Draft 2026 Qualified Action Plan (QAP)

Summary of Stakeholder Feedback

Received January 01, 2025, through June 19, 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.
4. It's a welcome shift to move away from requiring MHDC-ordered appraisals in every case. However, the policy should clarify that appraisals are only required when MHDC funds are in the first mortgage position. Also, instead of mandating a seller reduce the price to the appraised value, which may not be feasible, MHDC could instead adjust the acquisition basis accordingly similar to what Idaho allows. This respects prior seller negotiations while maintaining underwriting integrity.

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.
2. We respectfully object to the inclusion of builder's risk insurance in the general requirements for General Contractors. This coverage is traditionally and appropriately considered as owner's insurance, as it protects the owner's interest during construction, not the contractor's. Including it as a GC requirement could create confusion in risk allocation and contract expectations.
3. We reiterate our objection to including builder's risk insurance in general requirements for GCs. It is owner insurance, not contractor insurance, and as such, it protects the owner, not the GC.
4. We share MOWHA's concern about placing builder's risk insurance within the general contractor's scope. This is an owner-controlled policy, not a contractor obligation. Arizona and Kansas clearly distinguish between contractor and owner insurance requirements, and we encourage Missouri to follow suit.
5. Builder's risk insurance is not and should not be a general requirement cost for general contractors. GCs are required to carry contractor general liability/workmen's comp coverage. Owners are required to carry the builder's risk policy as it is owner insurance that insures against their risk of loss of the building as they pay for it monthly through draws. Also, builder's risk insurance is based on a schedule of values that includes not only the cost of construction but also soft costs and tax credits, which is above and beyond what the contractor is a part of.

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?
3. We suggest that the credit efficiency category be reworked or removed. As currently structured, it contributes to overpromising and underdelivering, contributing to Missouri’s unusually high number of unclosed deals. If retained, this scoring should be based on LIHTCs requested, not eligible LIHTCs. Additionally, the current per-bedroom metric skews results, especially for senior projects, which are often forced to incorporate unnecessary 2- and 3-bedroom units to remain competitive. Other states have addressed this by allowing points based on both credits per bedroom and credits per unit, which ensures more balanced outcomes across project types.

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.
9. It’s encouraging to see Missouri taking steps to improve competitiveness by modernizing the developer fee structure. That said, I wanted to flag one area of concern. One of the new caps on developer fees for rehab deals - 13% of total development costs (excluding developer/consultant fees and reserves) - appears to undercut the intended incentive for preservation work. While this limitation may be appropriate for new construction, it disproportionately affects the feasibility of smaller rehab projects, which often come with higher risks and more complexity.

    Unlike new construction, rehabilitation projects often involve more complex execution risks tied directly to the construction scope: working around existing tenants, coordinating temporary relocations, uncovering hidden deficiencies like asbestos or structural damage, and adapting plans to unforeseen conditions in older buildings. These challenges make the construction phase of a rehab disproportionately difficult relative to its share of total development cost. However, when developer fees are capped as a percentage of total development cost - especially in deals where acquisition and reserves are a large portion of that cost - the fee fails to scale with the intensity and unpredictability of the physical work. For example, a project with $6 million in hard costs and $10 million in total development cost would be limited to a $1.3 million fee under the 13% cap, versus $2.1 million under a 35% of hard cost standard. Basing the fee on hard costs, as MHDC still permits elsewhere in the QAP, more accurately aligns developer compensation with the actual construction complexity and effort in a rehab project.

If the goal is to channel more investment into preservation, particularly in rural or distressed communities, I would respectfully recommend basing the rehab fee cap on the lesser of 35% of hard costs or $6 million. In other words, eliminating the cap of 13% of total development costs for rehabs. This approach more accurately reflects the scope of physical improvements and aligns with the policy objective of incentivizing preservation. I would be concerned that without this adjustment, the current structure may unintentionally disincentivize developers from pursuing smaller or more complex rehab deals - especially those with lower total development costs but substantial construction scope. Instead, developers may feel pressured to focus only on larger-scale projects where the fee structure better supports the effort and risk involved. This could leave rural and underserved communities at a disadvantage, despite their acute need for reinvestment.

10. The 13% net TDC results in a notably smaller increase in fees than new construction projects. I would like to see the formula changed to the lesser of 35% of hard costs or $30,000 per unit rather than a 13% limitation.

11. We applaud MHDC's willingness to consider changes to the developer fee calculation. For many years, the developer fee formula has resulted in significantly less fee than what is realized on similar developments in surrounding states. The proposed fee structure for acquisition/rehab development of 13% TDC (minus fee and reserves) results in a significantly smaller increase than what can potentially be realized in new construction developments. In some cases, the increase is essentially nothing. We suggest that the formula be changed to the lesser of 35% of hard costs or $30,000 per unit as opposed to the 13% limitation to normalize the increase in fee over former fee calculations.

12. 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.

13. 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.

14. I'm writing to share feedback on the recently proposed changes to the QAP, specifically regarding the Developer Fee Calculation. It is my understanding that the recent proposal entails a cap of 13% of TDC (minus developer fee and reserves). My feedback is for MHDC to instead consider implementing a formula whereby the fee is calculated as the lesser of 35% of hard costs OR $30K per unit. The aforementioned 13% of TDC formula results in substantially smaller fee increases for rehab projects compared to new construction projects. If implemented, my proposal would result in a more equitable increase in fees and benefit to all projects including both new construction and rehab projects.

15. We suggest that the credit efficiency category be reworked or removed. As currently structured, it contributes to overpromising and underdelivering, contributing to Missouri's unusually high number of unclosed deals. If retained, this scoring should be based on LIHTCs requested, not eligible LIHTCs. Additionally, the current per-bedroom metric skews results, especially for senior projects, which are often forced to incorporate unnecessary 2- and 3-bedroom units to remain competitive. Other states have addressed this by allowing points based on both credits per bedroom and credits per unit, which ensures more balanced outcomes across project types.

16. It is suggested the proposed 2026 QAP be amended to allow a separate developer fee to be calculable for the development of 'community service facilities' under section 42(d)(4)("CSF"). The total development cost of a CSF may not exceed 10% of the eligible basis of the entire project. See Revenue Ruling 2003-77. A CSF by definition does not have any residential units. So, the suggested allowable developer fee should be the lesser of [i] 13% of the total development costs (excluding this fee) or [ii] 25% of the hard cost.

17. 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. 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.

18. We share MOWHA's view that relocation consultants should not be lumped into the developer fee. These are highly specialized services that don't apply to every deal and can vary significantly in cost. Treating them as part of the developer fee punishes rehab projects that often require such services. Colorado and Arizona allow these to be separate line items, acknowledging the additional effort and cost involved.

The current formula — 13% of total development costs minus reserves —disproportionately disadvantages rehab deals compared to new construction. We support MOWHA's recommendation to revise this to the lesser of 35% of hard costs or $30,000/unit. We recommend MHDC revise its developer fee limitation to better reflect the cost realities and complexity of rehabilitation projects. Based on our review of Colorado and Arizona practices, we propose MHDC adopt a formula allowing the lesser of 35% of hard costs or $30,000/unit, or alternatively, follow Colorado's example of 15% of total development cost excluding developer fee and reserves, with a unit cap for balance. These models acknowledge the unique challenges of preservation deals—such as tenant relocation, asbestos abatement, and construction phasing—that warrant a more flexible fee structure.

19. [We] strongly [support] 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. However, we encourage MHDC to modify its proposed fee structure for rehabilitation projects, since 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.

    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 the amount that can be paid over 15 years out of cash flow) 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 approximately $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.

    [We] strongly [encourage] MHDC to reconsider the proposal to require relocation consultant fees to be paid from developer fee. Relocation services are provided by specialized third-party vendors – like architects or legal counsel – and the proposal that they should be paid from developer fee creates an unfair disadvantage for rehabilitation projects with existing residents. Relocation costs vary widely depending on the scope of renovation, and may be significant – for example, relocation for [our] project cost over $700,000. Relocation services can be essential to the success of a renovation project, and deducting this cost from developer fee will create an incentive to omit or reduce relocation services, which will negatively impact the quality of life for residents and create new compliance risks.

20. 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. We believe this change will ensure Acq/Rehab projects, which are primarily preservation deals, have the same incentive for developers to pursue them as they are as important as new construction projects. Relocation consultant fees do not belong in the developer fee definition. These are specialized consultants that are not typical to every LIHTC project, but they 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. There is a relocation line item on the Fin 100 which should be used to cover both the actual relocation costs, and the consultant fee.

21. I would like to express our concerns about the developer-funded rental assistance period being extended from 3 to 5 years for partial points. The developer fee needs to be utilized to support application costs, general operational expenses, land carrying costs, etc.

22. The propose changes in the draft QAP to the developer fee calculation are appreciated by everyone who had a hand in the discussions. I am writing to make sure that there are no unintended consequences of the change in fee calculations as you have likely been made aware, the fee structure for new construction developments provides for more of a market level fee for those developments. These projects are being increased generally by between 65 and 70%, which again we thank you for addressing. However, the acquisition, rehab projects "lesser of test" being at 13% of replacement cost, leaves them with a modest increase at best usually. This is particularly the case for smaller projects as they have smaller total development cost (and replacement cost.). The potential unintended consequence is that new construction is incentivized and renovation is discouraged. With the number of units coming up with expiring affordability, acquisition rehab is going to be a major need in preserving the affordable housing stock. Rural markets would likely be hit the hardest because MHDC cannot continue to add units in these areas. Rehabilitation is the only way to reach them and to maintain affordable units in smaller communities. As I and others brainstormed about ways to square the imbalance we arrived in an idea. Considering that new construction is looking at a $45,000 per unit threshold, we looked at a per unit cap. The idea was to try to equalize the amount of the "fee increase" for the acquisition rehab calculation. So if we take away the "13% of replacement cost" and apply a "30,000 per unit" test most rehab developer fees would increase around 50 to 65% from the previous fee calculation. This is more in line with the new construction fee increases discussed above. I "stress tested" that calculation with smaller and larger projects to arrive at a midpoint that gets us to a more even place versus the new construction proposals. So in summary the acquisition, rehab developer fee calculation I would propose would be: The lesser of $6 million Or 35% of hard cost Or $30,000 per unit.

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.

4. All new construction projects are excepted to "utilize sustainable techniques and materials to meet the current standards of one of the certification levels of the following green building rating systems: Enterprise Green Communities, any of the LEED rating systems, or the National Green Building Standard (ICC 700 or 'NGBS')." Third-party certification is not required; funded projects must only demonstrate that they were "designed and built in such a manner that it could receive formal certification."

5. We strongly recommend that MHDC require full third-party certification to comply with the green building criteria. More specifically, MHDC could require proof of green building certification prior to the issuance of the IRS Form 8609. By requiring third-party certification, MHDC would receive far greater assurance of construction quality, operational efficiency, and resident comfort. The referenced green building programs are more than simply design standards. For example, the NGBS includes practices pertaining to the design, construction, verification, and ongoing operation of certified buildings. It is unreasonable to expect a development professional to assess compliance beyond their typical scope of work. Further, as a development team member, the accredited green building professional mentioned described on page 8 of the Draft 2026 QAP would have a financial incentive to portray the building as being in compliance. Credible green building certification programs require on-site verification by a third-party professional. For

example, the NGBS requires that a qualified, independent third-party inspect the project and verify that all green design or construction practices claimed by the builder toward green certification are incorporated correctly into the project. Most projects require at least two inspections. The Verifier must perform a rough inspection before the drywall is installed to observe the wall cavities, and a final inspection once the project is complete. The required verification offers imbues an elevated level of rigor and quality assurance to the projects that are certified. An affordable housing organization can be assured that construction practices for higher building performance and healthier residences are successfully achieved. Independent verification and certification of a building's compliance provides real tangible value and quality assurance. While there is certainly a cost associated with the additional verification, when amortized over the lifetime of the asset I believe it is a tremendous value. I hope that you will reconsider the value of verification and require that funded buildings seek third-party green building certification. Formal certification can provide Missouri developers opportunities to qualify for additional funding through the Inflation Reduction Act programs, such as the Greenhouse Gas Reduction Fund, and preferential financing through Fannie Mae and Freddie Mac. Green building certification would help Missouri developers round out their capital stacks, resulting in deals moving forward and housing units being built for the residents of Missouri. The draft QAP identifies that a development team member must "document the pledged green building standards with pictures provide a signed and scored scoring tool, and a brief narrative during the construction process." Please be aware that Home Innovation's program resources--including the NGBS Green Scoring Tools--are exclusively authorized for purposes of seeking certification from Home Innovation Research Labs. Acceptance of Home Innovation's Scoring Tools where projects are not seeking certification encourages this violation.

Green Building Professionals

We request that MHDC expand the list of recognized credentials for development team members and specifically recognize the professional credentials offered by Home Innovation Research Labs. By requiring a development team member to be a LEED AP, LEED Green Associate, or Certified Green Professional, MHDC is disincentivizing the use of NGBS Green Certification. The professionals with NGBS knowledge are NGBS Green Verifiers and NGBS Green PROs. To some extent, these professional credentials are akin to the LEED AP and LEED Green Associate professional types, respectively.

Green Building Criteria for Renovation

We recommend that MHDC extend green building criteria to existing structures (e.g., acquisition/rehab, adaptive reuse) to provide added assurance of the quality, durability, and performance of those funded projects. NGBS Green and Enterprise Green Communities both include dedicated pathways for whole-building renovation that can accommodate both moderate and more substantial rehabilitation projects. These compliance options are well-suited for affordable housing.

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)?
3. 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)?
4. Please confirm if everyone listed under the Fin 100 form's "Development Team" tab—except developer, owner, consultant, and property manager—are counted as Supporting Team Members. In Colorado, clearly defined team roles inform scoring and avoid confusion.

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).
3. [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.

2. We suggest that the credit efficiency category be reworked or removed. As currently structured, it contributes to overpromising and underdelivering, contributing to Missouri's unusually high number of unclosed deals. If retained, this scoring should be based on LIHTCs requested, not eligible LIHTCs. Additionally, the current per-bedroom metric skews results, especially for senior projects, which are often forced to incorporate unnecessary 2- and 3-bedroom units to remain competitive. Other states have addressed this by allowing points based on both credits per bedroom and credits per unit, which ensures more balanced outcomes across project types.

Housing Priorities

1. True permanent supportive housing and set-aside housing carry greater development complexity and long-term operational costs than standard service-enriched models. If MHDC continues scoring both categories equally, it may unintentionally discourage the creation of deeply affordable, high-support housing. We encourage MHDC to consider awarding additional points to PSH or set-aside developments and to require that applicants demonstrate capacity or partnerships to effectively operate such housing, beyond simply electing that scoring option.

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?
2. 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?
3. MOWHA raises an important point: while a revised definition of "identity of interest" is mentioned, the draft QAP lacks that actual language. It's vital this definition be shared in full before the final QAP is published so developers can understand its implications. States like Colorado provide examples and a definition that helps developers avoid conflicts or misunderstandings when assembling their teams.

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?

5. 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?

6. We recommend MHDC specify whether tax exemptions—such as sales tax savings or property tax abatements—count toward leveraged fund scoring. Other states, like Colorado, allow these if well-documented, giving developers more pathways to demonstrate local support.

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.

Opportunity / Rural Area

1. MOWHA questioned whether opportunity area and rural underserved points are additive to the cost burden score. We agree this needs clarification. Scoring models should be explicitly clear about how categories interact, as seen in Arizona's fully itemized scoring sheets.
2. One of the recurring concerns in Missouri's QAP is the difficulty rural projects face in scoring competitively. In many cases, small communities—especially those with populations under 10,000—cannot compete with urban or suburban projects due to fewer amenities or lower market rents. We recommend MHDC adopt a scoring mechanism that awards points specifically for developments in rural areas below a certain population threshold. Additionally, MHDC could adopt a policy similar to Idaho's, which grants extra points or priority status to areas that have not received an award in recent years. This ensures geographic equity and gives rural developers a realistic path to securing credits.

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.

3. Currently, preservation projects can earn up to 15 points, while new construction deals have no comparable opportunity. We recommend offering an equivalent scoring path for non-preservation projects, ensuring a level playing field. The current system overly favors preservation, even in cases where those projects may be less transformative or impactful.

4. [WE] strongly supports 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 through new construction once they are lost.

   Rural properties should be an especially critical preservation priority for MHDC given their importance to the rural communities they serve – as much-needed affordable homes, as local employers, and as sources of local property tax revenue. These properties are often very challenging to finance due to lower area 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 many scoring-related factors are already established and may not be changeable. For example, preservation projects cannot design a new unit mix, or select a more competitive location, or change the resident population in response to a QAP priority, in the same way 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.
5. 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? While it is not explicitly discussed in the draft QAP, can MHDC make sure to align language in draft LIHTC LURAs and HOME restrictive covenants with the newly-revised rent approval process for projects not yet closed or leased?
6. There appears to be a gap in the language under "Project-Based Vouchers" subsection b. We support MOWHA's call to correct and clarify this to ensure scoring opportunities tied to rental assistance are clearly defined.
7. 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 (PBRA). PBRA 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 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).

4. [We shares] MHDC's interest in ensuring funded projects are financially viable for the long term, but the proposed requirement that projects remain between 1.2 and 1.5 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.

6. Thank you for the opportunity to submit feedback regarding Missouri's draft 2025 Qualified Allocation Plan (QAP). In particular we wish to draw attention to utility cost increases from 2020-2023 that outpaced inflation and wage increases[1]. In April 2025, Ameren received an 11% rate increase (ER-2024-0319), Spire has proposed a 15% increase, Missouri American Water a 40% increase, and Liberty Electric a 30% increase[2]. Further with the recent passage of MO SB4, rate payers can expect energy costs to increase by as much as $1,115 annually.[3] . Therefore, we encourage MHDC to implement the following energy conservation recommendations submitted by Renew Missouri, Tower Grove Community Development Corp, Metropolitan Congregations United, Cabanne District CDC, and National Resources Defense Council, on behalf of the Missouri Energy Efficiency for All (MO-EEFA) Coalition, the Midwest Building Decarbonization Coalition (Midwest BDC), and Missouri Gateway Green Building Council. We represent a broad cross-sector group of stakeholders, including affordable housing owners and developers, renters, architects, contractors, and community based organizations from the clean energy, building science, and environmental justice advocacy arenas.

   Summary of our Recommendations:

   A. Require International Energy Conservation Code (IECC) 2021 for rehabilitation projects, when no code or a lesser code is required by a municipality, and add points for electrification readiness provisions.
   B. Require projects to include no-cost additions, including LED lights, low/no VOC paints, adhesives, and sealants, native landscaping, and WaterSense labeled plumbing fixtures.

C. Encourage greater affordability of all units through reduced utility costs by providing extra affordability scoring points or basis boost for Passive House-designed projects.
D. Award points to project proposals that leverage Inflation Reduction Act (IRA) Home Energy Rebates, Greenhouse Gas Reduction Funds or other IRA and Infrastructure Investment and Jobs Act (IIJA) federal dollars. Coordinate with the state of Missouri and Missouri utilities on their energy efficiency programs.
E. Require new construction projects to be at least electric-ready and award points for electrification of heating/cooling, hot water, and cooking systems and appliances.[1] [2] [3] [4]
F. Award points for rooftop solar incorporated into new construction projects within census tracts with confirmed energy burdens.

A. Require International Energy Conservation Code (IECC) 2021 for rehabilitation projects when no code or a lesser code is required by a municipality, and award points for electrification or electrification readiness measures.

Because new construction is currently required to achieve a third-party building standard, we recommend MHDC require rehabilitation projects be built to the IECC 2021 code, as that is the municipal standard in Kansas City, and will be adopted by additional municipalities. Energy codes and standards set minimum efficiency requirements that assure reductions in energy use, emissions, and air pollution over the life of the building. Code compliant buildings are more comfortable and cost-effective to operate, ensuring economic and energy grid-stabilization benefits.[4] We recommend establishing IECC 2021 as a baseline for LIHTC projects so that residents receive at least that level of economic relief and comfort, no matter where in the state the housing is located.

We also recommend MHDC incentivize electrification measures by awarding points for rehabilitation projects that include electrification or electrification readiness measures such as adding electrical capacity for high efficiency electric HVAC systems, appliances, and electric vehicle plug-ins. For this purpose, MHDC could reference Illinois' Stretch Energy Code electrification that provides standards for communities to mandate more efficient building construction. Stretch codes provide tiered benchmarks for energy efficiency levels based on a site energy index relative to earlier (and weaker IECC) standard requirements.

B. Require projects to include no-cost additions, including LED lights, low/no VOC paints, [5] [6] adhesives, and sealants, native landscaping, and WaterSense labeled plumbing fixtures.

Because the Design and Construction Guidelines have very few green building program components, we recommend requiring implementation of measures that add no additional cost. These include LED lights, which use up to 90% less energy and last up to 25 times longer than traditional incandescent bulbs[5], paint designated as having less than 50 grams of Volatile Organic Compounds (VOC), native landscaping that preserves and adds resiliency to local ecosystems, and WaterSense labeled fixtures.

The average US household uses a hundred gallons of water per day to the tune of $1,100 per year. Retrofitting with WaterSense labeled fixtures and ENERGY STAR certified appliances can save more than $350 annually per household from reduced water use and reduced energy use to heat, treat, and deliver that water.[5] WaterSense labeled plumbing and irrigation fixtures are independently certified to be at least 20 percent more water-efficient and perform as well or better than standard models.[6]

- We recommend two improvements to MHDC's approach to water efficiency. First, MHDC should require the installation of WaterSense labeled showerheads, lavatory faucets, and toilets to the following standards: toilets that use 1.28 gallons per flush or less; faucet aerators use 1.5 gallons per minute (gpm) or less in kitchens and 1.0 gpm or less in bathrooms; and showerheads use 1.5 gpm or less. This will ensure that unnecessary water consumption and its associated utility costs can be avoided. Plumbing products that meet performance criteria set by the US EPA WaterSense program achieve significant water savings while being no more expensive to purchase and install than less efficient products.[7]

- Secondly, MHDC should consider requiring documentation that all clothes washers on the premises (either in-unit or common area laundry rooms) are ENERGY STAR certified. Clothes washing is responsible for about 20% of all indoor residential water use, and a new ENERGY STAR washer can cut water use in half compared to the most common types of washers in use today. They are available in a variety of formats, including ADA compliant units.

C. Encourage greater affordability of all units through reduced utility costs by providing extra affordability scoring points or basis boost for Passive House-designed projects

We commend MHDC for requiring minimum green building standards for all new construction developments. To encourage developers to reduce utility costs even more, we recommend MHDC provide extra affordability scoring points or basis boost for Passive House-designed projects.

Previously known as the Passive House Institute US (PHIUS), the PHIUS standard is designed to achieve deep energy savings and cost savings – both upfront costs and across the building's life cycle, derived from high-performance insulation, airtight building envelopes, efficient mechanical systems with balanced ventilation coupled with passive design principles to ensure the building works with its local environment. Recent experience of the Pennsylvania Housing Finance Authority (PHFA) demonstrates that building an affordable, multi-family home to PHIUS standards does not result, on average, in a higher construction first cost per square foot once there is significant market adoption (Figure 1). Other states have seen this cost-reducing rapid market adoption as a result of incentivization in the QAP. Moreover, because homes built to the PHIUS standard use dramatically less energy (approximately 50-60% less than the 2015 International Energy Conservation Code for HVAC-related consumption), the lifetime energy burden for low-income residents living in PHIUS housing is also dramatically reduced.

Awarding more points or providing a basis boost for higher levels of certification or achievement like Passive House will mean that more developers will prioritize higher levels of energy efficiency and conservation, which will directly reduce the energy burden of low-income residents.

- The Pennsylvania Housing Finance Agency first included Passive House in its 2015 QAP, establishing a significant number of points for PHIUS certification in the evaluation criteria (10 of 130 points). That year 39 multi-family projects were awarded funding - 8 were PHIUS projects. As of 2021, 50 PHIUS multifamily projects are in development across Pennsylvania. A cost analysis by the PHFA found an important and intuitive result. The first few Passive House projects were slightly more expensive than conventional construction. By the third round of projects (2018), PHIUS projects were, on average, less expensive than conventional construction.

D. Award points to project proposals that leverage IRA Home Energy Rebates, Greenhouse Gas Reduction Funds and IIJA federal dollars and coordinate with the Missouri utilities on their energy efficiency programs [7] [8]

Together with the Division of Energy (DE), MHDC should develop a working group with robust affordable housing community input (i.e., developers, advocates, resident associations) to seamlessly integrate IRA Home Energy Rebates and Greenhouse Gas Reduction Fund (GGRF) financing into existing capital stacks for LIHTC projects. MHDC should award extra points to projects that can demonstrate they will take advantage of IRA rebates for the Home Efficiency Rebate (HER) or Home Electrification Appliance Rebate (HEAR).

Many state housing finance agencies have coordinated with their state energy office on prior rebate programs funded by the American Recovery and Reinvestment Act (ARRA). MHDC can use this prior experience to add IRA rebates and GGRF financing into existing loan commitment systems, with lenders designating ESR eligibility in the commitment system after home loans close. Examples of housing agencies integrating energy efficiency funding with housing financing programs to simplify access to resources and maximize efficiency and electrification opportunities include Virginia Housing's integration of the Housing Innovations in Energy Efficiency (HIEE) program with funding from the Regional Greenhouse Gas Initiative (RGGI).[10] HIEE funds are integrated into a consolidated application process along with housing financing sources.

Maryland Housing administers funding from the state's electric utilities through the Multifamily Energy Efficiency and Housing Affordability (MEEHA) program.[11] All properties applying for housing financing are considered for MEEHA funding to capture all potential energy opportunities. The New York State Energy Research and Development Authority (NYSERDA) co-administers decarbonization incentive programs with the NYC and state HFAs. This model allows developers to include incentives as a funding source in their financing application, ensuring that the incentives impact design decisions.[12]

We commend MHDC for awarding points for leveraging energy/utility rebates/incentive program funds. We further encourage MHDC to collaborate with Missouri's gas and electric utilities to help LIHTC owners and managers learn about and access utility energy efficiency programs and incentives and help improve how utility programs are designed to better reach MHDC-supported housing. Consider, for example:

- Pennsylvania Housing Finance Agency and Minnesota Housing require developments seeking tax credits to submit an Energy Rebate Analysis with their application, detailing a list of utility-sponsored, local, regional, or federal energy efficiency rebate programs for which the property is eligible for inclusion in the financing application.
- Connecticut Housing Finance Agency requires applicants to submit an Energy Conservation Plan that includes information regarding the applicant's efforts to pursue other energy efficiency-related funding opportunities including utility-sponsored incentive commitments.
- St. Louis Affordable Housing Commission requires applicants for its funding sources to submit a letter from their local utility verifying that they have been in communication to discuss the inclusion of energy saving measures and rebates in their development projects.

MHDC could require rehabilitation projects to implement energy saving measures for which the local utility(-ies) offer a rebate or incentive that covers the incremental cost of a more efficient option.

E. Require new construction projects to be at least electric-ready and award points for electrification of heating/cooling, hot water, and cooking systems and appliances

F. Moving to all-electric homes powered by increasingly clean electricity will deliver enormous economic and health benefits to communities across Missouri and allow communities to tackle a major source of indoor and outdoor air pollution.

G. We recommend MHDC award points for the electrification of heating/cooling, hot water, and cooking systems and appliances, and consider extra points for projects that accomplish this by meeting the U.S. Department of Energy's Zero-Energy Ready Home (ZERH) Certification. ZERH has the advantage of aligning with residential federal tax credits recently expanded under the IRA.

H. High-efficiency electric solutions, like heat pumps for space heating and cooling, are efficient and cost-effective and lead to more comfortable indoor temperatures and better access to affordable heating and cooling.[13] All-electric homes also shield low-income housing residents from the energy burden exacerbated by fuel price volatility and inflation. Missouri's average annual natural gas prices rose nearly 30% from 2020 to 2022.[14] The highest monthly average residential gas rate was 134% higher than the lowest monthly average. The Energy Information Administration (EIA) forecasts indicate that DHR should plan on natural gas prices continuing to be volatile and not reverting back to their previous lows, indicating that the state can no longer rely on gas prices to be low and steady. On the other hand, electricity retail prices in Missouri did not see as significant a price increase or volatility, rising less than 5% from 2020 to 2022, with much less monthly fluctuation.[15] Additionally, a Roosevelt Institute study[16] indicates that in 2021-22 energy-related expenses accounted for as much as 70% of household cost inflation, largely due to fossil fuel cost increases. Lower income households were harder hit by these price spikes, projected to experience a 3% increase in household energy burden compared to 0.3% for high-income households. Due to the wider variety of fuels, including renewables, used in electricity generation, electric heating customers are more shielded from energy cost spikes. The historical and expected impacts on electricity and gas prices indicate that switching to electric appliances can help households in low-income housing keep their utility bills stable and protect them from rising gas prices.

I. Another often overlooked component of electrification is the elimination of gas-burning stoves.[17] Elevated levels of nitrogen dioxide[18] and carbon monoxide[19] are associated with gas stoves but not electric stoves. Studies show that gas flames without any cooking activities emit twice as many small particles (PM2.5) as electric stoves.[20] These negative effects are also more harmful to more vulnerable residents- a comprehensive meta-analysis concluded that children living in homes with a gas stove are 42% more likely to experience asthma symptoms and 24% more likely to be diagnosed with asthma by a doctor compared to those living in homes with electric stoves.[21] Additionally, lower-income communities and racial-ethnic minorities in the US are systemically exposed to disproportionately high levels of pollutants.[22] For example,[23] residential gas combustion is a large source of relative PM2.5 exposure disparities for Black, Hispanic, and Asian Americans.[24] And although ventilation is always recommended as a partial solution, it cannot eliminate air pollutant exposure because some buildings do not have kitchen ventilation. Of those that do, many exhaust hoods do not reduce pollution to healthy levels, and instead just recirculate pollution without removing it, and are seldom used when needed.[25]

J. We view these as necessary measures to begin the housing market's gradual transition toward cost-effective electrification.[26] Because electrification should not come at the expense of higher tenant energy burdens, incentives should lead owners toward high-efficiency heat pumps and similar technologies, and MHDC should work cooperatively with energy assistance partners like LIHEAP for the same reasons. MHDC should also work closely with local Housing Authorities to ensure that Utility Allowances reflect these high-efficiency electric appliances, especially in rehabilitation projects. Massachusetts and Connecticut each provide three additional points for electrification of heating, cooling, and hot water, and we suggest MHDC do the same.

K. Award points for rooftop solar incorporated into new construction projects, with extra points for projects within census tract areas with confirmed energy burdens.

This will benefit residents by significantly reducing their electricity bills, alleviating high energy burdens. Incentivizing solar for these low- and moderate-income households addresses historical inequities in these disadvantaged communities, where residents have typically had limited access to clean energy resources.
This incentive will stimulate economic growth in these communities by supporting local jobs in the solar industry, and will improve health outcomes by reducing air pollution from traditional energy sources. Increasing the adoption of solar energy reduces reliance on fossil fuels, leading to lower greenhouse gas emissions and helping mitigate climate change impacts.
We urge MHDC to continue this work by improving the energy efficiency of existing properties and encouraging collaboration between utilities and housing developers.

7. The Conditional and Firm Review process should be consolidated and the number of items tracked and reviewed by MHDC staff needs to be greatly reduced to increase the efficiency and reduce the closing time of the awarded LIHTC developments:
   - The current process was created over 20 years ago and has grown in complexity. The various reviews and coordination now requires more staff time and expertise than is currently available.
   - No other peer state does anywhere near this level of review and every program is run successfully with no greater rate of recapture or risk to developments, tenants, or the taxpayer.
   - The level of waivers is so high because too many data points are being tracked.
   - What exactly is the current justification for this level of review? What is a working theory as to what bad outcome would happen if the firm commitment and LPA review process was immediately stopped?
   - Reduce the amount of review and if bad outcomes occur then penalize the developers.

8. Given the increasing number of awarded projects that have not proceeded to closing, we encourage MHDC to consider pipeline management practices used in other states. Specifically, we suggest limiting the number of competitive but unclosed deals awarded for any given developer or development team member to three (3) total projects, inclusive of both 4% (which includes competitive state credits) and 9% awards. This approach promotes accountability, realistic pacing, and reduces speculative deal submissions that may not reach financial close.

9. 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?

10. We support the additional time being given to test the MAAP system and appreciate MHDC's responsiveness on this point. In Arizona and Colorado, states offer beta testing or trial periods for new systems, which helps avoid submission errors and system crashes. We encourage continued emphasis on giving applicants time to test, understand, and prepare applications using the platform.

11. MHDC's updated rent regulation process is a step in the right direction, but the QAP should be clearer in ensuring LIHTC and HOME documents (LURAs and restrictive covenants) reflect these changes. Without alignment, developers face conflicting restrictions. For example, Colorado aligns its restrictive agreements across funding sources to avoid compliance confusion post-closing.

12. Missouri's QAP could benefit from including points or underwriting benefits for developments that meet green building standards such as Zero Energy Ready Homes or LEED. Colorado

provides such incentives, aligning housing policy with state climate goals and encouraging lower long-term costs for residents.

13. To build trust and support learning, MHDC should consider publishing post-award scoring summaries and offering optional debriefs, similar to Colorado's approach. This helps unsuccessful applicants improve and grow.
14. [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, applicants develop proposals that are responsive to the QAP scoring rubric and make significant predevelopment investments based on their assessment of a project's competitiveness. 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 provide direct guidance to applicants -either through pre-submission reviews or through a cure period prior to final project scoring and selection. This allows applicants to correct issues which may otherwise threaten eligibility. Any guidance conveyed to applicants, or waivers given, should also be shared with MHDC staff reviewing applications to ensure fairness and consistency in MHDC's review and selection process.