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Introduction

The Developer's Guide to MHDC Multifamily Programs is 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 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 Assistance Program and Missouri Housing Trust Fund for financing a development.

All MHDC forms or documents referenced in this Developer's Guide may be accessed at the following link: http://www.mhdc.com/rental_production/index.htm. If you cannot find a form or document please contact the Director of Rental Production or Senior Underwriter.

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 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 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. Following firm commitment, the development may proceed to closing. Developments receiving construction/permanent loans, grants, or Risk Share insurance from MHDC follow MHDC requirements. Pre-closing documentation is prepared and submitted by 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% LIHTC’s 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.
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 NOFA 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 reduced by the state legislature, making any allocation subject to change in the
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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. These activities include 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 offers 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 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 more 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) per 12 months of construction is due at initial loan closing. A ½% MIP is due on the outstanding mortgage balance after conversion 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.

Affordable Housing Assistance Program

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 rental assistance for permanent housing, emergency assistance, rehabilitation or new construction of rental housing, 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 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 Application Packet is available on the MHDC web site.

Emergency Solutions Grant (ESG)

The Missouri Housing Development Commission (MHDC) is granted the responsibility of administering the Missouri State Allocation of the Department of Housing and Urban
Development (HUD) Emergency Solutions Grant (ESG) Program funds granted to MHDC by the Missouri Department of Social Services (DSS).

Establishment of Funds:

Emergency Solutions Grant (ESG) Program is authorized for the purpose of providing certain assistance to persons who are homeless or at risk of homelessness.

Eligible Grant Activities:

HUD has identified the following eligible activities to meet the needs of Missouri citizens. Administration and HMIS activities are allowable grant funded activities. The eligible activities are:

1. Rapid Re-Housing: available to assist individuals and families who are “literally homeless” under the HUD definition of homelessness to transition quickly into permanent housing and to achieve housing stability.
2. Homeless Prevention: available to assist individuals and families who are imminently homeless under the HUD definition of homelessness to prevent homelessness and to regain stability in their current housing or other permanent housing.
3. Street Outreach: available to provide essential services such as case management and engagement for homeless individuals and families.
4. Emergency Shelter: available to provide essential services for shelter participants or for shelter activities, including shelter operations, rehabilitation, and renovation.

**Housing First Program (HFP)**

The objective is to increase permanent housing solutions to address the homeless and at-risk of homelessness population.

“Housing First”, or rapid re-housing as it is also known, is housing persons before services or treatment begins, and provides affordable housing services for multiple sites. The rationale is that homeless populations will respond to interventions and services with greater success if they are in their own housing first. The HFP provides a link between housing and services; however, the recipient is not obligated to receive case management or treatment in order to receive Housing First services. Those who are at-risk of another episode of homelessness receive support and assistance to build skills to obtain permanent housing.

The HFP is designed to increase housing stability for people who traditionally have been difficult to house or have had difficulty maintaining their housing. The HFP can help to stabilize a recipient and promote success in permanent housing. The HFP can be scattered site that provides services for multiple locations.

Contributors to program success include the following:

- Access to a substantial supply of permanent housing, recipient driven services, a wide array of supportive services, and diverse funding streams for housing and services.
- Community based emphasized services and effective staffing structure to ensure service delivery.
Program commits to permanently housing targeted recipients; Initial housing may be transitional while waiting for permanent housing.

Supportive services are offered and made readily available; the program does not require participation in these services or any other services to remain in the housing.

Use of assertive outreach to engage and offer housing to homeless people or at-risk of homelessness with mental illness who are reluctant to enter shelters or engage in services. Once in housing, a low demand approach accommodates recipient alcohol and substance use, so that “relapse” will not result in the client losing housing.

The continued effort to provide case management and to hold housing for recipients, even if they leave their program housing for short periods.

The HFP will provide the following components:

- Service mechanisms to the operation/management of affordable housing
- Crisis intervention and short-term case management
- Recipient-directed assistance in accessing neighborhood and community resources and services
- Voluntary participation of recipients in programs and services
- Recipient participation in the decision-making process
- Recipients, management, and service providers work together as a team
- Ongoing support and monitoring available for recipients as requested

Program specifications to be awarded grant monies:

- The program will follow the HFP model similar to the model explained above.
- Allowable use of the funds includes: Support for upcoming, new or existing housing first programs in Missouri. 90% is allocated towards program implementation, 10% is allocated towards administrative costs of the program.
- The HFP will house low-income Missourians (50% area median income or below). Only the HFP's will be awarded the funding.
- The HFP's do not have to be standalone entities; it may be integrated into existing systems and programs.
- Collaboration with community shelters, programs and landlords must be an integral part of services and resources for your program.

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.
MHDC 2014 Developer’s Guide

Notice of Funding Availability

MHDC will from time to time issue a Notice of Funding Availability (“NOFA”). There will be at a minimum one NOFA for 2014. 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: 1. An electronic version of the application (a link will be provided on MHDC’s website); 2. One tabbed three-ring binder with required exhibits; 3. One CD-R, DVD, or USB flash drive with required exhibits. The FIN-125 will identify exhibits to be submitted in the three-ring binder and exhibits to be submitted on the CD-R. Three-ring binder and CD-R exhibit names must match the FIN-125 exhibit names.

The appropriate application fee 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.

Application Deadline

The application due date for 2014 Round 1 is September 6, 2013. 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.

Submitting an Application

Online applications must be complete and physical application material in response to the 2014 NOFA must be received at MHDC’s Kansas City office located at 3435 Broadway, Kansas City, MO 64111.

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.

Applications applying for any priority with the exception of the Geographic and Nonprofit priority are not absolved from meeting other selection criteria and successfully competing against other applications.

**Nonprofit Involvement Set-aside**

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

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.
Special Needs Priority

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 a preference in funding. 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.

Applications submitted with Special Needs units must include $1,000 per special needs unit as a payment to the Special Needs Housing Reserve Fund which has been established by MHDC. This reserve will be funded at construction completion when other reserve funds are normally funded. These funds will be held by MHDC and used as necessary to temporarily assist special needs properties who have experienced unforeseen operational issues, for example, the loss of rental assistance. Deposits to the reserve fund pool are intended for use for all special needs properties, commencing with 2014 approvals, and are intended to replace the need for each property to establish a separate special needs reserve. Guidelines for the application and use of reserve funds are posted on the MHDC website under Rental Production then General Forms and Other Resources.

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. A Lead Referral Agency is defined as a service provider agency that will provide tenants and services to the community through the 15-year compliance period. The Lead Referral Agency should demonstrate the ability to serve the targeted Special Needs population.

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.

6. A detailed services budget, displaying how services will be implemented for the Special Needs Population being targeted.

**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 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 meets the HUD definition of homeless, which can be found on HUD’s Homeless Assistance website, [portal.hud.gov/hudportal/homeless](http://portal.hud.gov/hudportal/homeless).

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;
   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 reservation 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 special needs group, but marketing and referrals must be inclusive of persons with all types of disabilities or special needs.

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.

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.

**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.

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 transitional 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. This allows 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 is encouraged to include community space appropriate to the needs of the populations being served.

8. In developments that target special needs households the number of units designed and constructed in accordance with Universal Design principals must be equal to or greater than the percentage of special needs units.

9. While the 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. 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 relationship with the lead referral agency at the time they apply for housing.

12. Rents should be 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 should consider other methods to ensure that rents are affordable to special needs households below 50% AMI. The proposal must identify the strategies that will be pursued for obtaining assistance through the following means:

   a. Residents should pay no more than 30% of income towards rent plus utilities or they will be considered rent burdened;
   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 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. 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.

17. 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 under the special needs housing priority should be directed to the MHDC Director of Rental Production and MHDC Community Initiatives Manager prior to the application deadline.

Service-Enriched Housing Priority

Proposals offering significant services tailored to the tenant population will receive a preference in funding.

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 commitment(s) from a service provider(s) who does have the necessary experience. Any commitments should be for the entire 15-year compliance period.

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

1. A detailed supportive services plan which explains the type of services that will be provided, how they will be provided and how they will be funded. The plan should also include, but is not limited to a description of how the development will meet the needs of the tenants including access to supportive services, transportation, and proximity to community amenities. It is preferable that services be onsite or near the proposed development;
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%. 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 for Service-Enriched Housing:

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.

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;
   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 how the property will continue to fund the
service program through the compliance period. Sources of funding in future years may include income from operations or verifiable public grants and funds.

All services must be free to 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.

The application must include the proposed annual budget. MHDC will approve the annual budget at firm commitment.

Preservation Priority

The preservation of existing affordable housing will receive a preference in funding.

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 1998 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:

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. If the project has HUD or MHDC financing or is under a LURA or a Regulatory Agreement, then a letter from HUD or MHDC indicating the need for preservation is required. (NOTE: If the proposed development for preservation has a RD loan, please see ‘v.’ below.)
5. If the proposed development for preservation includes USDA-RD financing, the application must include a letter addressed to MHDC from the RD State Office that indicates (1) RD support for the proposal, and (2) that the applicant has met with either the RD State Office or Area Specialists prior to preparing/submitting the application. The purpose of the meeting should be to go over the entire structure of the proposal with RD, including but not limited to a discussion of the proposed scope of work, Capital Needs Assessment (“CNA”), financing structure, rents charged, operating budget, as well as the potential amount of additional RD required Replacement Reserves and any other unique feature or complexities pertaining to
the development proposal. It is recommended that applicants supply RD with a copy of the “as-is” CNA prior to this meeting.

6. A physical needs assessment (or for RD proposals, a required “as-is” Capital Needs Assessment that meets USDA-RD requirements).

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.

**MBE/WBE Preference**

This applies to developments with more than six units.

A preference in funding will be given to applications that reflect(s):

a) A MBE/WBE Developer, a Developer group that includes a MBE/WBE, and/or a Developer Mentor/Protégé relationship; or

b) MBE/WBE participation percentages significantly greater than the MBE/WBE minimum Participation Standard of 10% for MBE and 5% for WBE for both hard and soft costs.

The Mentor/Protégé Relationship shall be designed to support, promote and develop the knowledge, skill and ability of the MBE/WBE protégé in a manner intended to assist in the growth and development of the MBE/WBE as a developer.

Applicants seeking a preference under paragraph a) must provide a comprehensive utilization plan signed by the owner/developer detailing the role of, and functions to be performed by the MBE/WBE. The roles and functions of the MBE/WBE must be those typically performed by the owner/developer. Applicants must also submit proof of MBE/WBE certification with the application. Applicants seeking a preference under paragraph b) must provide a comprehensive utilization plan signed by the owner/developer detailing how the applicant intends to significantly exceed the MBE/WBE minimum Participation Standard.

Applicants seeking the MBE/WBE Preference must include a history of MBE/WBE participation with the application.

**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 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.

**Compliance Period and Affordability**

MHDC encourages developments that provide quality housing with low affordable rents for a long period of time. As a result, a preference in funding will be given to applications that agree in advance to waive the right to opt out at the end of the 15 year compliance period and agree to maintain the development as affordable housing for a minimum of 30 years as indicated in the Land Use Restriction Agreement.

**50% AMI**

A preference in funding will be given to applications that set aside at least 25% of total units to households earning less than or equal to 50% of area median income. Rents for households earning less than or equal to 50% of area median income must be at least 15% less than rents for households earning up to 60% of area median income. This preference is not available to projects with project-based rental assistance.

**Selection Criteria**

While the housing priorities above list the types of housing that receive extra consideration, the selection criteria below indicate what factors are used in making funding recommendations. The selection criteria incorporate both MHDC preferences and the federal preferences and selection criteria described in Section 42(m)(1)(B)(ii) and 42(m)(1)(C) of the Internal Revenue Code. Because not every development fits into the same category or serves the same population, certain characteristics have different meanings and have different influence on the overall evaluation of each proposal. Despite this inherent difficulty presented by the varied applications received, MHDC strives to apply the selection criteria in the most consistent and rational way possible.

**Geographic Region**

An attempt will be made to allocate the 9% federal credit ceiling across the state on a population proportionate basis adjusted annually, with the state divided into the following areas:
1. St. Louis Region - 33%: Jefferson, St. Charles, St. Louis City and St. Louis 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. 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.

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.

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 2014 NOFA 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;
2. Placement of buildings on the site;
3. Development amenities;
4. Type and quality of materials;
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;
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.
6. Commission-designated Targeted Areas

**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 population and 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 rate for the proposed development.
5. Housing needs of the Special Needs population.

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
8. Lead Referral Agency for Special Needs Housing
9. Service Provider for Service-Enriched Housing

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;
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, subcontractor(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 assure feasibility. Non-MHDC sources must have a commitment letter from the proposed provider included with the application. The commitment letter should indicate the amount and terms of the financing. The type of financing and the source of all financing will be taken into consideration.
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Uses
Development costs must be reasonable and competitive for the type of development and location being proposed. Sources and uses must balance.

Income
Rents must be appropriate for the market and affordable for the intended population. Rents must meet the requirements of the various financing sources proposed in the application and at a minimum must meet the requirements of the Code in order to be eligible for a tax credit allocation under the Qualified Allocation Plan. Normally, tax credit rents should be at least 15% less than market rents. In rare instances, area market rate rents may be depressed due to deteriorating conditions, therefore area market rate rents could be less than tax credit rents. If a development includes both tax credit and market rate units the market rate unit rents must be at least 15% higher than tax credit rents. This does not apply to special needs housing properties. 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, competitive 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.

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**
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.

**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.

**Application Review**
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 MHDC FIN-125. Applications that are not organized will be rejected from further consideration. An application consists of an electronic application, one three-ring binder with exhibits and original signatures where required, and digital media containing electronic exhibits. Acceptable forms of digital media include, but are not limited to a CD-R, DVD, or a USB flash drive. The name of each exhibit should match the MHDC FIN-125. MHDC staff has the right in its sole discretion to waive an exhibit requirement on a case-by-case basis upon the review of a formal waiver request submitted by an applicant prior to the NOFA deadline.

**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.
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.

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.
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Documents in draft form or missing signatures are not acceptable and will be considered a missing document. An exact list of documents can be found on the MHDC FIN-125.

MHDC may be forced to allow corrections to primary documentation, but this will be allowed only in rare circumstances. Applicants should expect that if they turn in an application missing primary documentation, it will be rejected.

Secondary Documentation Review

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 required secondary documentation, and the application exhibit discussion below further explains the requirements.

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 application review process MHDC will conduct a review of all proposed site(s). Each proposed site location must have a sign posted on it identifying it as a proposed MHDC project. The site selected for the development is a critical component of the application. MHDC 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 the 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.

**Application Forms, Exhibits, and Digital Media**

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 the Public Official Contact Verification and Support Letters exhibit
and the Zoning Letter exhibit.

If an exhibit is required 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 Certification Page, digital media, application fee, development narrative and
questionnaire, site review information, applicant site control, market study and financing
commitments constitute the primary documentation. Acceptable forms of digital media
include, but are not limited to a CD-R, DVD, or a USB flash drive. All remaining exhibits
listed on the FIN-125 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.

MHDC form FIN-125 will identify which exhibits the CD-R must contain. The exhibit names
on the CD-R 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.
Rental Housing Programs Application

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 in the binder. 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 $2,000 application fee.

The development name MUST 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.

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. **Financial 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. The questionnaire is a complement to the narrative description and the narrative description need not cover items discussed 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 with site boundaries clearly demarcated. Please provide an appropriate amount of information so that a person completely unfamiliar with the community can reasonably find the property based upon the maps provided, including clearly marked street names. 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.

**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.
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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. Include the panel number if it is not printed on the maps. FEMA maps may be found at: https://msc.fema.gov/webapp/wcs/stores/servlet/FemaWelcomeView?storeId=10001&catalogId=10001&langId=-1(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 (if requesting HOME Funds or other HUD financing);
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. Due to certain restrictions, collectively called "Choice Limiting Actions" imposed by HUD on all developments requesting HOME Funds or other HUD financing, all applications requesting MHDC HOME Funds must have 100% site control of all application sites and the form of site control document must be a purchase option, not a real estate contract. All developments not requesting HOME Funds or other HUD financing must demonstrate proper site control for at least 50% of the sites listed in the application. 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. 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 is advisable.

Market Study

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 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 on 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, the number and size of units, and location of units.
   f. Acknowledges and agrees that the rents proposed by the developer are reasonable and comparable to LIHTC rental rates in the subjects PMA.

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.

**Preliminary Financing Commitments**

All non-MHDC sources of debt and equity must evidence a commitment or acceptable documentation in lieu of a commitment. All preliminary commitment letters must include the information required by the MHDC Guidelines for Preliminary Financing Commitments found in 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. 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.

6. If a rehabilitation with existing tenants, include the income from operations during construction calculation.

7. If a rehabilitation, identify whether the seller or buyer receives the replacement reserve balance at closing.

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. If using tax-exempt bonds, specify if bonds are draw down bonds.

3. Loan term and amortization. The minimum acceptable term for permanent loans is eighteen 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.

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 note, current note balance 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 (i.e. 1% or greater) of ownership interest must provide a capital contribution (at the same price as the primary investor) 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.
8. For developments committing to special needs housing units, that the investor(s) 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:
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1. Capital contribution timing and amounts including the dates or milestones when equity will be contributed to the partnership. MHDC requires a contribution of 10% of federal and state LIHTC equity invested at construction closing with another 10% of federal and state LIHTC equity 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**

**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, the applicant must include a copy of the seller’s contract or settlement statement from the last arm’s length transaction if the transaction took place within the last 50 years.

**FIN 305: Seller Certification**

The FIN-305 is required for every application with existing tenants and/or requesting a loan from MHDC. If no loan is requested, but MHDC awards a loan, the FIN-305 must be competed 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 proven to have been received by the official. Public official contact letters must include 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. Provide evidence that the local legislative body (for example: city council members) has been informed the applicant has requested a letter of support from the chief executive officer of the local jurisdiction (for example: mayor).

2. State Senator

3. State Representative

4. City Councilperson or Alderman

5. Public Housing Authority Executive Director

6. School Superintendent (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, provide 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 public officials that are required to be contacted. Letters should clearly reference the development being supported. Resolutions of support from municipal or county boards are not required but 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

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.

Evidence of Consistency with Consolidated Plan
Developments requesting financing 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. If a jurisdiction does not have a consolidated plan, then a certification that the proposed development is consistent with the comprehensive plan.

Housing Priority Documentation
For applications requesting consideration under one or more of the established Housing Priorities, the required documentation must be provided in the application binder. 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**

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.

**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 or Capital Needs Assessment**

All rehabilitation projects must provide a Physical Needs Assessment (“PNA”). The PNA must follow the requirements found in MHDC Form 1201 “Physical Needs Assessment Guidelines.”
For applications that include both MHDC and USDA-RD financing, a Capital Needs Assessment ("CNA") prepared within six months of the application deadline according to USDA guidelines is required. Applicants must follow the USDA requirements for an "as-is" CNA and should contact the state USDA office for more details.

Developments proposing a gut rehab of the building(s) 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 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.**

All new construction proposals must meet the standards of one of the certification levels of one of the below green building rating systems. All new construction applicants must provide documentation demonstrating how the development team and property will achieve and maintain the green building standard they committed to meet. 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 and certification level to which they are committing. New construction applications must also include:

1. 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 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.

MHDC will verify at certain stages of the application and development process that sustainable housing features promised are delivered. New construction developments must demonstrate at firm submission and construction completion that the development has been designed and built to meet certification under the chosen system. Formal certification by a certified third-party is welcome but not required. 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

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 temporary and 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, the amount of rent paid, and race/ethnicity information. 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. Provide a breakdown of the relocation expenses expected to be
incurred which reflect the number used in the development budget. A description of services provided during the relocation period, how records will be maintained, and a relocation timeline are required sections of the relocation plan. 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.

**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 property’s annual financial statements for the last 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 waive the right to opt out after the initial 15 year compliance period.

**PHA Approved Utility Allowances**

Provide the most current utility allowance schedule from the local public housing authority. The utility allowance used in the application 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. On the utility allowance schedule circle or highlight the appropriate utility amounts. 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

The following exhibits, if applicable, must be included for the developer. If the developer and general partner are unaffiliated entities information for each entity 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.

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

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.
Application Underwriting Standards

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 may 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 eighteen years of operations.

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

If the loan is a MHDC participation construction loan the loan term will be 18 months. An application may request a participation construction loan term of 24 months. 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.

If using tax-exempt bonds, specify if they are draw down bonds.

Permanent Loans
MHDC 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 eighteen 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 unless MHDC determines there is not sufficient 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 deferred developer fee can be paid back from cash flow. Preferably this repayment will take place within the first 10 years.

Income From Operations During Construction
Income from operations during construction must be included as a source of funds.
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, use the IRS-issued applicable percentage in effect at the time of application for the 9% and 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 2014 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 2013 statewide median income as established and published by HUD are eligible for the basis increase, provided that 20% of the total units in the development are set aside for households earning between 60% and
80% (workforce units) of the area median income. Rents in the 60%-80% units should be different than tax credit units in the development. In most circumstances workforce rents should be at least 15% higher than tax credit rents. 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 1,750 feet of a 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 an 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
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.

All developments must meet the MHDC required contribution of 10% of federal and state LIHTC equity invested at construction closing with another 10% of federal and state LIHTC equity invested at 50% construction completion. If HUD is providing loan insurance, equity contributions must meet or exceed current HUD guidelines. Investors taking more than a de minimis share (i.e. 1% or greater) of ownership interest must provide a capital contribution (at the same price as the primary investor) in exchange for their share of federal tax credits.

MHDC will underwrite with a net price floor of $0.42 per credit on the state LIHTC. Given the changing landscape of the federal LIHTC equity market, MHDC will determine a reasonable net price 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 in the application 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 application 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.
Maximum Development Cost

The maximum total development cost for a development cannot exceed the total replacement cost calculated using the most recent HUD 221(d)(3) limits. 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.

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.

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.

All general requirement items in the Fin-115 must be included in the calculation of the maximum amount for general requirements regardless of the party who pays for the items.

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. Consultant fees, including but not limited to the following types of consultants: development and/or credit consultants, application consultants, historic, MBE/WBE, and Section 3 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.

Development costs paid for by a previous owner are not considered when calculating developer fee, even if the cost of the previous work is included in the sales/purchase contract.
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.

<table>
<thead>
<tr>
<th>Total Units</th>
<th>Per Unit Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>First 40 Units</td>
<td>$20,000</td>
</tr>
<tr>
<td>Units 41-100</td>
<td>$17,500</td>
</tr>
<tr>
<td>Units 101-150</td>
<td>$15,000</td>
</tr>
<tr>
<td>Units 151+</td>
<td>$12,500</td>
</tr>
</tbody>
</table>

Example 1:  
A 50-unit new construction deal with total replacement costs of $8,250,000 would be eligible for the lesser of:  
Per Unit = (40 x $20,000) + (10 x $17,500) = $975,000  
Cost Calculation = $4,000,000 x 15% = $600,000 + ($4,250,000 x 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:  
Per Unit = (40 x $20,000) + (60 x $17,500) + (20 x $15,000) = $2,150,000  
Cost Calculation = ($2,000,000 x 8%) + ($1,000,000 x 6%) + ($4,000,000 x 15%) + ($200,000 x 10%) = $840,000  
Therefore, the maximum eligible developer + consulting fee = $840,000  

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  
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. If the proposed purchase price is not supported by the MHDC appraisal the purchase price may be reduced to the appraised value. MHDC will 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 Cost Analysis

MHDC shall assess a fee of $5,000 for an independent third party report to provide an upfront construction cost analysis for all approved properties in excess of six units. This fee shall be due with the firm submission. If the actual cost different than $5,000, then the development will either be further assessed or refunded the difference. If a third party analysis is also required by the lender or investor on the property, MHDC will endeavor to work with that party to avoid duplicate costs.

This analysis will be performed when the firm submission documents (plans and specs) have been submitted. The purpose of the analysis will be to have a third party review the proposed costs as well as the plans and specs. If it is determined that the costs submitted are either excessive or deficient, MHDC may adjust the amount of credits or loan funds allocated to the property prior to closing. This review will also include a replacement reserve analysis for all proposed rehab, preservation or conversions, except for RD properties.

Construction Labor 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/](http://www.access.gpo.gov/davisbacon/).
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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
Contingency should be 5%-7.5% of the total construction costs for new construction and 7.5% to 10% for acquisition/rehabs. Numbers outside of those ranges require an explanation for the variance. MHDC does not distinguish between hard cost contingency and soft cost contingency.

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 fees paid by the developer for syndication-related expenses will be reviewed for competitiveness. Investor due diligence including architectural review, bridge loan fees and interest should not be reflected in the development budget. Syndication cost must be explained in the application.

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 may be required.

Other Uses
All uses will be examined for their competitiveness and reasonableness and may be questioned during the application review. 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.

**Project Income**

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

**Rents**

The proposed rents must be reasonable for the population being served and appropriate for the market which the development is located. Rents must meet the requirements of the various financing sources in the application and at a minimum must meet the requirements of the Code in order to be eligible for a tax credit allocation under the Qualified Allocation Plan. Tax credit rents should be at least 15% less than market rents. In rare instances, area market rate rents may be depressed due to deteriorating conditions, therefore area market rate rents could be less than tax credit rents. If a development includes both tax credit and market rate units the market rate unit rents must be at least 15% higher than tax credit rents. This does not apply to special needs housing properties.

**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 different vacancy rates than those shown above based on actual vacancy rates in the market.

**Maximum Income / Maximum Rents**

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.

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 competitive and 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.

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.

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](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.

Pre-Conditional Reservation

Notice of approval letters are sent to developers of all approved proposals the week after Commission approval. The letter identifies the 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 generic 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.
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 website 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.
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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 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 agreement (“Conditional Reservation”) shortly after MHDC receives, reviews and approves the required documents needed to prepare the Conditional Reservation. A Conditional Reservation will describe the type, amount(s), terms and requirements applicable to the development. Conditional Reservations will be subject to the requirements that MHDC determines necessary or appropriate.

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

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

For HOME and federally-insured developments Vapor Encroachment Conditions (VEC) must be addressed using ASTM E 2600-10 Standard Guide for Vapor Encroachment Screening on Property Involved in Real Estate Transactions. If a Tier 1 Screening identifies potential VEC problems these shall be investigated to determine if they are a recognized
environmental conditions (REC). Developments that do not require a Phase I Environmental Report developed by an environmental professional (EP) must engage an EP to conduct a vapor encroachment investigation.

Initial monthly rents shall not exceed the MHDC Firm Commitment rents unless MHDC determines a different rent is necessary and appropriate. Initial monthly rents cannot increase until at least 1 year after the last unit is placed in service.

**Firm Commitment Exhibits**

Each applicant is required to submit a firm submission package. The firm submission package will include: 1. An electronic version of the firm submission (a link will be provided on MHDC’s website); 2. One tabbed three-ring binder with required exhibits; 3. One CD-R with required exhibits. The firm submission checklist will identify exhibits to be submitted in the three-ring binder and exhibits to be submitted on the CD-R. Exhibit names must match the firm submission checklist. Files should not be put into subfolders.

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 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 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 is not applicable, 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 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 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, the amount of financing that is committed to the development may change. 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. Do not put files into subfolders.

**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 conditional reservation, please submit an 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.

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 A-M, 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 firm submission and the plans and specifications. Please provide both the Excel workbook and a PDF copy with signatures on the CD-R.

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 and three full-size paper copies of architectural/engineering drawings, including a schedule of units and square footage.

Specifications:

Please submit three sets. 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).

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. Rehabilitation developments obtaining green building certification must submit the above documents.
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.

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

Owner-Architect Agreement

Please include a copy of the Owner-Architect Agreement (AIA B108 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 firm submission, 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 existing tenants, please list construction period income as a source. You must include a calculation of construction period income.

**Equity Commitments:**

All sources of tax-credit equity listed 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. MHDC requires a minimum of 10% of federal and state tax credit equity to be invested in the development at closing and again at 50% of construction completion.

**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.
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.

**PHA Approved Utility Allowance Information**
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Provide the most recent utility allowance schedule from the local housing authority that is available for the development type and geographic area in question. On the utility allowance schedule circle or highlight the appropriate utility amounts. If the 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. 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 signed Section 3 plan for their development. Please see the Section 3 Guidelines for details.
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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. Developments must waive the right to opt out for an additional 15 years.

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.

Legal Description

Provide the legal description in Microsoft Word.

MBE/WBE Utilization Plan

Provide the updated and signed Utilization Plan and the updated Schedule of Participation.

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 commitment. 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.

*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 allocation agreement, sign and have it 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 (the effective date of the carryover allocation agreement); or
2. The month the building is placed in service.

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

**Owner Signature**

The owner needs to sign the carryover allocation agreement in blue ink, have it 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 five 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**

The owner must complete the 10% test no later than 12 months after the effective date of the carryover allocation agreement 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.

**10% Test Required Documentation**

Original MHDC Form 3341 Development Financing Certification;
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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 allocation agreement. All documentation must be submitted to MHDC by the end of the 13th month after the effective date. Early submission is encouraged.

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.

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/legal_forms](http://www.mhdc.com/docs/legal_forms)

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 is 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 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. For developments with a MHDC loan at least ten percent (10%) of the federal and state LIHTC equity must be paid in at closing and at least an additional ten percent (10%) of federal and state 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 and/or state LIHTCs must pay for its respective share of such LIHTCs at the same pricing as the federal and/or state investor (as the case may be).
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 2011 Minimum Standard Detail Requirements. The survey must further comport with all MHDC survey requirements. In addition, the surveyor must provide a completed Surveyor’s Report on form HUD-92457 A-M. The certification from form HUD-92457 A-M must be incorporated into the survey. MHDC prefers that this certification be reflected on the face of the survey. However, at a minimum, this certification must be made on a separate paper and incorporated into the survey by cross-reference on the face of the survey. The full explanation of MHDC’s survey and survey report requirements can be located on MHDC’s website at: www.mhdc.com/firm_submission/survey

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 Loan Documents

MHDC generally requires the same set of loan documents for all developments in which it holds a loan (though the contents of the documents may vary depending on the type of loan funds involved). However, in instances where MHDC is to hold a first position loan during the construction phase of the development, there are certain notable documents which MHDC requires, including:

1. MHDC form Construction Contract-Cost Plus (in lieu of the AIA form construction contract);
2. MHDC form Performance and Payment Bond (in lieu of the AIA form of bond); and
3. Assignment of Capital Contributions

The Assignment of Capital Contributions is 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 the assignment document, 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 during the construction phase of the development, 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 during the construction phase, the Assignment of Capital Contributions is not required. Outside of these exceptions, all other MHDC loan documents are required regardless of the priority of MHDC’s loan.

In all instances where MHDC is providing a loan to a development (other than a risk share loan), the general partner entity and its underlying principals will be required to execute a Guaranty Agreement to MHDC in relation to such loan personally guaranteeing the repayment of the loan during the construction phase of the development. This Guaranty Agreement will only be in effect during the construction phase, with such guaranty terminating and the MHDC loan shifting to a non-recourse loan upon conversion of the MHDC loan to a permanent amortizing loan. In instances where the borrower is utilizing a
risk share loan with MHDC as the bond issuer, an unconditional, irrevocable, non-
documentary letter of credit for the full amount of the buy down amount of the bonds at
conversion is required in lieu of a guaranty.

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 the 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 scheduled closing date of the
MHDC loan.

Construction Phase

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 and OSHA-10 card, showing successful
completion in a 10-hour training program.
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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, Pre-Construction Conferences are guided and scheduled by the General Contractor.

Construction Loan Disbursements

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
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 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 within a 50 mile radius from the site. The stored materials must have the appropriate insurance and 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™),
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.

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

**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/legal_forms](http://www.mhdc.com/docs/legal_forms)

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.

**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
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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 ALTA/ACSM survey meeting all MHDC requirements. Please note that if the development in question is a rehab of an existing development an “as-built” survey may be provided in lieu of an ALTA survey provided that (i) the building footprint has not changed and (ii) no new easements need to be shown on the survey. 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.

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 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.
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The forms posted on the website are the most up-to-date forms. 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
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
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
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
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
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
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/compliance

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 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

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 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.

**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)

<table>
<thead>
<tr>
<th>Placed-In-Service Date</th>
<th>Activity Period Covered</th>
<th>COL Report Due Date</th>
<th>Exhibit A Due Date</th>
</tr>
</thead>
</table>

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

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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.

As a function of monitoring compliance with our programs, the Asset Management Department will ensure that all parties are aware of and in compliance with the Suspension/Debarment Guidelines as published 2013.

Suspension and debarment actions protect MHDC from doing business with individuals and companies who pose a business risk to the integrity and resources of the tax credit program. All applicants and participants must be in good standing and compliant with all MHDC requirements. In making suspension and debarment decisions, MHDC relies on information provided by and on behalf of the applicant, portfolio reviews and physical and file inspections. MHDC’s review of documents, assurances and certifications will be submitted in connection with the suspension and debarment process.

Events that will result in suspension/debarment recommendations:

1. General partner/managing member/sole stockholder that has been removed from the ownership entity of a previous development due to poor performance/malfeasance. Subject to verification of circumstances surrounding removal.

2. Uncured event of default per section 1602 of Tax Credit Assistance Program.

3. Fair Housing Act violations involving a finding of discrimination by an adverse final decision from a federal court or a judgment enforcing the terms of a consent decree.

4. Civil Rights Act violations involving a finding of discrimination by an adverse final decision from a federal court or a judgment enforcing the terms of a consent decree.

5. Foreclosure involving loss of units to the affordable housing stock or failure to notify MHDC of foreclosure (including deed in lieu of foreclosure transaction).

6. Claiming tax credits by submitting falsified IRS Form(s) 8609 to the IRS.

7. Misrepresentation of eligibility items.

8. Failure to fulfill commitments made in the initial application.

9. A pattern of uncorrected 8823s based on a review of the portfolio for the participant and the timeframe of the issuance of the 8823s

10. Portfolio has a history over the past three (3) years of occupancy below 85%.
11. Portfolio has a history over the past three (3) years of unacceptable inspection ratings.

12. General partner/managing member/sole stockholder is on HUD’s debarred list or has received a limited denial of participation in the past five (5) years.

13. General partner/managing member/sole stockholder is on any state housing agency’s debarred list in the past five (5) years.

The initial set-up for each property is a very important aspect of ensuring the compliance for participating owner/agent entities. Proper set-up 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 current 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. MHDC must also be provided with a copy of the First Year Certification Part II of the Missouri Eligibility Statement. If these documents are not provided, MHDC will require the development to remain in the program through December 31st of the sixteenth 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.

*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 LDI date 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 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 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/compliance](http://www.mhdc.com/docs/compliance)

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 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 once annually.

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 a document package which includes an Appointment Letter-Exhibit AHAP-1. This package will also contain Exhibits: C-3A, C-4, C-5 and information regarding the inspection process. Owners/Agents participating in the AHAP program should complete all forms and information, and return to MHDC ten (10) days prior to the inspection date. Once the Inspection is complete, MHDC will provide the Owner/Agent the audit report within thirty (30) days via Exhibit AHAP-12Physical Inspection and Management Review Form. The Owner/Agent has thirty (30) days to respond to all Findings cited on the report. Once verification has been received, MHDC will provide the Owner/Agent an AHAP C-28 Form closing the inspection process for that period.

HOME Program Inspections

Prior to the inspection, a MHDC Compliance Officer will provide the Owner/Agent a document package which includes an Appointment Letter Exhibit HOME C-1A. This package will also contain Exhibits: C-3A; C-4, C-5, and information regarding the inspection process.

Additionally, HOME program regulations require a HUD Form 9834 Addendum B Part A be completed for each property. This form collects data regarding demographics. Once the Inspection is complete, MHDC will provide the Owner/Agent the audit report within thirty (30) days via Exhibit C-12Physical Inspection and Management Review Form. The Owner/Agent has thirty (30) days to respond to all Findings cited on the report. Once verification has been received by, MHDC will provide the Owner/Agent a C-28 Form closing the inspection process for that period.

LIHTC, TCR, and TCAP Program Inspections

Prior to the inspection, a MHDC Compliance Officer will provide the Owner/Agent a document package which includes an Appointment Letter Exhibit C-1 LIHTC. This package will also contain Exhibits: C-3A; C-4, C-5, C-15, C-16 (as applicable) and information regarding the inspection process. Once the Inspection is complete, MHDC will provide the Owner/Agent the audit report within thirty (30) days via Exhibit C-12 Physical Inspection and Management Review Form. The Owner/Agent has thirty (30) days to respond to all Findings cited on the report. Once verification has been received, MHDC will provide the Owner/Agent a C-28 Form officially closing the inspection process for that period.
Deficiency Resolutions and Penalties for Non-Compliance

Failure to submit proper documentation supporting correction of each Finding cited may result in the issuance of a Form 8823 to the IRS reporting an action of non-compliance by the Owner/Agent in question. In addition, MHDC reserves the right to assess a monetary penalty for noncompliance.

Affordable Housing Assistance Program (AHAP)

All AHAP forms and documents may be accessed at the following link: www.mhdc.com/docs/AHAP

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.

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.
MHDC 2014 Developer’s Guide

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.

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/compliance

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 changes in ownership, general partner and/or limited partner. The forms required to be submitted in requesting approval of a change in ownership, general partner and/or limited partner may be obtained by advancing to the following link: www.mhdc.com/docs/compliance.

Two Primary Types of TPA Transfers:

1. Modified TPA Transfers

A modified TPA is a change in either a general partner or limited partner as represented in the final organization documents of the ownership entity at the time of closing on its loan and/or tax credits with MHDC. Such transfers require written notification to and approval of MHDC prior to the occurrence of the transfer. Transfers of this nature generally require a review time of 10-14 business days from the date all documentation required by MHDC is submitted in a form acceptable to MHDC. However, in instances where the modified TPA is being requested on a property in which MHDC has an existing loan that is not being paid off in conjunction with the transfer, the review time may be 14-21 business days. Therefore, any party seeking approval of a modified TPA request should allow for a sufficient review period by MHDC in determining when to submit its request for approval.

2. Full TPA Transfers

A full TPA is a change in the actual ownership entity as represented in the final organizational documents of the ownership entity at the time of closing on its loan and/or tax credits with MHDC. Such transfers require written notification to and approval of MHDC prior to the occurrence of the transfer. Transfers of this nature generally require a review time of 21-28 business days from the date all
documentation required by MHDC is submitted in a form acceptable to MHDC. However, in instances where the full TPA is being requested on a property in which MHDC has an existing loan that is not being paid off in conjunction with the transfer, the review time may be 30-45 business days. Therefore, any party seeking approval of a full TPA request should allow for a sufficient review period by MHDC in determining when to submit its request for approval. NOTE: In instances where a full TPA is being requested for a property where MHDC has an existing loan that is not being paid off in conjunction with the transfer, the entity assuming ownership of the property must satisfy all requirements necessary to qualify as an “Approved Mortgagor” under 4 CSR 170-3 of the Missouri Code of State Regulations (including the requirement that the ownership constitute a single purpose, single asset entity.

Year End TPAs.

MHDC understands that in some instances approvals of modified or full TPAs are necessarily desired prior to the end of a given calendar year for various tax or other business purposes. MHDC makes every effort to process and approve all TPA requests desiring to meet such deadlines. However, please be advised that, in order to ensure complete review of a TPA request by MHDC prior to the end of a specific calendar year, that TPA must be submitted to MHDC no later than November 15th of the year in which the approval is sought. Provided a TPA request needing approval prior to the end of a calendar year is submitted on or prior to November 15th of the year in question, it will receive top priority for processing, and provided that all requisite documentation which MHDC may subsequently request is provided in a form acceptable to MHDC in a timely manner, all such transfers submitted on or prior to the November 15th deadline will be fully reviewed prior to the end of that calendar year. If, however, a property owner misses the November 15th deadline, its TPA request will be placed behind all TPA requests meeting the November 15th deadline, and MHDC cannot guarantee that such TPA will be fully reviewed prior to the end of that calendar year.

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/compliance

Management Company Fee Increase

Requests for management fee increases must be submitted between October 1 – December 31. 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/compliance
**MHDC 2014 Developer’s Guide**

*Occupancy Data Submission Guidelines*

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.

*Annual Financial Statement Submission Guidelines*

Annual financial statements are due within 90 days of each property's fiscal year-end. All properties with 13 units or more are required to submit their financial statements through MHDC's AMRS system. Financial statements must be prepared using MHDC’s Chart of Accounts, and include all schedules as required by MHDC. Developments with 24 or more units must file audited financial statements that follow Generally Accepted Auditing Standards and Government Auditing Standards (only if HUD or RD assistance is received). Developments with 13 – 23 units may file reviewed or compiled financial statements that follow the Statement on Standards for Accounting and Review Services.

*Budget Submission Guidelines*

Budgets are required for all MHDC financed and tax credit properties with 13 units or more units (excluding projects mostly covered by a Project Based HAP contract.) Properties are required to submit their financial statements through MHDC’s AMRS system by November 15th annually.

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/compliance](http://www.mhdc.com/docs/compliance)

*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](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. Owner/Management is required to post for public viewing MHDC Exhibit A-21: Notice to Residents of Management’s Intention to Submit a Rent Increase to MHDC for approval prior to submitting the rent increase to MHDC for approval. The Exhibit A-21 notice should have a 30 day comment period for residents to respond to MHDC. 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.

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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.

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 Tax Credit Only Rent Increase:

1. Current Utility Allowance
2. Indication that current residents have been notified of the proposed rent increase
3. Current Rent Roll
Workforce Eligibility

Policy

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, 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.


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.


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).
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 CD-R. All documentation should be in .pdf format. The CD-R 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-R 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. The Affidavit and proof of E-Verify are submitted with the certified payrolls.

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.
Compliance with Missouri Statutes and Transient Employers.


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 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 2014 Developer’s Guide


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
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 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 2014 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. Because of this provision MHDC requires weekly certified payrolls for all developments.

*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 must be paid prevailing wage under the corresponding worker classification.

**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
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 so detailing the subclass on the certified payrolls is important.

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.

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; documentation detailing the wages rates should be submitted to MHDC. 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. 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. MHDC requires submission of a copy of the apprenticeship ratios schedule for each class of apprentice performing labor on the site; if no ratio information is available, MHDC will default to a 1:1 ratio.

Payroll

All workers must be paid weekly.

Overtime 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; employers should submit additional documentation in this case.

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](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.

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.

All deductions that are not required by law or are part of a collective bargaining agreement must be authorized in writing by the employee. The written
authorization for the deductions should be included with the first payroll. For court-ordered deductions MHDC will accept the court ordered letter.

**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; if an additional classification is required contact MHDC for assistance in determining which classification to request.

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

**Owner Operated Subcontractors**

When a company is operated only by its owner(s), the workers must be listed on the certified payroll of the “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 workers 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 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) Davis-Bacon Labor Standards – This HUD publication provides guidance that specifically relates to Davis-Bacon. MHDC Prevailing Wage requirements mirror Davis-Bacon.

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 (the terms and conditions of this form must be incorporated into the construction contract).

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.

Homeownership

The Commission is dedicated to strengthening communities and the lives of Missourians through the financing, development and preservation of affordable housing. 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.

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”). 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 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 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 x $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 x $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 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.

**Determining Sales Price**

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 replace their rent payment with a house payment 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 be sold for the following amount: 

$$\frac{([\text{the payoff of the entire note} + \text{Exit Taxes} + \text{Amount to make any and all repairs deemed necessary to bring the building up to excellent condition}] / \text{# of units in the project}) + \text{(An amount of profit the owner chooses to add for the sale of each home})}{\text{Resident discount}}$$

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 $$\frac{([\text{the payoff of the entire note} + \text{Exit Taxes} + \text{Amount to make any and all repairs deemed necessary to bring the building up to excellent condition}] / 15) + \text{($20,000) x 93%}}{\text{Resident discount}}$$
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 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.
**MHDC 2014 Developer’s Guide**

**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-assisted units. These regulations are in addition to the rules listed earlier:

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.

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 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 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. The non-profit corporation must be able to demonstrate a general capacity to carry out activities for which the HOME program was created. Under the FY 2012 HUD Appropriations Law, CHDO’s must have staff with demonstrated development experience. Engaging a consultant will no longer suffice.

2. 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.

3. The non-profit corporation must demonstrate that it 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**

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:

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.

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.

**MBE/WBE Initiative**

MHDC has established the MBE/WBE Initiative to encourage the involvement of businesses that are Minority-Owned Business Enterprises (MBE) or Women-Owned Business Enterprises (WBE) certified by the State of Missouri or other certifying agency as deemed appropriate by MHDC in consultation with the Office of Equal Opportunity for the State of Missouri (OEO).

This document shall be the guidance for MHDC’s administration and supervision of the process and its components that are paramount to MHDC’s effort to achieve diversity, to increase support, and to sustain MBE/WBE involvement in MHDC rental property production.

The MBE/WBE Initiative applies to all developments with more than 6 units.

**Purpose**

The MBE/WBE Initiative is created and administered for the following purposes:

1. To facilitate, promote, and achieve equal opportunity to participate in rental property development activities;
2. To monitor and assess the utilization of MBE/WBE in rental property development activities;
3. To monitor and assess compliance by Owners/Developers and Contractors on all MHDC funded rental property development;
4. To identify MBE/WBE and promote awareness of MHDC rental property;
5. To provide assistance and training to MBE/WBE;
6. To ensure non-discrimination in the awarding of funds;
7. To provide a narrowly tailored program in accordance with applicable law.

**Summary of Program**

The MBE/WBE Initiative consists of two components: (a) Participation Standard; and (b) MBE/WBE Preference. Applications disqualified due to an incomplete submittal will not be reviewed for compliance with the MBE/WBE Participation Standard or qualification for the MBE/WBE Preference.

**Participation Standard**

MHDC’s Participation Standard is 10% hard costs and 10% soft costs for MBE, and 5% hard costs and 5% soft costs for WBE. Applications submitted under the 9% and 4% NOFA are expected to meet the MBE/WBE Participation Standard.
MBE/WBE must be certified to count toward the Participation Standard. A Utilization Plan
signed by the owner/developer must be submitted with the application indicating the plan
for MBE/WBE participation including the scope of work and compensation. All
certifications for MBE/WBE performing soft costs items must be included in the
application. Certification for MBE/WBE providing hard cost items must be provided no
later than firm submission. An outreach plan for successfully securing MBE/WBE to
provide hard cost and soft cost items must be submitted with the application.

The final Utilization Plan signed by the owner/developer and the general contractor with all
certifications must be submitted to MHDC prior to construction loan closing. The
Participation Standard can be satisfied by MBE/WBE 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, permits, and contractors profit should be excluded.

2. Soft costs, which include but are not limited to planning, architectural, relocation,
   legal, accounting, environmental, engineering, surveying, developer fee, consulting
   fees, title company, disbursing company, market study, appraisal, and 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.

**MBE/WBE Preference**

A preference in funding will be given to applications that reflect:

a. A MBE/WBE Developer, a developer group that includes a MBE/WBE, and/or a
   Developer Mentor/Protégé relationship; or

b. MBE/WBE participation percentages significantly greater than the Participation
   Standard of 10% MBE and 5% WBE for both hard and soft costs

Applicants seeking the MBE/WBE Preference under paragraph (a) must provide a
comprehensive Utilization Plan signed by the owner/developer detailing the role of, and
functions to be performed by, the MBE/WBE. Such roles and functions of the MBE/WBE
must be those typically performed by a developer. A Mentor/Protégé Relationship shall be
designed to support, promote and develop the knowledge, skill and ability of the MBE/WBE
protégé in a manner intended to assist in the growth and development of the MBE/WBE as
a developer.

Applicants seeking a preference under paragraph (b) must provide a comprehensive
Utilization Plan signed by the owner/developer detailing how the applicant intends to
significantly exceed the MBE/WBE Participation Standard.
Applicants seeking the MBE/WBE Preference must include in the application a history of MBE/WBE participation, as well as evidence of MBE/WBE certification.

**Certification/Definition of MBE/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 women 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.

MBE/WBE must be certified by the State of Missouri or other certifying agency as deemed appropriate by MHDC in consultation with the Office of Equal Opportunity for the State of Missouri (OEO).

**Application for MHDC Funding**

A Utilization Plan signed by the owner/developer detailing how the applicant intends to meet the Participation Standard must be included in the application 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 signed Utilization Plan with any updated information, copies of any contracts or proposals entered into with MBE/WBE along with copies of the MBE/WBE certification. Early submittal of the MBE/WBE package is encouraged.

As you receive and accept proposals from MBE/WBE 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 MBE/WBE must allow sufficient time for the MBE/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 MBE/WBE 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 MBE/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 MBE/WBEs in order to increase the likelihood of achieving the Participation Standard, including the breaking down of contracts into economically feasible subcontracts to facilitate MBE/WBE participation. Be specific regarding scope of work when soliciting an MBE/WBE.

2. Provide written notification at least 14 calendar days prior to the opening of bids, soliciting MBE/WBE as a subcontractor or a supplier. This shall also include agencies and organizations which provide assistance in recruitment and placement of MBE/WBE.

3. Provide equal access to plans and specifications to all prospective contractors including MBE/WBE contractors.

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 MBE/WBE for specific work shall include evidence of the following
   a. Names, addresses, telephone numbers of MBE/WBE contacted, the dates of initial contact and whether initial solicitations of interest were followed up by contacting the MBE/WBE to determine with certainty whether the MBE/WBE is interested.
   b. A description of the information provided the MBE/WBE regarding the plans and specifications and estimated quantities for portions of the work to be performed.
   c. A statement why additional agreements with MBE/WBE were not reached, and
   d. Documentation of each MBE/WBE contacted but rejected, and the reasons for the rejection.

6. Efforts made to assist the MBE/WBE that needs assistance in obtaining bonding, insurance or lines of credit required by the contractor.

7. Documentation indicating a qualified MBE/WBE is not available or not interested in bidding.

8. Attendance at meetings scheduled by MHDC or other agencies or organizations to encourage better contractor-subcontractor relationships and MBE/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 MBE/WBE.

10. Send information to certifying agencies for distribution of bidding opportunities to MBE/WBE on their listing.
Calculation of Participation Rate

The method by which the MBE/WBE Initiative Coordinator will calculate the Participation Standard shall include the following:

1. Any tier of MBE/WBE Contractors and subcontractors that will be utilized in connection with a Development shall be counted.
2. Any Owner/Developer who is an MBE/WBE may count contractor work or professional services performed by the Owner/Developer including developer fees.
3. Any Contractor who is an MBE/WBE may count contractor work or services actually performed by the Contractor including general requirements and builder profit and overhead.
4. The MBE/WBE must perform a Commercially Useful Function.
5. Calculation of the Participation Standard shall be completed for both hard and soft costs as follows:
   a. Total costs associated with the Development shall be reduced by any Excluded Costs; then
   b. Total costs associated with the Development may be, but are not required to be, reduced by any Optional Costs; then
   c. Remaining total costs shall be separated into Hard Costs and Soft Costs; then
      i. The total dollar value of the amount expended as payment to the MBE/WBE for work or services performed pursuant to the Firm Submission Checklist and Agreement in connection with Hard Costs will be divided by the total dollar amount of funds expended in connection with all Hard Costs for each classification; and
      ii. The total dollar value of the amount expended as payment to an MBE/WBE for work or services performed pursuant to the Firm Submission checklist and Agreement in connection with Soft Costs will be divided by the total dollar amount of funds expended in connection with all Soft Costs for each classification.

Cost Categories

The following items shall be considered Hard Costs:

1. Earthwork
2. Site Utilities
3. Roads and Walks
4. Off-Site Work
5. Concrete
6. Masonry
7. Structural Metals
8. Rough Carpentry
9. Finish Carpentry
10. Cabinets
11. Waterproofing
12. Insulation
13. Roofing Systems
14. Siding
15. Gutters & Downspouts
16. Doors & Hardware
17. Windows
18. Drywall
19. Flooring
20. Carpet
21. Painting
22. Signage
23. Bathroom & Closet Accessories
24. Appliances
25. Window Coverings
26. Plumbing
27. Fire Sprinklers
28. HVAC
29. Electrical
30. Fire Alarm Systems
31. Special Equipment
32. Landscaping
33. Accessory Building
34. Demolition
35. Sheet Metal
36. Site Work

The following items shall be considered Soft Costs:
1. Architect & Engineering Fee - Design
2. Architect Fee - Supervision
3. Soils Report
4. Survey
5. Engineering
6. Environmental Study
7. Market Study
8. Appraisal
9. Title, Recording & Disbursing
10. Title, Recording & Disb (Permanent)
11. Legal Fees (Construction)
12. Legal Fees (Permanent)
13. Legal Fees (Organization)
14. Legal Fees (Acquisition and Recording)
15. Cost Certification
16. Accountant Fees
17. Environmental Abatement Services
18. Relocation
19. Furniture, Fixtures and Equipment
20. Third Party Inspection
21. Historic Consultant
22. Green or NAHB Certification Consultant
23. Consultant Fee
24. Construction Period Insurance

The following items shall be considered Optional Costs:
1. Developer Fee (calculated as a Soft Cost when included)
2. General Requirements (calculated as a Hard Cost when included)
3. Builder Overhead (calculated as a Hard Cost when included)
4. Builder Profit (calculated as a Hard Cost when included)
5. Consultant Fee included in Developer Fee (calculated as a Soft Cost when included)

The following items shall be considered Excluded Costs:
1. MHDC Approved Impact Fees
2. Construction Loan Interest
3. Construction Period R.E. Taxes
4. MHDC Rental Production Application Fee
5. MHDC Construction Loan Fee
6. MHDC Construction Inspection Fee
7. Other Construction Inspection Fee
8. MHDC Permanent Financing Fee
9. Other Permanent Financing Fee
10. Prepaid MIP
11. Contingency *
12. Historic Credit Fees
13. Land Acquisition and Recording Fees
14. Acquisition Costs of Buildings
15. Land
16. Tax Credit Allocation Fee
17. Tax Credit Monitoring Fee
18. AHAP Application and Reservation Fee
19. Bond Related Costs
20. Debt Service Reserves (escrow)
21. Syndication Costs
22. Operating Reserves (escrow)
23. Replacement Reserves (escrow)
24. Social Services Reserves (escrow)
25. Lease up and Marketing **

*Based upon the manner in which contingency is expended it may be included in the costs at the time of certification.

** Lease-up or Marketing related to Lease-up may be considered as an eligible cost if performed by a MBE/WBE not associated with the management company, and under separate contract assisting in the lease-up/marketing of the property.

Compliance Responsibilities

The owner shall have the compliance responsibility for each development approved by MHDC. The owner may direct, as necessary, the responsibility of compliance to other team members (ie. contractors or consultants), however, the ultimate responsibility for compliance shall be with the owner.

1. Throughout the course of construction or rehabilitation, MHDC shall monitor the cumulative MBE/WBE Participation Standard for each Development. The Owner shall review the Schedule of Participation each month and report to MHDC any actual or perceived deficiencies in participation dollar amounts and the Participation Standard.
2. At construction loan closing all soft cost payments will be reviewed against contracts signed. If soft costs are provided throughout construction, the payments will be monitored for compliance with the contract until the end of the development. Hard costs contracts will be reviewed against the Schedule of Participation, the General Contractor’s vendor payment listings, and other documents as MHDC deems necessary to ensure timely payment to MBE/WBE. The Owner shall provide all contracts or intent to perform documents to MHDC.

3. If the contract is awarded on less than the full MBE/WBE Participation Standard, such award will not relieve the owner of the responsibility to continue reasonable good faith efforts to provide participation opportunities to MBE/WBEs throughout the life of the contract. The Owner will be required to document good faith effort to utilize MBE/WBE subcontractors and/or suppliers prior to entering into a contract with a non-MBE/WBE.

4. When the Owner is awarded funds through MHDC, they will be requested to sign a conditional reservation agreement indicating their desire to reach the stated Participation Standard as outlined in their Utilization Plan. At the completion of the development, both the contractor and the owner will certify the percentage and the amount of their MBE/WBE participation, along with a listing of those MBE/WBE Companies utilized during the development process.

5. The Owner shall designate an individual who will be responsible for the administration of the MBE/WBE Utilization Program.

6. The contractor shall enter into subcontracts or written agreements with the MBE/WBE identified on the Schedule of Participation for the scope of work and amount specified. In the event a MBE/WBE indicated in the development’s Utilization Plan cannot be secured, the Owner shall notify MHDC.

7. At any point during the development when it appears that the scheduled amount of MBE/WBE participation may not be achieved, the Owner shall provide evidence to MHDC demonstrating how the Participation Standard may be met.

8. During the disbursement process, MHDC will compare the MBE/WBE listed in the Schedule of Participation to the payment request and payroll documents to ensure compliance with the documents submitted by the development. To facilitate this review the owner/contractor will be requested to give a listing of payments and completion records of MBE/WBE companies, as well as, copies of contracts.

**Record Keeping**

The Owner shall keep records necessary for MHDC to determine compliance with the MBE/WBE Initiative. These records shall include the names and contract information of MBE/WBE, scope of work, contracts, documentation such as cancelled checks and paid invoices verifying payment for work, services and procurement; documentation of all correspondence, telephone calls and other efforts to obtain the services of MBE/WBE contractors. Upon request, the Owner shall submit all contracts and documentation. MHDC
reserves the right to monitor and/or review actions, statements and documents submitted by any contractor or MBE/WBE.

**Reporting**

The Owner shall submit monthly reports on MBE/WBE involvement as designated by MHDC. Reports will be required until all contractor performance activity is complete and the development is substantially completed. Reports are required even if no MBE/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 the MBE/WBE Participation Standard is not met, documentation supporting good faith efforts shall be submitted with the monthly report. Failure to submit the monthly report may result in the delay of processing draws.

**Non-Compliance**

An Owner shall be considered to be in a state of Non-Compliance when the Owner, Developer or any Contractor associated with the Development:

1. Fails to adequately document compliance; or
2. Fails to diligently pursue participation of MBE/WBE; or
3. Fails to comply with the elements set forth in the final Utilization Plan in connection with the MBE/WBE Participation Standard or MBE/WBE Preference; or
4. Eliminates or reduces the Commercially Useful Functions to be performed by an MBE/WBE after such MBE/WBE was named in the final Utilization Plan, unless the developer demonstrates a change was reasonably necessary and notifies the MBE/WBE Initiative Coordinator; or
5. Fails to comply with any element or provision of the MBE/WBE Initiative.

**MBE/WBE Definitions**

Bid - A written quotation, proposal or offer by a bidder or contractor to perform or provide labor, materials, equipment, supplies or services for a price submitted in response to competitive bidding solicitation.

Business Enterprise – A legal entity existing for the purpose of engaging in business, including but not limited to a corporation, partnership, individual, sole proprietorship, joint stock company, joint venture or any other private, legally recognized entity.

Certification – The process by which MBE/WBEs verify their status in order to be considered an MBE or WBE certified company. Certification by the State of Missouri or other certifying agency as deemed appropriate by MHDC in consultation with the Office of Equal Opportunity for the State of Missouri (OEO) is a prerequisite to participation in the MBE/WBE Initiative.

Certifying Agency – The Office of Equal Opportunity for the State of Missouri (OEO) or other certifying agency as deemed appropriate by MHDC in consultation with the OEO.
Commercically Useful Function – Real and actual service in the discharge of any contractual endeavor, including the execution of an element of work by actually performing, managing and/or supervising the work, in accordance with normal business practices, when the entity receives compensation for the work performed and such work performed is bona fide real and actual services necessary and a part of the Development.

Compliance – The condition or status of an Owner/Developer that demonstrates that it complies with the goals of the MBE/WBE Participation Standard or Preference.

Contract – Any and all agreements, regardless of what they may be titled, for the procurement of supplies, services, or construction in connection with the development of affordable housing.

Contractor – Any business enterprise that has entered into a contract in connection with construction of a development that is funded or approved by MHDC, including general contractors and sub-contractors.

Excluded Costs – Costs associated with a development that are not used in calculations to determine rates of MBE/WBE participation such as the cost of permits, licenses, public sector financing, bond issuance costs, construction interest, and similar costs.

Hard Costs – Costs associated with a development for the actual physical costs of construction, including but not limited to general contracting, grading, excavation, concrete, paving, framing, electrical, carpentry, roofing, masonry, plumbing, painting, asbestos removal, trucking, landscaping, and similar activities or services.

Mentor/Protégé Relationship – A relationship in which a more experienced or more knowledgeable non-MBE/WBE developer (the Mentor) helps a less experienced or less knowledgeable MBE/WBE (the Protégé) designed to support, promote and develop the knowledge, skill and ability of the Protégé as a developer. The Protégé must perform a Commercially Useful Function.

Minority Business Enterprises (MBE) --- 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 has 51% of its voting stock owned by one or more minority group members, and whose management and daily business operations are controlled 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 the previously stated minority groups.

MBE/WBE Initiative Coordinator – The MHDC official that has been assigned the responsibility for managing, implementing, evaluating and promoting the MBE/WBE Initiative.

Non-Compliance – The status of an owner/developer that fails to comply with the MBE/WBE Initiative.
Optional Costs – Costs associated with a Development that may be used but are not required to be used in calculations to determine rates of MBE/WBE participation such as developer fee.

Owner/Developer – The individual or entity that submits an application for the award of MHDC owned or controlled resources or that receives approval for an award of MHDC owned or controlled resources including tax credits, loans or other funding through a competitive application process, including each general partner, member or other type of ownership interest within the owner/developer entity reduced to the principal level irrespective of the number of entity layers which may be present for any entity.

Participation Standard – 10% participation of MBEs in hard costs, 10% participation of MBEs in soft costs, 5% participation of WBEs in hard costs, and 5% participation of WBEs in soft costs.

Participation Rate – The actual percentage of MBE/WBE participation in costs associated with a development.

Principal – Any human being who has any interest in an entity identified as an owner/developer.

Professional Services – Services which involve predominantly mental or intellectual labor and skills, including but not limited to, architects, engineers, surveyors, attorneys, and accountants.

Schedule of Participation – A document which reflects how the Participation Standard will be achieved including a list of the MBE/WBE proposed for the development.

Soft Costs – Costs associated with a development for planning, architectural, relocation, legal, accounting, environmental, engineering, surveying, consulting fees, title company, disbursing company, market study, appraisal, soils report and similar activities or services.

Utilization Plan – The document which reflects the plan to meet the Participation Standard or justify a Preference.

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

Section 3

Introduction

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
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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 familiarize itself with the Section 3 Act and Section 3 Regulations prior to accepting Section 3 covered assistance from MHDC. Section 3 is required for projects awarded MHDC HOME funds in excess of $200,000.

Definitions

General Contractor means any entity which has been awarded a construction contract of $100,000 or more by an Owner/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. Owner/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.

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, Owner, 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.
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 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 Owner/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 Owners/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 Owners/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 Owner/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 Owner/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 Owner/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 Owner/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 Owner/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 Owner/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 Owner/Developer, General Contract, and Subcontractor implementation of its respective Section 3 Plan.

Section 3 Meeting

Once MHDC has awarded the Section 3 Covered Assistance, it will schedule a meeting with the Owners/Developers to discuss the Section 3 Requirements. Attendees will include the
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MHDC Section 3 Coordinator, General Contractors, and the Owner’s/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 Owner/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

Owners/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 (professional services).

Employment and Training Opportunity Goals

The Section 3 Act requires the Owner/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 Owner/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 Owner/Developer, General 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 Owner’s/Developer’s Section 3 Covered Projects; b) the Owner’s/Developer’s non-Section 3 projects; c) other non-Section 3 Projects.

The MHDC Section 3 Coordinator is available to provide technical assistance in order to meet these employment and training goals.
The Owner/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 Owner/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 Owner/Developer shall submit a comprehensive Section 3 Plan, signed by the Owner/Developer and the General Contractor. The comprehensive Section 3 Plan will include the Section 3 goals of the Owner/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 Owner/Developer until a Section 3 Plan has been approved. After the Section 3 Plan has been approved 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. Please submit electronically and in pdf.

**Components of a Section 3 Plan**

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

1. Owner/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. Owner/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 Owner/Developer, General Contractor, or Subcontractor’s Section 3 coordinator;
4. Identification of the Section 3 Project area (see definition of Neighborhood Area;)
5. Owner/Developer, General Contractor, or Subcontractor’s current workforce;
6. Owner/Developer, General Contractor, or Subcontractor’s Contractor’s workforce necessitated by the Section 3 Covered Project;
7. Owner/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. Owner's/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 Owner/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 Owner/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 Owner/Developer, General Contractor and Subcontractor.

Implementation Strategies

In order to comply with the Section 3 Act and the Section 3 Regulations, the Owner/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;

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 Owner/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 determined as Section 3 eligible by the municipality in which they reside, or by the local public housing agency. If the municipality or local public housing agency does not provide this service, the individual shall complete the form entitled “Resident Employment Opportunity Data” found at the HUD Website at: http://portal.hud.gov/hudportal/section3. The form can also be obtained by contacting the MHDC Section 3 Coordinator. The completed form along with all required documentation should then be submitted to the Owner/Developer, the General Contractor or the Subcontractor, who in turn will provide a copy to the MHDC Section 3 Coordinator. For further explanation on eligibility please refer to the definition of a Section 3 Resident found earlier in this section.

Certification of Section 3 Business Concerns

Any business seeking to participate in Section 3 Covered Projects must first be determined as Section 3 eligible by the municipality in which the business is located, or by the local public housing agency. If the municipality or local public housing agency does not provide this service, a principal from the business shall complete the form entitled “Certification for Business Concerns Seeking Section 3 Preference in Contracting and Demonstration of Capability” found at the HUD Website at: http://portal.hud.gov/hudportal//section3. This form can also be obtained from the MHDC Section 3 Coordinator. The completed form along with all required documentation should then be submitted to the Owner/Developer, the General Contractor or the Subcontractor, who in turn will provide a copy to the MHDC Section 3 Coordinator. For further explanation on eligibility please refer to the definition of a Section 3 Business Concern found earlier in this section.
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Technical Support and Monitoring

The MHDC Section 3 Coordinator is available to provide technical support to Owners/Developers, General Contractors and Subcontractors participating in the development of Section 3 Covered Projects.

Owners/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 Owner/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. 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 Owner/Developer, General Contractor or Subcontractor are complying with its approved Section 3 Plan.

In the event the MHDC Section 3 Coordinator determines that the Owner/Developer, General Contractor or Subcontractor is not meeting its employment, training or contracting opportunity goals as set out in the approved Section 3 Plan, he/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.

Market Study Guidelines

Forms and Documents related to MHDC market study guidelines may be accessed at the following link: www.mhdc.com/market_study

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
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. The unit must contain hot water, heat, and cooking capabilities;
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;
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 expiration 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;


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. This should include information on current area housing supply and vacancy rates.

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.
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.