

REQUEST FOR PROPOSAL

PARTICIPATION LOANS

REQUIRED BY

MISSOURI HOUSING DEVELOPMENT COMMISSION



Strength, Dignity, Quality of Life

MISSOURI HOUSING
DEVELOPMENT COMMISSION

RESPONSES DUE:

Friday April 5, 2013, by 4:30 P.M. Central Standard Time

SECTION I: INTRODUCTORY INFORMATION

Missouri Housing Development Commission:

The Missouri Housing Development Commission (“MHDC” or the “Commission”) was established in 1969 in order to increase the availability of decent, safe and sanitary housing at prices within the means of low- and moderate-income persons. The Commission is a governmental instrumentality of the state of Missouri and a body corporate and politic. The Commission’s authority is derived from Section 215.030, *et seq.*, of the Revised Statutes of Missouri, as amended and supplemented.

The Commission administers a variety of state and federal funding sources to finance the purchase of single family homes for owner occupancy and to finance the construction and rehabilitation of affordable rental housing for low-income Missourians. Funding is made available through a combination of issuing tax credits, sale of bonds to provide mortgages, providing grants, and making low-interest loans. Sources include the federal Low Income Housing Tax Credit, Missouri Low Income Housing Tax Credit, HOME Investment Partnership Program, federal Risk-Share insurance, Affordable Housing Assistance Program and proceeds of bond sales, as well as the Commission’s own general fund balance. The Commission’s activities are governed by the laws and regulations of each particular funding source as well as Commission policy.

Purpose of RFP:

The purpose of this Request for Proposal (“RFP”) is to request proposals and qualifications from financial and institutional investors who would like to participate with MHDC in providing financing to developers of affordable housing properties which have been awarded Low Income Housing Tax Credits (LIHTC) in the State of Missouri.

Proposal Due Date:

MHDC Issuance of RFP – March 1, 2013
Deadline for submission of questions – March 15, 2013
MHDC responses to questions – March 22, 2013
RFP response deadline – Friday April 5, 2013 by 4:30 P.M.
Central Standard Time

Submission of Proposal:

Three (3) printed copies and one electronic copy of the proposal must be submitted by the proposal due date noted above to:

William J. Ulm, Director of Rental Production.
Missouri Housing Development Commission
3435 Broadway
Kansas City, Missouri 64111

Proposals must be submitted in printed bound form, along with one electronic copy on a CD-ROM, in a sealed envelope marked "Proposal for Participation Loans" and shall include all information required pursuant to this RFP. The envelope shall be marked with the name of the financial institution submitting the Proposal.

(Neither faxed copies nor electronic submissions will be accepted.)

SECTION II: PROCEDURES AND INSTRUCTIONS

Questions:

Questions regarding this RFP should be directed to the Commission in writing by mail, facsimile or electronic mail by March 15, 2013, as follows:

William J. Ulm
Director of Rental Production
Missouri Housing Development Commission
3435 Broadway
Kansas City, Missouri 64111
(816) 759-6829 (fax)
wulm@mhdc.com

MHDC will attempt to answer all questions by March 22, 2013.

Standards of Conduct:

Please refer to the Commission's "Standards of Conduct" Policy for information regarding contact with MHDC commissioners or staff in connection with this RFP, necessary disclosures thereunder and other policies regulating the actions of interested parties, employees and commissioners during a competitive matter. The Commission's Standards of Conduct Policy is available on MHDC's website at www.mhdc.com.

Furthermore, pursuant to the Standards of Conduct, any Response under this RFP shall disclose the name of the individual, entity and/or entities having ownership interests in the Respondent. For publically traded companies, "individual, entity and/or entities having ownership interests" is defined as holding 10% or more of outstanding common or preferred stock. All entities identified in this disclosure shall be reduced to their human being level irrespective of the number of entity layers which may be present for any disclosed entity. Questions regarding this requirement may be directed to the Commission's General Counsel, Weylin Watson, by phone at 816-759-6624 or email at wwatson@mhdc.com.

Modifications to Proposals:	Respondent may not modify or correct its Proposal any time after the Proposal Due Date except in direct response to a request from the Commission for clarification.
Revisions to this RFP:	In the event that it becomes necessary to revise or clarify any part of the RFP, MHDC will provide an addendum on MHDC's website at www.mhdc.com.
Expense of Preparation of Proposals:	MHDC is not responsible for any expense incurred in preparing and submitting a Proposal or taking any action in connection with the selection process, or for the costs of any services performed in connection with submission of a Proposal.
Reservation of Rights:	MHDC reserves the right to conduct any investigation of the qualifications of any firm that it deems appropriate; negotiate modifications to any of the items proposed in the Proposal; request additional information from any respondent; reject any or all Proposals; and waive any irregularities in any Proposal.
Review and Selection Process:	All responses to this RFP will be reviewed by MHDC staff. All respondents will be notified of the result of the review process.
Public Records:	Respondents to this RFP should be aware that responses received become public records under state law once the evaluation process has been completed.

SECTION III: OVERVIEW

Description of Program

The Missouri Housing Development Commission is requesting proposals from financial institutions which would participate with MHDC in providing construction financing and permanent financing, if required, to developers who have been allocated LIHTC's to build affordable housing in the State of Missouri.

Program Objective

In addition to awarding LIHTC's to developers to build affordable housing properties, MHDC occasionally lends either Federal HOME dollars and/or MHDC Fund Balance Monies to properties for construction and permanent financing, if required. The objective of this program is to allow MHDC to leverage its available funds so that it has the ability to increase the number of affordable properties which can be developed. This RFP envisions the establishment of a revolving credit facility which will be used to fund the participation loans.

SECTION IV: MHDC Process

This section is a brief high level overview of the process used by MHDC in the review, analysis, underwriting and recommendations to our Board of Commissioners for applications received by MHDC for Low Income Housing Tax Credits. This section is being provided to give

respondents to this RFP an understanding of current procedures and to assist them in preparing a response to the RFP. For more specific details on MHDC's underwriting and selection process, please refer to the developer guide which can be found on the MHDC web site at the following link, http://www.mhdc.com/rental_production/2013_FY_items/DG_2013_i.pdf

Eligible Properties

Properties applying to MHDC to receive LIHTC's must be affordable and meet all the criteria as defined in Section 42(m) (1) (B)(ii) and 42(m)(1)(C) of the Internal Revenue Service Code.

Property Types

- New construction of multifamily properties
- New construction of single family rental properties
- Renovation and preservation of existing affordable housing properties
- Acquisition and rehab of existing multifamily properties
- Acquisition and conversion of existing building(s) to multifamily housing

Location – Statewide

Selection Process

MHDC receives applications for properties seeking 9% LIHTC's once annually in response to a Notice of Funding Availability (NOFA) which is published on MHDC's web site, www.mhdc.com. Properties submitting applications to MHDC must meet the criteria outlined in our Qualified Allocation Plan (QAP) which is also published on the web site. In a normal year, MHDC will receive approximately 110 to 130 applications and will have the ability to award recommend approximately 25 to 30 properties for funding. As a result, the selection process is very competitive and each property undergoes a very intensive review, which includes:

- Compliance with Section 42 of the Internal Revenue Service Code as shown above
- Compliance with the QAP
- Review of the development characteristics which includes tenant population, type of property and length of time the developer is committing to maintain the property as affordable
- Site review – each site is personally visited by MHDC rental production staff and is reviewed for suitability for the intended population, marketability, presence of environmental issues and concerns, neighborhood characteristics and land uses, proximity to appropriate services and amenities
- Design and Cost Review conducted by MHDC internal architects
- Housing need which must be demonstrated and supported by an independent market analyst
- Review of development team including: developer, general partner(s), management agent, syndicator/investor, contractor, architect, consultants, lead referral agency, if a special needs property and service provider, if service enriched housing
- Impact on the community including community support, catalytic effect and community needs
- Proposed credit pricing and financing sources
- Detailed loan underwriting of income, expenses and required reserves. MHDC requires all properties with permanent loans from MHDC have a minimum year 1 debt service

coverage (DSC) of 1.20 to 1 and a positive DSC for the entire 15 year compliance period as well as to establish the following reserves:

- 1) Operating reserve equal to six months of principal, interest and operating expenses – collected at conversion to the permanent loan
- 2) One year of replacement reserves collected at conversion to the permanent loan
- 3) Adequate lease up reserves collected at closing of the construction loan
- 4) Special Needs/Social Services reserves as appropriate

After review by MHDC staff, recommendations are made to our Board of Commissioners for approvals.

Funding Process

After approval by the commissioners, each property undergoes additional due diligence prior to funding which includes:

- Phase one environmental (or additional reports, if required), reviewed and approved by MHDC environmental staff
- Appraisal, ordered by MHDC, reviewed and approved by MHDC in-house appraiser
- Final underwriting based on final sources and uses of funds and operating income and expense projections, which are reviewed for consistency with other MDHC properties
- Review of detailed plans and spec's by MHDC internal architects
- Review of title, survey and organizational documents by MHDC internal legal staff
- All loans are closed by MHDC internal legal staff in our Kansas City office

Loan Terms

Construction

- Construction Loans are typically 18 months with one six month extension option.
- Loans are interest only during construction
- Interest rate must be fixed during the term of the construction loan. If the note rate is a floating rate, the purchase of an interest rate cap is required for loan term.
- Guarantees are required from the developer/principal during construction
- The contractor must provide a performance bond for 100% of the construction costs or a letter of credit for 15% of the construction costs.

Permanent Loans, if required

- Loan Term – 18 years
- Amortization – 30 years
- Interest rate must be fixed for the term of the permanent loan and must be locked at the closing of the construction loan
- Monthly payment of principal and interest plus deposit to replacement reserve account
- Permanent loans are non-recourse

SECTION V: RESPONSES TO THIS RFP

All responses to this RFP must include:

- Address of Institutions Headquarters Office
- Addresses of Branch's or offices located within the State of Missouri
- Name, Title and contact information for person whom MHDC should contact for questions regarding your response
- Names of the individuals on the Board of Directors of the institution along with the names of the President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and General Counsel
- Number of Missouri Employees
- Complete copies of Audited Financial Statements covering the last 3 years of operations
- Written responses to the following items:
 - 1) Indicate whether you would be willing to provide construction financing, permanent financing or both, in accordance with the parameters shown above
 - 2) Indicate whether or not you would be willing to provide funding on properties statewide or if not, the area in which you would consider lending
 - 3) How would construction loans be priced?
 - 4) How would permanent loans, if required, be priced?
 - 5) What percentage of the construction loan would your institution be willing to fund? If a permanent loan were required, what percentage would you be willing to fund?
 - 6) The amount of the credit facility you are willing to consider in your response to this RFP
 - 7) Term of the proposed agreement for the credit facility
 - 8) Other conditions/requirements of the proposed facility relating to MHDC
 - 9) If your response to this RFP is accepted by MHDC, what is your estimate of timing to enter into a firm commitment?
 - 10) What documents will you require from MHDC to complete your internal underwriting? What would be the timing of approval?
 - 11) After meeting with MHDC's construction disbursement staff, would you be willing to accept MHDC's draw review? If not, what would be required by your institution and what would be the timing for approval of the draw?
 - 12) Currently, MHDC is named as the mortgagor on our loan documents and we then assign a portion of that loan to our participating lender. Is this acceptable to your institution?
 - 13) Please discuss any previous experience in working directly with MHDC or with MHDC properties
 - 14) Other information that you feel would be helpful to MHDC in evaluating your response

SECTION VI: UNDOCUMENTED WORKERS

Undocumented Workers. Pursuant to *Mo.Rev.Stat. §285.530.2*, firm(s) selected pursuant to this RFP shall provide MHDC with an affidavit stating that the firm does not employ any person who is an unauthorized alien in conjunction with the contracted services, and that the firm is enrolled in and participating in a federal work authorization program with respect to the employees working in connection with the contracted services. Prior to execution of any agreement contemplated herein, the firm shall provide evidence of participation in a federal work

authorization program. Questions regarding this requirement may be directed to the Commission's General Counsel, Weylin Watson, by phone at 816-759-6624 or email at wwatson@mhdc.com. **In your proposal, please indicate whether your firm is currently enrolled in and participating in a federal work authorization program such as E-Verify.**

SECTION VII: STRUCTURE OF RESPONSES

- The Commission desires to consider Proposals in a consistent and easily comparable format as established in this RFP. Proposals not organized as set forth in this RFP may, at MHDC's discretion, be considered unresponsive. Do not refer to other parts of your proposal in lieu of answering a specific question.
- Each response shall include a transmittal letter signed by an authorized representative of the firm. In the transmittal letter the respondent shall certify (i) that no elected or appointed official or employee of the Commission is financially interested, directly or indirectly, in the performance of the services specified in the RFP, (ii) that the information included in the response is true and correct to the best of its knowledge and (iii) that the person signing the transmittal letter is authorized to execute the response on behalf of the respondent.
- Proposals should be organized in the same manner as the individual information request contained in Section V: Responses to this proposal.
- Exhibits containing additional information may be attached to provide more detail to respondent's offerings or services.

SECTION VIII: EVALUATION CRITERIA

The proposals will be reviewed by MHDC staff. The Proposals will be evaluated on a variety of factors, including:

- Capabilities and Financial Capacity
- Types and location of loans which will be considered
- Proposed line of credit size and cost
- Acceptability of MHDC loan underwriting and construction disbursement process
- Previous experience working with MHDC
- Preferences will be given to Missouri based institutions

The lowest-priced proposals will not be the sole criterion used to determine who is selected.

MHDC in its sole discretion may select more than one proposal and may elect not to accept any of the proposals.

MHDC will endeavor to announce the firm or firms selected for participation in this program by April 30, 2013.

The firm or firms selected for participation in this program will be selected for a three year period with two one year extensions, at the discretion of MHDC.