**FAQs / Rental Production NOFA**

This FAQ provides answers to common questions regarding MHDC’s 2012 NOFA application process. The FAQ will be updated weekly as needed until the application deadline. If you have a question that is not answered by this FAQ, the Developer’s Guide, or the QAP, please contact William Ulm at 816.759.6882 / wulum@mhdc.com or Frank Quagraine at 816-759-7210 / fquagraine@mhdc.com.

Disclaimer: Please note that the following questions and answers are general in nature and may not contain all the facts and circumstances pertaining to your specific development, so please consult your CPA or attorney as well.

**FAQs From The 2012 Application Workshop**

*Emerging Businesses Initiative*

**Q**: Are reserves included in the 10% soft cost calculation to meet the MBE/WBE Participation Goals?
**A**: No.

**Q**: Will a combination of more than 15% of a mix between the MBE/WBE fulfill the 10% & 5% MBE/WBE requirement?
**A**: No, MB should have at least 10% and WBE should have at least 5%.

**Q**: Will MHDC disqualify applications that have MBE/WBE certifications “in-process”?
**A**: No, but at initial application the applicant must provide evidence that the certification process has started.

**Q**: What happens to a development that is at the firm commitment stage and is yet to receive its MBE/WBE certifications?
**A**: MHDC will review this on a case by case basis. The applicant must provide evidence that a good faith effort to achieve certification has occurred.

**Q**: What is the difference between the Participation Initiative and the Partnership Initiative under the new Emerging Business Program?
**A**: The participation initiative applies to all proposals for properties greater than 6 units. Only those firms that have MBE/WBE certifications will be counted toward the goal. The Partnership Initiative under the new Emerging Business Program is not a requirement. There are two components to the Emerging Business Program. The explanation is as follows:

**Participation Initiative**

The Participation Initiative has a minimum participation goal of 10% MBE and 5% WBE for both hard and soft costs. Companies must be certified to be counted toward the goals. A utilization plan must be prepared at application that indicates your plan for using MBE/WBE firms along with certification certificates. All certifications for companies performing soft costs items must be included as a part of the initial application with details of their involvement. If applicable, developers may revise their utilization plan through the firm submission requirement process. The final utilization plan with all certifications must be provided prior to construction closing.

**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. These partnerships can be formed by MBE/WBE firms.
Developers applying under the Partnership Initiative must provide a comprehensive plan detailing the terms of the partnership with the mentor/protégé (developer/co-developer).

Developers applying 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.

A detailed utilization plan must be included with the application.

Q: Where do I find MBE/WBE listing and certifications? Will MHDC accept certifications from other states?
A: MHDC’s website will have links to websites in Missouri that provide MBE/WBE lists and certifications. These websites will give MBE/WBE firms information regarding how to obtain their certification. The agencies that MHDC will accept MBE/WBE certification from as part of their Emerging Business Program are the State of Missouri, City of Kansas City, City of St. Louis, and the Airport Certification Program. MHDC is not a certifying agency. Various certifying agencies have reciprocal agreements with other states. Please check with your certifying agency to determine if this is the case.

Q: For applications submitted last year which have the same team of companies, will there be exceptions for them or will they have to meet the Participation Initiative goals?
A: Those firms will have to endeavor to meet the participation initiative goals through an outreach program. Please refer to the Developer’s Guide for a list of “Good Faith Efforts.”

Q: How do you assess the value of an investor who may be a MBE/WBE but is neither currently certified nor interested in becoming certified in the future?
A: MHDC encourages MBE/WBE companies to participate in its programs at a number of different levels. Only certified firms will count towards MBE/WBE goals. MBE/WBE firms include contractors and soft cost firms that provide legal, accounting, title, and consulting services. While participation of other MBE/WBE firms such as investors and management companies are encouraged, they do not count towards the goals.

Q: Are MBE/WBE utilization plans to be included in the narrative?
A: The utilization plan should be a separate narrative but a brief description can be included in the project narrative.

Q: If a consultant is a MBE/WBE, can that be counted toward the participation goals? Are these costs eligible to be counted toward the developer’s fee?
A: If the MBE/WBE consultant is certified, the consultant can be counted toward the participation goals. The service/scope of work will determine whether the consultant may or may not be counted toward the developer’s fee.

Q: What is the impact of the new WBE/MBE requirement on bond deals?
A: Both the 4% and 9% projects must follow the same MBE/WBE requirements.

Q: Are the MBE/WBE participation figures goals or are they threshold requirements?
A: They are requirements that are dependent upon showing a good faith effort.

Q: What is the definition of “protégé” – further explain the mentor/protégé priority.
A: A protégé is a firm that has formed a partnership with an experienced developer. The developer’s role is to mentor (teach) the protégé to become a developer in the future. The developer will help the protégé be able to fulfill the financial and experience requirements of investors and MHDC so that they will be
able to do their own projects in the future. The protégé must be an active participant in the development process and must be fairly compensated for their efforts.

**Special Needs / Service Enriched Housing**

**Q:** Will MHDC accept a Market Needs Assessment Report in place of the standard Market Study Report for a 100% special needs development proposal?
**A:** For 100% special needs projects contact MHDC to discuss Market Study requirements.

**Q:** For service enriched housing proposals with third party service providers, what entity’s budget is being required under checklist item 12.b.ii of the FIN 125? Is it the ownership entity or the third party service provider?
**A:** The service provider should provide detailed information that identify the services that will be provided, the budget to provide those services, and for how long.

**Q:** How will supportive service agreements under the service enriched housing priority be memorialized in MHDC documents?
**A:** Services will be identified in the firm commitment and a services agreement will be signed at closing.

**Q:** Will a service enriched housing proposal with programs like HEAD START or the like, be eligible if such programs will not only serve the proposals’ tenant population, but also the surrounding communities?
**A:** Yes, but project tenants get priority over non-project tenants.

**Q:** What kind of commitment is MHDC looking for to show that a third party referral agency is going to provide supportive services for a development proposal?
**A:** The commitment letter must identify the services to be provided, cost of services, and duration services will be provided.

**Q:** What consideration will be given for multi-phase projects in the special needs priority?
**A:** During initial lease up, special needs requirements will apply only to the new phase. After initial lease up, special needs requirements could be met by units in all phases.

**Q:** What documentation is needed from service providers who have committed to using vouchers within their project?
**A:** A commitment letter identifying the type and number of vouchers, rent, and duration that vouchers will be available.

**Q:** Further explain the process by which a project finds and connects with a lead referral agency – what can MHDC do to help those interested in pursuing this option?
**A:** Contact Heather Bradley-Geary at MHDC at 816-759-7201 or hgeary@mhdc.com

**Q:** Can more than one agency satisfy the lead referral agency role?
**A:** No – it is the responsibility of the lead referral agency to arrange for services from other service providers if necessary

**Q:** Can the lead referral agency keep a waiting list?
**A:** Yes

**Q:** Does outreach by the lead referral agency count in the initial 90 day lease up period?
**A:** Yes.
Q: Are senior, age restricted projects, eligible to participate in the Special Needs priority, if 100% or a portion of the units are designated as special needs housing units?
A: Yes

**General**

Q: Can costs incurred on previous application submissions be included on a current application submissions’ development budget?
A: Generally, costs incurred on previous submissions should not be included on current development budget; however some costs may be acceptable. For example, previous application fees are not allowed as a cost on current applications, but costs such as a previous market study fees are allowed. Please contact MHDC if you have questions.

Q: What guidance is MHDC giving on federal pricing?
A: Federal pricing must be competitive. MHDC will look at all applications received within the geographic regions and will adjust the pricing submitted as necessary.

Q: If an application defers a portion of the developer’s fees, does that provide the same level of preference as an application that does not request the maximum amount of developer’s fees?
A: No

Q: If a proposal assumes existing debt, is there certain documentation that is needed to reflect that in the application?
A: Please refer to FIN-125 application checklist.

**Past Years FAQs / Rental Production NOFA**

*Application Exhibits - FIN-100*

Q: Why do we need to provide a street address for an unimproved property?
A: We need to pinpoint the location so that MHDC can notify the proper state and local officials and to assist MHDC staff in locating the property for the site review. Please provide your best estimate of the street number and street name.

Q: Tab VII-Development Plan. “Total Square Footage of Floor Area” is requested in cell AI35. Is it supposed to be the sum of the other square footages reported above it?
A: For this field we are requesting the gross square footage of the development including all residential living space, commercial space, community space, hallways, garages, etc. that are being constructed/rehabilitated as a part of the development budget. It is not meant to be a sum of the fields above it.

*FIN-100-Addendum*

Q: On the questionnaire, how far back do we need to go to disclose our employment of former MHDC employees?
A: In completing the questionnaire, please list any former MHDC employees or MHDC commissioners whom you currently employ or with whom you have a contractual relationship. This also applies to a consultant who may be a former employee or commissioner.
**Site Review Information**

Q: Is the Form 1302 required?
A: No, the Form 1302 is not required, but a FEMA flood map is required. The application checklist has been changed to reflect this requirement.

**Applicant Site Control**

Q: If an option or contract is provided, how long does it need to be?
A: The option or contract term should be for at least 30 days past the projected commission meeting date, which is currently scheduled for February 18, 2010. MHDC encourages the inclusion of a provision to extend the option for an additional six months contingent on the application receiving commission approval in February.

**Public Official Contact Verification**

Q: If I have a letter of support from the mayor, do I need to provide proof I contacted the mayor? Similarly, if I have a resolution of support signed by the mayor and the city council, must I provide proof I contacted the mayor and the city councilpersons?
A: Letters of support and council resolutions of support signed by the persons the applicant would be contacting are sufficient proof that the applicant has notified the officials and informed them of the developer’s intentions for the proposed development. Please provide the letter(s) in the appropriate location in exhibit 9 of the application as proof of contact.

Q: Am I to contact all councilpersons or just the council representatives for the district in which the property is located?
A: MHDC requires proof of contact only for the councilpersons representing the district in which the property is located.

**Statutorily Required Documentation**

Q: IRS and MO Forms 8821 are required for the principals of the developer and general partner. If either of those are a non-profit entity, must it provide 8821 information for its board members?
A: No

Q: If the developer has not done business in the State of Missouri, what do they need to provide for Statutorily Required Documentation?
A: Include a statement that neither the entity nor its principals have done business in the State of Missouri in order to satisfy the requirement for Missouri Form 8821. The FIN 109 is required for every developer regardless of their location.

Q: Does MHDC require the tax return to be submitted with Form 8821?
A: MHDC does not require the submission of the entity’s tax return, nor do we order it from the taxing entity. MHDC is required by statute to perform a check of the applicant’s outstanding tax liability. Form 8821 signed by the applicant and its principals allows MHDC the authority to request this information. We do not request any other taxpayer information.

Q: Is Form 8821 considered public record and therefore able to be requested by an outside party?
A: Because Form 8821 contains social security numbers, federal employer identification numbers or other tax identification numbers, it is closed to requests for public information pursuant to the Sunshine Law.
Q: The instructions on the federal Form 8821 require all applicable lines to be completed. What is the appropriate information to enter?
A: Please see the screen prints provided on the following page for specific information to include in addition to the taxpayer identification information and signature.

Q: What timeframe should the forms reflect?
A: The forms should be completed to reference the most recent tax year.
**PHA Approved Utility Allowance**

**Q:** If the development location is in an area that does not have a PHA, what do we do?

**A:** If the area does not have a PHA or a Community Action Agency acting as a PHA, MHDC will accept estimated utility costs from the local utility providers.

**Homeownership Plan**

**Q:** Do townhouses qualify for the homeownership opportunity?

**A:** Townhouses do not qualify for special consideration at application as potential homeownership opportunities for residents. However, if the developer intends to sell the townhomes at the end of the compliance period, they are required to notify MHDC in Year 10 of the compliance period of their intent.

**FIN-107 Developer Qualifications**

**Q:** Do I need to provide only construction guarantees or must I also disclose operating guarantees I have made to lenders and investors?

**A:** All guarantees currently outstanding for the entity and its principals must be disclosed.

**Mixed Use-Economic Development Area**

**Q:** Does “mixed use” require a city revitalization plan or can it be a developer PUD?

**A:** A developer PUD approved by the city is acceptable, and MHDC reserves the right to review and determine that the size is significant enough to meet our definition of a mixed-use economic development.
**Sustainable Housing**

**Q:** How will developments be expected to document that required green building standards have been met if the developments do not achieve green certification?

**A:** At the completion of property construction, MHDC expects to receive a letter from a certified green professional who can certify that the development has met the green standards outlined in the application.

**General**

**Q:** How does MHDC look at costs and what is considered excessive?

**A:** MHDC reviews costs associated with amenities and materials and considers any costs beyond what is reasonably necessary to provide clean, safe, sustainable housing as excessive.

**Q:** What does MHDC require in terms of the investor equity pay-in schedule?

**A:** At minimum, MHDC expects investors to pay in 10% of both federal and state LIHTC equity at closing, an additional 10% of both federal and state LIHTC equity at 50% completion, and that the amount of equity necessary to pay the loan down to the permanent amount to be provided at conversion.

**Q:** What should I do if the historical operating expenses for a property do not match the expenses submitted with a rehabilitation application?

**A:** Please explain any variances from historical expenses in the development narrative.

**Q:** Will savings in development costs be allowed to reduce deferred developer fees?

**A:** MHDC recognizes each deal is different and will review financing on a case-by-case basis. As a general rule, if the cash flow of the property indicates the deferred developer fee can be reasonably repaid in four to five years, MHDC will use cost savings to reduce funding or increase reserves.

**Q:** Can we include asset management fees in operating expenses?

**A:** No. Asset management fees are usually defined in the limited partnership agreement as being paid out of distributable cash flow. Including them in operating expenses would distort the true debt service coverage of the property.