Frequently Asked Questions Regarding the FY-2015 Rental Production NOFA

These FAQ’s provide answers to common questions regarding MHDC’s FY-2015 NOFA application process. The FAQ is divided into three sections: (1) the FY-2015 FIN 100, (2) application exhibits/priorities and general underwriting questions, and (3) questions regarding the MBE/WBE initiative requirements. It will be updated weekly, as necessary, until the application deadline.

1. FY-2015 FIN 100

Q. For special needs projects, where in the FIN 100 should I include the payment of $1,000 per special needs unit to the Special Needs Housing Reserve Fund?
A. Navigate to FIN 100 tab “VIII. Development Costs” and include the payment anywhere in lines 77-81. Title the line “Spec. Needs Res. Contribution”.

Q – Some of the expenses, such as syndication costs are not filled in in the Development Costs tab and the spreadsheet will not let me input the numbers. How do I handle this?
A – The application was built to be filled out in order, but some of the line items will automatically fill-in after filling out later tabs.

2. Application Exhibits/Priorities and General Underwriting Questions

Property Address

Q. Why do we need to provide a street address for an unimproved property?
A. The location needs to be pinpointed so MHDC can notify the proper state and local officials and to assist MHDC staff in locating the property for the site review. Please provide your best estimate of the street number and street name and please remember to put a sign on all vacant lots identifying the site for MHDC site inspectors.

Applicant Site Control

Q. If an option or contract is provided, how long does it need to be?
A. The option or contract term should be for at least 30 days past the projected Commission meeting date at which the applications will be voted on for approval. This meeting is currently scheduled for December 5, 2014. MHDC encourages the inclusion of a provision to extend the option for an additional six (6) months contingent on the application receiving Commission approval in December. Please remember, if you are requesting HOME funds on your application, you must use an option agreement that does not include the word “contract” in the document. Prior to the Release of Funds being received, HUD will not accept a real estate contract for site control.

Q. Is an Option Agreement the only form of site control acceptable to MHDC for a proposal seeking HOME funds?
A. If you anticipate receiving HOME funds, an Option Agreement in favor of the entity that will ultimately own the property is the only acceptable form of site control until the Release of Funds is received from HUD. However, at application, if a related party has the property under contract, MHDC will accept that contract as valid site control. What is important when HOME funds are involved is that the borrowing ownership entity does not have a contract to purchase the property prior to receipt of the Release of Funds, only an Option Agreement.
Public Official Contact Verification

Q. If I have a letter of support from the mayor, do I need to provide proof I contacted the mayor? Similarly, if I have a resolution of support signed by the mayor and the city council, must I provide proof I contacted the mayor and the city council?
A. No, letters of support and council resolutions of support signed by the persons the applicant would be contacting are sufficient proof the applicant has notified the officials and informed them of the plans for the proposed development. Please provide the letter(s) in the appropriate location in Exhibit 9 of the application as proof of contact.

Q. Am I to contact all councilpersons or just the council representatives for the district in which the property is located?
A. Yes, provide evidence the local legislative body (for example: all city council members) and chief elected official have been informed the applicant is submitting an application to MHDC.

Statutorily Required Documentation

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

Q. If the developer has not done business in the state of Missouri, what Statutorily Required Documentation needs to be provided?
A. To satisfy the requirement for Missouri Form 8821, include a statement that neither the entity nor its principals have done business in the State of Missouri. The FIN 109 is required for every developer, regardless of the developer’s location.

Q. Is Form 8821 considered public record and, therefore, able to be requested by an outside party?
A. Because Form 8821 contains social security numbers, federal employer identification numbers, or other tax identification numbers, it is closed to requests for public information pursuant to the Sunshine Law.

Q. The instructions on the federal Form 8821 require all applicable lines to be completed. What is the appropriate information to enter?
A. Please see the screen prints below for specific information to include in addition to the taxpayer identification information and signature.
Form 8821
Department of the Treasury
Internal Revenue Service

**Tax Information Authorization**

- Do not sign this form unless all applicable lines have been completed.
- Do not use this form to request a copy of transcript of your tax return. Instead, use Form 4506 or Form 4506-T.

<table>
<thead>
<tr>
<th>1</th>
<th>Taxpayer information. Taxpayer(s) must sign and date this form on line 7.</th>
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<tr>
<td>Taxpayer name(s) and address (type or print)</td>
<td>Social security number(s)</td>
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<td>Daytime telephone number</td>
<td>Plan number (if applicable)</td>
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<th>2</th>
<th>Appointee. If you wish to name more than one appointee, attach a list to this form.</th>
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<tr>
<td>Name and address</td>
<td>Name of appointee(s)</td>
</tr>
<tr>
<td>BHDC 3435 Broadway Kansas City, MO 64111</td>
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<th>3</th>
<th>Tax matters. The appointee is authorized to inspect and/or receive confidential tax information in any office of the IRS for the tax matters listed on this line. Do not use Form 8821 to request copies of tax returns.</th>
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<tbody>
<tr>
<td>(a) Type of Tax (Income, Employment, Excise, etc.) or Civil Penalty</td>
<td>(b) Tax Form Number (1040, 941, 720, etc.)</td>
</tr>
<tr>
<td>Income</td>
<td>1040</td>
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| 4 | Specific use not recorded on Centralized Authorization File (CAF). If the tax information authorization is for a specific use not recorded on CAF, check this box. See the instructions on page 4. If you check this box, skip lines 5 and 6. | |

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<th>Disclosure of tax information (you must check a box on line 5a or 5b unless the box on line 4 is checked):</th>
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<tr>
<td>a</td>
<td>If you want copies of tax information, notices, and other written communications sent to the appointee on an ongoing basis, check this box.</td>
</tr>
<tr>
<td>b</td>
<td>If you do not want any copies of notices or communications sent to your appointee, check this box.</td>
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| 6 | Retention/revocation of tax information authorizations. This tax information authorization automatically revokes all prior authorizations for the same tax matters you listed on line 3 above unless you checked the box on line 4. If you do not want to revoke a prior tax information authorization, you must attach a copy of any authorizations you want to remain in effect and check this box. |

To revoke this tax information authorization, see the instructions on page 4.

| 7 | Signature of taxpayer(s). If a tax matter applies to a joint return, either husband or wife must sign. If signed by a corporate officer, partner, guardian, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify |
Q. What timeframe should the Form 8821 reflect?
A. The Form 8821 should be completed to reference the most recent tax year.

PHA Approved Utility Allowance

Q. If the development location is in an area that does not have a PHA, what do we do?
A. If the area does not have a PHA or a Community Action Agency acting as a PHA, MHDC will accept estimated utility costs from the local utility providers.

Homeownership Plan

Q. Do townhouses qualify for the homeownership opportunity?
A. No, townhouses do not qualify for special consideration at application as potential homeownership opportunities for residents. However, if the developer intends to sell the townhomes at the end of the compliance period, the general partner is required to notify MHDC of its intent, at least, five (5) years before the end of the compliance period.

FIN-107 Developer Qualifications

Q. Do I need to provide only construction guarantees or must I also disclose operating guarantees I have made to lenders and investors?
A. All guarantees currently outstanding for the entity and its principals must be disclosed.
Mixed Use-Economic Development Area

Q. Does “mixed use” require a city revitalization plan or can it be a developer PUD?
A. A developer PUD approved by the city is acceptable. MHDC reserves the right to review and determine the size is sufficient to meet our definition of a mixed-use economic development.

Sustainable Housing

Q. How will a development be expected to document the required green building standard has been achieved if the development does not obtain a formal green certification?
A. At the completion of development construction, MHDC must receive a letter from a certified green professional certifying the development has met the green standard committed to in the application and the MHDC firm commitment.

Priorities

Service-Enriched Housing Priority

Q: Where does the developer detail the tenant services to be provided?
A: The explanation of proposed tenant services should be included in both the Exhibit 4a (Narrative Description) and in Exhibit 12b(i) (Detailed Supportive Service Plan).

Special Needs Housing

Q. If I have a special needs development, can I rent only to a particular type of special needs household?
A. No, MHDC’s special needs policy does not allow developments to prohibit qualified renters from any of the defined special needs categories. As a matter of practice, specific developments may specialize in a particular type of special needs household, but households with a different type of special need cannot be prohibited from renting a designated special needs unit.

General Underwriting Questions

Q. How does MHDC look at costs and what is considered excessive?
A. MHDC reviews costs associated with development structure, amenities, and materials and considers any costs beyond what is reasonably necessary to provide clean, safe, sustainable housing as excessive. In the FY-2015 QAP, MHDC has defined the maximum development costs as 100% of the 221(d)(3) limits (this document is posted at www.mhdc.com). Please note, the FY-2015 QAP states that, “MHDC reserves the right, on rare occasions, to 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 this Plan are incorporated into the proposal.”

Q. What does MHDC require in terms of the investor equity pay-in schedule?
A. At a minimum, MHDC expects investors to pay in 10% of both federal and state LIHTC equity at closing, an additional 10% of both federal and state LIHTC equity at 50% completion, and the amount of equity necessary to pay the loan down to the permanent amount and fund all required reserves at conversion (or completion of construction, if MHDC does not have a permanent loan).

Q. What should I do if the financial statement historical income and/or operating expenses are
significantly different than those included in the income and/or operating expense budget submitted with a rehabilitation application?
A. Please attach a 2013 Exhibit A to the FIN 100 (this is not a preprinted form) which explains in detail why the income or expense items differ from the historical data. MHDC will review your explanation during the application review process.

Q. Will savings in development costs be allowed to reduce deferred developer fees?
A. MHDC recognizes each deal is different and will review financing on a case-by-case basis. As a general rule, MHDC will use cost savings to reduce the permanent loan, increase reserves, improve the property, and/or reduce developer fee.

Q. Can we include investor asset management fees in operating expenses?
A. No, asset management fees are usually paid out of distributable cash flow, as provided for in the limited partnership/operating agreement. Including such fees in operating expenses would distort the true debt service coverage of the property.

Q. Does qualifying under an MHDC Priority designation mean the same thing as qualifying for the “up to 30%” boost?
A. No, the Nonprofit, MBE/WBE, extended compliance period, and affordability @ 50% of AMI Priorities do not receive a boost.

Q. Does the nonprofit entity in a nonprofit set-aside application need to be the managing general partner/member of the ownership entity to qualify for such designation?
A. No, however, the nonprofit must materially participate in the development and day-to-day affairs of the development throughout the LIHTC compliance period and will be required to sign all LIHTC-related documentation.

Q. Is an application submitted under the Special Needs, Service-Enriched, Preservation, or MBE/WBE Priority absolved from meeting other selection criteria and successfully competing against other applications?
A. No, all applications, regardless of any priority designation, must go through the same application process.

Q. When you review an application and calculate cost per square foot, which two numbers do you divide by? Do you use the net square feet or rentable square feet? And which construction number do you divide it by?
A. We actually use both to give us a clear picture of the cost of the development for both living area as well as the cost of the common areas and amenities. To determine the cost per square foot, the total construction costs are divided by the net sq. ft. and the net rentable sq. ft.

If you have additional questions concerning underwriting or any of the required application exhibits, please contact Frank Quagraine at (816) 759-7210 or by e-mail at fquagraine@mhdc.com.

3. MBE and WBE Initiative

Q. Does the MBE requirement of 10% MBE participation in both hard and soft costs and WBE requirement of 5% participation in both hard and soft costs apply to all developments?
A. The participation standards apply to all properties with more than six units.
Q. Where do I find MBE/WBE listing and certifications? Will MHDC accept certifications from other states?
A. MHDC’s website will have links to websites in Missouri that provide MBE/WBE lists and certifications. It will be up to the MBE/WBE entities to contact the certifying agencies for information on how to obtain their certification. MHDC will accept MBE/WBE certifications from the state of Missouri, City of Kansas City, City of St. Louis, and St. Louis Airport Authority Certification Program. MHDC may, at its discretion, accept a certification from a certifying agency not listed here. MHDC is not a certifying agency. Various certifying agencies have reciprocal agreements with other states. Please check with your certifying agency to determine if this is the case.

Q. How do you assess the value of an investor who may be a MBE/WBE but is neither currently certified nor interested in becoming certified in the future?
A. While participation of MBE/WBE’s as investors is encouraged, such involvement cannot count toward the participation standard.

Q. Are MBE/WBE utilization plans to be included in the narrative?
A. No, the Utilization Plan should be included as a separate narrative document under its respective tab.

Q. If a consultant is an MBE/WBE, can that be counted toward the participation standards?
A. Yes, if the consultant is an MBE/WBE certified firm, the company can be counted toward the participation standards.

Q. Will MHDC disqualify applications that have MBE/WBE certifications “in-process”?
A. All certifications for MBE/WBEs performing soft costs items must be included in the initial application. Certifications for MBE/WBE’s providing hard cost items must be provided no later than five (5) days prior to the closing of the construction loan. MHDC will review on case-by-case basis certifications in process for purposes of meeting the Participation Standard. To be counted for the MBE/WBE Initiative, the MBE/WBE must have applied for certification and have a reasonable opportunity to get approved prior to the end of the completion of the development.

Q. What is the definition of a Mentor/Protégé Relationship?
A. A relationship in which an experienced or knowledgeable developer (the Mentor) provides guidance and assistance to a less experienced or less knowledgeable MBE/WBE (the Protégé) in the development of affordable housing. Such roles and functions of the MBE/WBE must be those typically performed by a developer. A Mentor/Protégé Relationship must 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 Protégé as a developer.

Q. What is the impact of the MBE/WBE Initiative on bond deals?
A. The 4% tax credit developments must follow the same MBE/WBE requirements as all other developments.

Q. What is the Schedule of Participation?
A. An Excel spreadsheet which lists all hard and soft costs associated with the development and demonstrates how the MBE/WBE Participation Standard will be achieved by listing the MBE/WBE entities proposed for the development, the category of work, and the amount. The
spreadsheet performs the calculations necessary to determine if the participation standards will be met and can be updated as necessary.

After your review of the Developers Guide and these FAQ’s concerning the MBE/WBE Initiative, if you require further information or clarification, please contact Sheryl Butler at (314) 877-1382 or by e mail at sbutler@mhdc.com.