Draft 2026 Qualified Action Plan (QAP)

Summary of Stakeholder Feedback

Received January 01, 2025 through May 21, 2025

Appraisals

1. We would like for MHDC to clearly articulate why a regulatory component is necessary. There are some areas where we struggle understand the utility of certain regulations and requirements, such as MHDC ordering the appraisal even when acting as subordinate lender, leading to 2-3 appraisals. In some cases, the MHDC-ordered appraisal may even be counterproductive. For instance, the policy of tying acquisition basis (in bond developments) to application purchase price should change. Developers make an informed decision at application but if the appraisal comes back low, they have a credit/funding gap, whereas if the MHDC appraisal comes in higher than projected, MHDC will not allow usage of the appraised value to set acquisition basis. The net effect is that federal equity is left on the table.
2. Why not allow the investors or lenders, if not MHDC, handle ordering appraisals with MHDC being an intended user given reliance on the final report? Some investors and lenders won't rely on MHDC's appraisal, so then the development is having to pay for 2 appraisals. Since MHDC is a lender on some deals, we would propose MHDC allow deals that are not funded with MHDC funds to rely on the appraisal ordered by the investors and lenders of the deal.
3. While we are encouraged by this policy change indicating MHDC is ending the practice of requiring an MHDC-procured appraisal on every application, we recommend you clarify that you will only require it to be instigated by MHDC when the loan resources provided by MHDC are in first position.

   Second, we note the language says that MHDC will require "the purchase price will be reduced to appraised value" in the event the appraised value is less than the option price. We suggest MHDC change this policy to remove the difference between the option price and lower appraised price from acquisition basis. Since the option price is always negotiated well before an appraisal is conducted, and always before an application is awarded, it is difficult and can be impossible to renegotiate the sales price with a seller based upon MHDC's appraisal.

CDBG-DR

1. One question/suggestion I had was that even though CDBG-DR funding was a priority category in Phase II scoring, there were no additional points awarded for this funding/priority in Phase 3, as opposed to something like the Preservation priority, giving applications both 45 points in Phase II and an additional 20 points in Phase III.

Contractor Fee

1. Builder's risk insurance is an owner's obligation, not a general contractor's obligation, and should not be required to be paid by the general contractor and reduce the general conditions percentage available to cover actual general contractor costs.

Credit Efficiency

1. For competitive state tax credit 4% projects, credit efficiency should be calculated based on the STATE TAX CREDIT, not the 4% credit. It is imperative that MHDC encourage the efficient use of its competitive resources like the 9% credit and state tax credit. It does not make sense to calculate credit efficiency based on the 4% credit because it is unlimited and does not come out of the state's budget. We recommend replacing the regulations with the following:
    a. 9% applications will be awarded points for credit efficiency based on the eligible LIHTC amount per LIHTC bedroom using the criteria below. Applications will be divided into four categories: (1) Family New Construction; (2) Senior New Construction; (3) Family Rehab; and (4) Senior Rehab. A "safe harbor" will be determined for each category. The Average Eligible LIHTC amount per LIHTC bedroom will be determined for each category based on the eligible LIHTC amount per LIHTC bedroom data in the submitted applications under this Plan. The Safe Harbor for each category is 10% above and 10% below the Average Eligible LIHTC amount per LIHTC bedroom for each respective category. Applications will be scored as follows:
    b. 4% applications will be awarded points for credit efficiency based on the requested state tax credit amount per LIHTC bedroom using the criteria below. Applications will be divided into four categories: (1) Family New Construction; (2) Senior New Construction; (3) Family Rehab; and (4) Senior Rehab. A "safe harbor" will be determined for each category. The Average requested state tax credit amount per LIHTC bedroom will be determined for each category based on the requested state tax credit amount per LIHTC bedroom data in the submitted applications under this Plan. The Safe Harbor for each category is 10% above and 10% below the Average requested state tax credit amount per LIHTC bedroom for each respective category. Applications will be scored as follows:
2. Should MHDC consider publishing a list of previous years' Safe Harbor results to see how this has panned out, and what impact it has had on the industry Statewide?

Developer Fee

1. The LIHTC fee caps in the MHDC QAO are all of [1] inconsistent with the Federal rules on a LIHTC and historic project, [2] that cap is inverted as larger deals are so much harder than small unit count projects, and [3] there is no discernible policy reason there should be any cap on a 4% only LIHTC bond deals.

    [1]. The Federal and Missouri DED rules allow the HTC developer fee, if reasonable, be up to 12% of project cost. This baseline came from Revenue Procedure 2014-12's new rules from and after 2014. The Federal and also Missouri HTCs are measured on "qualified rehabilitation expenditures", whereas the Federal (and also Missouri) LIHTC math is measured on 'eligible basis'. But, note these two different math counting tax definitions are virtually the same! But the Missouri QAP caps the LIHTC fee in all cases based on the units counts not eligible basis

math!! That per unit QAP cap is inconsistent with the Federal LIHTC and also HTC basis / math baselines!

[2] The per unit cap is also inverted, The cap (if one is to exist) should be more per unit on a larger deal, as the costs and the risks are more in the pre-development through construction / restoration / lease-up and sustained operations. So, the per unit amount should be larger on bigger projects. That increase in fee with a cap would be automatic is the federal test of ' eligible basis' is used.

[3] A change in the developer to be pegged to eligible basis, not number of units, would be a "GAP" closer (especially on 4% automatic Federal only LIHTC / HTC deals) as more federal LIHTC equity can come into Missouri, at no dollar cost to the State! That said, on a 9% deal where resources are limited, or in projects asking for State LIHTCs, maybe a cap, properly sized, is a fair policy driven 'use / stretch resources'. But in a 4% ONLY Federal LIHTC deal, the cap has no such policy base line at all.

Requests: [i] The fee cap based on units, as stated in the QAP, needs to be changed, and [ii] the FY 2026 QAP, that takes effect July 1, 2025, should be effective for projects that qualify for this new fee math that start the physical construction / restoration work on or after July 1, 2025.

2. The current maximum developer fee calculation methodology is antiquated and is making 4% LIHTC development needlessly difficult in Missouri compared to other states. It is important to note that this comment should only apply to 4% LIHTC project, not 9%. The reason that this distinction must me made pertains to the impact that this recommendation would have on Missouri's budget. Because 9% credits come from a limited pool, an increase in allowable developer fee may increase the overall credit request, thus further limiting the number of 9% projects that MHDC can fund that year. This is not the case with 4% projects. It is true that (just like a 9% project) an increase in allowable developer fee would increase the gross tax credit eligible basis however, the 4% credits and tax-exempt bonds are effectively unlimited. An increase in the maximum developer fee specifically for 4% projects would not impact MHDC's ability to fund projects. By increasing the maximum allowable developer fee for 4% projects to a level consistent with most other states, this would allow developers to raise more equity through the additional 4% credits and would allow developers to defer a larger fee to fill a funding gap. By limiting the developer fee, MHDC is limiting the potential non-competitive funding it can receive and needlessly restricting the developer's ability to fill the funding gap. It is our opinion that if MHDC increased the maximum developer to resemble a state like Ohio or Wisconsin, many of those 4% project not awarded state tax credits would become financially feasible without the state tax credit or other gap funding. Wisconsin currently allows up to $50,000 per unit in developer fee. Ohio currently allows 20% of depreciable basis, less the developer fee. In many cases, these allowable fees are more than double what MHDC offers. We recommends adjusting the maximum developer fee calculation for 4% LIHTC projects to reflect a minimum of 17% of the depreciable basis, less the developer fee.

3. For the amount of risk developers and guarantors take on to ensure high quality affordable housing that meets MHDC standards is created, the per unit developer fee limitations are substantially lower than similar States with similar quality requirements. For example: a) Oklahoma allows developer fees up to 15% of Eligible Basis, excluding fees. With its $230/sqft TDC limitation, this could equal a fee of up to $30,000/unit for a 9% award (4% deals are 20% of EB, or roughly $40,000/unit). b) Georgia has a per unit limit of $27,500/unit up to 50 units, then $22,000/unit for the next 20 units, then $16,500/unit for any units over 70. For a 60 unit deal the total fee would be $1,595,000 in Georgia whereas in Missouri the same deal would only be $1,150,000. When you incorporate the Rental Assistance Reserve, the total fee drops to roughly $1,015,100 for a 3-year term and drops to $700,400 for a 10-year term. While Kansas and Nebraska have similar fee limitations to Missouri, neither of those States require the Rental Assistance Reserve to be funded from the Developer Fee, and those States are also not as sophisticated in their development requirements as Missouri. Therefore, Missouri should either lower the complexity of deals or allow more commensurate developer fees for the risks associated with its desired higher quality developments. We would recommend $25,000/unit for the first 50 units, then $22,500 for the next 50 units, and $20,000/unit for each unit over 100. This could accomplish 2 goals: y) a lower fee than both OK and GA and z) potentially more developers electing the 10-year Rental Assistance Reserve given the net developer fees would be higher than current limitations.

4. We would also like for the structure of Missouri developer fees to align more closely with those in comparable states.

   Developer fees are important because developers with weak balance sheets cannot demonstrate the liquidity required to secure equity and loans and receive the most competitive terms. These fees cover a developer's time and expenses to produce affordable housing which takes years to structure, finance, close and complete – especially when proposals fail to win funding the first time around (as is typical) or, worse, must be scrapped after multiple years of unsuccessful submission. Fees must also account for a developer's risk in providing financing and operating deficit guarantees for cost overruns through the entire 15-year initial compliance period.

   In some cases, scant development fee is actually received by owners in the near or middle-term, since they must defer substantial portions of the fee up front, fund service reserves and payments to nonprofit partners, and are subject to other major downside risks (i.e., the cost of insurance skyrocketing) without having any corresponding upside gains, given rent and income limits that severely limit the economic returns typical in market-rate multifamily properties.

   Missouri developer fees are far lower than those in comparable states. A 70-unit Missouri development with a TDC of $17,000,000 yields a fee of $1.3 million, whereas the same exact development yields a $1.76 million fee in Kansas, a $1.81 million fee in Georgia, and a $2.1 million fee in Ohio.

   We would like to see developer fee limits increase such that Missouri is at least in the middle of the pack nationally. The percentage limitations on developer fee limitation has not changed since

2008, and in 2010 MHDC instituted the "lesser than" formulation that added a per unit cap on fees, which have been unchanged since then, leaving 14 years of static compensation. In addition, we would ask that going forward these limits be annually adjusted according to the Consumer Price Index.

We respectfully request MHDC present a proposed change in developer fee calculation to MOWHA for feedback before implementing the change, to allow industry professionals to test the formulation to ensure no unintended consequences that could result in fees greatly exceeding or falling far short of the "middle of the pack" concept we have all been working toward.

Finally, if MHDC has a policy on how much fee should be deferred in an initial application, we request this to be published annually in the QAP or Developer's Guide.

5. We appreciate that MHDC is proposing to update the developer fee and contractor fee limits and that there will be separate developer fee limits for 9% and 4% LIHTC applications. We appreciate that the 4% fee methodology for new construction will no longer have a per-project cap. We believe these are all positive developments but respectfully, we think MHDC should consider further changes to help maximize production under the 4% bond program.

   From a practical perspective, increasing developer fees in a rising cost environment, as we are experiencing today, generates additional eligible basis and additional tax credit equity. This can be particularly impactful on 4% bond transactions where the LIHTCs are capped by eligible basis rather than an annual state ceiling. Maximizing developer fees, within the constraints of the tax law, regulation, and reasonable underwriting, is a proven and successful method of generating additional LIHTC eligible basis, and in turn, equity proceeds which help fill project gaps and/or reduce the need to obtain state gap financing resources. We defer a substantial portion of our developer fees to fill project gaps.

   Furthermore, unlike with the 9% program, there is no mechanism to provide additional supplemental allocations of LIHTCS to fill project gaps under exigent circumstances.

   Recommendation – 4% Developer Fee: We suggest MHDC set the developer fee for bond financed deals at to a flat 15-18% of total development costs and eliminate the per $45,000 per unit limitation for new construction projects as well as the 35% of hard cost limitation on acquisition rehabilitation developments. We further recommend that MHDC require developers of bond-financed projects to defer all developer fees above 13% *or* at least 20% of the total developer fee, whichever is greater. This is a strategy that many state housing finance agencies across the country have implemented, including Arizona, Florida, Kentucky, North Dakota, Ohio, Oklahoma, Oregon, and Tennessee.

6. [We] strongly supports the proposed changes to the developer fee formula, which will yield fees more commensurate with the degree of risk and expense associated with LIHTC developments.

   In view of these increases in calculated fees, we encourage MHDC to eliminate the 50% cap on the maximum amount of developer fee that can be deferred, at least for 4% LIHTC projects. For

4% LIHTC projects, maximizing deferred fee (constrained only by the fee formula and what can be repaid in 15 years) is an important, zero-cost strategy for generating additional basis and “free” equity to support rehab or construction, reducing demand on scarce gap funding sources and making projects economically viable. For example, consider a 4% LIHTC project with a calculated $3M fee that can support only $1M in paid fee from cash sources. The project should maximize LIHTC basis / equity by deferring the remaining $2M of fee (assuming it can be repaid in the compliance period), but the 50% cap limits deferred fee to $1.5M, reducing the project’s eligible basis by $500K, and reducing LIHTC equity by $180K (or by $234K if the project is in a QCT or DDA). This impact can be significant, and in today’s scarce resource environment, we encourage MHDC to take this opportunity to use the 4% LIHTC resource as efficiently as possible by removing unnecessary constraints on deferred developer’s fee.

7. As to the allowable developer fee on 4 % LIHTC awards that can be included in eligible basis, on page 2 of the proposed May 9, 2025 changes to the 2026 QAP, here are four distinct comments:

    a. For ‘acquisition-rehabilitation’ projects that should cross reference ‘re-syndications’ of prior LIHTC transactions. Stated inversely, this category should not be construed to be 'moderate or partial renovation or older or historic buildings' that were never LIHTC projects.

    b. For the 'new construction' bracket, the allowable developer fee should explicitly call out both new 'stick' construction and also the renovation of historic or older buildings that are properties using the 4% LIHTC as ‘first time project uses’.

    c. For ‘community service facilities' under section 42(d)(4)("CSF"), that per se have no residential units, the developer fee should be separately calculated and allowable, but be capped at a percentage of say 10% of the total costs (excluding that fee) of the CSF.

    d. These developer fee caps shall apply to a project for the year in which that project receives either (1) a single conditional award letter or (2) a project receiving multiple sequential award letters effective as of the last dated letter.

8. We appreciate the need to ensure basic development services are included in the definition of developer fee. LIHTC application consultant services are a clear service that should be paid for out of developer fee, as every developer needs to be able to apply for LIHTC credits in order to complete a project. However, we object to relocation consultant fees from being paid out of developer fee. These are specialized consultants that are not typical to every LIHTC project, but are often essential in ensuring a cost-effective project. They are also costs that aren’t often fixed. Depending upon the scope of the renovation, the amount of time and expense can vary widely, making these consultant fees difficult to cover out of the developer fee line item. Finally, requiring these fees to be paid for out of developer fee puts renovation deals at a disadvantage to those that require neither.

    Developer Fee for Acquisition / Rehabilitation projects:

The 13% TDC (minus fee and reserves) formulation results in substantially smaller increase in fees than new construction projects – and in some cases, scarcely any increase at all. We suggest the formula be changed to the lesser of 35% of hard costs or $30,000 per unit in lieu of a 13% limitation to normalize the increase in fee over former fee calculations.

Development Standards

1. What is the process for verifying a developer has built a property in accordance with the 3 accepted rating systems if a certification is not required?
2. MHDC can amplify the economic impact of building affordable housing by incentivizing developers to use building products that are made in the U.S. or – preferably – manufactured locally. Projects with these specifications support the creation of high-quality jobs, help grow the manufacturing base of the U.S., and more fully realize the socio-economic benefits of investments in making buildings more efficient, healthier, and climate-resilient. We encourage MHDC to consider the following provisions into its 2026 Qualified Allocation Plan.
    a. Require all projects to incorporate products or goods manufactured by Missouri based firms.

    Preferring regional and in-state purchasing of products enhances local economies, strengthens supply chain resilience, and reduces emissions. Structuring policies that support the purchase of locally-made, energy-efficient products not only helps maintain good–quality jobs but also generates local economic activity and drives overall economic innovation. In fact, one manufacturing job generates nearly five jobs in the local community, fueling economic growth and tax revenue, and supporting economic diversity and community representation. To better assist developers, MHDC could create a database of Missouri-made building products.

    To illustrate this last point, Building Clean's manufacturer database - buildingclean.org - lists 68 facilities within the state of Missouri that make building products. These products range from energy efficiency sectors such as lighting, appliances, insulation, sealants, HVAC, plumbing, water filtration systems and roofing. We would welcome the chance to provide a more comprehensive overview of this database and share our data with MHDC.

    b. Offer incentives to projects that meet BABA requirements

    We also encourage MHDC to consider incentives for projects that prioritize American-made manufacturing. The Build America, Buy America Act (BABA) was signed into law as part of the Bipartisan Infrastructure Law in 2021. BABA strengthens domestic content procurement preferences for federal financial assistance for infrastructure projects. BABA is not triggered by the Low-Income Housing Tax Credit (LIHTC), but awardees of these tax credits may need to abide by BABA if they are additionally financed by other federal programs, such as the HOME Investment Partnerships Program.

For projects where BABA is not federally required, another state's QAP offers a blueprint for how Missouri can incentivize purchasing American-made building products. The recent allocation plan designed by the Pennsylvania Housing Finance Agency offers 5 points to applicants who follow BABA requirements.

3. [We] congratulate Missouri on the forward-looking sustainability criteria outlined in its QAP and would like to suggest a potential enhancement. In Section B, Development Standards, item 9 requires new construction projects to meet the certification requirements for one of three green building programs: LEED, National Green Building Standard (ICC 700), and Enterprise Green Communities. We recommend that Missouri includes ZERH as an additional option to fulfill this requirement.

   ZERH is the federal government's most energy efficient voluntary residential building certification. It includes provisions for crucial systems like the building envelope, indoor air quality, forced-air duct location, hot water system efficiency, PV- and EV-ready construction, and electric-ready provisions for space and water heating. The long-term benefits for residents of ZERH-certified buildings are substantial, including lower energy costs and numerous indoor air quality enhancements. Incorporating these elements into affordable housing is critical for improving the health and resilience of more vulnerable populations.

   There are no program registration or certification fees from DOE for the ZERH program. In our discussions with developers and builders in the affordable housing industry, certification costs can significantly impact a project's budget and create a financial barrier to achieving certifications. Including ZERH as an option under the Development Standards section is a simple way to provide additional flexibility to developers who would like to earn a certification by offering a potentially lower-cost alternative to other incentivized programs.

   If Missouri includes ZERH in its 2026 QAP, it will open the gateway to additional funding sources associated with ZERH that can be incorporated into an affordable project's capital stack. Under the 45L tax credit ZERH projects can earn up to $5,000 per certified dwelling unit, and additional incentives and financing options are available for many of the energy efficient technologies the program includes. These incentives and tax credits can be paired with Low-Income Housing Tax Credits to offset increased construction costs in today's market.

Development Team Performance

1. The development team characteristics category is worth 25 points – one of the most significant components of a LIHTC application. Eight of those points are awarded based on the track record of the team's property management organization. We are seeking additional clarity on the other 17 points, the evaluation of which remains relatively opaque.
   a. Do waiver requests lead to developers being docked on points?
   b. Can we learn which waiver requests are granted "with prejudice" and which are granted "without prejudice"?

  c. What other requests, agency interactions, or development process hiccups count against applicants?

   We are unsure if there are unwritten rules or if they are just in our collective head – and so we think that making this category more explicit would reduce a lot of anxiety and improve overall outcomes by discouraging undesirable developer behaviors.

2. Is every party listed on the "IV. Development Team" tab of the Fin 100 considered a "Supporting Development Team" member (excluding, the developer, owner, consultant and property management company)?

Economic Development

1. Non-Rural Counties are at a substantial advantage over Rural Counties. This point scoring section should be split between the pools as Income Targeting (St. Louis and Kansas City / Springfield, Columbia, Joplin, Jefferson City, Cape Girardeau and St. Joseph / All Other Counties).
2. [We support] the removal of the Economic Development section from the scoring category, as its requirements were not as applicable or relevant for a number of project types (including preservation projects and senior communities).

Extended Compliance

1. This scoring parameter should be moved to Threshold as all applicants are more than likely electing >=15 years, or consider requiring complete election out of the ability to enter into a Qualified Contract to ensure new developments are kept in the program for the maximum extent possible.

Identity of Interest

1. Additional clarity is helpful, but the guidance did not appear to include the new definition. Can MHDC please provide that so we can comment on it substantively before QAP release?

Leveraged Funds

1. The present value of a municipal property tax abatement should be included as an eligible source.
2. This scoring parameter puts many Rural Counties at a severe disadvantage to MSA and larger population Counties. However, the need in these smaller and Rural Counties still exist, and sometimes to a greater extent. MHDC should consider reducing the % to Total Development Costs for Non-MSA Counties, creating a separate set-aside altogether for Rural Counties where Leveraged Funds would not be a deciding factor, or increase what resources are eligible for counting towards the reduced % of TDC for points. For example, the Chapter 100 incentive

program and tap / impact fee reductions both should be eligible uses. Additionally, instead of looking at a single use and comparing it to TDC for points allow the aggregate of all eligible uses to count if / when a % of TDC is used for points.

3. We are writing to provide feedback on Leveraged Funds. We appreciate the opportunity to offer our perspective as we strive to develop quality affordable housing in Missouri. Specifically, we would like to request that MHDC consider the following points regarding the allocation of points under Leveraged Funds:

    a. Partial Government Land Donation: We respectfully ask that you consider awarding a portion of the available points when a government entity donates a portion of the land required for a project. This would acknowledge instances where municipalities contribute significantly to a development through partial land donations, which we have encountered in our work.

    b. Non-Governmental Land Donation: We also suggest including land donated to a project by non-governmental entities as eligible for points. Organizations like Beyond Housing frequently donate land to facilitate affordable housing initiatives, and this contribution represents a significant financial benefit to the project. We are unclear why the current language excludes "any party related to the proposal" in this context. Recognizing these contributions would more accurately reflect the financial leveraging achieved.

    c. Recognition of Financial Contribution: Regardless of the donor type, we believe that land donation represents a tangible financial contribution to a project and warrants consideration within the points system.

    Furthermore, if applications are unable to receive points for land donation, we respectfully request that MHDC consider allowing applicants to include the documented cost of donated land as part of the overall project cost. This would provide a more comprehensive financial picture of the development and its leveraging efforts.

4. Can you further define “tax exemptions”? For instance, does sales tax exemption from construction costs count? Or does real estate tax abatement be included?

MBE/WBE

1. As a point of reference, HUD categorizes Historically Underutilized Businesses, or HUBs, as a business that is owned at least 51% by a minority (MBE), woman (WBE), or service-disabled veteran (DBE). Additionally, HUD recognizes other small businesses as HUBs if they’re located in a qualified HUBZone and the business is owned by a US citizen where at least 35% of employees reside in the HUBZone. A HUBZone is defined as a census tract with LIHTC developments (high poverty rates and low AMIs), is a Qualified non-metropolitan county, has land within Indian reservations, has land within military installations closed through BRAC, has land in Qualified disaster areas, or is a Governor-designated area approved by the SBA. However,

MHDC is only recognizing 2 of the 3 entities and ignores HUBZone qualifications in all scoring and threshold aspects pertaining.

Preservation

1. [We] recommend significantly reducing the number of points available under the "Preservation" scoring opportunity. Being able to score 10-20 points here indicates that the most important factor in a project is that it is a preservation project. Our recommendation would be as follows:
    a. Located in Kansas City of St. Louis regions: 2 points
    b. Located in MDS-Rural or Rural regions: 3 points
    c. Development is existing USDA-RD property: 5 points
2. [We strongly support] MHDC's priority designation for preservation projects. Preservation is an urgent need in Missouri: according to the National Housing Preservation Database, Missouri is in danger of losing 8,700 publicly supported rental homes in the next 5 years as their affordability restrictions expire; and many other units are at risk of loss due to physical deterioration if funding is not awarded for their renovation. Preserving existing and at-risk units is far more cost-effective than replacing them once they are lost through new construction.

    Rural properties should be an especially critical priority for MHDC, given their importance to the rural communities they serve – as critical affordable homes, as local employers, and as sources of local property tax revenue. These properties are often very challenging to finance due to lower market rents and so the existing, strong scoring emphasis is necessary to offset that weakness and allow them to compete. Accordingly, [we] strongly encourages MHDC not to reduce the point allocation to Preservation projects located in MSA-Rural or Rural regions or which are existing USDA-RD properties.

    As a related matter, we respectfully suggest that preservation projects should not be evaluated in direct competition against new construction projects, since the fundamental differences between these project types make direct comparisons inherently unfair or meaningless. For example, preservation projects cannot design a unit mix, or select a competitive location, or select a resident population in response to a QAP priority, as new construction projects can. Instead, we encourage MHDC to designate a set-aside of 9% credits for preservation projects – perhaps 25% of the state allocation – and conduct separate competitions for preservation and new construction projects. According to research by the National Housing Trust, 30 state QAPs have a set-aside or pool of 9% LIHTC dedicated to preservation projects, ranging from 42% (MS) to 5% (CA), with the average being 20%.

    In the same vein, we encourage MHDC to allocate more substantial gap financing resources – including the Missouri state LIHTC – to support 4% LIHTC preservation transactions – enabling those efforts to go forward while reducing demand on the 9% LIHTC.

Previous Phase Success

1. MHDC should continue to encourage phased developments, as well as being located outside of a certain radius of previously awarded 9% and 4% awards (1- to 2-miles for non-Rural, and 2- to 5-miles for Rural) within a certain timeframe. However, a phased development would be exempt from the mileage radius and score similarly to an application that is proposed in a community that has need and hasn't been awarded in the previous 5 cycles. For example, a phased development meeting the current requirements of this section would still get points (increase to 5), while a development located outside the radii requirements exemplified above can score up to the maximum points (same max of 5, but deduct 1 point if a deal was funded in the previous 4 years, deduct 2 points if funded in previous 3 years, and 5 points if funded in previous 2 years). The market study is required to take into consideration previously funded deals in the same market study area, so lower the capture rate requirements to ensure any new deal will not have a detrimental impact on any existing MHDC funded development serving the same tenancy population. MHDC could also consider incorporating points for previous phases' average waitlist (50% of proposed new phase units for previous 1 year).

Rental Assistance

1. It would be curious to see how many applicants have elected the 10-year commitment and what impact it has had on the program. If the 10-year commitment isn't being elected, then why include it as a point scoring parameter? If MHDC considered increasing the cap on developer fees, then more applicants may be willing to elect the 10-year option.
2. It has become routine for Project Based Section 8 properties that go through LIHTC substantial rehabilitations to receive new 20 year HAP contracts, though at the time of LIHTC application they may have less than 5 years left on the existing HAP contract. It would be recommended that clarifying language be added to the Revised Rental Assistance section awarding the total of 5 points to a property with an existing Project Based Section 8 HAP contract and to allow the submittal of the existing Project Based Section 8 HAP contract as the evidence of the rental assistance commitment.
3. When serving special needs populations, such as youth aging out of foster care, the funding for housing follows the individual and is not allocated to a project. Based on the new language, this rental assistance would not qualify for points but it is a readily available resource and greatly aids in serving this vulnerable population. Could there be reconsideration for this voucher only rule?
4. We support the continued scoring allocation for projects with rental assistance, and would encourage MHDC to increase points for projects with project-based rental assistance, given that it is the primary tool for delivering housing affordable to ELI households, who are by far the most cost-burdened class of renters in Missouri and who face the biggest supply gap. In addition, we would suggest replacing the proposed references to "project based vouchers" in this section with the phrase "project-based rental assistance", the generic term which includes both project-based vouchers and HUD's Project Based Section 8 program.

Site Control

1. Why does MHDC not allow a purchase contract, especially for applications not proposing the use of Federal funds? As defined by HUD, a Choice Limiting Action does not preclude one from entering into a purchase and sale agreement or contract so long as certain provisions are disclosed to the Seller at contract execution. Namely, the language required by HUD includes the following:
    a. Intent of Buyer to pursue or apply for HOME Investment Partnership funds, in which case the acquisition of the property is subject to 49 CFR 24.101.
    b. Seller acknowledgement that (a) Buyer may use Federal funds obtained from the U.S. Department of Housing and Urban Development for purposes of acquiring the property owned by Seller, (b) Buyer does not have the power of eminent domain to force the sale of the Property, and the agreement or contract is a voluntary sale by the Seller, and (c) the parties agree the purchase price for the Property is a reasonable and fair estimate of fair market value.

    Choice Limiting Actions from HUD typically include acquisition, leasing, rehabilitation, demolition, new construction and ground disturbance work (clearing, grading, grubbing). CLAs are simply intended to allow HUD the opportunity to complete its NEPA reviews and determine a "finding of no significant impact" that would have an adverse environmental impact or limit the choice of reasonable alternatives.

Site Location

1. This scoring category puts some counties that lack affordable housing at a severe disadvantage year to year. For example, some County's designation for points for Cost Burdened Renters By County hasn't changed in years. This is not indicative of the amount of demand for a said PMA. The ability to be competitive inside a MSA/Rural set-aside is nearly impossible to overcome. We would recommend (should this category remain the same) incorporating Previous Phase points, as mentioned above, to the site location. Again, this category is heavily weighted on points, and is not representative of the demand of housing that can be proven by a previous phase's waitlist.

Underwriting Standards

1. Doesn't MHDC look to incentivize applicants who can accomplish more with fewer resources? Therefore, shouldn't MHDC look at credit pricing, both Federal and State, to ensure certain applicants are not requesting more resources due to deflated pricing? If an application is deemed to be showing deflated syndication rates, then MHDC has the responsibility of adjusting the allocation down, if worthy of an award at all, so that only the amount of credits needed for financial feasibility are allocated based on the average of all awarded / eligible applications.

2. We appreciate the proposed changes to (C)(1) – Rents, which appears to remove problematic language regarding rent increases.
3. [We share] MHDC's interest in ensuring funded projects are financially viable for the long term, but the proposed requirement that projects remain between 1.5 and 1.0 DSCR throughout the 15-year compliance period will exclude properties with lower rents or higher operating costs from accessing resources to make urgent repairs. Even beginning with 1.5 DSCR, any property with an expense-to-income ratio more than 77% will fall below 1.0 DSCR before year 15, using standard 2%/3% income/expense trending. Many Missouri affordable housing communities are in that circumstance because they have lower rents (rural properties; properties with deeper affordability or with lower regulated rents) or higher operating costs (scattered-site properties; properties with supportive services). These properties should not be barred from accessing MHDC resources to support renovations, and so we encourage MHDC to define a waiver process by which exceptions to the new Debt Coverage standards can be given (allowing properties to fund reserves to maintain 1.0DSCR throughout the compliance period).

Workforce Set-Aside

1. The Workforce Housing set-aside appears to read incorrectly. HUD's definition of Workforce Housing is housing for households earning between 80% and 120% of the Area Median Income. However, as it's written in the QAP it is meant to serve Counties with AMIs below the most recent Statewide levels. It seems counterintuitive that a development could be structured in low AMI Counties to serve households making over 80% of the AMI. First reason being is 80% is the maximum AMI level allowed when utilizing Income Averaging. Second, these lower AMI Counties have low AMIs for a reason, and that is typically there are no jobs in those communities to pay higher salaries. Therefore, shouldn't MHDC modify this set-aside to be in Counites with higher paying jobs that lead to higher AMIs than the Statewide level AND those who elect Income Averaging to serve households making 70% or 80% AMI levels, as supported in the market study and by their investor at the time of application?

Other Comments

1. Could MHDC endeavor to align the exact language of the Developer's Guide and the QAP so that there are no inconsistencies or ambiguities, and review both with the goal of eliminating outdated verbiage and rules? Both documents should be issued as drafts during the public comment period such that the industry can provide detailed feedback on the differences for staff to consider as part of the comment process.
2. Would it not be simpler to have 1 document to reference for threshold and scoring requirements? While it would make the QAP much longer, there would be fewer total pages between the two documents if the Developer's Guide aspects were directly incorporated into the same sections of the QAP.

3. We recommend that MHDC proceed with creating a multi-year QAP. This would reduce the QAP drafting workload on MHDC staff by 50% and would provide developers with a much higher degree of certainty regarding the applicable rules and regulations for a proposed project. We recommend a 2-year QAP that outlines the rules and regulations for LIHTC development for any application requesting 2026 or 2027 funds.

4. [We appreciate] MHDC's continuing effort to refine the QAP scoring rubric used to prioritize LIHTC awards. MHDC's ongoing efforts in this area are critical both for individual projects and sponsors and for the maintenance of broader confidence in the program. [We have] seen in other states how inconsistency in LIHTC scoring and allocation processes undermines stakeholder confidence and threatens support for the program. As MHDC is aware, project sponsors develop proposals that are responsive to the QAP scoring rubric and make significant predevelopment investments based on their assessment of a project's competitiveness against the rubric. It is therefore critical that the QAP's scoring criteria be as clear as possible, and that awards correspond as closely as possible to the outcomes of the scoring rubric.

   Projects which score competitively should be funded; and to the extent that MHDC has other guidance which will impact the selection process, we hope that MHDC will implement feedback processes to convey that guidance to sponsors either through pre-submission reviews or through a cure period prior to final project scoring and selection, so that sponsors can correct issues which may otherwise threaten eligibility. Any guidance conveyed to sponsors, or waivers given, should also be clearly conveyed to MHDC staff reviewing applications, to ensure fairness and consistency in MHDC's review and selection process.

5. We greatly appreciate building in additional time to test the MAAP application system.