Agreements, By-Laws, etc.), and a Certificate of Good Standing for each entity dated within thirty (30) days of the date of closing the MHDC loan.

In order to ensure your closing is not unduly delayed, MHDC recommends including your MHDC closing attorney in all discussions and negotiations regarding the ownership entity's Amended and Restated Limited Partnership/Operating Agreement at the earliest possible juncture. MHDC reviews this document in depth to ensure the business agreement between the general partner/manager and the investors comports with the business terms as underwritten by MHDC. Among the specific requirements MHDC imposes on the Amended and Restated Limited Partnership/Operating Agreement ("A&R LPA/OA") are the following:

1. All equity pricing and pay in amounts must match the amounts set out in MHDC's Firm Commitment.
2. At least ten percent (10%) of the federal LIHTC equity must be paid in at closing and at least an additional ten percent (10%) of federal LIHTC equity must be paid in at or before fifty percent (50%) completion of the development.
3. Any partner/member receiving one percent (1%) or more of the federal LIHTCs must pay for its share of the federal LIHTCs at the same pricing as the federal investor.

MHDC 2012 Developer's Guide

4. The amounts and timing of all equity installments must be sufficient to adequately fund all escrows/reserves and pay down all construction loan debt when due.
5. MHDC's required language must be incorporated into the A&R LPA/OA verbatim, along with the partner/member information schedule.
6. Any put options held by the investor partners/members must note that any transfer pursuant to such option requires the consent of MHDC.
7. To the extent the A&R LPA/OA contains built-in transfer rights for the investor partners/members, such rights will only be acceptable to the extent such transfers are limited to other entities which are wholly owned and controlled by the approved investor partner/member.

Survey Requirements

All developments receiving an MHDC loan are required to submit a survey in form and substance acceptable to MHDC. Each survey must follow the ALTA/ACSM 2005 Minimum Standard Detail Requirements. While MHDC is aware that ALTA/ACSM recently implemented revised standards effective for 2011, MHDC is not accepting surveys designed to those standards at this time. The U.S. Department of Housing and Urban Development ("HUD") is in the process of reviewing the impacts of the 2011 ALTA/ACSM standards on its survey requirements. However, until such time as HUD approves the use of the 2011 ALTA/ACSM standards and updates its required survey forms appropriately, MHDC will continue requiring the use of the ALTA/ACSM 2005 standards.

Site Control Documents

The site control documents provided to MHDC must adequately document the transfer of the property which is to be developed from the current owner of record to anticipated ownership entity. The conveyance documents must convey an unencumbered fee or leasehold estate. No reversionary interests or reverter clauses contained in the conveyance documents will be acceptable. To the extent any such clauses exist, they must be expressly subordinate to any MHDC loans on the property. In the event the estate being conveyed to the anticipated ownership entity is a leasehold estate, the ground lease must be for a term of at least fifty-five (55) years and must meet all MHDC requirements.

Completion Assurance Requirements

As a condition of providing loan funds to a development, MHDC generally requires that the general contractor constructing the development provide adequate completion assurance. The completion assurance is allowed to take one of two forms. First, the general contractor can provide a deposit in the form of cash or an unconditional, irrevocable, non-documentary letter of credit for an amount equal to fifteen percent (15%) of the value of the construction contract. Alternatively, the contractor may provide a performance and payment bond for one hundred percent (100%) of the value of the construction contract.

MHDC 2012 Developer's Guide

MHDC Loan Documents

MHDC generally requires the same set of loan documents for all developments in which it holds a first position loan (though the contents of the documents may vary depending on the type of loan funds involved). Among the notable documents which MHDC requires specifically for developments in which it holds a first position loan are:

1. MHDC form Construction Contract-Cost Plus
2. MHDC form Performance and Payment Bond
3. Assignment of Capital Contributions
4. Investor Notes for the Federal and State Investor Partners/Members

The Assignment of Capital Contributions and accompanying Investor Notes are intended to secure MHDC's ability to enforce the investor partners/members obligations to make capital contributions when due to the extent necessary to pay down the MHDC construction loan to the permanent loan amount. This requirement is imposed on all investors and cannot be waived. However, in the event an investor prefers not to execute these documents, MHDC will accept alternative security in the form of an unencumbered first position security interest in the investor's interest in the owner entity, including its interest in the tax credits to be generated by the development.

Where MHDC is in a subordinate loan position, MHDC will allow the owner entity to utilize the standard AIA forms for construction contracts and performance and payment bonds provided that all MHDC requirements with regard to the content in each of these documents must still be met. If MHDC is a subordinate lender, the Assignment of Capital Contributions and related Investor Notes are not required. Outside of these exceptions, all other MHDC loan documents are required regardless of the priority position of MHDC's loan.

With the exception of changes to MHDC's loan documents which are necessary to adequately reflect the deal terms agreed to by MHDC and the ownership entity, MHDC generally will not make material changes to its form loan documents. However, MHDC will attempt to accommodate reasonable requests where possible, provided that MHDC loan documents should be in final form and not subject to any further comment (outside of corrections for errors) at least three (3) days prior to the schedule closing date of the MHDC loan.

Carryover Allocation

Developments that receive a conditional reservation of tax credits must sign a Carryover Allocation Agreement to allow the development an additional two years to complete construction and/or rehab and place the development in service, otherwise the development must be completed, placed in service and receive 8609s no later than December 31 of the year receiving the conditional reservation. Firm submission must occur and the carryover allocation agreement will be prepared and issued in conjunction with the Firm. This is a requirement for all 9% Low Income Housing Tax Credit developments. As a requirement of the carryover allocation a 10% Test must be completed and submitted to MHDC.

MHDC 2012 Developer's Guide

Carryover Allocation Agreement

The owner should review the carryover allocation agreement. The owner will need to select the Applicable Credit Percentage in Section 8 of the carryover and sign and have notarized and return to MHDC.

Applicable Credit Percentage

IRC Section 42(b)(A) requires the developer to choose when the applicable credit percentage will be established. The choices are:

1. The month of allocation (Carryover); or
2. the month the building is placed in service.

The owner will indicate in Section 8 of the carryover allocation agreement their preference.

Legislation enacted July 30, 2008, fixes the 70-percent present value credit at a minimum of 9% for buildings placed in service after July 30, 2008, and before December 31, 2013.

Owner Signature

The owner needs to sign the carryover allocation agreement in blue ink and have the carryover allocation agreement notarized and return to: MHDC, Attn: LIHTC, 3435 Broadway, Kansas City, MO 64111.

Deadlines

The carryover allocation agreement must be in the office of MHDC at least two business days before the end of the month in which the owner signed the carryover allocation agreement. The carryover allocation agreement must also be signed by MHDC in the same month if the applicable credit percentage is for the month of allocation.

If a carryover allocation agreement is not signed by the owner and MHDC within the calendar year of the conditional reservation, the owner must place the buildings in service and cost certify and receive the 8609s within the calendar year of the conditional reservation.

10% Test

All of the forms and documents referenced in this section may be accessed at the following link: www.mhdc.com/docs/a

The owner must complete the 10% test no later than 12 month after the effective date of the carryover or the credits will be returned to MHDC. The 10% test should be submitted as soon as the test has been met. The 10% test is not required if in the year receiving the carryover allocation a development is able to place the development in service, provide the cost certification to MHDC and receive the 8609(s) no later than December 31.

MHDC 2012 Developer's Guide

10% Test Required Documentation

Original MHDC Form 3341 Development Financing Certification;

Original MHDC Form 3342 Exhibit B with supporting documentation;

Original MHDC Form 3343 Carryover Allocation 10% Letter; and

A copy of the recorded warranty deed/lease;

A copy of the signed amended and restated partnership agreement, or operating agreement;

A copy of the note(s) and copies of recorded deed of trust(s) for non-MHDC loans.

Scan and email the above to gmeyer@mhdc.com and dlawhon@mhdc.com (or include on a CD and submit with the required original documents).

10% Test Deadline

The deadline is no later than 12 months after the effective date of Carryover. All documentation must be submitted to MHDC by the end of the 13th month after the effective date. Early submission is encouraged.

Final Allocation/Cost Certification

The owner must complete the Development Cost Certification for any development that receives funding from MHDC. Funding means any loan or Low income Housing Tax Credits. MHDC must review and approve the Development Cost Certification prior to loan conversion, permanent loan closing and/or issuance of 8609 and Missouri Eligibility Statement (if applicable). MHDC will evaluate all funding sources and costs and determine the maximum mortgage amount, if receiving a MHDC mortgage and will evaluate the reasonableness of costs and uses before determining the final amount of tax credits, if receiving tax credits.

Please refer to the Qualified Allocation Plan the development was approved under for any limits on contractor fees, developer fees, etc., or other requirements.

MHDC reserves the right to ask for additional information to provide clarification to the cost certification submitted.

MHDC has posted the cost certification forms and documents on the MHDC website at the following link: www.mhdc.com/docs/a

The forms posted on the website are the most up-to-date forms which are subject to revision. A revision can be made to correct any errors in the form or to make changes to comply with regulatory, statute or other necessary changes. Any forms revised will be posted with a revision date. Please use the most up-to-date form when preparing the cost certification.

Required Documentation

MHDC loan only, provide the following:

1. Contractor's Certificate of Actual Cost Independent Auditor's Report
2. 3320 Contractor's Certificate of Actual Costs

MHDC 2012 Developer's Guide

3. 3320-I Itemized List of all Contractor's cost with subtotals
4. 3320-A Identity of Interest Worksheet
5. 3320-II Itemized List of Contractor with Identity of Interest and costs with subtotals
6. Development Cost Certification Independent Auditor's Report – MHDC Mortgage
7. 3335 Development Cost Certification
8. 3335-A Itemized list of costs outside of construction contract
9. Financial Statements (compilation acceptable) Balance Sheet and Income Statement
10. 3335-E Owner Certification

Low Income Housing Tax Credits only, provide two originals of each of the following:

1. Contractor's Certificate of Actual Cost Independent Auditor's Report
2. 3320 Contractor's Certificate of Actual Costs
3. 3320-I Itemized List of all Contractor's cost with subtotals
4. 3320-A Identity of Interest Worksheet
5. 3320-II Itemized List of Contractor with Identity of Interest
6. Development Cost Certification Independent Auditor's Report – Tax Credit
7. 3335 Development Cost Certification
8. 3335-A Itemized list of costs outside of construction contract
9. 3335-B Building Detail
10. 3335-C Building-by-Building Basis
11. 3335-D Summary of Buildings
12. 3335-E Owner Certification
13. 3341 Tax Credit Development Financing Certification

Combination of a MHDC loan and Low Income Housing Tax Credits, provide two originals of the following:

1. Contractor's Certificate of Actual Cost Independent Auditor's Report
2. 3320 Contractor's Certificate of Actual Costs
3. 3320-I Itemized List of all Contractor's cost with subtotals
4. 3320-A Identity of Interest Worksheet
5. 3320-II Itemized List of Contractor with Identity of Interest
6. Development Cost Certification Independent Auditor's Report – Tax Credit
7. Development Cost Certification Independent Auditor's Report – MHDC Mortgage
8. 3335 Development Cost Certification
9. 3335-A Itemized list of costs outside of construction contract
10. Financial Statements (compilation acceptable) Balance Sheet and Income Statement

MHDC 2012 Developer's Guide

11. 3335-B Building Detail
12. 3335-C Building-by-Building Basis
13. 3335-D Summary of Buildings
14. 3335-E Owner Certification
15. 3341 Tax Credit Development Financing Certification

Any development receiving historic tax credits in addition to low income housing tax credits must send a copy of the HTC-E.

Please email the following forms in Excel to your underwriter when submitting the cost certification package to MHDC:

1. 3320-I Itemized List of all Contractor's cost with subtotals
2. 3320-II Itemized List of Contractor with Identity of Interest
3. 3335-A Itemized list of costs outside of construction contract

When to submit

The cost certification should be submitted to MHDC no later than the last day of the second full month following the date of substantial completion for the last building in the development.

For example, substantial completion of the last building is May 15. In this example the cost certification should be submitted no later than July 31.

Where to submit

Unless MHDC indicates a different address in writing, submit the cost certification package to:

MHDC
Legal Department
3435 Broadway
Kansas City, MO 64111

Conversion/Permanent Loan Closing

All of the forms and documents referenced in this section may be accessed at the following link: www.mhdc.com/docs/g

Just as MHDC's legal department is in charge of overseeing and coordinating MHDC construction loan closings on all developments receiving construction loans and/or tax credits from MHDC, it is equally responsible for overseeing and coordinating the conversion of all MHDC construction loans to permanent amortizing status and the closing of all permanent MHDC loan financing. This chapter provides an overview of the requirements which must be met to convert an MHDC construction loan to permanent amortizing status. In addition, this chapter provides an overview of the permanent loan closing process, including certain specific requirements to be fulfilled and key timing issues relevant to the process.

MHDC 2012 Developer's Guide

Conversion Requirements

MHDC requires that all of its construction loans be converted to permanent amortizing status by the date specified in its loan documents. In order to convert a construction loan to permanent amortizing status, the ownership entity must fulfill all requirements set forth in MHDC's conversion checklist. The purpose of this section is to highlight some of the key requirements which must be fulfilled prior to MHDC approving final conversion of its construction loan. However, in reviewing that checklist, please keep in mind that every loan closing involves a unique set of facts and circumstances. In any given construction loan closing, there may be outstanding issues which cannot be addressed prior to the beginning of construction (e.g. relocation of easements based on movement of utility lines, removal of existing encroachments, etc.). All such items of this nature will be added to the conversion checklist upon closing the MHDC construction loan.

There are certain key due diligence items of note, which all ownership entities receiving MHDC construction should keep top of mind when working toward the conversion of the construction loan to permanent amortizing status. First, before an MHDC construction loan can be converted to permanent status, the title insurer must provide MHDC with a final original date-down endorsement which increases the insured amount under MHDC's lender policy to the full amount of MHDC's construction loan, evidencing that no unapproved exceptions have been added to MHDC's lender policy, and otherwise meeting all requirements for MHDC title policies. In addition, the title insurer must provide the final ALTA 3.1 endorsement to MHDC's lender policy. Second, MHDC must be provided with a final as-built survey meeting all MHDC survey requirements. Third, the cost certification documenting the actual costs of construction of the development must be fully completed and approved by MHDC.

Permanent Loan Closing Process and Requirements

Where MHDC is providing only permanent financing to a development and no construction period financing, the MHDC loan is closed subsequent to completion of the development. However, while the MHDC loan closing itself does not take place until after construction completion, MHDC must be included in the construction loan closing process. The purpose for this inclusion is twofold:

First, MHDC must review and approve much of the same due diligence prior to the closing of the construction loan closing as it would were it providing the construction financing itself. The due diligence items MHDC must review and approve prior to the closing of the construction loan include the status of the title, all conveyance documents, construction.

Compliance Reporting

Annual Reporting

All compliance and asset management forms and documents referenced in this section may be accessed at the following link: www.mhdc.com/docs/f

Annual reporting allows MHDC to monitor compliance issues and verify adherence to the program requirements associated with property operations. These requirements are unique to the programs in use at the given property. Asset Management staff has compiled

MHDC 2012 Developer's Guide

general and administrative guidance, here, on compliance reporting that includes program information and the type of reporting required of each program.

The Tax Credit Program

The Tax Credit program provides federal and state tax credits to investors in affordable housing through an annual competitive application process. This tax credit can be used each year for 10 years and is allocated to developers, who may then sell it to raise equity to construct or acquire and rehabilitate affordable rental housing.

Congress has delegated the administration of the Low Income Housing Tax Credit to state housing agencies to assure that good quality housing would be available where it is most needed. This is the role that MHDC fulfills. MHDC is charged not only with the allocation of credit, but also with assuring compliance with the regulations. This includes the performance of a physical inspection of the property and a review of management and occupancy procedures during the compliance period and the extended use period.

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 to comply with the provisions of the act.

Tax Credit Program Reporting Requirements

Tax Credit Program reporting requirements consist of Certification On-Line Reporting (COL) and submission of the Owner's Certificate of Continuing Program Compliance- Exhibit A. Certification On-Line Reporting (COL) is an internet-based data-tracking system that has been designed for owners, agents and managers to upload annual tenant activity on-line.

Information regarding occupancy, rent and income limits, utility allowances, and applicable fractions is entered and various reports can be compiled from data entered.

The owner's Certificate of Continuing Program Compliance form must be printed from COL, signed by the owner, notarized and mailed to MHDC. Upon submission this specific Exhibit A is stored virtually at MHDC and is used thereafter for all pertinent business.

The HOME Program

The federally funded HOME Program provides a financing source for several eligible activities that increase the supply of affordable housing for low and very low income persons. One of these activities is the acquisition and rehabilitation or new construction of rental housing. As HOME Administrator for the State of Missouri, MHDC uses a portion of its annual HOME allocation to finance rental production at a very low interest rate, which results in rents that are affordable to low income families.

The Asset Management Department is responsible for ensuring the ongoing

MHDC 2012 Developer's Guide

compliance of rental housing that has been financed by MHDC using federal HOME funds. This includes ensuring that the owners of such housing are complying with the income limits, rent restrictions, physical condition standards and other compliance issues specified by federal HOME guidelines to meet the housing needs of low and very low income Missouri households. MHDC is responsible for ensuring the ongoing compliance of rental housing that has been financed by MHDC using federal HOME funds. This includes ensuring that the owners of such housing are complying with the income limits and rent restrictions as well as other compliance issues specified by the federal HOME program.

HOME Program Reporting Requirements

The Home Program reporting requirements for rental housing financed through federal HOME financing differ from the requirements of a property financed with both HOME and Low Income Housing Tax Credits (LIHTC).

For properties financed with HOME funds without Low Income Housing Tax Credits, the reporting consists of submission of the Annual Certification of Continuing Program Compliance-Exhibit K and the Annual Occupancy Report-Exhibit H. A hard copy of Exhibit H must be submitted to MHDC no later than close of business on March 31. In addition, an accurate, current utility allowance is required to be updated and submitted to MHDC on an annual basis in conjunction with these annual reports.

Annual reporting requirement for HOME Program properties with LIHTC must be done through the Certification On-Line (COL) System in accordance with the Seasonal Reporting Schedule which is based on the Placed-In-Service dates. The original, executed copy of the Annual Certification of Continuing Program Compliance-Exhibit K must still be provided in the hard copy format along with an accurate, current utility allowance.

(Seasonal Reporting Schedule)

| SEASONAL REPORTING SCHEDULE | | | |
|------------------------------------|--------------------------------|----------------------------|---------------------------|
| Placed-In-Service Date | Activity Period Covered | COL Report Due Date | Exhibit A Due Date |
| 1990, 1991, 1992, 1993, 2006, 2010 | April 1 – March 31 | April 15 | April 30 |
| 1994, 1995, 1996, 1997, 2007, 2011 | July 1 – June 30 | July 15 | July 31 |
| 1998, 1999, 2000, 2001, 2008, 2012 | October 1 – September 30 | October 15 | October 31 |
| 2002, 2003, 2004, 2005, 2009, 2013 | January 1 – December 31 | January 15 | January 31 |

In some instances, this could cause reporting for a partial year in order to catch up to the appropriate schedule.

MHDC 2012 Developer's Guide

Asset Management

MHDC administers a wide array of affordable housing programs and monitors these properties for compliance from inception, through the final compliance period, including the Extended Use Agreements. As the Administrator of the affordable housing programs for the state of Missouri, MHDC is your direct source for assistance and guidance regarding the specific program requirements and obligations.

The initial set-up for each property is a very important aspect of ensuring the compliance for participating owner/agent entities. Proper set-ups allows for open and direct communications with MHDC and ensures information regarding the property's compliance and program obligations can be relayed and maintained. The following outlines the steps for initial property set-ups:

Lease Up

Providing accurate and up-to-date contact information for your property and owner/management entity along with filing the various required authorization forms allowing MHDC to request and conduct business is vital. Once initial authorization forms are submitted, the Initial Lease-Up information must be submitted. This information allows MHDC to establish the timeframe for monitoring compliance moving forward.

[First \(1st\) Certificate of Occupancy](#)

In order to claim the credit, all developments receiving a credit allocation since 1987 must comply with all eligibility requirements for a period of 15 taxable years beginning with the first taxable year of a building's credit period. The credit period for a building begins in either the year it is placed in service or the first year after, as declared in Part II of the IRS Form 8609. This 15 year period is referred to in the Code as the "Compliance Period" [Section 42(i)(1)].

[Notification of First Unit Occupancy Date](#)

To enable MHDC to determine a property's final year of Program compliance, MHDC must be provided with a copy of the First Year Certification Part II of IRS Form 8609, as executed by the owner and filed with the IRS. If this cannot be provided, MHDC will require the development to remain in the program through December 31st of the sixteenth year, for 1987 -1989 credit allocations, or December 31st of the thirty-first year, for credit allocations of 1990 and thereafter.

[Establish Username and Password for MHDC Asset Management Reporting Systems \(AMRS\)](#)

Monitoring is designed to determine if the development is in compliance with federal and state regulations and with MHDC policies. However, compliance is solely the responsibility of the owner and is necessary to retain and use the credit.

MHDC 2012 Developer's Guide

[AMRS Monthly Occupancy Data Submission Dates](#)

MHDC is required to collect the data regarding the properties' occupancy for monitoring on a monthly basis. Therefore owner/agents are required to submit their monthly occupancy activity to AMRS by the tenth (10th) of each month.

Latent Defect Inspections

Each new construction and substantial rehabilitation project with an MHDC construction loan is subject to Latent Defect Inspection (LDI) upon completion of the construction project. MHDC will establish an inspection date LDI and notify all parties. The LDI will be performed by MHDC representatives in conjunction with the architect, general contractor and the property manager. The owner/management agent entity will be responsible for notifying residents with the proper inspection notifications per program guidelines. This inspection has the specific parameters as set below.

Timeframe for LDI Inspections

Each project must be inspected for latent defects within nine (9) months from the reported final construction date. Any alterations to this date must be properly reported to MHDC so alterations in the LDI Inspection timeframes can equally reflect those changes. Failure to report and verify changes are the responsibility of the owner/agent and their general contractor. Prior to a representative's visit, MHDC will provide official notice of the LDI inspection via The Latent Defect Inspection Appointment Letter-Exhibit D.

Deficiency Resolutions and Penalties for Non-Compliance

The LDI will be conducted with respects to the scope of the project and all construction rehabilitation requirements established in the original application. Any defects observed during the LDI will be reported in detail and supported by photographs by the Architect and provided to the owner/agent of record and copies provided to the general contractor as applicable. From the date of the inspection report, the owner/agent or designated representative has forty-five (45) days to return certification and documentation supporting the mitigation of the deficient items or conditions cited in the LDI report. Failure to submit proper documentation supporting correction of each item cited will result in the issuance of a Form 8823 to the IRS reporting an action of non-compliance by the Owner/ agent in question.

Program Compliance Inspections

All program compliance forms and documents referenced in this section may be accessed at the following link: www.mhdc.com/docs/f

As Administrator for the various affordable housing programs in the state, MHDC is responsible for conducting operational management audits and physical inspections at our participating properties. These assignments consist of occupancy reviews, tenant file management (for initial participant eligibility and continued eligibility), physical asset management and general program compliance.

The Physical Inspections component is based in the UPCS Code as provided by HUD and the application of federal, state, and local building code enforcement. Inspection cycles vary

MHDC 2012 Developer's Guide

depending on the programs in effect. MHDC must conduct these assessments adherent to the most restrictive program in effect at a given property. The inspection cycle frequency may be increased depending on the conditions of the physical asset and overall program compliance as observed during the site review.

Frequency of the Required Inspection and Management Reviews

For properties layered with several affordable housing programs. MHDC must conduct the inspection consistent with the most restrictive regulations.

1. Mixed MHDC Fund Balance or HOME Funds (25 units or more) with Tax Credits- Inspections are conducted once Annually
2. HOME Funds (5-24) units) with Tax Credits- Inspections are conducted every two (2) years
3. HOME Funds (1-4 units) with Tax Credits- Inspections are conducted every three (3) years
4. Tax Credit Only Financing- Inspections are conducted every three (3) years

AHAP Program Inspections

Prior to the inspection, a MHDC Compliance Officer will provide the owner/agent an official Appointment Letter-Exhibit AHAP-1 enclosed in a document package. This document package will also contain other Exhibits: C-3A; C-4, and information regarding the inspection day process and procedures. Owners/Agents participating in the AHAP program should complete all forms and information return to MHDC ten (10) days prior to the inspection day schedule. Once the Inspection is complete, MHDC will provide the Owner/agent the audit report via Exhibit AHAP-12 Physical Inspection and Management Review Form. The Owner/agent then has thirty (30) days to respond to all Findings cited on the report. Once the appropriate verifications have been received by our office, MHDC will provide the owner/agent an AHAP C-28 Form officially closing the inspection process for that period.

HOME Program Inspections

Prior to the inspection, a MHDC Compliance Officer will provide the owner/agent an official Appointment Letter Exhibit (HOME) C-1A enclosed in a document package. This document package will also contain other Exhibits: C-3A; C-4, C-5, and information regarding the inspection day process and procedures.

Additionally, HOME program regulations require a HUD Form 9834 Addendum B, be completed for each property. This form collects data regarding the occupancy of the Elderly/Disabled units at the property. Once the Inspection is complete, MHDC will provide the Owner/agent the audit report via Exhibit AHAP-12 Physical Inspection and Management Review Form. The Owner/agent then has thirty (30) days to respond to all Findings cited on the report. Once the appropriate verifications have been received by our office, MHDC will provide the owner/agent a C-12 Form officially closing the inspection process for that period.

MHDC 2012 Developer's Guide

LIHTC and TCR Program Inspections

Prior to the inspection, a MHDC Compliance Officer will provide the owner/agent an official Appointment Letter Exhibit C-1 LIHTC enclosed in a document package. This document package will also contain other Exhibits: C-3A; C-4, C-5, C-15, and C-16 as applicable. The package will also contain other valuable information regarding the inspection day process and procedures. Owners/Agents participating in the AHAP program should complete all forms and information return to MHDC ten (10) days prior to the inspection day schedule. Once the Inspection is complete, MHDC will provide the Owner/agent the audit report via Exhibit AHAP-12 Physical Inspection and Management Review Form. The Owner/agent then has thirty (30) days to respond to all Findings cited on the report. Once the appropriate verifications have been received by our office, MHDC will provide the owner/agent a C-12 Form officially closing the inspection process for that period.

Affordable Housing Assistance Program (AHAP)

All AHAP forms and documents may be accessed at the following link:

www.mhdc.com/docs/h

The Affordable Housing Tax Credit is a Missouri state tax credit authorized by MHDC and issued to business firms that engage in providing affordable housing assistance contributions to Non-profit neighborhood organizations. These contributions must be used in the construction or rehabilitation of affordable housing units.

AHAP Operating Assistance Credits

Operating Assistance credits are allocated to Donors who provide eligible donations to Agencies for general operating assistance. The Agency must specify the projected use of the donation with respect to its operating expenses and demonstrate both need for the donation and leverage with additional sources. Qualified operating expenses include salaries, office supplies/equipment, office rent/mortgage payments, utilities, taxes, insurance, maintenance/repairs and professional services incurred by the Agency. Donations may be received from one or multiple donors.

Annual Reporting

AHAP program regulations require owner/agent to provide certain information on an annual basis for the ten (10) year compliance period. This information must be provided on the specific forms outlined below:

Forms:

AHAP Production Credits – Multi Family Rental Properties

Production credits are allocated to Donors who provide eligible donations to Agencies for the following affordable housing assistance activities: Acquisition, Acquisition/ rehabilitation, Rehabilitation only, New construction, New construction/rehabilitation and Rental assistance.

MHDC 2012 Developer's Guide

[AHAP-355 - Owner's Certificate of Continuing Compliance](#)

Owner/agents must provide MHDC with the Owner's Certificate of Continuing Program Compliance within 90 days of the end of the calendar year.

[AHAP-356 - Occupancy Report](#)

Owner/agents must provide MHDC with the Annual Occupancy Report within 90 days of the end of the calendar year.

AHAP Production Credits – Emergency Shelter/Transitional Housing

[AHAP-350 - Agency Affordable Housing Activities Reporting](#)

Emergency shelters/transitional housing projects must submit reports of available affordable housing assistance activities and actual count and composition of population served (listed by month) annually for each year of operation during the restriction period.

[AHAP 370 - Homebuyer Income Certification](#)

Individuals applying to purchase an AHAP home should be advised early in their initial visit to the property that there are maximum income limits that apply to the units. Management should explain to the qualified AHAP buyers that the prior income of all persons expected to occupy the unit must be verified and included on an application and income certification form prior to occupancy.

[AHAP-371 -Home Sale Certification](#)

Owner must submit this form certifying to MHDC that the cost of the unit (mortgage payment mortgage and casualty insurance and property taxes) is projected to be

in compliance with the corresponding rent limits for a household.

[AHAP-372 - Single Family Notice of Change of Ownership](#)

AHAP Production Credit – Rental Assistance

As part of the monitoring requirements for MHDC, the accounting team reviews the records of payments for assistance compared to occupancy reports that denote the amount of assistance granted to each resident.

[AHAP-320 - Rental Assistance Calculation Worksheet](#)

Owners of developments outside the metropolitan areas must complete this form for each resident receiving rental assistance when they first begin receiving assistance and at re-certification each year thereafter.

MHDC 2012 Developer's Guide

[AHAP-325 - Rental Assistance Annual Review](#)

Owners of AHAP developments in major metropolitan areas must submit documentation to MHDC no later than March 31 annually (for as long as funds are available) to confirm or adjust the amount of rental assistance based upon the property's operating budget and current market conditions.

[AHAP-330 - Schedule of Rental Assistance Payments Due](#)

Copies are due 30 days from the end of each quarter; escrow agreement with property receiving assistance, annual income certifications of residents receiving assistance, monthly requests for payment, monthly bank statements detailing account activity.

[AHAP-350 - Agency Affordable Housing Activities Annual Reporting Form](#)

Emergency shelters/transitional housing – reports of available affordable housing assistance activities and actual count and composition of population served (listed by month) for each year of operation during the restriction period.

Management Company Set-up at Application/Firm Commitment

All management company/compliance forms may be accessed at the following link;

www.mhdc.com/docs/f

The initial step for participation in one or more of the affordable housing programs administered by MHDC is providing specific contact, communication and owner authorization information so the agency may begin an assessment of the proposed owner/management company. Depending on the programs sought for application/participation MHDC requires the following documentation to be submitted and on file with our Agency.

Ownership Change/Transfer of Physical Assets (TPA)

Changes to the development as submitted in the application require written notification to and approval of MHDC. These changes may include ownership, general partner and/or limited partner. The forms for submission may be obtained by advancing to the following link: www.mhdc.com/docs/f

Modified TPA Transfers

Changes in general partner or limited partner as submitted in the application require written notification to and approval of MHDC.

Full TPA Transfers

Changes in the ownership entity as submitted in the application require written notification to and approval of MHDC.

MHDC 2012 Developer's Guide

Management Company Change

MHDC must approve all management changes prior to the actual change in management for all properties that have an MHDC or HOME loan and/or TCAP/TCR funding. Failure to do so may lead to MHDC denying the change, and ownership will have to make another change.

The forms for submission may be obtained by advancing to the following link:

www.mhdc.com/docs/f

Management Company Fee Increase

Requests for management fee increases must be submitted 30 days prior to the expiration of Form 2004-A Management Certification. Increases are not automatic as decisions are based on overall property financial health, management compliance and inspection ratings. The forms for submission may be obtained by advancing to the following link:

www.mhdc.com/docs/f

Rent Increase Guidelines

Missouri Housing Development Commission (MHDC) sets the rents for all projects involved in the MHDC Fund Balance, Low Income Housing Tax Credit, and HOME programs. The window for submitting a rent increase is October 1st – December 31st. . Rent increase requests are required to be submitted online through MHDC's Asset Management Reporting System (AMRS) at <https://amrs.mhdc.com>. A user name and password is required to access this system. It is important to note that a rent increase cannot be submitted until the property has successfully submitted the annual budget. All rent increases submitted outside this window are not processed. We do not accept mailed rent increase requests unless the property contains 12 or less units. The effective date of a proposed rent increase must be at least one year from the effective date of the property's last approved rent increase. Existing residents must be given a 30 day notice before implementing the rent increase. The maximum rent increase allowed for a family designated development is 7%, while the maximum rent increase allowed for a senior designated development is capped at the previous year Social Security COLA adjustment. All MHDC-approved rent increases are issued on Form Schedule II.

Budget Based Rent Increases

All properties that have more than a tax credit only relationship with MHDC (i.e. MHDC or HOME loan) have their rent increases tied to an MHDC approved budget. Since the rents are tied to the budget, it is imperative that the property submit a realistic, itemized operating income and expense budget. We analyze the revenue proposed under the rent increase and compare it to expenses approved in the budget to determine if the property is projecting a surplus/ (shortfall.) The two main performance indicators we look at when approving rent increases are cash flow and DCR. We consider a healthy property to maintain a 1.20 DCR. Properties that project a DCR that exceeds a 1.20 may have the rent increase request reduced or denied. Higher DCRs may be allowed for properties to achieve agreed upon owner distributions, to re-pay surplus cash notes and/or to pay remaining deferred developer fees. In any event, we will not approve an increase that is more than 7% or the previous year Social Security COLA adjustment.

MHDC 2012 Developer's Guide

Required Items for a Budget Based Rent Increase

1. Financial Statement and Budget
2. Current Rent Roll
3. Three comparable rents in the area for each bedroom type
4. Current Utility Allowance
5. Occupancy at the property for the past six months
6. Indication that current residents have been notified of proposed rent increase

Tax Credit Only Rent Increases

MHDC's approval for Tax Credit (TC) only rent increases is not based on the property's approved budget. TC only rent increase approvals are compliance based. To approve the request, we ensure the property is in good standing (i.e. inspections are closed, noncompliance issues are resolved, etc.), the request does not exceed 7% or the previous year Social Security COLA adjustment, the increase meets Sec 42 requirements, and at least 12 months have passed since the last rent increase. Once all questions are answered in the affirmative, a Schedule II is issued for the rents requested.

Required Items for a Budget Based Rent Increase

1. Current Utility Allowance
2. Indication that current residents have been notified of the proposed rent increase

Market Study Guidelines

Forms and Documents related to MHDC market study guidelines may be accessed at the following link: www.mhdc.com/docs/a

Purpose.

The purpose of these standards is to provide standardized terminology and content for market studies prepared for rental housing to be financed in whole or in part by Missouri Housing Development Commission (MHDC). The standards outline the content, data, analysis and conclusions to be included in market studies for rental housing.

Content

Market Studies must be prepared by experienced and MHDC approved market analysts, should contain the information and analysis outlined in this guideline, and must have been prepared or updated within 6 months of the submission date to MHDC.

A previously submitted market study can be used to satisfy the submission requirements of a subsequent funding round if updated properly. Acceptable market study updates must contain MHDC Form 1300-S, and updated information regarding local employment and rent

MHDC 2012 Developer's Guide

and occupancy information. Updates must also contain the contact information (name and phone number) for all updated comparable information. In no event will MHDC accept a market study that was initially prepared more than 18 months prior to an application funding round.

Missouri Housing Development Commission Summary and Checklist.

Each market study must include a market study summary and checklist (MHDC Form 1300-S) that will include the following information:

1. A concise description of the primary market area from which potential tenants of the proposed development are expected to come.
2. A summary of the existing affordable housing developments in the market and a concise explanation regarding the market need for the proposed development, that may be supported by market occupancy/vacancy levels, property condition, waiting lists, etc.
3. The estimated market rent(s), proposed development rent(s) and an indication of the rent advantage of the proposed rents as compared to market rents.
4. A summary of market related economic strengths and/or weakness which may influence the subject development's marketability.
5. A summary of market related demographic strengths and/or weakness which may influence the subject development's marketability.
6. A summary of positive or negative development attributes and issues that may affect the property's performance and lease-up.
7. A summary of positive or negative neighborhood attributes and issues that may affect the property's performance and lease-up.
8. The analyst's opinion of the market need for the proposed development.

Development Description.

The market study should include a development description to show the analysts' understanding of the development at the point in time the market study is undertaken. The development description should include:

1. Proposed number of units by: number of bedrooms and baths, income limit as a percent of area median income (AMI), unit size in square feet, and utility allowances for tenant paid utilities, proposed rents, and target population, including income restrictions, proposed housing assistance and any special needs set-asides.
2. The utilities expected to be paid by tenants and energy sources for tenant
3. paid hot water, heat, cooking;
4. The number of buildings, design (walk-up, elevators, etc.) and number of stories. For rehabilitation developments provide a description of the improvements to be made;

MHDC 2012 Developer's Guide

5. Statement of unit and common amenities, site amenities and parking;
6. Identification of any existing assisted housing program at the property such as Section 8, Section 202, Section 811, BMIR, Section 236, etc., to include expirations dates of any rent subsidies;
7. Developer's projected dates for construction start and completion, and start of pre-leasing;
8. Description of the Target Population (small family, large family, senior 55+, senior 62+);
9. Current occupancy percentage of existing developments;
10. Report on the flood zone of the property.

Location and Market Area Definition

1. Define the primary (PMA) and secondary (SMA) market areas including a map which clearly delineates the areas and an explanation of the basis for the boundaries of the PMA and SMA. Identify PMA and SMA boundaries by census tracts, jurisdictions, street names, or other geography forming the boundaries.
2. Provide a description of the site characteristics including its size, shape, general topography and vegetation and proximity to adverse conditions.
3. Provide photographs of the site and neighborhood, and a map clearly identifying the location of the development and the closest transportation linkages, shopping, schools, medical services, public transportation, places of worship, and other services such as libraries, community centers, banks, etc.
4. Describe the compatibility of the proposed development with the neighborhood.
5. Describe and evaluate the visibility and accessibility of the site.
6. Provide information or statistics on crime in the PMA relative to data for the overall area. Address any local perceptions of crime or problems in the PMA.

Population and Households

Present recent census demographic data for the PMA (and SMA if appropriate) and other geographic areas (like cities, counties, or states) as appropriate. Current year estimates and five-year projections are typical. Estimates and projections should be from reliable sources. All sources of data should be identified.

1. Current and projected population and household counts.
2. If relevant in the market, a 10-year, or other appropriate period, history of building permits, if available, by housing type and comments on building trends in relation to household trends.
3. Total population characteristics such as age and household type.
4. Households by incomes in \$5,000-\$10,000 increments by tenure.

MHDC 2012 Developer's Guide

5. An analysis of trends indicated by the data including an explanation of methodologies for analyst-generated estimates.
6. Households by tenure.

Employment and Economy

Provide data and analysis on the employment and economy of the PMA to give an understanding of the overall economic health of the community in which the PMA is located. List sources for the data and methodology for the analysis.

1. Provide a description of employment by industry sector for the PMA or smallest geographic area available that includes the PMA and compare the data to the larger geographic area, e.g. the city, county, labor market area, or MSA.
2. List major employers in the PMA, the type of business and the number employed and compare the data to the larger geographic area (i.e. MSA, county, SMA, etc.).
3. Show the historical unemployment rate for the last ten years (or other appropriate period) for the PMA and compare to the larger geographic area (i.e. MSA, County, SMA, etc.).
4. Show employment growth over the same period or a more recent, shorter period (last 5 years). Compare to the larger geographic area.
5. Comment on trends for employment in the PMA in relation to the subject.
6. If relevant, comment on the availability of affordable housing for employees of businesses and industries that draw from the PMA.
7. Provide a breakdown of typical wages by occupation.
8. When available, provide commuting patterns for workers such as how many workers in the PMA commute from surrounding areas outside the PMA