Missouri Housing Development Commission

MHDC

DEVELOPER'S GUIDE

2027

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Introduction

This Developer's Guide to MHDC Multifamily Programs ("Developer's Guide") is a reference document for developers, owners, and all development team members. Missouri Housing Development Commission ("MHDC") staff has compiled general and administrative guidance on MHDC's multifamily programs throughout the reservation/commitment, construction loan closing, construction, carryover allocation, final allocation, permanent loan closing, and operational stages. The Developer's Guide is a complement to the Qualified Allocation Plan ("QAP") and may be updated from time-to-time, at MHDC's discretion. Any term not defined herein shall have the definition given in the QAP.

MHDC's Affordable Housing Division Rental Production Multifamily Programs encompass financing tools for the development of affordable housing which include federal low-income housing tax credit ("Federal LIHTC") and state low-income housing tax credits ("State LIHTC" and, collectively with the Federal LIHTC, "LIHTC"), HOME Investment Partnership Act ("HOME) loan and grant funds, HOME American Rescue Plan ("HOME-ARP") loan and grant funds, National Housing Trust Fund ("NHTF") loan and grant funds, and MHDC Fund Balance loans. The Notice of Funding Availability ("NOFA") will describe what, if any, State LIHTC is authorized to be allocated for the 2027 funding round.

All MHDC forms or documents referenced in this Developer's Guide can be accessed at www.mhdc.com.

Affordable Housing Rental Production Cycle

Affordable Housing Multifamily Programs follow an annual funding cycle which starts 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. A NOFA establishes the approximate amount of funding available for each program and the deadline for applications for such funding. The Commission then reviews and approves a final list of proposals for funding.

Following Commission approval, an underwriter is assigned to each development, and a Conditional Reservation for financing is issued ("Conditional Reservation") to establish the documentation required and timeline to proceed toward Firm Commitment. During the time between Conditional Reservation and Firm Commitment, developers submit environmental reviews, finalize plans and specifications/scopes of work, receive construction bids, and prepare due diligence for MHDC staff's review and approval. Developers are encouraged to complete the Firm Submission process as early as possible to minimize the effects of unforeseen delays. MHDC staff establishes a deadline for Firm Submission based on the developer's stated closing timeline. Various MHDC departments examine the information submitted with Firm Submission 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. Once the Firm Commitment is fully executed, the development can proceed to closing. If 9% Credits as defined herein were awarded, the development will be issued a Federal Carryover Allocation Agreement and State Carryover Allocation Agreement (if applicable). If 4% Credits, as defined herein were awarded, the development will be issued a 42(m) letter. Pre-closing documentation is prepared and submitted by the development team. Upon the satisfaction of all MHDC closing requirements, the loan, tax credit, and/or grant documents, as applicable, are executed and the financing is closed.

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

Developments receiving 9% Credits must complete certain steps to demonstrate progress and compliance with Internal Revenue Service ("IRS") required deadlines. The Federal Carryover Allocation process confirms the development continues to satisfy the requirements of 26 U.S.C. § 42 (the "Code") and can retain the reservation of 9% Credits. At least ten percent (10%) of reasonably anticipated costs of the project must be incurred by the end of twelve (12) months from the executed Carryover Allocation Agreement. MHDC's verification of this regulation ("10% Test") requires that developments submit 10% Test materials within thirteen (13) months from the executed Carryover Allocation Agreement. At the end of construction, all developments must file a developer and contractor 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 Federal LIHTC, State LIHTC, and/or permanent MHDC financing. Developments with construction/permanent financing must submit final documentation to convert the loan from the construction phase to the permanent phase. Developments with a commitment for MHDC permanent-only financing must submit final documentation for approval and proceed to close on the permanent loan. Developments that received an allocation of tax credits must submit final documentation for approval to receive IRS Form 8609: Low-Income Housing Credit Allocation and Certification(s) (the "8609(s)").

As lease-up commences and the construction phase transitions to the operating phase, each development begins to work with MHDC Asset Management. Critical to the long-term viability of a development 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

Low Income Housing Tax Credits

The state of Missouri allocates two sources of LIHTC, State and Federal. There are two types of State LIHTC and Federal LIHTC available in Missouri, the "9% Credit" and the "4% Credit" (defined hereinafter).

9% Credit

For purposes of this Developer's Guide and the QAP, the cumulative amount of both State and Federal 9% Credits MHDC can allocate for any calendar year shall be known as the "Annual 9% Credit Authority." Developments that receive an allocation under the Annual 9% Credit Authority receive what is commonly known as the 9% Credit.

The State LIHTC was established by Mo. Rev. Stat. § 135.350-363 (the "State Act"), which provides that any development eligible for a Federal LIHTC allocation is eligible for a State LIHTC allocation. State LIHTC up to an amount equal to seventy percent (70%) of the available and authorized Federal LIHTC allocation amount may be authorized under the QAP. The amount of State LIHTC authorized for a development cannot exceed the Federal LIHTC amount authorized. For any given development, MHDC shall determine, in its sole discretion, the amount of State LIHTC (if any) necessary for the financial feasibility of the development and shall make allocations of State LIHTC based on that determination.

4% Credit

Under § 42(h)(4) of the Code, developments financed with tax-exempt private activity bond volume cap ("Bond Developments") may be eligible to receive the "4% Credit." For any given development, MHDC shall determine, in its sole discretion, the amount of State LIHTC (if any) necessary for the financial feasibility of the development and shall make allocations of State LIHTC based on that determination.

State LIHTC Accelerated Redemption Pilot Program

MHDC has established a pilot program for developments that wish to accelerate redemption of State LIHTC. Up to fifty percent (50%) of the total credits recommended by staff and approved by the MHDC Board may be selected for this pilot program, which shall only be open to developments that elect in their application to participate in this accelerated redemption pilot.

State LIHTC for developments selected for this accelerated redemption pilot program will be issued so that the annual State LIHTC amount available for redemption in the first five (5) years of the tax credit redemption period can be equal to the annual issuance amount of the allocated Federal LIHTC. The remainder of State LIHTC will be issued where the remaining balance of State LIHTC will be equally distributed annually over the remaining years of the tax credit redemption period.

HOME Loans and Grants

Each year, MHDC receives an allocation of federally funded HOME Funds, which provides 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 the administrator of HOME Funds for the state of Missouri, MHDC uses a portion of its annual HOME Funds allocation to finance rental production at a very low interest rate, which results in rents that are affordable to low-income families.

Funding from the HOME Program is subject to the requirements of the Build America, Buy America Act.

Information on HOME Funds can be found at: https://www.hudexchange.info/programs/home/. Additional guidance is available on the MHDC website.

HOME-ARP Loans

HOME-ARP funding is made available by the American Rescue Plan Act of 2021. HOME-ARP funding will be used for development and support of affordable housing, as currently permitted and administered through the HOME-ARP Notice Investment Partnership Program. To qualify for this MHDC developments must commit to setting aside fifteen percent (15%) or more of the units for the following tenant population:

- Homeless;
- At-risk of homelessness (as defined by the McKinney-Vento Homeless Assistance Act);
- Fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking;
- Individuals for whom provision of supportive services or assistance herein would prevent homelessness or who are at the greatest risk of housing instability; or
- Veterans and their families that meet any of the preceding criteria.

HOME-ARP funding will be used for development and support of affordable rental housing, as currently permitted under the HOME Program.

Information on HOME-ARP can be found at: https://www.hudexchange.info/programs/home-arp/. Additional guidance is available on the MHDC website.

National Housing Trust Fund Loans

National Housing Trust Fund ("NHTF") will provide a financing source for several eligible activities that increase the supply of affordable housing for extremely low-income households. These activities include the acquisition and rehabilitation and/or new construction of rental housing. Funding from NHTF is subject to the requirements of the Build America, Buy America Act.

Information on the Housing Trust Fund can be found at: https://www.hudexchange.info/programs/htf/. Additional guidance is available on the MHDC website.

Fund Balance Loans

MHDC, as part of its annual budgeting process, may allocate a portion of its Fund Balance to provide construction and/or permanent financing on tax credit developments ("Fund Balance").

If Fund Balance is used as a loan, it must always be in a first position, have a minimum interest rate as reflected in the MHDC Loan Term Sheet and a one percent (1%) loan origination fee will be charged and must be amortizing.

Tax-Exempt Bonds

Under §42(h)(4) of the Code, Bond Developments may be eligible to receive the 4% Credit. The development must have received an allocation of private activity bond cap pursuant to 26 U.S.C. § 146 and principal payments on the bonds must be applied within a reasonable period to redeem the bonds. 4% Credits are allowed for that portion of a development's eligible basis financed with tax-exempt bonds. If twenty-five percent (25%) or more of a development's aggregate basis is so financed, the development is entitled to 4% Credits for up to the full amount of the qualified basis.

There is no minimum or maximum amount of Federal 4% Credits available each year. However, Bond Developments are required by the Code to apply through MHDC, for an allocation of 4% Credits and for a determination that the development satisfies the requirements of the QAP.

MHDC staff will review the application, determine whether the development is eligible and meets the requirements of the QAP, and make an initial determination of the development's 4% 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 Missouri Department of Economic Development ("DED").

Application Information

Program Fees

- Tax Credit Fee: A fee equal to seven percent (7%) of the approved annual Federal LIHTC amount is due at construction closing ("Tax Credit Fee"). The amount of the Tax Credit Fee is to be rounded up to the next dollar. The fee is non-refundable and will not be reduced or refunded if the Tax Credit Issuance amount is reduced or if the tax credits are returned or recaptured. If the Tax Credit Issuance amount is increased, the increased amount is subject to the fee and must be received prior to the issuance of 8609(s) and Missouri Eligibility Statement(s). The Tax Credit Fee cannot be included in eligible basis.

- Construction Cost Analysis Fee: MHDC may order and assess a fee of $5,000 for an independent third-party report to provide an upfront construction cost analysis for approved developments in excess of six (6) units ("Cost Analysis Fee"). The Cost Analysis Fee will be due with the Conditional Reservation. 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.
- Construction Inspection Fee: A minimum fee of $15,000 will be assessed to compensate either MHDC or a third-party inspector hired by MHDC staff for construction inspections ("Construction Inspection Fee"). The amount of the Construction Inspection Fee will be based on the estimated length of the construction period.
- LIHTC LURA Recording Fee: The owner will be responsible for the fee charged for recording the LIHTC LURA with the county in which the development is located. If MHDC records the LURA, the fee is $160.
- Compliance Monitoring Fee: A compliance monitoring fee will be assessed to cover the costs of the IRS-required compliance monitoring program ("Compliance Monitoring Fee"). The fee is $300 per low- income unit (including employee use units) and workforce housing unit (occupied by households between sixty percent (60%) and eighty percent (80%) AMI). The Compliance Monitoring Fee must be paid once the last building in the development is placed in service. 8609(s) and Missouri Eligibility Statement(s) will not be issued until MHDC receives the Compliance Monitoring Fee. The Compliance Monitoring Fee cannot be included in eligible basis.
- Document Revision Fee: A fee of $100 per form may be charged for revisions to an 8609, or Missouri Eligibility Statement, or LIHTC LURA for (i) any corrections requested that were the result of incorrect information provided to MHDC staff by the owner, and (ii) any corrections requested more than ten (10) days after owner's receipt of the 8609, Missouri Eligibility Statement, or LIHTC LURA, as applicable.
- Plan Review Worksheet Revision Fee: A $25 per unit fee may be charged if a revision of the unit number assignments is required after the submission of the fully executed Cost Certification.

Housing Priorities

MHDC has created housing priorities to highlight and encourage the types of development that will best meet the Commission's mission.

Qualification for any of the housing priorities 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 such housing priority.

Applications seeking a priority under one or more of the priorities listed below must still satisfy all other selection criteria and successfully compete against other Applications. An application seeking a boost up to thirty percent (30%) in tax credits must explain the need for the additional tax credits in the FIN-100 and Exhibit A to the MHDC 2013.

Nonprofit Involvement Set-Aside Priority

Under § 42(h)(5)(A) of the Code, not more than ninety percent (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% Credit.

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

1. A 501(c)(3) or (c)(4) nonprofit organization;
2. Having an expressed purpose of fostering low-income housing (this purpose must be expressed in the organization's articles of incorporation and bylaws; if it is not, the Application will not be considered for this priority);
3. One that will own an interest in the development and materially participate (as defined in 26 U.S.C. § 469(h) and discussed hereinafter) in the development and operation of the development throughout the Compliance Period; and
4. Is not affiliated with, nor controlled by, a for-profit organization.

Material Participation

The nonprofit must be involved in the ownership as either a general partner or co-general partner and must materially participate (as defined in 26 U.S.C. § 469(h) and discussed below) in the development and operation of the housing development throughout the tax credit compliance period. The nonprofit entity will also need to be incorporated into the final signature block for the owner entity. Failure of the nonprofit to materially participate is a reportable noncompliance event on IRS Form 8823: Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition (the "8823").

Material participation is only present if the nonprofit is "involved in the operations of the activity on a basis which is regular, continuous, and substantial," (26 U.S.C. § 469(h)). Taking into account 26 U.S.C. § 42, 26 U.S.C. § 469, IRS Publication 5913: Guide for Completing Form 8823, treasury regulations, and input from the IRS LIHTC Program, the following indicators or factors should be assessed on a case-by-case basis when determining the status of the nonprofit in question:

Material Participation may be present if Nonprofit:

1. Has a general partner or co-general partner interest, or managing member interest in a limited liability company (LLC);
2. Is involved in day-to-day activities, or on a regular, not sporadic basis;
3. Involved in regular activities throughout the year; and
4. Is onsite regularly; and/or
5. Hires and pays third-party management. The management company must report to the nonprofit and involve the nonprofit in regular decision making;
6. Is involved more than 500 hours a year; or
7. Is involved more than 100 hours a year and this participation is not less than any other owner.

Material Participation is not likely to be present or not present if Nonprofit:

1. Only has a limited partner role or investor member role;
2. Participates only sporadically;
3. Only passively consents to decisions by the management;
4. Is involved less than 100 hours a year;
5. Is not onsite regularly; or
6. Third-party management is supervised by for-profit entity.

For further discussion and guidance on material participation, please refer to MHDC's Guidance on Low Income Housing Tax Credit (LIHTC) Nonprofit Material Participation at www.mhdc.com.

HOME CHDO Set-Aside

If the development is awarded HOME Funds under the CHDO Set-Aside, the CHDO must be the sole general partner (in the case of a limited partnership) or sole managing member (in the case of a LLC) of the

ownership entity to qualify.

In the event the nonprofit has received HOME Funds under the CHDO Set-Aside and will receive an allocation of tax credits, then the HOME Funds should be provided in the form of a loan rather than a grant.

Supportive Housing Preferences

The Supportive Housing Preference is an incentive for developers to develop housing that is safe, decent, affordable, and targeted to identified individuals and families at high risk of housing instability with the partnership of an experienced Lead Referral Agency (defined hereinafter). This is accomplished by providing housing options, combined with social services, to stabilize them once in place. The desired outcomes of the Supportive Housing Preference are for tenants to stay housed, have social and community connections, improve their physical and mental health, increase their income and employment, and to be satisfied with the services. Developments awarded under this preference must set-aside at least fifteen percent (15%) of total units will receive a preference in funding ("Supportive Housing Preference"). Please note that federal law requires that individuals with disabilities have access to housing that is truly integrated. This is of particular concern with respect to those developments electing a set-aside of one hundred percent (100%) of total units in a proposed development, but may also impact those developments electing a smaller set-aside of Supportive Housing Preference units. Developers are responsible for ensuring that any proposal complies with all applicable federal and state laws and regulations, particularly with respect to providing meaningful choice for individuals with disabilities.

All developments awarded under the Supportive Housing Priority must include $1,000 per set-aside unit as a payment to the Set-Aside Preferences Housing Reserve Fund (formerly the Special Needs Housing Reserve Fund) which has been established by MHDC. Each development approved pursuant to the Supportive Housing Preferences must contribute to this reserve. Such contribution must be made no later than construction completion when other reserves are normally funded. These funds will be held by MHDC and used, as necessary, to temporarily assist developments funded under the Supportive Housing Preferences that have experienced unforeseen operational issues (for example, the loss of rental assistance). Deposits to the Set-Aside Preferences Housing Reserve Fund are intended for use for all developments approved under the Supportive Housing Preference, commencing with 2014 approvals, and all developments funded under the Supportive Housing Preferences commencing with 2018 approvals. They are intended to replace the need for each property to establish a separate reserve for unexpected costs specifically related to developments funded under the Set-Aside Preferences or the former Reserve.

Developments funded under the Supportive Housing Preference cannot 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 demonstrating they have obtained commitments from a Lead Referral Agency which will refer Supportive Housing preference households qualified to lease identified units and from local service agencies, which will provide a network of services capable of assisting each type of Set-Aside Preference population defined above. For purposes of the Supportive Housing Preference, a "Lead Referral Agency" is a service provider agency that will provide tenants and services to the community through the later of (i) the completion of the Compliance Period, or (ii) the completion of the affordability period connected to any MHDC loan on the development. The Lead Referral Agency should demonstrate the ability to serve identified populations. MHDC acknowledges that circumstances may require a change in the Lead Referral Agency during the life of the development, but the developer must contact MHDC's Director of Asset Management in the event a change is necessary.

Supportive Housing Priority Definition

Persons targeted for the Supportive Housing Priority must qualify under one of the two following priority categories:

1. Permanent Supportive Housing
    a. A person who has a physical, mental, or emotional disability, 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.
    b. A person who is experiencing, or being treated for or has a diagnosis of, or a history of, a mental health condition.
    c. A person who has a developmental disability, which is a severe, chronic disability that:
        i. Is attributable to a mental or physical impairment or combination of mental and physical disability;
        ii. Is likely to continue indefinitely;
        iii. Results in substantial functional limitations in three or more of the following areas of a major life activity: self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency; and
        iv. 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 of extended duration and are individually planned and coordinated.

2. Vulnerable Populations (The vulnerable population resident can be either an adult or youth who is a member of the household)
    a. A person who meets the HUD definition of homeless, including survivors of domestic violence and human or sex trafficking, which can be found on HUD's Homeless Assistance website: https:hudexchange.info/resource/1928/hearth-defining-homeless-final-rule/.
    b. A youth transitioning out of foster care at the age of eighteen (18) or older when their foster care case closes. Foster care placements include licensed foster family homes, relative provider homes, group homes, emergency shelters, residential facilities, childcare institutions, pre-adoptive placements, or independent living placements. "Youth" is defined as someone between the ages of eighteen (18) and twenty-four (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.

Identified Units

Identified units are those units set aside for tenancy by Supportive Housing Priority populations. Identified units must be rented to households referred to the development by the Lead Referral Agency. In calculating the number of identified units that must be made available, owners and managers must always round up to the next unit. Developments receiving a Conditional Reservation must submit and receive MHDC staff's approval of a final referral and support agreement and the Supportive Housing Priority Marketing Plan with the Firm Submission process.

The Lead Referral Agency must be an agency that coordinates with a range of local social service 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 through the later of (i) the completion of the Compliance Period or (ii) the completion of the affordability period connected to any MHDC loan on the development and represents the local services system in dealings with management of the development. The Lead Referral Agency might serve a particular group that qualifies under the

Supportive Housing Preference, but marketing and referrals must be inclusive of persons within all groups included within the Supportive Housing Preference. The referral process must include soliciting and accepting referrals from service agencies that serve all types of the identified populations.

Lead Referral Agency Role

A Lead Referral Agency will:

- Designate a point of contact to receive notices from the property management company when an identified unit is available.
- Maintain a level of communication with other service providers and property management to ensure that tenancy issues are handled and supportive services are available to tenants.
- Maintain and regularly update a list of eligible households interested in applying for identified units.
- Help arrange tenant-based rental assistance for eligible Supportive Housing Priority households who do not already have assistance through their case management services.
- Upon notification, 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 an identified unit is available.
- 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 applied to all other residents of the development.
- Comply with all applicable fair housing laws.

Development Owner Role

The development owner will:

- Agree that any Supportive Housing Preference 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.
- Agree that the identified units will not be segregated within the property and that the identified unit mix will depend on the needs of referred households.
- Agree to provide reasonable accommodation for Supportive Housing Preference households in the tenant application.
- Assure that the identified units remain available to eligible Supportive Housing Preference households through the referral process for the entirety of the compliance period.
- Comply with all applicable fair housing laws.

Property Management Company Role

The property management company will:

- Notify the Lead Referral Agency of available identified units within a timely manner. At initial lease-up, this notification must occur the earlier of ninety (90) days prior to certificate of occupancy or when marketing begins. During ongoing operations, the manager will notify the Lead Referral Agency upon receipt of notice of intent to vacate an identified unit.
- Work with the Lead Referral Agency to coordinate the first contact with the Supportive Housing Priority household and their services provider to initiate the application process.
- 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.

- Use the Lead Referral Agency as their main point of contact to ensure community support is made available to tenants in the identified units, however, tenancy will not be contingent on participation in services.
- Notify the Lead Referral Agency in a timely manner of issues or concerns that may adversely affect the tenancy of the household.
- Comply with all applicable fair housing laws.
- Although the development's property manager may agree to assist the household in other ways, it is intended that the household renting an identified unit has the same rights and responsibilities as every other resident in the development.

Programmatic Requirements

Developments must meet specific criteria under the Supportive Housing Preference and to maintain their commitment to the populations served by the selected priority under the Supportive Housing Preference through the design, construction, and operations process.

The development cannot give preference to potential residents based on having a particular disability or condition to the exclusion of persons with other disabilities or conditions.

The development must meet the needs of identified 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 populations served pursuant to the Supportive Housing Preferences. Since service providers are often specialized, relationships should be cultivated with several types of agencies to ensure services will be available for the different populations comprising the Set-Aside Preference that may reside at the property at one time. Service programs should be designed to stress residential stability and independence.

Supportive Housing Preference residents cannot be required to receive services from only one particular service provider nor can they be required to participate in supportive services as a condition of tenancy.

Supportive Housing Preference properties operated as transitional housing, nursing homes, life care facilities, or dormitories are not eligible for tax credits.

In mixed-population developments, identified units cannot be segregated within the property or be distinguishable in any way from non-identified units (beyond the presence of accessible features or assistive technology, if necessary).

The development is encouraged to include community space appropriate to the needs of the populations being served.

In rehabilitation developments with Permanent Supportive Housing Priority units under the Supportive Housing Priority, the number of units designed and in accordance with universal design principles must be equal to or greater than the percentage of the Permanent Supportive Housing Priority units under the Set-Aside Preference.

In order for Rehabilitation developments with services already in place to qualify as Supportive Housing

Priority developments, the proposal must demonstrate either how services will be expanded and promote residential stability and independence or how the current services meet the needs of tenants included in the priority selected under the Set-Aside Preference.

Some Supportive Housing Preference households may have disabilities that require an accessible unit, while others may have disabilities that are not physical in nature, and others may not have any disabilities. Similarly, some households that are independent and apply for non-identified 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.

The roles of owner and property manager should be separated from the role of Lead Referral Agency/primary service provider, as the entity has an expertise relative to the LIHTC program in the case of the former and to the service of Supportive Housing Preference populations in the case of the latter. 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 in its sole discretion.

Supportive Housing Preference households must be referred to the property by the Lead Referral Agency to be eligible to be qualified for an identified unit. Such persons must have a relationship with the Lead Referral Agency at the time they apply for housing.

Rents should be as affordable as possible to Supportive Housing Preference households. Affordability can 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.

A property with mixed populations must screen all referred Supportive Housing Preference applicants using screening criteria established for all applicants of the development according to state and federal fair housing laws.

Leases for residents of LIHTC developments must meet the minimum lease period and other requirements prescribed by the LIHTC program and any other applicable federal or state funding programs. Leases for Supportive Housing Preference residents in mixed-population developments cannot be more restrictive than leases executed with other residents of the same property.

During and after lease-up, Lead Referral Agency referrals must be moved in first, regardless of chronological order of the general waiting list until all identified units are occupied with referrals. Management cannot have a preference for referrals with a Section 8 Voucher. During lease-up, properties which are not one hundred percent (100%) Set-Aside Preference are required to hold the number of designated Set-Aside Preference units for a period of ninety (90) days for leases to Supportive Housing Preference tenants. After the ninety (90) day period, these units can be leased to the general population meeting the properties leasing criteria. If a property is having difficulty leasing Supportive Housing Preference units, then the property should contact MHDC staff immediately so MHDC staff may assist as needed. If there is a Set-Aside Preference unit that becomes vacant and there are no Supportive Housing Preference applicants on the waiting list, the vacant Supportive Housing Preference unit may be immediately leased to a tenant that does not satisfy all the criteria for a Supportive Housing Preference unit following confirmation with the Lead Referral Agency that there are not Supportive Housing Preference tenants to be referred to the property. MHDC will look for documentation of regular and

frequent (ongoing) correspondence between the management company and the Lead Referral Agency documenting that either (i) there have been are no tenants on the Set-Aside Preference waiting list, or (ii) that if there were Set-Aside Preference tenants on the list within a reasonable time prior to unit vacancy (e.g., sixty (60) days), those tenants are no longer actively seeking housing at the property.

For preservation properties and other developments occupied during construction, the owner is not required to displace any current residents but is required to comply with the identified Set-Aside Preference unit commitment as units turn over and become available for vacancy, so long as such compliance does not cause an event of noncompliance under other applicable laws or regulations under which a development is operated or is receiving federal subsidy.

The LIHTC LURA will incorporate the number of Supportive Housing Preference units committed at application, and the development will be reviewed for compliance throughout the later of (i) the completion of the Compliance Period, (ii) the completion of the affordability period connected to any MHDC loan on the development, (iii) the completion of the HOME affordability period (if applicable), or (iv) the completion of the NHTF affordability period (if applicable). Questions regarding a proposal's eligibility under the Supportive Housing Preference should be directed to the Permanent Supportive Housing Coordinator prior to the application deadline.

Service Enriched Housing Priority

Service Enriched Housing enhances the connection between affordable housing and supportive services. MHDC recognizes the advantages of supportive housing to individuals, communities, and public resources. To encourage more comprehensive housing environments for vulnerable populations, proposals offering significant services tailored to the tenant population will receive a preference in funding ("Service Enriched Priority"). Developments that offer service-enrichment activities can improve the lives of tenants by focusing services to address five (5) program outcomes. Desired outcomes of the Service-Enriched Priority are for tenants to:

1. Stay housed, and break the cycle of housing instability by remaining in permanent housing;
2. Have social and community connections to build a personal support network and be active community members who choose to participate in organizations such as peer associations, faith communities, volunteer activities, and community gardens;
3. Improve their physical and mental health with access to needed physical and mental health care, preventative care, recovery services, and mental health screenings;
4. Increase their income and employment by obtaining benefits and/or employment services, training, or connections to educational programs; and
5. Be satisfied with services and housing which ultimately affects the quality of life for tenants and their ability to maintain stable housing.

In order for developments to measure program success, baseline measurements should be set to compare data at specific intervals throughout the service-enrichment program.

Developments awarded under this priority must target a specific population. Examples include, but are not limited to:

- Senior households;
- Individuals with children;
- Formerly homeless individuals and families;
- Individuals with disabling conditions;

- Children of tenants; and/or
- Veterans.

The service provider should demonstrate it has extensive experience with providing social services for the population in question. If the owner does not have experience with the specified population, it should have commitment(s) from a service provider(s) that does have the necessary experience. Although MHDC expects developments that are awarded under the Service-Enriched Priority to provide services for the full term of the MHDC imposed affordability period, MHDC will accept service commitments for renewable three (3)-year terms. MHDC acknowledges that circumstances may require a change in service provider during the life of the development. Failure to deliver on expectations will impact future funding decisions and could result in termination of reservations or commitments. Services need to be substantial and not typical of a standard development. If the owner determines a program offered as part of the committed services is not meeting the needs of the resident population, the owner must replace it with another appropriate service.

Applicants approved under the Service Enriched 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. MHDC looks favorably at service coordinators that work at the property and have office hours available to meet the needs of the residents.

The approved supportive service plan must demonstrate the applicant's commitment to provide a significant number of services and activities appropriate to the resident population. The supportive service plan must detail the service delivery plan to specifically address how the applicant plans to engage the resident population in support services for the duration of the compliance period. 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 Service Enriched Priority Term. Sources of funding in future years may include income from operations or verifiable public grants and funds. The services must be provided on site and on a regular schedule.

CDBG-DR

Developments that include Community Development Block Grant Disaster Recovery ("CDBG-DR") funds as a source qualify as a housing priority. CDBG-DR funding is authorized under Title I of the Housing and Community Development Act of 1974, as amended.

Developments awarded under this priority must provide a commitment from the lead applicant in their firm submission.

Veteran's Housing

Veteran's Housing applicants must also apply under the Service-Enriched Priority.
Developments that are Service-Enriched Housing targeting Veterans are eligible for this priority. Developments must offer significant services tailored to the Veteran tenant population. Provided services should enhance Veteran tenant housing stability and independence. A substance abuse program must be included in the development.

Developments approved under the Veteran's Housing Priority are subject to any and all requirements of the Service-Enriched Priority in addition to any specific requirements that are set forth for the Veteran's Housing Priority.

Preservation Priority

The preservation of existing affordable housing will receive a preference in funding ("Preservation Priority").

Developments awarded under this priority must meet at least one of the following:

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 (as defined in §42(f)(1) of the Code) was 2006 or earlier, be in or have completed the final year of the Compliance Period for all buildings in the development, and be willing to maintain requirements of the existing LIHTC LURA throughout that LURA's remaining affordability period.

If receiving Federal Historic Credits and/or State Historic Credits, developments must waive the right to opt out of the LIHTC program for an additional fifteen (15) years beyond the Compliance Period.

Workforce Housing

Developments in counties with a median income less than the most recent statewide median income (as established and published by HUD) are eligible for the Workforce Housing Priority, provided that fifteen percent (15%) to twenty-five percent (25%) of the total units in the development are set aside for households earning between sixty percent (60%) and eighty percent (80%) AMI (workforce units). Rents in the sixty percent (60%) to eighty percent (80%) AMI units should be different than the rents in the development that are at or below sixty percent (60%) AMI. The published income limits for each development's county still apply and must be used for determining resident eligibility.

Opportunity Area

Family developments proposed in opportunity areas are required to include an affirmative marketing plan that proactively reaches out to families currently living in census tracts where the poverty rate exceeds forty percent (40%). The plan must include a Special Marketing Reserve to assist in initial relocation expenses for families with children. Note that the minimum unit size for a family development in an opportunity area is two-bedroom. Developments under this priority must also be approved under the Service-Enriched Priority.

Underwriting Standards

The Underwriting Standards incorporate both MHDC priorities and the federal preferences and selection criteria described in §42(m)(1)(B)(ii) and §42(m)(1)(C) of the Code. Because not every development fits into the same category or serves the same population, certain characteristics have different effects and influence on the overall evaluation of each proposal.

Sources

Debt

All sources of debt, with the exception of MHDC debt, must have a commitment letter. Please see the

Application Forms and Exhibits section below for more information on what is required in the commitment letters.

1. Debt Service Coverage: Developments should show stabilized debt service coverage ("DSC") between 1.1 and 1.50 throughout the term of the permanent loan(s). Developments with MHDC Fund Balance loans must show stabilized DSC above 1.2 throughout the term of the loan.
2. Interest Rate: For MHDC debt, the appropriate rate for the applicable funding source will be used. Please consult the latest MHDC Loan Term Worksheet for the appropriate rates on MHDC debt. For non-MHDC debt, the interest rate described in the lender's commitment will be used.

MHDC debt terms may be changed during underwriting to better suit the needs of the development and MHDC.

Construction Loans

If the loan is an MHDC HOME Funds loan in second position during construction, the term will be equal to that of the first position construction loan. If the MHDC HOME Funds loan is the only construction loan, the term will be determined at Firm Commitment. Additional affordability requirements may apply and will be included in the HOME and NHTF regulatory agreement. HOME and NHTF affordability period may be longer than the loan term.

MHDC will require recourse on the entire construction loan during the construction period. Exceptions to this recourse may be granted for Nonprofit and CHDO applicants.

Permanent Loans

MHDC hard permanent loans will feature a twenty (20)-year term, with the exception of NHTF loans, which will have a 30-year loan term and loans for single-family homeownership developments, which will feature an eighteen (18)-year term.

Non-MHDC debt will be underwritten with the term described in the preliminary commitment letter.

Amortization

Hard permanent loans from MHDC will amortize over thirty (30) years for all developments except single-family homeownership developments, which will amortize over twenty-five (25) years. Soft loans will not amortize but will require an annual payment out of available cash flow. The definition of "cash flow" and the priority of payment will be set forth in the Firm Commitment. Non-MHDC loans will be underwritten with the amortization described in the lender's preliminary commitment letter.

Deferred Developer Fee

The deferred developer fee position should be clearly indicated in the owner's partnership agreement or operating agreement, as applicable. MHDC reserves the right to create, eliminate, or adjust the deferred developer fee to efficiently utilize resources and appropriately underwrite each deal. It must be demonstrated that the deferred developer fee can be paid back from cash flow.

Tax Credit Amount

Certain basis-eligible line items of the development budget may not be underwritten as one hundred percent (100%) eligible. These line items include construction loan interest, contingency, and bond-related costs. If one hundred percent (100%) of these line items are included in eligible basis, a reason why or a calculation of how you arrived at one hundred percent (100%) of the cost being eligible must be provided.

Developments located in a Qualified Census Tract or in a Difficult Development Area, as defined below, may be eligible to increase eligible basis by thirty percent (30%).

- Qualified Census Tract. Developments located in areas designated by HUD as Qualified Census Tracts.
- Difficult Development Areas**.** Developments located in areas designated by HUD to be difficult to develop.
- State Designated Difficult Development Areas**.** Pursuant to §42(d)(5)(B)(v) of the Code, MHDC may establish criteria to designate additional properties approved for 9% Credits to be treated as located in a Difficult Development Area.

For purposes of the QAP, to qualify for the State Designated Difficult Development Area , properties must have been determined to meet at least one (1) of the following priorities or preferences:

- Preservation Priority;
- Supportive Housing Priority;
- Service-Enriched Priority;
- Veteran's Housing; or
- Workforce Housing.

Credit Pricing

MHDC staff may use the price outlined in the preliminary financial commitment to underwrite the development, provided the price reasonably reflects current market conditions.

All developments must meet the MHDC required minimum contribution of twenty percent (20%) of Federal LIHTC and State LIHTC equity invested during the construction period, with ten percent (10%) invested at construction closing and at least another ten percent (10%) of Federal LIHTC and State LIHTC equity invested at or before fifty percent (50%) construction completion. These thresholds must be met by both Federal and State LIHTC equity investors independently unless the Federal LIHTC investor and State LIHTC investor are the same entity or are controlled by the same entity. Only if the Federal LIHTC investor and State LIHTC investor are the same entity (or controlled by the same entity) will the equity be considered in the aggregate. 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., one percent (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 LIHTC and State LIHTC.

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

Historic Credits

Indicate whether a master tenant/lease pass-through structure will be utilized on historic developments. The pricing and amount of historic credit equity listed in the application must be the net amount provided to the ownership entity, excluding special reserves and costs taken from the gross price for put and call options, syndicator bridge financing, etc.

Uses

The standards listed below should be used when determining appropriate numbers for development budget line items.

Construction Inspection Fee

MHDC will charge at a minimum a fee of $15,000 to perform, or hire a third-party to perform, periodic inspections of the construction progress for all developments ("Construction Inspection Fee"). The inspections will generally occur monthly.

Appraisal

After application submission and approval, the acquisition amount cannot increase and cannot be higher than the "as is" appraised value stated on the submitted appraisal. The current "as is" market value of the property should use market rents and expenses and current vacancy, with no consideration to any contributory value of the tax credits or other special financing.

For acquisition costs greater than $25,000, application submissions must include an appraisal or a Broker Opinion of Value (BOV) for the property.

All appraisals submitted must:

i. Include MHDC as the intended user;
ii. Have an effective date of not more than six months earlier than the date of Application Submission (i.e., site inspection date);
iii. Be completed by an MHDC approved appraiser;
iv. Meet MHDC's appraisal requirements, and
v. If the Application is claiming acquisition credits, the appraisal must document separate values for buildings and land.

The developer will obtain appraisals independently, however, MHDC reserves the right to order its own appraisal if there are unresolved questions or concerns about the report.

Construction Cost Analysis

MHDC may assess a fee of $5,000 for an independent third-party report to provide an upfront construction cost analysis for all approved developments in excess of six units. If a third-party analysis is also required by a lender or investor on the property, MHDC staff will endeavor to work with that party to avoid duplicate costs.

If applicable, this analysis would be performed after the Firm Submission documents (plans and specs) have been submitted. The purpose of any such analysis would be to have a third-party review the proposed costs and the plans and specs. If it is determined the costs submitted are either excessive or deficient, MHDC may adjust the amount of LIHTCs or loan funds allocated to the development. This review would also include a replacement reserve analysis for all proposed rehab, preservation, or conversions (except for RD properties).

MHDC Loan Fees

MHDC fees vary by the type of loan being issued. Please refer to the latest MHDC Loan Term Worksheet for updated loan fees. These loan fees are subject to change at MHDC's reasonable discretion.

MHDC Legal Fees

Legal fees incurred on behalf of MHDC by outside counsel may be billed to the development.

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 each amount.

Bridge or Pre-Development Loans

Pre-development or bridge financing loan fees and interest should not be reflected in the development budget and is not a reimbursable expense. Pre-development financing or any financing secured prior to firm commitment and closing is done at the risk of the owner.

Sustainable Housing Fee

Developments that elect to be green certified through a third-party will be allowed a fee up to $20,000. Developments that do not certify through a third-party will be allowed a fee up to $7,500. MHDC reserves the right to allow exceptions to the allowable fee on a case-by-case basis if unique development characteristics are incorporated into the proposal.

Contingency

Contingency should be four percent (4%) to seven and a half percent (7.5%) of the total construction costs for new construction and six and a half percent (6.5%) to ten percent (10%) for acquisition/rehabs. Numbers outside of those ranges require an explanation. MHDC does not distinguish between hard cost contingency and soft cost contingency.

Tax Credit Fee

The fee will be equal to seven percent (7%) of the annual Federal LIHTC amount awarded to the development.

Compliance Monitoring Fee

A compliance monitoring fee will be assessed to cover the costs of the IRS-required compliance monitoring program ("Compliance Monitoring Fee"). The fee is $10 per low-income unit (including employee use units) multiplied by thirty (30) years (the extended-use period), or $300 per unit.

Syndication Costs

Investor due diligence including architectural review, bridge loan fees, and interest should not be reflected in the development budget.

Operating Reserve

The operating reserve must reflect at least six (6) months of operating expenses and debt service. Amounts less than or more than 6 months must be approved by MHDC. Explanations for amounts different than 6 months can be given on the Exhibit A to the 2013. Developments with committed rental subsidies may be allowed to have an operating reserve that reflects less than 6 months of operating expenses and debt service. Reserves cannot be funded with Fund Balance, HOME Funds, or NHTF Funds.

Replacement Reserve

The initial replacement reserve should be $600 per unit. Any other amount will require an explanation. Reserves cannot be funded with Fund Balance, HOME Funds, or NHTF Funds.

Debt-Service Reserve

If the development cannot maintain the DSC guidelines, a debt-service reserve, in addition to the operating reserve, may be required. Reserves cannot be funded with Fund Balance, HOME Funds, or NHTF Funds.

Service-Enriched Reserve

If the developer proposes an escrow for services, and that escrow is not funded by a grant specific to the development services, the developer must contribute at least fifteen percent (15%) of the escrow amount from the developer fee. Developments requesting the Service-Enriched Priority designation will be reviewed on a case-by-case basis and extensive services will be taken into consideration. Developments offering services but not selecting the priority and not receiving a services grant, will be one hundred percent (100%) developer -funded and should be deducted from the developer fee. This reserve should be noted in the FIN-100 budget as a separate line item. Reserves cannot be funded with Fund Balance, HOME Funds, or NHTF Funds.

Supportive Housing Reserve

All applications submitted under the Set-Aside Preferences must include $1,000 per set-aside unit as a payment to the Set-Aside Preferences Housing Reserve Fund (formerly the Special Needs Housing Reserve Fund) which has been established by MHDC. Each development approved pursuant to the Set-Aside Preferences must contribute to this reserve. Such contribution must be made no later than construction completion when other reserves are normally funded. These funds will be held by MHDC and used, as necessary, to temporarily assist developments funded under the Set-Aside Preferences that have experienced unforeseen operational issues (for example, the loss of rental assistance). Reserves cannot be funded with Fund Balance, HOME Funds, or NHTF Funds.

Tax and Insurance Reserve

Developments with a MHDC Fund Balance permanent loan will be required to fund a tax and insurance reserve prior to loan conversion and/or 8609 issuance. The reserve will be funded in an amount appropriate for annual tax and insurance expenses as determined by MHDC or an escrow analysis provided by the first place lender if MHDC is not holding the reserve.

Other Uses

All uses will be examined for their competitiveness and reasonableness and may be questioned. Developers should be able to explain how they 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 applications in years prior to the development being awarded MHDC funds shall not be a part of the development budget and can be repayable to the developer only as part of the developer fee.

Project Income

The following standards should be considered when structuring the development and completing the Application.

Rents

The proposed rents must not exceed the rent maximums set by funding sources utilized in the application. Proposed rents should meet all underwriting standards for applicable funding sources and present achievable rents as supported by the market study. All efforts must be made to keep from permanently

displacing tenants. Supportive Housing Priority developments and different funding such as HOME, NHTF, and Project Based Section 8 may dictate different rents.

Other/Commercial Income

All other income must be fully explained. MHDC staff, in 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 LIHTC amount and/or loan sizing purposes.

Income Trending

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

Vacancy

Family developments will be underwritten with a rental income vacancy factor of seven percent (7%). Both 55+ Developments and 62+ Developments will use a rental income vacancy factor of five percent (5%). Recognized commercial income may use a lower or higher vacancy rate depending on the type of income. MHDC staff will also look at how higher vacancy rates affect the development and what is the break-even vacancy rate.

Maximum Income / Maximum Rents

The proposed rents must not exceed the rent maximums set by funding sources utilized in the development. Proposed rents must meet all underwriting standards for applicable funding sources and should present achievable rents. Income limits and maximum rent levels can be determined by accessing Novogradac & Company LLP's Rent & Income Limit Calculator©. The Rent & Income Limit Calculator© will calculate26 U.S.C. § 42(i)(3)(A) LIHTC rent and income limits for every Missouri county and MSA. The determination of maximum income and rent limits is complex and the use of a compliance professional is highly recommended.

Operating Expenses

Because of the different types of developments and the variances in operating costs found in the different regions of Missouri, with the exception of replacement reserves, MHDC will not provide minimum or maximum operating expense requirements. Each development will undergo a detailed review and will be compared with existing developments of similar type, location, and design. The presence of a full-time manager is strongly encouraged.

Expense Trending

For the purposes of the fifteen (15)-year pro forma, MHDC staff will use a three percent (3%) inflation factor for annual increases in operating expenses.

Replacement Reserves

MHDC requires all developments to fund an annual replacement reserve equal to $300 per unit, increased annually by three percent (3%). If a different amount is required by a lender or syndicator, please clearly indicate that in the Application. However, such indication will not necessarily result in MHDC waiving its stated policy.

Security

For development proposals in areas where the market study reports a crime index above two (2) times

the current state index as reported in data, such proposals must address security needs in the development and operating budgets or provide a detailed explanation why such measures will not be necessary. The index ratings are violent crimes per 100,000 persons statewide.

NOTE: The state and local factors from areavibes.com change annually in the late fall of each year; therefore, any market study update submitted for consideration must include updated crime statistics.

Conditional Reservation

All applications receiving approval from the Commission will be awarded a conditional reservation agreement ("Conditional Reservation"). The Conditional Reservation will describe the type, amount(s), terms, and requirements applicable to the development. Conditional Reservations will be subject to the requirements MHDC staff determine necessary and/or appropriate.

All approved developments will receive an Exhibit B Environmental General Requirements memo. This document is tailored to each development and is a general list of items needed to begin the environmental review process.

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 staff of financial feasibility or sufficient progress toward Firm Submission, closing, and placement in service.

Pre-Conditional Reservation

Approval letters are sent to developers of all approved proposals the week after Commission approval. The approval letter identifies the stages of underwriting from environmental submission/review through Firm Commitment and identifies the underwriter assigned to each development. Attached to the letter, and provided below, is a generic checklist of documents needed.

Ownership Entity Organizational Documents:

1. A copy of the letter from the U.S. Department of the Treasury ("Treasury") or other documentation demonstrating the Employee Identification Number assigned to the ownership entity.
2. A copy of the Articles of Organization or Incorporation.
3. A copy of the certificate of limited partnership, certificate of organization, or certificate of incorporation, as applicable, from the Missouri Secretary of State's office. NOTE: The owner entity must be organized in the state of Missouri. The only instance in which MHDC will consider a waiver of this requirement is if the owner entity has presented a compelling reason that precludes it from being organized in Missouri and only when the owner entity is receiving only low-income housing tax credits and no loan funds from MHDC. Any such waiver request will be considered on a case-by-case basis.
4. A copy of the initial limited partnership agreement or operating agreement, or for nonprofit organizations, a copy of the bylaws.
5. A Missouri 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.

6. A draft of the signature block for the ownership entity. Please note, if the development was approved for 9% Credits from the Nonprofit Set-Aside, the nonprofit entity must be one of the signers, even if it is not the sole general partner or member.
7. A resolution authorizing the individual, general partner, manager, or managing member to sign on behalf of the owner entity.

General Partner/Member Organizational Documents

Please provide for every tier of the general partner or member entities that are not individuals.

1. A copy of the letter from the Treasury or other documentation demonstrating the Employee Identification Number assigned to the general partner/member entity(ies).
2. A copy of the Articles of Organization or Incorporation (as applicable).
3. A copy of the certificate of limited partnership, certificate and articles of organization, or certificate and articles of incorporation from the Missouri Secretary of State's office. If the general partner entity is not a Missouri entity, MHDC staff will also require a certificate of foreign registration evidencing that the general partner is registered to do business in Missouri.
4. A copy of the initial limited partnership agreement, operating agreement, or bylaws.
5. A properly executed and valid resolution authorizing the individual to sign on behalf of the general partner or member entity(ies).
6. A Missouri 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.

Firm Commitment

All applications awarded a Conditional Reservation must be issued an MHDC Firm Commitment ("Firm Commitment") for construction closing to occur. The Conditional Reservation includes a deadline for submission of the Firm Commitment review checklist items (called the Firm Submission) and this deadline must be met to receive a Firm Commitment. All Firm Submission items must be sent to the attention of the assigned underwriter.

Firm Submission Exhibits

Each approved development is required to submit a Firm Submission package ("Firm Submission"). 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 development 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 your 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 it is not applicable, you may request a waiver of that exhibit. Waiver requests must be submitted on the MHDC waiver form and submitted and approved prior to the Firm Submission due date.

A Firm Commitment will be issued after a review of the Firm Submission package has been completed and it is clear to MHDC staff all MHDC requirements have been or will be met prior to closing. Developments with reservations of HOME Funds or Risk Share Insurance will not receive a Firm Commitment until HUD's

Authorization to Release Grant Funds has been received by MHDC staff.

If the Firm Submission package reflects changes to the numbers and assumptions from what was in the Conditional Reservation, the amount of financing committed to the development may change. MHDC staff reserves the right to terminate any Conditional Reservation and/or require a development to go back before the Commission for reconsideration at a regularly- scheduled meeting if the changes presented materially affect MHDC's understanding of the development.

The Firm Submission checklist will identify exhibits to be submitted. Each document should be properly labeled and should be checked to make sure it opens properly.

The following documents may be included in your Firm Submission package. This list serves as guidance and is not comprehensive. MHDC reserves the right to request further documentation or clarification as necessary.

FIN-100

The FIN-100 must be filled out completely, accurately, and in excel. The FIN-100 must be the correct workbook for the applicable NOFA round. The FIN-100 reflects key pieces of the development and should be consistent with supporting documents submitted to MHDC.

FIN-101: Identity of Parties

The FIN-101: Identity of Parties ("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

Signature blocks must be provided for the architect, general contractor, Title Company, and Federal LIHTC and State LIHTC investors in the forms in which they should appear in any MHDC legal documents. If there has been any change to the ownership entity signature block since Conditional Reservation, an updated version must be submitted. It is highly recommended that the developer's attorney help prepare and/or review the signature blocks before sending them to MHDC staff.

If the project does not have an MHDC loan, only the signature block for the ownership entity must be provided.

For projects, with a nonprofit set aside, the nonprofit entity will need to be incorporated in the signature block.

Ownership Entity:

Provide a Certificate of Limited Partnership or Certificate of Limited Liability Company, as applicable (must be a Missouri entity, unless there is no MHDC loan and the development has obtained a waiver from MHDC);

Provide a draft Amended and Restated Limited Partnership Agreement (including MHDC-required limited partnership agreement language) or Amended and Restated Operating Agreement (including MHDC-required operating agreement language), as appropriate for the owner entity's type of legal structure. The most current Partnership/Operating Agreement language required by MHDC may be obtained at www.mhdc.com.

General Partner(s) or Managing Member:

Provide a Certificate of Incorporation or Certificate of Limited Liability Company, as applicable;

Provide an Operating Agreement or Articles of Incorporation and Bylaws, as appropriate for the type of legal structure.

Federal and State LIHTC Syndicator or Investor:

Provide a Certificate of Incorporation or Certificate of Limited Liability Company;

Provide a Limited Partnership Agreement, Operating Agreement, or Articles of Incorporation and Bylaws, as appropriate for the type of legal structure.

Financial Statements

Financial statements prepared in accordance with generally accepted accounting principles by a certified public accountant may be requested for the below entities. Financial statements submitted must have been issued in the last twelve (12) months. If the entity is a newly-created and/or single-purpose entity, the financial statement for the parent company is also required.

1. Developer entity
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. Project Guarantors

Financial statements for all entities/individuals should contain a balance sheet, income statement, cash flow statement, and a complete listing of all contingent liabilities.

Certificates of Good Standing

A Missouri certificate of good standing must be provided for the following development team entities: architect, general contractor, title company, management company, surveyor, and environmental firm. A certificate may be obtained electronically at the Missouri 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.

Site Control

Evidence of valid site control by the ownership entity must be included. Any initial options and all subsequent amendments or extensions, if applicable, must be provided. A purchase option will not provide sufficient evidence of site control if the date by which the option must be exercised, or by which the closing must occur, has already lapsed or will lapse on a date before which a closing can realistically be expected to occur. Therefore, all such documentation for site control provided with the Firm Submission must allow for at least sixty days to close from the date the Firm Submission is submitted to MHDC staff.

Title Commitment

A lender's title commitment is required to be provided for every development. The commitment must be on form 2021 ALTA Loan Policy (7/01/21) and MHDC must appear as the proposed insured, with the amount of the MHDC loan, if any, on Schedule A. All title commitments and pro forma title policies must be signed by a representative of the title company (electronic signatures are acceptable with the electronic signature endorsement) and the legal description must be identical to the legal description shown on the survey. Full and complete guidance regarding MHDC's policies on acceptable title insurers,

title commitments and pro forma title policy requirements may be accessed on MHDC's website. Each developer is encouraged to access and share this information with its respective title company in order to adequately ensure that all MHDC title policy requirements are satisfied. This is particularly important if the title company is new to MHDC's requirements, as failure to comply with MHDC requirements may delay closing.

For developments requesting a loan from MHDC, copies of exception documents relating to all exceptions reflected on Schedule B of the title commitment must also be provided.

Survey

A full-size draft of the survey and surveyor's report using MHDC's Surveyor's Report Form must be submitted. Although a draft survey is required for Firm Commitment consideration, the final survey must be updated within ninety (90) days of closing and the surveyor's report must be updated within thirty (30) days of closing. The legal description must be identical to the legal description shown in the title commitment/pro forma policy. Full and complete guidance regarding MHDC's policies for surveys and survey reports may be accessed on MHDC's website. Each developer is strongly encouraged to access and share this information with its respective surveyor in order to adequately ensure that all MHDC survey requirements are satisfied.

MHDC Form 3345: Plan Review Worksheet

An updated executed plan review worksheet that breaks down the unit information by building must be submitted. 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 digital media.

Site Plan

A site plan accurately identifying the land which comprises the development which includes the following detail:

- Each building numbered (1, 2, 3, etc.). MHDC staff will utilize the numbers to create the building identification numbers.
- The names of the streets which border the property.
- The boundaries of the property clearly marked.
- Market single-family homes labeled "MKT" if applicable.

Plans and Specifications

A complete set of construction drawings and specifications (or project manual) must be provided. For detailed requirements, see MHDC Form 1200, Design/Construction Compliance Guidelines dated August 1, 2009, as may be amended from time-to-time.

Plans

An e-file of permit-ready architectural/engineering drawings, including a schedule of units and square footage must be included.

Specifications:

An e-file, permit-ready, must be submitted. Please note, (i) HOME-financed developments with twelve (12) or more HOME-assisted units must include the current edition of the "General Conditions of the Contract for Construction" (AIA Document A201-2017), as amended, and the "Federal Labor Standards Provisions" (form HUD-4010); and (ii) developments receiving Risk

Share Insurance must include the current edition of the "General Conditions of the Contract for Construction" (AIA Document A201-2017), as amended, and the "Supplementary Conditions of the Contract for Construction" (form HUD-2554).

Development Characteristics Worksheet

A new Development Characteristics Worksheet with original signatures from the developer, owner, and architect must be provided. If no information has changed since the original submitted with the Application, 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 approval of MHDC staff.

Sustainable Housing Documentation

All new construction developments must provide detailed information regarding 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 documents listed in the Sustainable Housing Information section above.

Termite Inspection Report or MHDC Termite Certification

If the development consists of existing buildings, a termite inspection report must be provided by a licensed Pest Control Company. 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

A copy of the Owner-Architect Agreement (AIA B108-2009 with executed MHDC Amendment indicating the number of site visits per month) must be submitted. If this agreement does not include all required architectural and engineering disciplines, then copies of all consulting contracts should also be included. All amendments to the standard AIA form must be clearly and conspicuously reflected within the body of the agreement and will be subject to approval by MHDC staff. An Additions and Deletions Report should also be submitted.

Contractor Due Diligence

The following contractor due diligence items must be provided:

1. Contractor's Qualification Statement (AIA A305);

2. FIN-116: Credit Summary ("FIN-116") with contractor's tax I.D. number;
3. FIN-105 and a company resume; and
4. Construction Contract (if MHDC is not the first lien position lender). If using the AIA form of construction contract, you must use the AIA A102. The A102 must be amended to incorporate all MHDC required language for the construction contract. This required language may be obtained from MHDC's website or is available from your assigned closing attorney. Further, all amendments to the standard AIA form must be clearly and conspicuously reflected within the body of the agreement and will be subject to approval by MHDC staff. If MHDC is the first lien position lender, the MHDC form construction contract must be used, and will be circulated with

the MHDC loan documents.

Equal Employment Certification (HUD Form 92010)

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

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

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

The cost breakdown properly completed with the division of labor and materials on form FIN-115: Contractor's/Mortgagor's Cost Breakdown ("FIN-115"), executed by both the owner and contractor, must be provided.

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 financing provider. If a commitment letter was previously provided, an updated letter must be given at Firm Submission. The commitment letter(s) must include the terms and fees associated with the financing. If reserves are being assumed, a letter from the current lender must be provided indicating the reserves can be assumed by the new ownership entity. MHDC also requires a statement indicating the current balance of such reserves. For acquisition/rehabilitation proposals with existing tenants, construction period income must be included as a source and a calculation of construction period income should also be included.

Equity Commitments

All sources of tax-credit equity listed must have a commitment letter. If a commitment letter was previously provided, an updated letter must be given at Firm Submission.

The commitment letter(s) 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 LIHTC equity and State LIHTC be invested in the development at closing and again by 50% of construction completion.

Management Agent Documentation

All properties must be managed by an agent listed on MHDC's Certified Property Management Agent Listing. A full description of the management certification process and relevant forms are located on MHDC's website.

Interested parties are encouraged to review the list to ensure that the chosen management agent is included, as the list may change periodically.

If you are unable to fill out all the documents in their entirety for a new construction development, please indicate that. 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. The following management company documentation must be submitted.

1. Articles of incorporation.
2. FIN-116 including tax I.D. number.
3. Audited financial statement.
4. FIN-105 and company resume. If the development will receive Risk Share Insurance, also include Form HUD-2530, as filed electronically with HUD.

5. Exhibit A-2: Project Owner's Management Agent Certification.
6. Exhibit A-5, Certified Property Management Application. If a management company is an MHDC certified management company, a copy of the approval letter will suffice.
7. Exhibit J, Authorized Representative Designation.
8. Exhibit J-1, Management Authorized Representative Designation.
9. Exhibit L, Property Information Sheet.

Affirmative Fair Housing Marketing Plan

Provide an executed and complete HUD Form 935.2A (Multifamily)/ HUD Form 935.2B (Single Family) Affirmative Fair Housing Marketing Plan. In addition, the management company must identify how it intends to comply with the HUD requirements to Affirmatively Further Fair Housing beyond what may be included in the Affirmative Fair Housing Marketing Plan.

Approved Utility Allowance Information

Provide the most current utility allowance schedule from the local public housing authority (PHA) or the HUD Utility Schedule Model (HUSM). 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, a statement from the housing authority which says the estimate is still valid must be provided.

Management/Maintenance Plan

A management/maintenance plan that describes, in detail, the operation, management, and maintenance of the development must be submitted. The management/maintenance plan should be customized to meet the needs of the development. Please refer to the current MHDC Exhibit A-1: Management Plan Outline and Checklist for required language when applicable.

Following the 8609 election for average income and before the first unit is leased, a property owner must submit their average income internal compliance monitoring policy and procedures to the Agency.

All MHDC properties must submit their Property policy and procedures. Property policy and procedures must include internal compliance monitoring processes for:

- Tenant Selection Criteria
- Inform applicants of set-asides the development offers
- How units will be leased
- Property waitlist
- Transfer requests
- Recertifications
- Marketing plan
- Vacancy tracking (with designation information)
- Relocation Plan
- AFHMP
- VAWA Transfer Plan (VET)
- Infectious Disease Management Plan ("ID Plan")
- On-going training
- How units will be designated and recorded in the property books and records. How designations will be managed, and due diligence measures taken to protect against human error.
- How marketing is affected by different targeted demographics.
- How income minimums are affected by lower and higher designations.

- How waitlist procedures are implemented.
- Designations will be treated as:
    - Fixed (as much as possible) OR
    - Allowed to float.
- How adding and subtracting household members will be addressed.
    - How a remaining member who is not part of the original household will be assessed for potential re-designation.
- How transfers will be handled.
    - If requested
    - If required (accommodations, VAWA, acquisition/rehab, under/over utilization)

All approved applications for funding must establish an Infectious Disease Management Plan ("ID Plan") to be adopted and followed by the owner/property management agent in response to an outbreak of infectious disease, or comparable circumstances. The ID Plan should be prepared in accordance with guidance from the Centers for Disease Control (CDC) or other appropriate local health authorities. The ID Plan must address, at minimum, the following:

- Plan for addressing an outbreak of infectious disease at the property including but not limited to communication standards for informing stakeholders.
- Methods of preventing or reducing infection rates including how processes normally involving person-to-person contact will be handled. Such processes include, but are not limited to, interactions in the leasing office, use of community space or common amenities, resident events, deliveries, service or maintenance calls, collection of rent, interaction with third-party vendors and marketing or showing of property to prospective tenants.
- Processes or procedures addressing high risk tenants such as elderly, permanent supportive housing or vulnerable populations.
- Cleaning and sanitization protocols for all units and common areas.
- Any services that will be provided.

Proposed Lease Agreement

A copy of the proposed lease agreement to be used by the development, accompanied by the appropriate HOME and/or LIHTC lease addendum must be provided. The lease is subject to all applicable program and funding source requirements.

Lease-Up Narrative and Budget Narrative

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

Service-Enriched Housing Documentation

If you indicated you would be providing social services in the Application or if you plan to include them as the development goes forward, an executed supportive services plan and finalized service provider letters of intent must be submitted for approval.

Set-Aside Preference Housing Documentation

If you indicated you would be providing housing opportunities for Set-Aside Preference tenants, an executed referral and support agreement, marketing plan and final rental assistance commitment letters must be submitted for approval.

Relocation Documents

All developments subject to MHDC's Relocation Policy are required to submit the stage 2 documentation. An itemized checklist of required relocation documents for all stages is available at www.mhdc.com.

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 below for details.

Tax Abatement/PILOT Information

Any development receiving tax abatement or entering into a PILOT agreement must provide a detailed description of the percentage, length, and terms granted to the 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 required. 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 Compliance Period must provide a homeownership plan that details such intent. The homeownership plan must reflect the structure required in the MHDC Homeownership Policy (available on the MHDC website). Developments must waive the right to opt out of the LIHTC program for an additional fifteen (15) years beyond the Compliance Period.

Legal Description

Provide the legal description in Microsoft Word format.

Allocation of Low-Income Housing Tax Credits (LIHTC)

Minimum Set-Aside Election

Each development receiving 9% or 4% Federal LIHTC must make a minimum set-aside election. The Applicant must make an election in the initial application of one of the following set-aside elections:

1. **20/50**: At least twenty percent (20%) of its total residential units must be both rent-restricted and occupied by qualified low-income households who earn less than fifty percent (50%) of the area median gross income (AMGI) for that household size.
2. **40/60**: At least forty percent (40%) of its total residential units must be both rent-restricted and occupied by qualified low-income households who earn less than sixty percent (60%) of the AMGI for that household size.
3. **Average Income**: At least forty percent (40%) of its total residential units must be both rent-restricted and occupied by qualified low-income households whose income does not exceed the income limitation designated for the respective unit, where the average of the income-designated units may not exceed sixty percent (60%) AMGI. The unit designations will be made in ten percent (10%) percent increments. Units may be designated at 30, 40, 50, 60, 70, or 80 percent AMGI.

Please note the following for applicants which elect Average Income:

- Applicants will elect that all buildings in the development are part of a multiple building project

on the 8609.

- If the unit mix includes market rate units, additional documentation is required to be submitted including an approved waiver to permit market rate units in the unit mix for the proposed development.
- For tax credit resyndication developments, the original LURA restrictions must be followed for the original LURA term.
- Applicants shall submit a statement from the proposed property management company acknowledging the intent of the proposed development to operate under the Average Income Minimum Set-Aside.
- Developments which elect the Average Income Minimum Set-Aside may be subject to an increased per-unit compliance monitoring fee, as identified in the QAP.
- The management company for developments which will operate under the Average Income Minimum Set-Aside will be required to provide certification of training on the Average Income Minimum Set-Aside prior to the lease-up of the development.
- The unit designations will be allowed to float throughout the project. AMI designations and bedroom sizes can also float, but MHDC reserves the right to enforce a remediation plan if MHDC determines that the development has deviated from the approved development plan. At minimum, MHDC will review the AMI designations and bedroom sizes annually.
- Skewing the unit configuration, where unit AMI designations are not reasonably distributed throughout the development, will not be allowed in the initial unit designations and throughout the affordability period.
- While the law did not change the Minimum Set-Aside for Bond Developments, the Average Income Minimum Set-Aside election is permissible to use with Bond Developments. The development must meet both the bond and the LIHTC requirements. Minimum Set-Aside requirements for Bond Developments remain 40/60 or 20/50.
- The MHDC Form 3345: Plan Review Worksheet ("3345") will determine the baseline for unit deviations.
- The calculation method for determining income/rent limits for LIHTC units may not align with other programs, specifically HOME and NHTF. MHDC will monitor those designated units for the most restrictive applicable funding source.

Carryover Allocation Agreement (9% Credit Developments)

9% Credit developments that receive reservation of Federal LIHTC, must sign a Federal Carryover Allocation Agreement ("Federal Carryover Allocation"). The Federal Carryover Allocation defines the amount of Federal LIHTC allocated and authorized to the development, the low-income unit set-asides, the percentages of median income to be served, the special housing needs or vulnerable persons units committed to, if any, the Building Identification Number(s) (BINs), the compliance period, and any other such requirements as MHDC may choose to include.

The Federal Carryover Allocation allows 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 of reservation. The Federal Carryover Allocation may be issued simultaneously with the Firm Commitment, according to the deadlines established in the Conditional Reservation and no later than December 31 of the year of reservation. As a requirement of the Federal Carryover Allocation, a 10% Test (as defined below) must be completed and submitted to MHDC staff. For developments with 9% Credit reservations which are

receiving an allocation of State LIHTC, a State Allocation Agreement will be issued. The State Allocation Agreement may be issued simultaneously with the Firm Commitment, according to the deadlines established in the Conditional Reservation and no later than the month of June in the year of reservation.

The owner should carefully review and sign the Federal Carryover Allocation and State Allocation Agreement.

Tax Credit Authorization Agreement for 4% Credit Developments

4% Credit developments that receive a reservation of Federal LIHTC must sign a Federal 4% Tax Credit Authorization Agreement ("Federal 4% Authorization"). The Federal 4% Authorization defines the estimated amount of Federal LIHTC that will be allocated at 8609 issuance and authorized to the development, the low-income unit set-asides, the percentages of median income to be served, the special housing needs or vulnerable persons units committed to, if any, the Building Identification Number(s) (BINs), and any other such requirements as MHDC may choose to include.

For developments with 4% Credit reservations which are receiving an allocation of State LIHTC, a State 4% Authorization will be issued for developments that qualify to receive a Federal 4% Authorization.

42(m) Letter (4% Credit Developments)

If MHDC is not the bond issuer, the owner must provide an original letter from the bond issuing agency requesting MHDC make a determination of credits pursuant to 26 U.S.C. § 42(m). The request letter must be received by MHDC at least five (5) business days prior to the construction closing and must be on the issuer's letterhead and include the bond amount being issued, the correct mailing address of the issuer, and the printed name of the letter's signatory.

Once the request letter is received, MHDC will issue the 42(m) letter to the bond issuer.

Applicable Credit Percentage

9% Credit Developments

The applicable credit percentage for New Construction and Rehabilitation credits is a permanently fixed floor of 9%.

The applicable credit percentage for Acquisition credits is a permanently fixed floor of 4%.

4% Tax-Exempt Bond Developments

The applicable credit percentage for Acquisition credits is a permanently fixed floor of 4%.

Building Identification Number (BIN)

Each building in a project will be assigned a unique building identification number or BIN. For 9% Credit Developments the BINs are assigned in the Federal Carryover Allocation Agreement. The BINs are assigned in the Tax Credit Authorization Agreement for 4% Credit Developments. Once assigned, the BINs are to be used on all applicable documentation that references the buildings in a project.

Acquisition Credits – Claiming Requirements

If you intend to claim the acquisition credit, you must provide an opinion letter from an attorney regarding the development's eligibility to receive such credit before construction closing. The letter can be

addressed only to MHDC or it can be addressed to the partners in the ownership entity and to MHDC. The opinion must state the attorney has reviewed the circumstances surrounding the property for the ten (10)-year period prior to its acquisition and must give specific and detailed reasons why the property will qualify for the acquisition credit pursuant to requirements of 26 U.S.C. § 42, as amended, including:

- The existing building(s) must be acquired by purchase, as defined in 26 U.S.C. § 179(d)(2);
- There must be a period of at least ten years between the date of acquisition and the date the building(s) was/were last placed in service (26 U.S.C. § 42(d)(2)(B)) unless the property meets other requirements that exempt it from the ten (10)-year rule (26 U.S.C. § 42(d)(6));
- The acquisition must meet rules regarding transfers to related parties (26 U.S.C. § 42(d)(2)(D)); The existing building(s) must qualify for rehabilitation credits 26 U.S.C. § 42(e));
- Any exceptions described in detail that allow acquisition credits.

10% Test

The owner must complete the 10% test no later than twelve (12) months after the effective date of the Federal Carryover Allocation or the LIHTCs will be recaptured by MHDC. The 10% Test should be submitted as soon as the test has been met. The 10% Test is not required if a development is able to place the development in service, provide the cost certification to MHDC, and receive 8609(s) in the same year the Conditional Reservation is received.

10% Test Required Documentation

- MHDC Form 3343 Carryover Allocation 10% Letter – PDF
- 10% Test - Excel and PDF
    - MHDC Form 3342 Exhibit B

Email the above to lihtc@mhdc.com.

10% Test Deadline

The 10% Test must be met no later than twelve (12) months after the effective date of the Federal Carryover Allocation. All documentation evidencing the 10% Test has been met must be submitted to MHDC staff by the end of the 13th month after the Federal Carryover Allocation effective date. Early submission is encouraged.

Construction Loan Closing

MHDC's legal department is charged with the role of overseeing and coordinating closings on all developments receiving loan funds and/or LIHTCs 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 germane to the development. This section 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 notable stages.

Firm Submission

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

Review of Firm Submission Due Diligence

All appropriate departments within MHDC involved in the Firm Submission review process will conduct reviews of their respective due diligence items from the Firm Submission. Upon completion of their respective reviews, each department will identify all comments or concerns related to its respective items from the Firm Submission due diligence items and will prepare a memorandum to MHDC's underwriting department listing all issues each respective department has identified in the Firm Submission materials which must be addressed by the developer. The Firm Commitment cannot be issued until all reviewing departments are satisfied with the Firm Submission materials. The lone exception is the MHDC legal department, which will provide its comments in the form of a closing due diligence checklist which will be circulated to the developer under separate cover.

Firm Submission Comments and Closing Checklist Circulated

Upon completion of all departmental reviews, the Firm Submission review memorandums will be compiled by the MHDC underwriter and attached to the firm commitment. In addition, with respect to the MHDC legal department review, the closing attorney will circulate comments to pertinent Firm Submission items, along with MHDC's complete construction loan closing due diligence checklist. This checklist provides a projected comprehensive list of all items which the borrower will be required to submit and which MHDC staff will have to approve before the construction loan closing can occur. However, the content of the loan closing due diligence checklist is subject to change throughout the course of the due diligence process as facts and circumstances evolve which may require the addition or modification of requirements reflected on the initial closing checklist. 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 all MHDC departments have circulated comments to the Firm Submission items and a copy of MHDC's 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 staff's review and approval. As items are received, MHDC staff 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 owner by MHDC staff contains all the key terms of the business deal being agreed to between MHDC and the owner 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 begin drafting MHDC documents and working with the owner 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 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 documents being circulated, in addition to continuing to receive and review due diligence items from MHDC's closing checklist, MHDC's closing attorney will field and review any comments to MHDC's documents. It is important to note that, while MHDC attempts to be reasonable in addressing legitimate concerns or requested changes to MHDC's documents 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 Documents and Release of Funds

Once all items on MHDC's closing checklist have been submitted to MHDC staff and approved by the appropriate parties, and all parties to the transaction have approved the MHDC documents, the transaction will be cleared to close and fund. MHDC staff generally requires all due diligence be submitted in final form and approved by MHDC staff at least seven days prior to the scheduled closing date. Likewise, MHDC staff generally requires all MHDC documents be fully negotiated and agreed to at least three days prior to the scheduled closing date.

Loan Closing Checklist Due Diligence Requirements

All MHDC legal and closing forms can be accessed on MHDC's website.

MHDC's closing checklist indicates all due diligence which must be submitted to and approved by MHDC staff 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. However, please note this is not an all-inclusive list of required items. Also, in reviewing that checklist, please keep in mind every loan closing involves a unique set of facts and circumstances. Therefore, depending on the specifics of a given development, some items noted on the form checklist may be rendered inapplicable and additional items not shown on the checklist may be added.

Title Insurance Requirements

For all developments receiving an MHDC loan, MHDC will require a lender's title insurance policy be provided. The title insurer issuing the lender's policy must have an acceptable A.M. Best or Demotech rating for the policy to be acceptable. MHDC requires 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 staff at least seven days prior to the date on which the MHDC loan is scheduled to close. A full explanation of MHDC's title insurance requirements may be obtained at www.mhdc.com.

Organizational Documents

MHDC requires all pertinent organizational documents to be submitted to MHDC staff 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 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, Bylaws, 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 project 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 staff 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 staff. Among the specific requirements MHDC imposes on the Amended and Restated Limited Partnership/Operating Agreement ("A&R LPA/OA") are the following:

- All equity pricing and pay in amounts must match the amounts set out in MHDC's Firm Commitment.
- In the event that more credits are delivered than amount set forth in MHDC's Firm Commitment, the pricing on the upward adjuster must be greater than or equal the credit pricing at Firm Commitment.
- For all developments, each investor must contribute at least twenty percent of said investor's Federal LIHTC and State LIHTC equity during the construction period, with ten percent at closing and at least an additional ten percent paid in by fifty percent completion of the development. These amounts may be aggregated only if the investors are related entities.
- 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.
- MHDC's required language must be incorporated into the A&R LPA/OA verbatim, along with the partner/member information schedule (this language may be obtained on MHDC's website.

Survey Requirements

All developments receiving a MHDC loan are required to submit a survey in form and substance acceptable to MHDC staff. Each survey must follow the ALTA/NSPS 2021 Minimum Standard Detail Requirements and must further comport with all MHDC survey requirements as detailed in its survey guidelines, which may be updated from time to time. In addition, the surveyor must provide a completed Surveyor's Report on MHDC's Surveyor's Report Form. The full explanation of MHDC's survey and survey report requirements can be found on MHDC's website.

Site Control Documents

The site control documents provided to MHDC staff must adequately document the transfer of the development from the current owner of record to the 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 MHDC LIHTC/loan recipient is a leasehold estate, the lease (ground lease or other lease) between fee owner and the MHDC LIHTC/loan recipient (this entity is also frequently referred to as the "ownership entity" for MHDC purposes) 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 requires the general contractor to provide adequate completion assurance. The completion assurance is allowed to take one of two forms: (i) 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 15% of the value of the construction contract, or (ii) the general contractor may provide a performance and payment bond for 100% of the value of the construction contract. If using a letter of credit, the expiration date must be no less than 18 months from date of loan closing. If the construction period exceeds 18 months, the expiration date must be no less than the construction period.

Construction Insurance Requirements

For all developments receiving an MHDC loan, concurrently with or prior to the construction loan closing by MHDC for construction of the property, the Mortgagor and/or Property Management Company shall have in its possession or control and in full force and effect, the following types of insurance:

Blanket fidelity bond and crime coverage as part of general liability insurance covering all officials and employees of the owner and/or property management company, as applicable, including non-compensated officers, in an amount equal to the average anticipated loan disbursements during the construction period. The minimum limit shall be the lesser of $50,000 or the total MHDC mortgage amount divided by the estimated number of months in the construction period, plus two (2), and rounding the quotient to the nearest $50,000.00.

Standard form of Builder's Risk Insurance policy or policies, written upon the standard Builder's Risk Completed Value form, for Fire, Extended Coverage and Vandalism and Malicious Mischief Insurance, in an aggregate amount equal to 100 percent of the Insurable Value of the completed building or buildings. In the case of loans issued by MHDC for rehabilitation of an existing structure, the Builder's Risk Insurance policy shall contain a special endorsement insuring building coverage for the existing structure, in an aggregate amount equal to the greater of 100% of the Insurable Value of the existing structure or the cost of acquisition of the existing structure, whichever sum is greater.

The Builder's Risk Insurance policy or policies shall show the Mortgagor as the Insured and may also show as additional insured's the general contractor and other contractors and subcontractors, as their interest may appear.

Each policy shall carry the standard form of Non-Contribution Mortgage or Mortgagee Clause showing loss, if any, payable to Missouri Housing Development Commission, 1201 Walnut Street, Suite 1800, Kansas City, Missouri 64106, its successors or assigns, as its interest may appear. A signed Certificate of Insurance, in a form approved by MHDC, showing the nature and limits of such insurance and evidencing such insurance to be in full force and effect, shall be provided to MHDC, who shall hold such policy until the earlier of the date the policy becomes ineffective, or the loan shall be paid in full. Mortgagor shall assure the insurance remains in full force and effect for so long as any mortgage upon the property is held by MHDC. Upon cancellation of the Builder's Risk Insurance or any portion thereof, Permanent Insurance shall be effected.

The following liability coverages are to be provided by the Mortgagor and the Contractor:

- Worker's Compensation and Employers' Liability Insurance (statutory or voluntary) covering all employees of the Mortgagor and the Contractor and any other facilities, the revenues of which are pledged to project operations; and
- Public Liability Insurance on a Comprehensive General Liability form with limits of not less than $1,00,000.00 per occurrence to protect the Mortgagor during the construction phase from claims involving bodily injury and/or death and damage to the property of others. In the case

of loans issued by MHDC for the rehabilitation of an existing structure, the general liability policy shall include coverage for underground explosion and collapse hazard; and

- Vehicle Liability Insurance with limits of not less than $1,000,000.00 per accident to protect the Contractor and Mortgagor from claims from bodily and/or death and against claims for damage to property of others arising from the Contractors' and/or the Mortgagors' operations of vehicles. Such insurance shall include coverage for employers' owned, non-owned and/or hired vehicles, where applicable.

Flood insurance is required whenever the property is located in an area of special flood hazards in which flood insurance is available under the National Flood Insurance Act. It is the responsibility of the mortgagee to notify MHDC if such insurance is required. Required flood insurance shall be provided for the subject property during the term of the mortgage loan. The insurance shall be in an amount at least equal to the outstanding principal balance of the loan or the maximum amount of insurance available with respect to the project under the National Flood Insurance Act, whichever is less. The policy shall show the Mortgagor as the Insured and shall show loss, if any, payable to Missouri Housing Development Commission, 1201 Walnut, Suite 1800, Kansas City, Missouri 64106, its successors or assigns, as its interest may appear. A Binder or Endorsement of such insurance, showing the nature and limits of such policy and evidencing such insurance to be in full force and effect, shall be delivered to MHDC at or prior to the time of the issuance by MHDC of any loan proceeds. The original policy, when issued, shall be delivered to MHDC to be retained in its possession. Mortgagor shall assure that such insurance coverage remains in full force and effect for so long as any mortgage on the property is held by MHDC.

All of the insurance coverages required herein during construction and subsequent to construction shall contain an endorsement which insures against loss caused by earthquakes so long as such endorsement is commercially available, in the City of St. Louis, and in the counties of St. Louis, Jefferson, Butler, Cape Girardeau, Carter, Dunklin, Iron, Madison, Mississippi, New Madrid, Pemiscot, Perry, Reynolds, Ripley, St. Francois, St. Genevieve, Scott, Stoddard, Washington, and Wayne, Missouri, during the term of the mortgage loan. It is the responsibility of the mortgagee to notify MHDC if such insurance is required.

The policy shall show the Mortgagor as the Insured and shall show loss, if any, payable to Missouri Housing Development Commission, 1201 Walnut, Suite 1800, Kansas City, Missouri 64106, its successors or assigns, as its interest may appear. A Binder or Endorsement of such Insurance, showing the nature and limits of such policy and evidencing such insurance to be paid in full force and effect, shall be delivered to MHDC at or prior to the time of the issuance by MHDC of any loan proceeds. The original policy, when issued, shall be delivered to MHDC to be retained in its possession. Mortgagor shall assure that such insurance coverage remains in full force and effect for so long as any mortgage on the property is held by MHDC.

All insurance carriers shall have a "Best Rating" of B+ or better; and shall be a licensed, admitted carrier in the state of Missouri or an eligible surplus lines insurer in the state of Missouri.

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 A102 form construction

contract);
2. If a payment and performance bond is being used for completion assurance, 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 LIHTCs to be generated by the development.

Where MHDC is in a subordinate loan position during the construction phase of the development, the Assignment of Capital Contributions is not required and 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 regards to the content in each of these documents are met. 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 developer and the general partner entity together with their respective 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 loan. In instances where the borrower is utilizing Risk Share Insurance 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 necessary to adequately reflect the deal terms agreed to by MHDC staff and the ownership entity, MHDC generally will not make material changes to its form loan documents. However, MHDC staff will attempt to accommodate reasonable requests where possible, provided the MHDC loan documents should be in final form and not subject to any further comment (outside of corrections for errors) at least three 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 architect to the general contractor, indicating all the pre-construction requirements have been met by the development team. A copy of the properly executed Notice to Proceed must be provided to the MHDC-designated construction inspector.

Construction shall be in accordance with the approved drawings and specifications which have been prepared by the development's architect of record and approved by MHDC staff and any local governing agencies. The drawings and specifications and subsequent work must always comply with local building codes, zoning ordinances, and other government regulations. Copies of permits the contractor has obtained must be provided to MHDC staff.

Any changes in the construction requirements of these documents must be presented for consideration on an AIA Document G701 ("Change Order"). Other forms will not be accepted without prior written

approval. After review of the proposed changes, this Change Order must be signed by the architect, the contractor, and the owner before it will be considered a Contract Change in Cost or Time. Absolutely no work to which a 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 Change Order, showing how each and every line item will be changed if the Change Order is approved. Because this type of 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 development 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" below). Everyone performing work on the job must have an OSHA-10 card showing successful completion of a ten (10)-hour training program.

Pre-Construction Conferences

Before any actual physical work can be performed on the development, MHDC requires a Pre-Construction Conference take place no sooner than twenty-four (24) hours after funding for construction loan closing occurs. Although certain elements of the construction phase are requirements of MHDC and should be included on the agenda, Pre-Construction Conferences are guided and scheduled by the general contractor with MHDC staff in attendance.

Construction Loan Disbursements

Requesting the Initial Advance of Mortgage Proceeds

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

1. Application for Advance of Mortgage Proceeds (MHDC Form 2420);
2. Disbursement Schedule (MHDC Form 2430);
3. Application and Certification for Payment (AIA Document G702-1992™);
4. Continuation Sheet (AIA Document G703-1992™) which must match the FIN-115 submitted with firm submission;
5. Copies of all paid receipts and/or invoices to support the request.

All documentation to support the requested disbursement must be included. All documents must be complete. 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 the MHDC Construction Disbursement department through the email draws@mhdc.com and should include the following:

1. Application for Advance of Mortgage Proceeds (MHDC Form 2420);
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. Contractor's Advance (MHDC Form 2440) reflecting the builder's overhead, general conditions,

and profit in an amount not to exceed the percentage of completion;
4. Application and Certification for Payment (AIA Document G702-1992™). No other form of payment application will be accepted without prior written approval;
5. Continuation Sheet (AIA Document G703-1992™) which must match the Contractor's/Mortgagor's Cost Breakdown (MHDC Form FIN-115) submitted with Firm Submission. No other form of payment application will be accepted without prior written approval;
6. 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, if applicable (MHDC Form 2450);*

**For projects with 12 or more HOME units*

All documents must be complete. 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 draw request and all supporting documentation are complete, MHDC staff will begin its review. Once MHDC staff approves the draw request, it will fund the draw. MHDC staff strives to disburse all draws within 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 staff will send the disbursement package to the title company and distribution list provided by the owner which will include the following:

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

The Title Insurer must provide MHDC an updated endorsement policy increasing the liability amounts and extending the date of MHDC's mortgagee title policy, along with copies of any intervening matters that were discovered of record since the date of the last endorsement for all MHDC loans. Endorsements for non-MHDC loans or other record showing the amounts disbursed must be provided within seven (7) business days after disbursement.

Contractor Fees

Contractor fees are limited for general requirements, overhead, and builder's profit and cannot exceed fourteen (14%) of the total construction costs less the sum of general requirements, overhead, builder's profit, bonding and permits. This limitation on contractor fees must be incorporated into the construction contract. Contractors must provide a cost certification demonstrating compliance with the limits:

- Builder's Profit: maximum six percent (6%) of construction costs;
- Builder's Overhead: two percent (2%) of construction costs; and
- General Requirements: six percent (6%) of construction costs.

All general requirement items in the Contractor's/Mortgagor's Cost Breakdown must be included in the

calculation of the maximum amount for general requirements, regardless of the party who pays for them.

Construction Retainage

Subject to the approval of MHDC staff, 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 5% holdback or "retainage" (or acceptable substitute security, as required by Mo. Rev. Stat. § 436.306-309) and less prior payments. MHDC may elect to withhold ten percent of the construction/rehabilitation costs and may reduce the retainage amount at 50 percent completion to five percent of the construction cost if approved by the Owner and MHDC. The Contractor's retainage will be released upon submission and approval by MHDC of the required Contractor's due diligence for conversion of the construction loan to permanent status.

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 twenty-five (25) mile radius of the development. The stored materials must have the appropriate insurance and security. A copy of the material invoices and the Certificate of Insurance shall be provided.

Cost Savings

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

Escrows

Releases from escrows held by MHDC require the submission of a Request for Release of Escrow Funds (MHDC Form 2460). Please submit MHDC Form 2460 with any supporting documentation to substantiate release from the escrow.

Requesting the Final Advance of Mortgage Proceeds

The final Advance of Mortgage Proceeds must be submitted to the MHDC Construction Disbursement department and should include the following:

1. Application for Advance of Mortgage Proceeds (MHDC Form 2420);
2. Disbursement Schedule (MHDC Form 2430);
3. Contractor's Advance (Form 2440);
4. Application and Certification for Payment (AIA Document G702-1992™);
5. Continuation Sheet (AIA Document G703-1992™);
6. copies of all paid receipts and/or invoices to support the request; and
7. Escrow funds.

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

Latent Defects

In the first nine (9) months of the fifteen (15) month period, an MHDC inspector will visit the property, and any findings will be reported in writing. A fee of $50/hour will be charged if the inspector must return to verify unrepaired deficiencies discovered during a Latent Defect Inspection. Please refer to the

Design/Construction Compliance Guidelines (MHDC Form 1200, Exhibit F) for additional information pertaining to the latent defect period.

Latent Defect Inspections

Each new construction and substantial rehabilitation development with an MHDC construction loan is subject to Latent Defect Inspection ("LDI") upon completion of construction. MHDC staff 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 property manager. The owner/management agent entity will be responsible for notifying residents with the proper inspection notifications, per program guidelines. The LDI inspection has the specific parameters as set forth below.

Timeframe for LDI Inspections

Each development must be inspected for latent defects within nine 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 staff 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 respect 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, with 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 an 8823 to the IRS reporting an action of non-compliance by the owner/agent in question.

Conversion/Permanent Loan Closing

All of the forms and documents referenced in this section can be accessed on MHDC's website.

Just as MHDC's legal department is in charge of overseeing and coordinating MHDC construction 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 status and the closing of all permanent MHDC loan financing. This section provides an overview of the requirements which must be met to convert an MHDC construction loan to permanent status. In addition, this section provides an overview of the permanent loan closing process, including certain specific requirements to be fulfilled and key timing issues relevant to the process.

For developments receiving only tax credits and no loan funds from MHDC, MHDC's legal department is not involved in the conversion of those developments. As such, the conversion of tax credit only developments is not covered in this section.

Conversion Requirements

MHDC requires all of its construction loans be converted to permanent status by the date specified in the MHDC loan documents. In order to convert a construction loan to permanent status, the owner must fulfill all requirements set forth on MHDC's conversion checklist. The purpose of this section is to highlight some

of the key requirements which must be fulfilled prior to MHDC staff approving final conversion of its construction loan. However, please note that this is not an all-inclusive list of required items.

In reviewing that checklist, please keep in mind, that every loan closing involves a unique set of facts and circumstances. In any given construction loan closing, there may be outstanding issues which cannot be addressed prior to the beginning of construction (e.g., relocation of easements based on movement of utility lines, removal of existing encroachments, etc.). All such items of this nature will be required to be completed as part of the conversion checklist upon closing the MHDC construction loan and must be finalized in order for conversion to occur and 8609s to be issued, if applicable. In addition, all reserves will be funded before conversion can occur and 8609s can be issued.

If the loan conversion occurs after September 1st, the property taxes will not be escrowed for that year and are the responsibility of the development. A tax receipt and proof of payment must be submitted to the Construction Disbursement department to complete the conversion checklist.

There are key due diligence items which all ownership entities receiving MHDC construction loans should be mindful of when working toward the conversion of the construction loan to permanent status. Please note that a revised Development Characteristics Worksheet may be required as part of the conversion process if MHDC grants a development permission to deviate from the Development Characteristics Worksheet.

Before an MHDC construction loan can be converted to permanent status, the title insurer must provide MHDC staff with a final original date-down endorsement, increasing 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 the event the MHDC construction loan was fully disbursed prior to the final disbursement of funds for construction, MHDC will still require a date down endorsement to the date of the final disbursement evidencing that no unapproved exceptions have been added to MHDC's lender policy since the date of the last disbursement of MHDC loan funds. In addition, the title insurer must provide the final ALTA 3.1 endorsement to MHDC's lender policy. MHDC staff must be provided with a final ALTA/NSPS survey meeting all MHDC requirements.

If the development is a rehab of an existing development, an "as-built" survey may be provided in lieu of an ALTA survey provided (i) the building footprint has not changed, and (ii) no new easements need to be shown on the survey. The survey should be a full-size copy; submitting a PDF may delay review of the survey by MHDC staff, and consequently, may delay conversion of the loan. Finally, the cost certification documenting the actual costs of construction of the development must be fully completed and approved by MHDC staff.

Permanent Insurance Requirements

The requirements for this type of insurance are applicable when MHDC has extended a loan, which has not been paid in full at the time of completion of construction and/or cancellation of the Builders' Risk Policy or any portion thereof. The Mortgagor shall, in all cases, assure MHDC that there is no gap period in insurance protection during the transition from the Builder's Risk Insurance to Permanent Insurance. Permanent Insurance requirements shall include all the following types of coverages, unless MHDC shall specifically waive, in writing, any one or more of the coverages described below:

Blanket Fidelity Bond covering all officials and employees, including non-compensated officers of the Management Company, in an amount equal to two months' gross revenues or $50,000.00, whichever is greater, unless greater amounts are required by the Mortgagor. Where the gross revenues for a project

are substantially below the minimum $50,000.00 bonding requirements for operation, the bond shall be reduced to that sufficient to cover two months' gross revenues. The cost of the Fidelity Bond is not an allowable project expense.

Public Liability Insurance on a Comprehensive General form with limits of not less than $1,000,000.00 per occurrence to protect the Mortgagor from claims involving bodily injury and/or death and property damage which may arise from the Mortgagor's operation, including any use or occupancy of its facilities, grounds, and structures, and shall include independent contractor's coverage, where applicable.

Vehicle Liability Insurance is needed if the Mortgagor owns or operates a vehicle in the operation of the project, including non-owned and/or hired vehicles operated for the benefit of the Mortgagor. The Mortgagor shall procure and maintain Vehicle Liability Insurance with limits of not less than $1,000,000.00 per accident to protect the Contractor and Mortgagor from claims from bodily and/or death and against claims for damage to property of others arising from the Contractors' and/or the Mortgagors' operations of vehicles. Such insurance shall include coverage for employers' owned, non-owned and/or hired vehicles, where applicable.

Workers' Compensation and Employers Liability Insurance (statutory or voluntary) is required for all employees of the Mortgagor or Management Company, as applicable, and other facilities. The revenues of which are pledged to project operations.

Property, Fire and Extended Coverage Insurance shall be provided for the subject property and may be either blanket coverage or by specific allocations to individual structures. Such insurance shall be evidenced by standard Property, Fire and Extended Coverage Insurance policy or policies, in an amount not less than necessary to comply with the applicable Co-insurance Clause percentage, but in no event shall the amounts of coverage be less than 80% if the Insurable Values or not less than the unpaid balance of the insured mortgage, whichever is the lesser. The Permanent Insurance policy shall show the Mortgagor as the Insured and shall carry the standard form of Non-Contribution Mortgage or Mortgagee Clause, showing loss, if any, payable to Missouri Housing Development Commission, 1201 Walnut Street, Suite 1800, Kansas City, Missouri 64106 its successors or assigns, as its interest may appear.

Signed Certificates of Insurance in a form acceptable to MHDC showing the nature and limits of all insurance described in 2(a) through 2(e) above and evidencing such insurance to be in full force and effect, shall be delivered to MHDC at or prior to the time such insurance takes effect. MHDC shall hold in its possession the original policies evidencing the insurance coverages described in 2(b) and 2(e) above. Mortgagor shall assure that all insurance coverages described above remain in full force and effect for so long as any mortgage upon the property is held by MHDC.

If the boiler or boilers located in the subject property are other than steam boilers, specific Boiler Explosion Insurance generally is not required. If there is a steam boiler or boilers in operation in connection with the subject property, specific Boiler Explosion Insurance is required. In determining the adequacy of the amount or amounts of this coverage there must be careful review and consideration of all the facts and exposures for the purpose of estimating the maximum possible amount of a single loss by steam boiler explosion. The minimum limit of Boiler Explosion Insurance, when required, is $100,000.00 per accident, per location. After due examination of all the related information in any given case, it may be determined this required minimum limit of $100,000.00 is inadequate. In that event, a greater amount of coverage should be provided.

Boiler Explosion Insurance, as herein required, shall be evidenced by standard form of Boiler and Machinery policy or policies showing the Mortgagor as the Insured and shall have attached standard Mortgage Interest Endorsement, showing loss, if any, on the property of the Insured, to be adjusted with and payable to the Insured and Missouri Housing Development Commission, 1201 Walnut Street, Suite 1800, Kansas City, Missouri 64106, its successors or assigns, as its interest may appear. It is the responsibility of the mortgagee to notify MHDC if such insurance is required and to provide a Certificate of Insurance, showing the nature and limits of such policy and evidencing such insurance to be paid in full force and effect, to MHDC at or prior to the time the policy takes effect. The original policy, when issued, shall be delivered to MHDC to be retained in its possession. Mortgagor shall assure that such insurance coverage remains in full force and effect for so long as any mortgage on the property is held by MHDC.

All insurance carriers shall have a "Best Rating" of B+ or better; and shall be a licensed, admitted carrier in the state of Missouri or an eligible surplus lines insurer in the state of Missouri.

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 staff loan closing itself does not take place until after construction completion, MHDC must be included in the construction loan closing process. MHDC staff must review and approve much of the same due diligence prior to the closing of the construction loan closing as it would were providing the construction financing itself. The due diligence items MHDC staff must review and approve prior to the closing of the construction loan include, but are not limited to, the status of the title, all conveyance documents, and the construction contract.

Final Allocation/Cost Certification

For any development receiving funding from Missouri Housing Development Commission ("MHDC"), the owner must complete the Development and Contractor's Cost Certification ("Cost Certification") as detailed below (Funding means any loan or LIHTC). MHDC must review and approve the Cost Certification prior to:

- Loan conversion; and/or
- Permanent loan closing.

MHDC will evaluate all funding sources and costs and determine the maximum mortgage amount (if receiving an MHDC mortgage) and will evaluate the reasonableness of costs and uses before determining the final amount of LIHTCs, if applicable. MHDC reserves the right to ask for additional information to provide clarification to the Cost Certification submitted.

Please refer to the QAP in the fiscal year the development was approved in for limits on contractor fees, developer fees, or other requirements.

The forms posted on MHDC's website are the most up-to-date forms. A revision may be made to correct any errors in the form or to make changes to comply with regulatory, statutory, or any other necessary changes. Any forms revised will be posted with a revision date. Developments are required to use the most up-to-date version when preparing the Cost Certification.

Required Final Allocation Documentation

Developments with MHDC Loan only (no LIHTC), provide the following to lihtc@mhdc.com:

- Contractor Cost Certification
  - Contractor's Certificate of Actual Cost Independent Auditor's Report (PDF)
  - Contractor's Cost Certification Workbook (PDF and Excel):
    - 3320, Contractor's Certificate of Actual Costs
    - 3320-I, Itemized List of all Contractor's cost with subtotals
    - 3320-A, Identity of Interest Worksheet
    - 3320-II, Itemized List of Contractor with Identity of Interest
- Development Cost Certification
  - Development Cost Certification Independent Auditor's Report – MHDC Loan (PDF)
  - Development Cost Certification Workbook (PDF and Excel):
    - 3335, Development Cost Certification
    - 3335-A, Itemized Cost Detail
    - 3335-E, Owner Certification
  - Financial Statements (compilation acceptable) Balance Sheet and Income Statement

Developments with LIHTC provide the following to lihtc@mhdc.com:

- Contractor Cost Certification
  - Contractor's Certificate of Actual Cost Independent Auditor's Report (PDF)
  - Contractors Cost Certification Workbook (Excel and PDF):
    - 3320, Contractor's Certificate of Actual Costs
    - 3320-I, Itemized List of all Contractor's cost with subtotals
    - 3320-A, Identity of Interest Worksheet
    - 3320-II, Itemized List of Contractor with Identity of Interest
- Development Cost
  - Development Cost Certification Independent Auditor's Report – Tax Credit (PDF)
  - Development Cost Certification Workbook (PDF and Excel):
    - 3335, Development Cost Certification
    - 3335-A, Itemized Cost Detail
    - 3335-B, Applicable Fraction – Building Detail
    - 3335-C, Qualified Basis and Maximum Credit Calculation
    - 3335-C Supplement, Allocated Credit Amount Basis Reduction
    - 3335-D, Contact Information
    - 3335-E, Owner Certification
    - 3341, Low-Income Housing Tax Credit Development Financing Certification
- MHDC Form 3345: Plan Review Worksheet – Updated (PDF and Excel)
- HTC-E If development is receiving historic tax credits in addition to LIHTCs
- Recorded Warranty Deeds
- Note(s) and recorded Deed(s) of Trust for non-MHDC loans
- Attorney opinion letter for acquisition credits and/or relocation costs

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

MHDC Form 3345: Plan Review Worksheet

This document is due at firm submission included with the cost certification packet. This document details

the building and unit information in the project. It is very important the building information and unit designation totals on the MHDC Form 3345: Plan Review Worksheet matches the information reflected in the Form 2013 attached to the Firm Commitment. Any changes must be approved by MHDC.

The Plan Review Worksheet is used to determine the applicable fraction for each building in the project. The applicable fraction determined in this form is used in the Federal Carryover Allocation Agreement or 42(m) Letter, Land Use Restriction Agreement as well as the 8609s.

To reflect any changes that have been made during the construction period, an updated version of this document is required to be submitted with the cost certification package. If a revision of the unit numbers is required after the signed Cost Certification version is submitted, MHDC may assess a fee of $25 per unit number change for incorrect information.

The most updated version of the Plan Review Worksheet is available on MHDC's website. The current version of the document must be submitted.

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:

- Provide MHDC with an original sworn affidavit (E-Verify Memorandum of Understanding) which affirms, under penalty of perjury, that the Business Entity is enrolled and actively participating in E-Verify and that the Business Entity does not knowingly employ any person who is an Unauthorized Alien in connection with the contracted services;
- Require their General Contractor to provide MHDC with an original sworn affidavit (MHDC Workforce Eligibility Affidavit) which affirms, under penalty of perjury, that the General Contractor is enrolled and actively participating in E-Verify, 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;
- Require that their General Contractor obtain, and submit to 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;
- Provide MHDC with documentation which shows to the satisfaction of MHDC that the Business Entity and their General Contractor have enrolled in E-Verify. Documentation which meets this

requirement is a copy of the E-Verify memorandum of understanding;

- Require their General Contractor to obtain, and submit to MHDC, 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;
- The above required documentation shall be submitted to MHDC before beginning work on the site;
- 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 Mo. Rev. Stat. § 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;
- Require a provision which stipulates that the Contractor shall comply with Mo. Rev. Stat. § 285.230, Mo. Rev. Stat. § 285.233-234, Mo. Rev. Stat. § 285.500-515, and Mo. Rev. Stat. § 285.550;
- 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 (60) 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 Mo. Rev. Stat. § 288.034(12)(17)).

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

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

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

Knowingly - a person acts knowingly or with knowledge.

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

Compliance Guidance

On September 17, 2010, MHDC passed a Workforce Eligibility policy. The purpose of the 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 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. All documentation should be in PDF format. The emailed files should be clearly labeled with the development name and development number assigned by MHDC. Email submissions should be sent to lauren.guminger@mhdc.com.

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 on an ongoing basis throughout the construction phase.

Proof of Using E-Verify

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

Compliance with Missouri Statutes and Transient Employers.

Each contracting party must comply with all applicable Federal, State, and local labor laws including but not limited to Mo. Rev. Stat. § 285.530(1), Mo. Rev. Stat. § 285.233, Mo. Rev. Stat. § 285.234, Mo. Rev. Stat. § 285.500 – 285.515, and Mo. Rev. Stat. § 285.550.

OSHA training.

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

Contract Language

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

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

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

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

The contracting parties agree to enroll and actively participate in the DHS'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 DHS. 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.

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

The contracting parties shall require participation in or provide a ten-hour Occupational Safety and Health Administration (OSHA) construction safety program for their on-site employees and independent contractors which includes a course in construction safety and health approved by OSHA or a similar program approved by the department which is at least as stringent as an approved OSHA program, unless such employees have previously completed the required program. All employees and independent

contractors are required to complete the program within sixty (60) 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.

A copy of this entire agreement shall be made available to MHDC prior to beginning the scope of work contemplated herein.

All capitalized terms in this section have the same meaning as defined in the MHDC Workforce Eligibility Policy.

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 and 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 (60) days of commencing work. Proof of completion of such training must be made available on site during periodic audits conducted by MHDC.

MHDC staff 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 nonprofit organizations and small emerging businesses including Section 3 businesses. Contact MHDC staff to request a waiver of the materials fee.

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 DOR.

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 DOR:

1. The principal place of business of the out-of-state employer must be in a county which borders the state of Missouri; and
2. 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
3. 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.

Loan Program Requirements

Developments receiving loan funds from MHDC may be subject to additional program requirements as outlined below.

Prevailing Wage

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 all contractors and subcontractors pay some of their employees particular wage rates depending on the type of work each employee performs.

Certain circumstances will trigger the applicability of Davis-Bacon such as developments with twelve (12) or more HOME assisted units, CHOICE Neighborhood funds, Housing Choice Vouchers, Rental Assistance Demonstration (RAD) or CDBG/CDBG-DR (used for construction). Developers should check with all funding sources to verify that Davis-Bacon is not required.

Additional guidance is available on the MHDC website.

Section 3

Section 3 of the Housing and Urban Development Act of 1968 was established to ensure employment and other economic opportunities generated by certain HUD assistance goes to the "greatest extend feasible" to Low and Very low-income persons and businesses. It applies to Public Housing and HUD-provided housing and community development assistance.

Section 3 is required for developments awarded MHDC HOME, HOME ARP and National Housing Trust Funds (NHTF) of $200,000.

The Section 3 Act was enacted by HUD (12 U.S.C. § 1701u), as amended, to ensure 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 Section 3 Requirements.

Additional guidance is available on the MHDC website.

Homeownership

MHDC is dedicated to strengthening communities and the lives of Missourians through the financing, development, and preservation of affordable housing. 26 U.S.C. § 42 supports homeownership opportunities for residents of single-family homes and duplexes with a fire separation wall developments by allowing the owners to sell the homes to the residents following the completion of the Compliance Period. Converting LIHTC 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 ("Homeownership Policy").

This section details the rules that must be adhered to when converting LIHTC rental properties into single-family homeownership properties at the end of the Compliance Period. Additional restrictions may apply depending on what other type(s) of financing is involved in the development. Developers and owners of affordable, single-family and duplex rental developments who want 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 Compliance Period ("Homeownership

Commitment"). Every Homeownership Commitment will differ. MHDC realizes there are many options for determining the sales price besides what are outlined in this section and encourages the use of creativity within the Homeownership Commitment. Above all, a Homeownership Commitment must remain true to the LIHTC program by ensuring 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 staff at Firm Commitment, and attached to each resident lease.

The following issues apply to and must be addressed in each Homeownership Commitment, in the implementation of the conversion for all single-family and duplex rental/homeownership developments proposed with the FY2020 NOFA and thereafter, and all Homeownership Commitments filed.

Any development submitted to MHDC and reviewed as a single-family and duplex homeownership development must waive the right to opt out of the LIHTC program for an additional fifteen (15) years beyond the Compliance Period. In other words, the owner will not be allowed to "opt-out" of the LIHTC program at the end of the 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.

Before offering a Right of First Refusal ("RFR") to any resident, the development must have fully completed the Compliance Period on ALL units. This will avoid confusion by allowing the owner, residents, and MHDC staff to all be on the same timetable.

Owners must ensure the purchase price of each home complies with the minimum purchase price required in § 42(i)(7)(B) of the Code ("Minimum Price"). This is 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 five (5)-year period ending on the date of the sale to the residents) and all federal, state, and local taxes attributable to such sale.

To preserve affordability, MHDC sets the maximum sales price at 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 on bedroom size (assuming a 95% mortgage, thirty (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").

The sales price can 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 not less than the Minimum Price and not more than the Maximum Price. Several illustrative methods for setting the sales price are described below.

The owner will offer the RFR within twelve (12) months of the end of the Compliance Period. This will be a set date and cannot 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."

Each lease will contain an addendum which contains a copy of the Homeownership Commitment. Because it is important for the residents to be aware of the Conversion Date so they know when the houses will be offered for sale to them, the Conversion Date must be referenced in the lease addendum. The Homeownership Commitment should also define the term "Right of First Refusal" and 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 the

plan for pricing the homes. The addendum should also state the homes cannot be sold at a price lower than the minimum sales price as set forth in § 42(i)(7)(B) of the Code.

The owner must provide information about homeownership training to the resident by way of a notice or a brochure five (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 five (5) years prior to the Conversion Date.

The owner should address the issue of how potential homeowners will be educated concerning home maintenance. Some suggestions are to have the property maintenance person work with potential homeowners while doing routine maintenance and minor repairs to units and enlist the help of nonprofit organizations which promote homeownership opportunities.

One year before the offering of the RFR, the owner must distribute to all residents information detailing the dates, timeline, and information contained within the Homeownership Commitment.

Each resident will be given up to six (6) months after the Conversion Date to decide whether 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 its RFR by tendering an offer to buy the property. Within this offer there should be a date set for closing.

After the six-month period mentioned above, the owner has several options in reference to any unsold units:

- The owner can choose to sell the remaining units in the development to a nonprofit partner or another entity that will continue to operate the units as affordable housing in accordance with the LIHTC LURA. The sale must include 100% of the remaining rental units, not a portion thereof.
- The owner can choose to maintain the remaining units in the development as rental units, adhering to all MHDC Extended Use Period guidelines. The remaining units after this initial six-month selling period may at any time be offered for sale to the current or subsequent qualified residents.
- The owner can offer vacant units for sale to a buyer whose household income does not exceed 80% of the area median income. At the sale of each home, MHDC staff will execute a partial release of the LIHTC LURA for that particular unit.

If MHDC holds a mortgage on the development, the owner must 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 development 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 Price of the home.

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 development. 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:

The principal balance of a loan on the Conversion Date of a development is

- $500,000. There are thirty (30) homes in the development. 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.

As each home sells and contributes the required pay down of the mortgage, MHDC staff 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.

Each house to be sold to a resident under the RFR must pass an American Society of Home Inspectors (ASHI) 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.

The owner should address the issue of replacement reserves in the Homeownership Commitment. 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 development and the new homeowner. Some suggestions are to 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, and establish a reserve account for the new homeowner from the pro rata portion of the reserve amount.

The purchaser must agree to occupy the home as their principal residence.

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 the lease.

A resident in good standing cannot be relocated or evicted to expedite the sale of a unit. When renting a unit, a potential resident may not be discriminated against because they do not wish to purchase the unit they are requesting tenancy in.

If a household has had an increase in income since moving into the development, this will not disqualify them from buying the property. 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).

To ensure all parties are prepared to begin selling the homes as outlined in the Homeownership Commitment, 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. The owner must contact MHDC's Asset Management department to begin this process.

The ownership entity may offer the first right of refusal to the nonprofit partner at the end of the Compliance Period, with the nonprofit commencing sales of the units to the residents and qualified buyers thereafter if the following requirements have been met:

- The limited partnership agreement or operating agreement, as applicable, governing the ownership entity has granted a first right of refusal to the nonprofit partner or member;
- The nonprofit entity is a qualified nonprofit for purposes of the LIHTC. 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;
- The nonprofit has filed a Homeownership Commitment that has been approved by MHDC staff and attached to resident leases; and
- 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 LIHTC 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 fifteen (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.

Discussed below are three possible options for determining the sales price of the property at the Conversion Date.

Existing Obligation plus Profit

§ 42(i)(7)(B) of the Code defines the minimum purchase price for a LIHTC property at the end of its Compliance Period to be the sum of (i) the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the five (5)-year period ending on the date of sale), and (ii) all federal, state, and local taxes attributable to such sale. We also understand 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: [(((the payoff of the entire note) + Exit Taxes + Amount to make any and all repairs deemed necessary to bring the building up to excellent condition)/# of units in the project) + (An amount of profit the owner chooses to add for the sale of each home). The resident will then receive a discount off the sales price for each year they have occupied the property within the development, specified by the owner.

Sample assumptions:

- Fifteen (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 ($200,000 + $150,000 + $180,000)/15) + $20,000) x 93%

Equivalency Principle Approach

The following procedure will occur on the Conversion Date and will be used to decide the sales price for the houses. This price will be used as the sales price for all 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 ninety-five percent (95%) mortgage, thirty (30)-year amortization, and an interest rate equal

to that used by the MHDC First Place program. Existing residents are offered a one percent (1%) discount for each year of tenancy.

- Current monthly rent = $550
- Insurance and taxes = $150 per month
- Mortgage payment = $400 per month
- Using an estimated MHDC MRB interest rate = 6.3%, the mortgage amount would be $64,623
- Assuming a ninety-five percent (95%) mortgage, the sales price would be $68,024
- If the resident leased the unit for four (4) years, a four percent (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 effect 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 on bedroom size (assuming a ninety-five percent (95%) mortgage, thirty (30)-year amortization, interest rate equivalent to MHDC's First Place loan program, and typical insurance premium available to low-income households) less a one percent (1%) discount for each year the resident has leased the unit.

An example would be:

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

Additional HOME Rules

HOME Funds utilized for new construction rental housing carry an affordability period of twenty (20) years ("HOME Affordability Period"). The HOME Affordability Period includes income and rent restrictions set forth in the HOME Regulatory Agreement encumbering the development ("HOME Regulatory Agreement"). HOME regulations allow for rental units to be sold during the HOME Affordability Period, but the following rules apply for units designated as HOME-assisted units. These are in addition to the homeownership rules described above.

During the HOME Affordability Period, all purchasers of HOME-assisted units must have a household income 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.

For the term of the HOME Affordability Period, some type of deed restriction will need to be recorded against the property to help assure the new homeowner adheres to HOME rules throughout the HOME Affordability Period. This will be put in place by the original owner. This document will expire on the date the original HOME Affordability Period for the development ends. This deed restriction should address

resale provisions associated with the unit(s). 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.

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 HOME Affordability Period.

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.

The sales price must be affordable to the purchaser. MHDC defines affordability as a transaction in which no more than 35% of the purchaser's income can be used to pay monthly PITI payments.

The initial homeowner who sells the unit during the HOME Affordability Period must receive a "fair return" which is defined by MHDC as the return of the homeowner's initial investment.

The buyer(s) must occupy the property as its principal residence and must occupy such property as its principal residence for no less than eleven (11) months of each calendar year. The property cannot be rented during the HOME Affordability Period.

The only exception to the twenty (20)-year term of the HOME 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 twenty (20)-year period associated with the development subsidy (from the initial construction of the property) is terminated. MHDC does not currently offer HOME Funds 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 to ease the restrictions on the homebuyer, but the availability of funds in the future cannot be completely assured.

Environmental Review

Below is general guidance on MHDC's Environmental Review requirements and process. Additional information is located on MHDC's website: https://mhdc.com/media/o5qmadsp/environmental-compliance-guide_2027.pdf.

Preliminary Review: (all applications)

A preliminary environmental review is performed by MHDC on all applications received to assist in the evaluation of project recommendations to MHDC's Board of Commissioners. Preliminary analysis is per 24 CFR § 58 guidelines for the following:

1. Noise analysis (roadways, railroads, airports, other)
2. Floodplains
3. Wetlands
4. Other - Anything else observed on or around the site or in application information. For example, tank farms, consolidated animal feeding operations (CAFO), sewage areas, dumps, explosive and flammable, quarries, and landmarks.

Recommendation of a site's appropriateness for approval takes into consideration other factors such as, the amount of potential mitigation / abatement, location of amenities (grocery, post office, police / fire departments, transportation, shopping and so forth), and general neighborhood characteristics.

Secondary Review:

Approved applications with HOME, HTF, HUD/MHDC Risk Sharing, or other federal funds:

Approved developments with federal funding requires review per regulation 24 CFR part 58 which implements the National Environmental Policy Act (NEPA). Form 1400 provides general guidance and direction to obtain in-depth compliance requirements for submissions to MHDC. ALL documentation pertaining to the environmental review process (including pre and post construction) for approved developments with MHDC authorized federal funds are required to be uploaded into the Department of Housing and Urban Development Environmental Review Online System (HEROS). MHDC will provide developers with the Environmental Review Checklist (Exhibit B to the Commission Approval Letter) which provides specific details of the level of review and required submissions for each development. MHDC will engage third-party environmental firms (MHDC Environmental Consultants) to review environmental submissions from each developer's Environmental Analyst for compliance with state, federal, HUD and MHDC regulatory requirements. Developers will be responsible for completing and submitting required documentation to MHDC and the MHDC Environmental Consultant. Completed reviews will then be uploaded into HEROS. Non-federally funded developments will not be subject to the MHDC Environmental Consultant review process.

Choice Limiting Actions (Federal funding)

[24 CFR part 58.22 Limitations on activities pending clearance]

1. Neither a recipient nor any participant in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, may commit HUD assistance under a program listed in (24 CFR 58.1(b)) on an activity or project until HUD or the state has approved the recipient's Request for Release of Funds (RROF) and the related certification from the responsible entity (the state of Missouri). In addition, until the RROF and the related certification have been approved, neither a recipient nor any participant in the development process may commit HUD funds on or undertake an activity or project under a program listed in (24 CFR 58.1(b)) if the activity or project would have an adverse environmental impact or limit the choice of reasonable alternatives.
2. If a recipient is considering an application from a prospective sub recipient or beneficiary and is aware that the prospective sub recipient or beneficiary is about to take an action within the jurisdiction that is a Choice Limiting Action, the recipient will take appropriate action to ensure the objectives and procedures of NEPA are achieved.
3. An option agreement on a proposed site or property is allowable prior to the completion of the environmental review if the option agreement is subject to a determination by the recipient on the desirability of the property for the project as a result of the completion of the environmental review in accordance with this part and the cost of the option is minimal portion of the purchase price. There is no constraint on the purchase of an option by third parties that have not been selected for HUD funding, have no responsibility for the environmental review and have no say in the approval or disapproval of the project.

Environmental testing is allowed. This includes noninvasive and invasive testing, but no abatement, mitigation, or modification of any kind. Examples include testing for lead, asbestos, and radon.

To summarize, no action concerning the proposal shall be taken prior to completion of the environmental review which would (i) have an adverse environmental impact; (ii) limit the choice of reasonable alternatives; and (iii) prejudice the ultimate decision on the proposal.

MHDC issues a Firm Commitment Memo once all issues have been resolved, and missing documentation has been submitted. This memo will indicate items that will be necessary at a later date; usually prior to closing or after completion of construction to bring environmental compliance to a close. This memo becomes part of the legal documents for the project; and any outstanding issues on the memo are addressed by the legal department and environmental department through the legal department's initial closing and final closing / conversion checklists.

Distribution of the Firm Commitment Memo (to developer and MHDC underwriter) initiates the HUD Release of Funds process if federal funding is involved. Regardless of the funding the developer is directed to contact the MHDC underwriter before moving forward.

Approved applications with no federal funds

Approved developments with no federal funding will undergo an environmental review closely based upon the federal environmental regulations 24 CFR part 58 and part 50 as appropriate. The developer will be provided with Exhibit B which lists items to be addressed to begin the environmental review. The differences between the non-federal review and federal review include:

- The peer review process required for federally funded developments is not required. The environmental submissions provided by the developer per Exhibit B document will be reviewed by MHDC. MHDC will conduct the environmental review.
- Noise level is evaluated in the same manner as federally funded developments using the HUD guidelines and tools. However, MHDC, in its sole discretion, may require remediation.
- Wetland / Floodplain issues do not require the HUD 8 Step Process. MHDC sets out basic requirements for floodplains. MHDC may consider proposals to construct, restore or renovate affordable housing in 100-year and 500-year floodplains. Such proposals shall include flood mitigation components, including but not limited to:
- Whenever possible the design should place all building improvements, ingress and egress outside of the floodplain.
- Construction design flood mitigation features.
- Flood insurance.
- An emergency plan to evacuate and re-locate residents, including a; proposal to fund such evacuation and re-location.
- Prior to lease signing, written and acknowledged notice to prospective residents that the development is in a floodplain.
- Developments receiving HOME funds or Risk Share insurance shall be required to proceed through the eight-step environmental review process in accordance with the federal requirements as they may be amended from time to time (currently HUD regulations 24 CFR part 55.20)
- Historical Review is not required.
- Evaluation and remediation for radon, asbestos, lead-based paint / soils, Phase I and II ESA's, and vapor encroachment are per the HUD regulations.
- Non-federally funded reviews are not entered into the HEROS system.
- All state and local regulations apply.