2028 QUALIFIED ALLOCATION PLAN

DRAFT

This plan was adopted and approved by the Missouri Housing Development Commission Board of Commissioners on TBD

TABLE OF CONTENTS

This document is interactive.

To jump to a specific section, hover your mouse over chosen section in the table of contents and press Ctrl + Click to follow link.

I. GENERAL INFORMATION

A. Purpose

The Missouri Housing Development Commission ("MHDC") has been designated by the Governor as the "Housing Credit Agency" for the State. This designation gives MHDC the responsibility of administering the Federal Low-Income Housing Tax Credit Program ("Federal LIHTC") codified as 26 US.C. § 42, as amended (the "Code"). MHDC also administers the State Low-Income Housing Tax Credit Program ("State LIHTC") codified as Mo. Rev. Stat. § 135.350-363, as amended (the "State Act").

One of the statutory duties of MHDC as the Housing Credit Agency is to prepare a Qualified Allocation Plan (the "QAP"). The purpose of the QAP is to set forth the process that MHDC will use to administer the Federal LIHTC, State LIHTC, and other MHDC multifamily funding. In the process of administering these resources, MHDC will make decisions and interpretations regarding the QAP, applications, and properties. Unless otherwise stated, MHDC is entitled to the full discretion allowed by law in making all such decisions and interpretations.

B. Guidance Documents

MHDC has created supplemental guidance documents for MHDC Multifamily Programs to serve as a supplement to this QAP to detail the principles and procedures governing all MHDC rental production programs including, but not limited to, the Federal LIHTC and State LIHTC.

C. Credit Types and Availability

There are two types of Federal LIHTC and State LIHTC available in Missouri, the "9% Credit" and the "4% Credit."

1. <u>9% Credit</u>

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

The total amount of Federal 9% Credit available in any one year is specified by the Code in § 42(h)(3)(C) and is known as the "State Housing Credit Ceiling."

The State LIHTC was established by the State Act, which provides that any development eligible for a Federal LIHTC allocation is eligible for a State LIHTC allocation up to an amount equal to seventy percent (70%) of the available and authorized Federal LIHTC allocation amount authorized under this QAP. The amount of State LIHTC authorized for a development cannot exceed the Federal LIHTC amount authorized. MHDC will determine the amount of State LIHTC (if any) necessary for the financial feasibility of the development and shall make allocations of State LIHTC based on that determination.

2. <u>4% Credit</u>

Under § 42(h)(4) of the Code, developments financed with tax-exempt private activity bond volume cap ("Bond Developments") may be eligible to receive the "4% Credit." MHDC will:

a. Accept applications for Bond Developments at least once a year,

b. Place those awarded on a time-sequence list based on anticipated closing dates ("pipeline"), and

c. Make volume cap available to Bond Developments based on their order in the pipeline.

MHDC will determine the amount of State LIHTC (if any) necessary for the financial feasibility of the development and make allocations of State LIHTC based on that determination.

The amount of State 4% Credits available for Bond Developments is statutorily capped at $6 million authorized per fiscal year; the state legislature may reduce this amount. MHDC may choose to allocate anywhere between no State 4% Credits and the imposed statutory limit.

3. **State LIHTC Accelerated Redemption Program**

MHDC may select up to fifty percent (50%) of the total State credits approved for applications that request to accelerate redemption ("AR Applications”), subject to the same review as standard redemption applications. Developers must include a Letter of Intent (“LOI”) for both accelerated and non-accelerated pricing. MHDC will require only one application and one application fee.

Among selected developments, the annual State LIHTC amount available for redemption in the first five (5) years of the tax credit redemption period will equal the annual issuance amount of the allocated Federal LIHTC. The remainder of State LIHTC will be equally distributed over years six through ten.

D. Notice of Funding Availability

MHDC will publish the Multifamily Rental Housing Production Program’s Notice of Funding Availability (the “NOFA”) following the Commission’s formal approval of the QAP and the proposed NOFA on the MHDC website. The NOFA will describe the types and amounts of funding available and the due date for applications. In addition to LIHTC, the NOFA will reflect funding available for MHDC Fund Balance, HOME Program, National Housing Trust Fund (NHTF), and other sources as available.

MHDC may consider any application for:

- 4% Credits for a potential allocation of 9% Credits if the application meets the requirements and competes successfully, or
- 9% Credits for a potential allocation of 4% Credits.

MHDC will set forth the protocol and timing for the submission of applications in the Application Guide. MHDC will accept applications for 4% Credits that do not include a request for other MHDC-administered funds in one or more separate application round(s).

Approval of 9% Credit applications and 4% Credit applications will take place at a public Commission meeting following notice made in accordance with the provisions of Mo. Rev. Stat. § 610 (including but not limited to posting on MHDC’s website. MHDC will issue a Conditional Reservation describing the amount(s) of funding approved and the applicable requirements after formal Commission approval.

E. Application Scoring

MHDC will score 9% and 4% Credit applications under evaluation criteria below. The Supplemental Data Exhibit, Application Checklist, Application Guide, Developer’s Guide, and subject-level guides contain additional information.

II. STANDARDS

To be considered for a 9% or 4% LIHTC allocation, an application must be submitted in accordance with this QAP, the NOFA (as applicable), Application Checklist, Application Guide, Developer’s Guide, and subject-level guidance documents.

A. Participant Standards

All participants must be in good standing with MHDC and comply with the following.

1. At least one partner or member of the ownership entity must have been listed as the same in an MHDC awarded application or three LIHTC projects in other states. The involvement may be in a joint venture and/or through a single purpose entity. The property(ies) must have been placed in service during the current or previous three calendar years and not be in material noncompliance.
2. The proposed management agent entity must be a management agent for at least two MHDC properties or five LIHTC properties in other states and in good standing with all affordable rental housing program administrators.
3. MHDC will evaluate all members of the development team. If MHDC determines any member to be unqualified or problematic, the application will be ineligible. Items considered will include, but are not limited to:
   - Number of affordable developments completed;
   - Occupancy of developments owned and/or managed;
   - Number of developments approved but not closed; Amount of outstanding MHDC debt;
   - Number of developments complete but not converted MHDC loan(s) to permanent and/or received 8609s;
   - Performance, quality, and condition of previously completed developments;
   - Previous and outstanding compliance issues; and
   - Performance regarding MHDC deadlines for previous funding awards including significant cost increases, additional funding requests, responsiveness, timeliness, adherence to MHDC requirements, and overall performance of previously funded properties, including satisfaction of financial obligations and commitments.
4. Applications must document all identities of interest between members of the development team to MHDC's satisfaction, including
   - A property/land seller and purchaser;
   - Any two or more development team members such as developer(s), general partner(s), syndicator(s), investor(s), lender(s), architect(s), consultant(s), general contractor(s), sub-contractor(s), attorney(s), management agent(s), supplier(s), vendor(s), etc.

   An Identity of Interest relationship exists if any officer, director, board member, or authorized agent of any development team member:

   a. Is also an officer, director, board member, investor, or authorized agent of any other development team member;
   b. Has any influence, control, or any financial interest in any other development team member's firm or corporation;
   c. Is a business partner of an officer, director, board member, investor, or authorized agent of any other development team member;
   d. Has a familial relationship through blood, marriage or adoption with an officer, director, board member, investor, or authorized agent of any other development team member; or
   e. Advances any funds or items of value to the owner.
5. All participants must adhere to all applicable federal, state, and local laws, regulations, guidance, revenue rulings and the like as may be promulgated by the IRS, HUD, or any other federal or state agency. Participants are solely responsible for ensuring their own compliance.

6. Any individual or entity awarded Federal LIHTC and/or State LIHTC cannot resell their ownership interest (or any Federal LIHTC and/or State LIHTC flowing therefrom) unless approved by MHDC, excluding individuals or entities included in investor group. MHDC may bar any individual or entity which violates this provision from further participation in any MHDC rental production programs.
7. When available and feasible, developers must employ best efforts to use local vendors, suppliers, contractors, and laborers. Outreach to and involvement of Minority Business Enterprises (MBE) and Women Business Enterprises (WBE) should be consistent with state, federal and local laws.
8. All participants must agree to abide by the MHDC Workforce Eligibility Policy, as the same may be amended from time to time.
9. Applicants and owners must abide by the Fair Housing Act (42 U.S.C. § 3601 et seq) and all regulations and guidance promulgated by HUD thereunder.
10. In addition to the requirements in Paragraph 7 above, the Commission requires occupancy of housing financed or assisted by MHDC be open to all persons, regardless of race, color, religion, national origin, ancestry, sex, disability, or familial status, consistent with the Missouri Human Rights Act (RSMo § 213.010 et seq.), and other applicable federal, state, and local laws. Also, contractors and subcontractors engaged in the construction or rehabilitation of such housing shall follow all applicable federal, state, and local equal opportunity for employment laws.

    MHDC's adopted Standards of Conduct (SOC) establish criteria under which individuals and/or entities may be suspended or debarred from future participation in MHDC sponsored programs (4 CSR 170 8.010-8.160, as may be amended from time to time). Additionally, set forth in the SOCs, applicants (and those acting on their behalf) are "Interested Parties" subject to Disclosure Period and Quiet Period requirements when it comes to contacting MHDC Employees and Commissioners.
11. As an instrumentality of the State of Missouri, MHDC complies with the principle of equal protection found in the United States and Missouri Constitutions and is dedicated to non-discrimination in a manner consistent with state and federal laws, and applicable executive orders (including Missouri Executive Order 25-18), to further rules, policies, business, and employment practices and actions that treat all persons equally.

B. Development Design/Construction Standards

All MHDC-approved developments must meet the following:

1. Comply with MHDC Design/Construction Compliance Guidelines (as may be amended) in addition to the requirement for accessibility of persons with mobility, hearing and/or visual impairments.
2. Comply with all applicable local, state, and federal requirements including, but not limited to:
    a. Local ordinances.
    b. The construction code utilized by the local government unit where the development is located. In the absence of locally adopted codes, use the most recent of the following: International Building Code, the International Plumbing Code, the International Mechanical Code, the National Electrical Code, and/or the International Residential Code. MHDC may allow exceptions to some of the requirements under the applicable Code if requested before application submission.
    c. The Fair Housing Act of 1968, as amended. In addition, proposals receiving federal,

state, county, or municipal funding may be required to comply with the Architectural Barriers Act of 1968, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990, all as amended.

d. If applicable, the federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (“URA”) and/or Mo. Rev. Stat. § 523.205.

3. Have a minimum of five percent (5%) of the units (rounded up to the nearest whole number) designed in compliance with one of the nationally recognized standards for accessibility to wheelchair users and an additional two percent (2%) of the units (rounded up to the nearest whole number) usable by those with hearing or visual impairments.

4. All new construction projects, regardless of number of units, must be designed and constructed in accordance with the principles of universal design, as detailed in MHDC Design/Construction Compliance Guidelines.

5. For rehabilitation, the scope of work must address work to be done in all units.

6. Provide facilities, amenities, and equipment appropriate for the population being served by the development.

7. Be designed to meet the established construction budget and utilize construction materials that extend the longevity of the building including materials, products, and equipment, which are more durable than standard construction materials. Products must clearly reflect upgrades from standard construction grades and be economical to maintain.

8. If a development involves rehabilitation, applicants must conduct pre-development testing and energy audits of existing buildings using a minimum standard of ASHRAE Level 1. The analysis can be a stand-alone document or incorporated in either the Physical or Capital Needs Assessment reports provided it is in a separate section by itself and prepared by an assessor/rater certified through the Building Performance Institute (BPI), Residential Energy Services Network (RESNET) Home Energy Ratings Systems (HERS), or ENERGY STAR. Submit the energy audit with the development’s initial application.

9. All applications must establish the development will include sufficient broadband infrastructure in accordance with Narrowing the Digital Divide through Installation of Broadband Infrastructure in HUD-Funded New Construction and Substantial Rehabilitation of Multifamily Rental Housing, 81 FR 92626 (the "HUD Broadband Rule").

10. Have contracts that are both reasonable and competitively priced for both hard and soft costs. Copies of the contracts must be provided to MHDC upon request.

11. Compliance with Section 3 of the HUD Act of 1968 as codified in 24 CFR § 75 (“Section 3”) is required for developments receiving HOME, HOME-ARP, or NHTF funds, including MHDC must approve a Section 3 Plan (as detailed in the Developer’s Guide) signed by the owner/developer and the general contractor prior to Firm Commitment issuance.

12. Compliance with Build America Buy America Act (BABA) is required for developments receiving HOME or NHTF funds.

13. All MHDC-approved developments requesting MHDC financing must pass an environmental review as a condition of financing and must also commit to identifying and satisfying any existing environmental conditions to the satisfaction of MHDC and/or HUD as detailed in the Developer’s Guide and the MHDC Environmental Review Guidelines.

14. A development may include multiple buildings if it has similarly constructed units, is located on the same or contiguous tracts of land, is owned by the same federal taxpayer, and is financed pursuant to a common plan of financing. All buildings within the proposed development must have the same occupancy type (i.e., Family, Senior 55+, or Senior 62+). Scattered site buildings on noncontiguous tracts of land may also qualify if the development meets the requirements described above, all buildings in the development can be subject to a single Declaration of Land Use Restriction Covenants for Low-Income Housing Tax Credits ("LIHTC LURA"), and the development is 100% rent and income restricted. Costs associated with the development of a separate community building may not be eligible for tax credits.

C. Underwriting Standards

MHDC has adopted the following underwriting standards for all developments seeking MHDC administered resources.

The requirements of the applicable Application Guide(s) are incorporated herein by reference. MHDC staff may adjust assumptions according to market conditions at the time of application.

1. **Rents.** The proposed rents must not exceed the rent maximums set by funding sources utilized, set to meet debt coverage requirement in #2 below, be achievable (as supported by the market study), and not result in permanently displacing tenants.
2. **Debt Coverage.** Applications must show stabilized debt service coverage (DSC) between 1.20 and 1.50 throughout the term of the permanent loan(s). MHDC may underwrite to the standard for MHDC debt regardless of the source. Developments will be ineligible if the DSC is below 1.00 at any point during the Compliance Period.
3. **Development Cost Minimums.** For rehabilitation developments seeking 9% or 4% Credits, the total construction costs must equal or exceed forty percent (40%) of the total replacement costs. MHDC may permit exceptions if submitted at least thirty (30) days before the application due date.
4. **Construction Cost Analysis.**
   a. Development costs shown in the application must be reasonable and competitive for the type of development and location being proposed. If an application's construction costs are outliers for the type or location, MHDC may either require changes or determine the application is ineligible.
   b. MHDC will hire an independent third party to provide an up-front construction analysis for approved developments after submission of Firm Submission documents, including a replacement reserve analysis for rehabilitation (except for RD properties). If the costs submitted are either excessive or deficient, MHDC may adjust the amount of Federal LIHTC, State LIHTC, and/or loan funds allocated prior to closing.
5. **Increase in Eligible Basis.** Developments located in a Qualified Census Tract or in a Difficult Development Area may be eligible to increase eligible basis by up to 30%.
   a. Qualified Census Tract;
   b. Difficult Development Areas;
   c. State Designated Difficult Development Areas. MHDC may designate properties as located in a difficult development area if the application adequately demonstrates a boost is necessary for financial feasibility.
6. **Developer and Contractor Fee Limits.** Developer and contractor fees are limited as follows:
   a. Developer Fee. For the purposes of the developer fee limit, "Developer Fee" is defined as the sum of the developer fee and consultant fees including, but not limited to, the following types of consultants: development and/or credit, application, and historic consultants. Development costs paid for by a previous owner are not considered when

calculating developer fee, even if the cost of the previous work is included in the sales/purchase contract.

For 9% Applications:
New Construction Developments are limited to the lesser of: • $4,200,000; or • $47,000 per unit; or • 13% of total development costs (excluding Developer/Consultant Fee category, MHDC fees, and all reserves).
Acquisition-Rehabilitation, Historic Preservation, and Adaptive Re-use Developments are limited to the lesser of: • $6,250,000; or • 35% of Hard Costs; or • 13% of total development costs (excluding Developer/Consultant Fee category, MHDC fees, and all reserves).
Combination Developments are limited to the lesser of the above calculations.

For 4% Applications:
New Construction Developments are limited to the lesser of: • $6,000,000; • $47,000 per unit; or • 13% of total development costs (excluding Developer/Consultant Fee category, MHDC fees, and all reserves).
Acquisition-Rehabilitation, Historic Preservation, and Adaptive Re-use Developments are limited to the lesser of: • $8,000,000; • 35% of Hard Costs; or • 13% of total development costs (excluding Developer/Consultant Fee category, MHDC fees, and all reserves).
Combination developments are limited to the lesser of the above calculations.

MHDC fees include application fee, appraisal fee, construction cost analysis fee, and inspection fee. The Developer Fee may not increase after Board approval. Deferred developer fees must demonstrate full payment within 15 years from available cash flow.

In cases where there is a consultant or co-general partner, the applicant must detail the responsibilities and amounts earned by each party. If the consultant is not providing development guarantees, whether to any lender or any other partner or member of the ownership entity, then the maximum allowable consultant fee cannot exceed thirty percent (30%) of the total developer fee.

b. **Contractor Fees.** Contractor fees are limited as listed below. The construction contract must incorporate this limitation. Contractors must provide a cost certification demonstrating compliance with the limit.

- Builder’s Profit maximum six percent (6%) of construction costs;
- Builder’s Overhead two percent (2%) of construction costs; and

- General Requirements six percent (6%) of construction costs.

All general requirement items in the Contractor's/Mortgagor's Cost Breakdown must be included in the calculation of the maximum amount for general requirements, regardless of the party who pays.

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

   The applicant will obtain appraisals independently, however, MHDC may order its own appraisal if there are unresolved questions or concerns.
8. **Tax Credit Amount.** MHDC will determine the Federal LIHTC and State LIHTC amounts necessary at the following processing stages:
   - Application;
   - Conditional Reservation;
   - issuing Approved Firm Commitment and Carryover Allocation and/or a Letter of determination (a "42(m) Letter"), if applicable; and
   - issuing IRS Form(s) 8609.
9. **Maximum Credit Amount.** MHDC will limit the annual Federal 9% and State 9% Credit to an amount necessary for feasibility, including any applicable basis boost. In no event can the Federal 9% and State 9% Credit be awarded without Commission approval ("Initial Approval Amount"). The maximum amount of 9% Credit that can be allocated to a development without further Commission approval is the Initial Approval Amount plus ten percent (10%) ("Maximum Credit Amount"). MHDC may lower the amount of annual Federal and/or State LIHTC for purposes of application review and approval as a result of statutory changes or limitations placed on the State LIHTC by the Commission or the state legislature.
10. **Additional Credit.** MHDC may award additional Federal LIHTC and/or State LIHTC amounts if:
    - The development continues to meet the requirements of the QAP at the time of original award approval;
    - Additional Federal LIHTCs and/or State LIHTCs are available;
    - MHDC is satisfied the additional amount is necessary for the financial feasibility and viability of the development; and
    - The increased amount of Federal LIHTC and/or State LIHTC does not exceed MHDC's Maximum Credit Amount.
11. **Development Financing Commitments/LOIs.** Applications must include documentation of financing commitments for all sources, including:
    - Federal LIHTC and State LIHTC equity;
    - Federal Historic and State Historic LIHTC equity;
    - Construction and permanent sources; and
    - Assumed debt, with lender approval of terms and conditions.

    Sources that meet a qualification for points under the selection criteria must be confirmed by the appropriate entity. Updated commitment letters are required at Firm Submission. If an application includes multiple non-MHDC commitments/LOIs, the applicant must specify which commitment takes precedence.
12. **Participation Loan**
    Applications must clearly state whether they are requesting an MHDC participation loan and, if so, include an LOI from a lending institution(s) which states:

- The lender is willing to take a co-first lien position with MHDC;
- The amount that the lender is willing to loan;
- An acknowledgement that any participation loan is subject to the terms and conditions of MHDC's Participation Loan Agreement;
- Acceptance of MHDC's required deal terms.

MHDC will determine appropriate loan financing for the project.

13. **MHDC Reserves.** The following required reserves cannot be funded with Fund Balance, HOME Funds or NHTF.

MHDC Reserves
Operating Reserve: The operating reserve must either reflect six months of operating expenses and debt service or be explained in the application.
Replacement Reserve: The initial replacement reserve must either be $600 per unit or explained in the application.
Debt Service Reserve: MHDC may require a debt service reserve if the development cannot maintain the DSC guidelines.
Tax and Insurance: Developments with a MHDC permanent loan must fund a tax and insurance reserve prior to loan conversion and/or 8609 issuance in an amount appropriate for annual tax and insurance expenses as determined by MHDC.

D. Other Minimum Standards

All MHDC-approved developments must meet the following:

1. Each proposed site location must have a sign posted identifying it as a proposed MHDC development with the developer contact name and phone number from the time MHDC receives the application until the Commission votes on applications.
2. At least one month prior to commencing lease-up, the ownership entity will inform the local public housing authority and Section 8 administrator of accepting their referrals.
3. Applications must comply with MHDC's Market Study Guidelines. If the application is for a new construction phased development, the previously approved development (i.e., Phase I or Phase II) must be at fifty percent (50%) construction before the subsequent phased proposal can be submitted for consideration for funding.
4. MHDC may determine an application is ineligible due to the site being within half a mile of the following:
    - Chemical or hazardous materials storage/disposal;
    - Commercial junk or salvage yards;
    - Industrial or agricultural activities generating odors or pollution;
    - Landfills currently in operation; or
    - Wastewater treatment facilities.

5. A new construction application will be ineligible if the site is adjacent to, or across a street from, any of the uses listed above or the following:
    - adult entertainment establishment;
    - distribution facility involving trucking;
    - factory or similar industrial operation;
    - jail or prison;
    - source of excessive noise; or
    - other factors which create an undue adverse environmental impact.
6. Applications must include documentation of all necessary legislative and quasi-judicial land use approvals, including rezoning, conditional or special use permits, and variances, are in place for the proposed property. If the site is not properly zoned, MHDC may accept written confirmation from the relevant authority that the proposed use is within the parameters of existing conforming zoning designations.
7. Developments receiving HOME or NHTF must comply with all state and federal environmental rules and regulations, specifically including but not limited to, 24 CFR § 50.4, 24 CFR § 58.6, 24 CFR § 58.5 and any additional rules, regulations, or procedures required by HUD or MHDC.
8. Affordable and any market-rate units must be distributed proportionately throughout each building every floor, and throughout the bedroom/bath mix and type, to the extent feasible and practicable. Both market rate and affordable units must have the same design regarding unit amenities and square footage including fireplaces, covered parking, in-unit washer/dryers, etc. A development with multiple buildings proposing a mixed income structure must have low-income units in each building.
9. For Average-Income Minimum Set-aside properties, MHDC does not allow skewing the unit configuration such that unit Area Median Income ("AMI") designations are not reasonably distributed throughout the development in the initial unit designations and throughout the affordability period.
10. Developments must waive the right to opt out of the LURA to be recorded and choose to extend the compliance period (as defined in the Code) for an additional fifteen (15) years.
11. Developments receiving a subsequent allocation of LIHTC must follow the original LURA restrictions for the original LURA term.
12. All awarded applications must establish an Infectious Disease Management Plan prepared in accordance with guidance from the Centers for Disease Control (CDC) or other appropriate local health authorities.
13. Developments with MHDC funding must have a VAWA Emergency Transfer (VET) Plan for Victims of Domestic Violence, Dating Violence, Sexual Assault, or Stalking (HUD Notice H 2017-05). Adoption of the *Model Emergency Transfer Plan for Victims of Domestic Violence, Dating Violence, Sexual Assault, or Stalking* (HUD-5381) form will not be sufficient.

III. RESOURCE ALLOCATION

This section addresses 9% LIHTCs and tax-exempt bonds, as indicated.

A. Nonprofit Involvement Set-aside

MHDC will award at least 10% of the federal 9% Credit to applications for which a 501(c)(3) or (c)(4) qualified nonprofit organization will:

- be either a (co-)general partner or (co-)managing member of the ownership entity, and
- materially participate (regular, continuous, and substantial involvement, as further defined in

26 U.S.C. §469(h)) in the development and operation of the housing development throughout the compliance period.

The nonprofit must have an express purpose of fostering low-income housing in the Articles of Incorporation or Bylaws and not be affiliated with, nor controlled by, a for-profit organization.

If necessary, MHDC may meet this requirement by prioritizing them over higher scoring applications in any set-aside. Developments wanting to be considered for this priority must fully complete the applicable sections of the application and submit all required items.

B. HOME CHDO Set-aside

MHDC will take reasonable steps to set-aside fifteen percent (15%) of HOME Funds to be loaned to Community Housing Development Organizations ("CHDO"). Certain legal, organizational, and other requirements apply for nonprofit organizations to qualify for CHDO status (24 CFR § 92.2). The CHDO must be the sole general partner or sole managing member of the ownership entity to qualify.

If necessary, MHDC may meet this requirement by "skipping over" higher scoring applications in any set-aside. Developments wanting to be considered for this priority must fully complete the applicable sections of the application and submit all required items.

C. Federal and State 9% Credits

1. New Unit Construction

MHDC will allocate approximately 75% of the 9% Credit (both federal and state) by geographic distribution to new unit construction proposals, with the state divided into the following areas:

- St. Louis Region - 33%: Franklin, Jefferson, St. Charles, St. Louis City and St. Louis counties
- Kansas City Region - 20%: Cass, Clay, Jackson, Platte and Ray counties.
- MSA-Rural Region - 20%: Cape Girardeau MSA (Cape Girardeau and Bollinger counties), Columbia MSA (Boone, Cooper and Howard counties), Jefferson City MSA (Callaway, Cole, Moniteau and Osage counties), Joplin MSA (Jasper and Newton counties), Springfield MSA (Christian, Dallas, Greene, Polk and Webster counties) and St. Joseph MSA (Andrew, Buchanan and DeKalb counties).
- Rural Region - 27%: All other counties.

New Unit Construction includes any application proposing to create ten or more new units, including historic rehabilitation and adaptive re-use of non-residential buildings. Existing housing that does not meet the definition of Preservation will also be included in this category.

Awards are based on Reservation Process and Selection Criteria sections.

2. Preservation

MHDC will award up to 15% statewide for existing housing that meets at least one of the following criteria:

- Have and continue to use project-based rental assistance and/or operating subsidy from HUD or USDA RD;
- Participate in HUD's Mark-to-Market restructuring program; or
- Currently encumbered by a LIHTC LURA, have completed the final year of the compliance period for all buildings in the development, and will continue to follow the original LURA restrictions for the original LURA term.

Awards are based on Reservation Process and Selection Criteria sections.

3. Remaining Credits

MHDC will award the amount of 9% Credit remaining after geographic distribution and preservation at its discretion. Factors may include communities impacted by natural disasters and/or housing needs.

D. Federal and State 4% Credits

MHDC will award up to 50% of the 4% State LIHTC available for rental housing to eligible Preservation development proposals and the remaining to New Unit Construction proposals, including New Construction, Historic Preservation, or Adaptive Re-use. Approvals are based on Reservation Process and Selection Criteria Sections.

Federal-only 4% LIHTC approvals will be made with the following considerations:

- Volume cap available to Bond Developments;
- Anticipated closing dates (pipeline);
- Reservation Process; and
- Selection Criteria.

Development proposals that with unique circumstances, including but not limited to inclusion of community service facilities, large unit count, significant utilization of tax-exempt bonds, or unique timeline, must meet with MHDC staff prior to the submission of an application.

IV. RESERVATION PROCESS

A. Document Review, Site Visit, and Notification

1. Document Review Guidelines

MHDC will conduct the Document Review to determine if the applicant and its application meet the following requirements:

a. **Organized Application.** A complete application consists of the submission of a completed development proposal, including complete answers and applicable uploads as detailed in the Application Guide. MHDC may waive an exhibit requirement based on a formal waiver request submitted by an applicant no later than seven (7) business days before the applicable NOFA deadline.

b. **Good Standing with MHDC.** Any member of the development team that meets any of the following will be ineligible to participate in the NOFA:

- The owner or general partner of a LIHTC development currently in non-compliance due to site audits or a failure to comply with the owner's reporting requirements;
- Not in compliance or good standing with any other MHDC program; or
- Involved with a proposed development has serious and/or repeated non-performance or non-compliance issues in Missouri before or after the time of application may include, but is not limited to, progress made with a previous MHDC award, development compliance, payment of fees and/or violation of the MHDC Workforce Eligibility Policy.

c. **Good Standing with Other Entities.** MHDC may deny participation in the NOFA by any member of the development team that is the owner or general partner of a LIHTC development who is currently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal, state, or local department or agency.

d. **Consistent with Tax Credit Accountability Act.** Under the Tax Credit Accountability Act (Mo. Rev. Stat. § 135.800-135.830), all developers/applicants must complete all necessary forms and reporting requirements during the reservation process, the allocation process, and for a period of three (3) years following the issuance of State LIHTC. All developers, general partners/members, and key principals must complete the most recent Missouri and IRS Form 8821 to be eligible for an allocation of the State LIHTC. MHDC will reject an application should the developer, general partner, or any key principal have outstanding tax liens or delinquent taxes, for federal or state taxes.

2. Threshold Documents

All threshold documents listed in the Application Checklist must be complete, fully executed, and submitted by the application deadline. A missing threshold document may result in an application being ineligible for award.

3. Secondary Documentation Review

Applicants must submit the secondary documentation listed in the Application Guide by the application deadline. If documentation is missing or incomplete, MHDC may:

- Reject the application (automatic if five (5) or more);
- Notify the applicant in writing of deficient items and a date to make corrections to avoid being ineligible, or;
- Cure any application.

MHDC will not accept any cures related to documentation utilized to determine application scoring.

4. Site Visits.

MHDC staff

- May conduct a review of proposed new construction or rehabilitation sites ("MHDC Site Review") to determine feasibility, marketability, appropriateness, any perceived environmental issues, and adherence to the requirements of II(D); and
- Must be able to enter the buildings for rehabilitation and conversion applications and may require additional documentation regarding any environmental concerns (including, but not limited to, habitat and wetland preservation, noise, proximity to floodplains; and proximity to other potentially hazardous land uses).

5. Notification.

Before making awards MHDC will send a notification to the chief executive officer of the local jurisdiction, the state senator and state representative for the district of the proposed development, and the executive director of the local public housing authority. Those notified will have a reasonable opportunity to comment on the proposed development and MHDC will consider the comments received and may contact the local jurisdiction for additional information. MHDC will publish a notice requesting public comment on the development and make the list of applications available online. MHDC will hold a public hearing to afford the public a reasonable opportunity to comment on developments proposed.

V. SELECTION CRITERIA

A. Preservation

MHDC will evaluate development proposals that meet the definition of Preservation in III(C)(2) based on the following categories. Applications must earn at least twenty-five (25) points to be considered for funding.

1. MHDC will award up to 15 points based on the extent of rehabilitation required and percent the acquisition is of the total budget.
   - More need for rehabilitation will result in more points.
   - A lower percent of total replacement cost will result in less points.

2. Applications will earn points based on the percent of units covered by an existing federal rental assistance contract (HUD and/or USDA Rural Development). The calculation excludes any employee units.

Percent	Points
100%	15
80%	10
50%	5

3. Applications will earn points based on the date the first building was initially open for residential rental occupancy. This category is mutually exclusive with subsection (4) below.

Before Jan. 1st	Points
1987	15
1997	10
2007	5

4. Applications will earn 10 points if the project has completed its 15-year LIHTC compliance period as of the application deadline. This category is mutually exclusive with subsection (3) above.

5. Applications will be awarded up to twenty (20) points based on a Development Team's prior MHDC performance. Applications will have a reduced likelihood of an award if MHDC determines the property has not been properly maintained and any current owner will remain part of the new ownership.

Development Team Prior Performance	Points
Developer/Owner/Consultant	10
Supporting Development Team	2
Property Management Company	8

MHDC will deduct five (5) points from development proposals for the following unsatisfactory performance factors of any principal of the developer/owner/consultant for a previously approved development:

- Waivers approved with prejudice (as identified in waiver consideration);
- Construction Closing delays in excess of three years from Board approval (December 2024 and prior);
- Deviation from commitment in original application for a scoring category;
- Development construction not built to MHDC Construction and Design Standard;
- Delinquent payment on MHDC Loan; and
- Significant disregard for MHDC policies and processes.

MHDC will evaluate up to the prior five (5) years for Developers, Co-developers, General Contractors, Management Agents and Syndicators. A Developer/Owner with no prior MHDC experience may earn up to a maximum eighteen (18) points.

B. Creation of New Affordable Units Scoring

MHDC will evaluate development proposals for New Construction, Historic Preservation, Adaptive Re-use, and existing housing that does not meet the definition of Preservation based on the following categories. Applications must earn at least forty (40) points to be considered for funding. All sites within an application proposal must be located within the same geographic region, as defined in III(C)(1). For application proposals that include scattered sites located in different counties, the score will be from the site with the lowest earned score per site on specific location criteria.

1. Income Targeting

Developments that target a percentage of units to lower income households will receive up to ten (10) points as described below based on LIHTC income determination guidelines. Proposals electing the Average Income Minimum Set-aside must maintain the percentage of units receiving income targeting points in their application.

Percentage of Units at Income Level (St. Louis and Kansas City MSAs)	Points
≥15% at 30% AMI	10
≥10% at 30% AMI	8
≥10% at 40% AMI	4
≥10% at 50% AMI	2
Percentage of Units at Income Level (Springfield, Columbia, Joplin, Jefferson City, Cape Girardeau and St. Joseph MSAs)	**Points**
≥12.5% at 30% AMI	10
≥7.5% at 30% AMI	8
≥7.5% at 40% AMI	4
≥7.5% at 50% AMI	2
Percentage of Units at Income Level (All other counties not included above)	**Points**
≥10% at 30% AMI	10
≥5% at 30% AMI	8
≥5% at 40% AMI	4
≥5% at 50% AMI	2

2. Homeownership Opportunity

Developments of single-family and duplex homes intended for one hundred percent (100%) tenant ownership at the end of the fifteen-year compliance period will receive one (1) point. To qualify for the points, the owner must provide a detailed tenant ownership plan that complies with the Internal Revenue Code and is acceptable to MHDC.

3. Service-Enriched

MHDC may award up to five (5) points to developments that commit to a service-enriched development. Service-Enriched properties offer significant services tailored to the tenant population. Proposals must meet at least one of the following sets of criteria to earn points:

a. Applications that include an executed Service Agreement between the development ownership and a local service provider to provide services for the duration of the affordability period. Service provision must include on-site services, be applicable and relevant to the tenant population, and address each of the following parameters:
   - Housing Stability
   - Increased income and/or employment
   - Physical and/or Mental Health
   - Quality of Life
   - Social and Community Connection

b. One of the following has received a certification from Certified Organization for Resident Engagement & Services (CORES) as of the application deadline and maintains it throughout the LIHTC Compliance Period:
   - A party within the ownership entity,
   - Management company, or
   - A contracted third party service provider.

4. **Supportive Housing**

MHDC may award up to five (5) points to development proposals based on the below criteria:

- Applications that commit to reserving at least fifteen percent (15%) of all units for supportive housing serving vulnerable populations; and
- Tenants pay no more than the greater of 30% AMI rents or 30% of their income towards rent; and
- Have an executed agreement between the development ownership and a local service provider for referral of eligible households to the Supportive Housing units and to provide services to those households through the duration of the affordability period; and
- A written Supportive Services Plan to provide services for the targeted population(s) for the duration of the affordability period.

Supportive Housing units should be targeted to households, including persons with a disabling condition(s), youth transitioning out of foster care, homeless as defined by HUD, and survivors of domestic violence and human or sex trafficking.

5. **Previous Phase Success**

Subsequent phase development proposals will be awarded one (1) point if the previous phase(s) meet each of the following criteria:

a. Has a vacancy rate of less than five percent;

b. Has a waiting list;

c. Has the same occupancy type; and

d. Is currently encumbered by a LIHTC LURA.

Proposals eligible for this category are limited to the second or third phase and must be within ½ mile driving distance of the first phase.

6. **Occupancy**

Development proposals may earn three (3) points in one of the following categories as applicable to the occupancy type of application.

a. Family proposals where at least 20% of LIHTC units have three or more bedrooms.

b. Senior proposals that include at least three of the following:
   - Garages or covered parking,
   - Community building or room,
   - Fitness room with equipment,
   - Walking path, outdoor seating area, community garden,
   - Adjacent to a senior center or community center with regular programming,
   - Regular transportation or on-site bus stop, or
   - Structured recreational or educational programs.

7. Opportunity Sites

Development proposals located in an Opportunity Site as defined in the 2028 Supplemental Data Exhibit will be eligible to earn points under this category.

MHDC will

- Rank applications according to the census tract score of the proposed locations, as specified in the 2028 Supplemental Data Exhibit, and
- Award points on a relative basis.

The highest-ranking application will earn ten (10) points, and the others will score in declining order.

8. Rural Underserved

Developments located in rural underserved counties as defined by MHDC will receive five (5) points. Counties that qualify as MHDC designated rural underserved counties will be defined in the 2028 Supplemental Data Exhibit.

9. Workforce Impact

Development sites located within 20 miles of a new employer or business expansion as identified by the Department of Economic Development's Missouri Works Program will earn five (5) points. Sites must be in an Enhanced Enterprise Zone, and the targeted employment opportunity must have been approved for the Missouri Works program within the previous 12 months of LIHTC application submission and qualify under the Zone Works Program.

10. Redevelopment Plan

Applications that are part of a Redevelopment Plan which has been approved/adopted by a local government within five years of the application deadline will earn five (5) points. The application must include a detailed description of the Redevelopment Plan and letter from the local authorizing official that the proposed development is a part it. The Plan must:

- Identify planned public and private development in the community;
- Identify any resources committed to development;
- Set clear geographic boundaries for the community;
- Describe the community;
- Address housing and non-housing development, including infrastructure, amenities, and/or services beyond credit development;
- Identify goals and action steps; and
- Identify community partners.

Applications that meet the requirements of above Redevelopment Plan will earn an additional two (2) points if the proposed site is within a 2026 or 2027 qualified census tract.

11. Community Investment

a. Development proposals that include source(s) from an unaffiliated party(ies) will be eligible for points based on the table below. Eligible sources include the following:

- HOME funds;
- HOME-ARP funds;
- Community Development Block Grant (CDBG) funds;
- Local Housing Trust Fund;
- Federal Home Loan Bank;
- Private or community foundation
- Other Federal, State, or Local Government funds; or
- Grants from local nonprofit or community development organizations.

MHDC resources and loans originated by a conventional bank are not eligible for points. To qualify for points, the application must include an executed Letter of Intent, including financial commitment amounts, and terms. Loans must include a below market interest rate to qualify.

b. Development proposals that include local government support through one of the following categories will be eligible for points based on the table below.

- Tax exemptions, i.e., local property tax abatement, sales tax exemptions/savings;
- Land donation: real estate owned by local government and not previously purchased from any party related to development proposal; or
- Infrastructure improvement required as a result of the housing development, i.e., utility connects, water, sewer, drainage, streets.

The support must:

- Offset the original cost of eligible and relevant development line-item(s);
- Not show the applicable cost(s) as a line-item in the application;
- Be documented through approved commitment from the local government; and
- Include documentation of the original cost, the financial value of the support mechanism, and valuation methodology (i.e., appraisal, bids, contracts).

Percentage of Leveraged Funds	Points
Greater than $2,500 per unit	3
Greater than $5,000 per unit	5
Greater than $10,000 per unit	7

c. Development proposals that include any amount of federal disaster recovery funds, i.e., CDBG-DR funds, will receive three (3) additional points.

13. Project-based Rental Assistance

Development proposals that include a commitment of project-based vouchers for at least 15% of the total of all units will receive five (5) points. The assistance must ensure tenants in assisted units will pay no more than 30% of their income towards rent. Rental assistance providers with a history of being unable to fulfill prior commitment of rental assistance may be ineligible for points under this category.

14. **Credit Efficiency**

Applications will earn points based on the eligible LIHTC amount per LIHTC bedroom using the criteria below. Applications will be divided into three categories: (a) Family New Construction; (b) Senior New Construction; and (c) Historic Preservation/Adaptive Re-use. MHDC will determine the Average Eligible LIHTC amount per LIHTC bedroom for each category. The Safe Harbor for each category is 10% above and 10% below the Average Eligible LIHTC amount per LIHTC bedroom for each respective category.

Eligible LIHTC amount per LIHTC bedroom is…	Points
ABOVE the Safe Harbor	0
WITHIN the Safe Harbor	3
BELOW the Safe Harbor	7

.15. **Development Team Prior Performance**

An application will earn up to twenty (20) points based on a Development Team's prior MHDC performance.

Development Team Prior Performance	Points
Developer/Owner/Consultant	10
Supporting Development Team	2
Property Management Company	8

MHDC will deduct five (5) points from development proposals for the following unsatisfactory performance factors of any principal of the developer/owner/consultant for a previously approved development:

- Waivers approved with prejudice (as identified in waiver consideration);
- Construction Closing delays in excess of three years from Board approval (December 2024 and prior);
- Deviation from commitment in original application for a scoring category;
- Development construction not built to MHDC Construction and Design Standard;
- Delinquent payment on MHDC Loan; and
- Significant disregard for MHDC policies and processes.

MHDC will evaluate up to the prior five (5) years for Developers, Co-developers, General Contractors, Management Agents and Syndicators. A Developer/Owner with no prior MHDC may earn up to a maximum eighteen (18) points.

16. **Historic or Energy Efficiency**

An application will earn one (1) point by meeting one of the following two sets of criteria.

a. The application includes:
   - Evidence of an approved Part I from the State Historic Preservation Office (including any information concerning waivers from minimum requirements), and
   - A letter of interest from an equity provider stating a total dollar amount to be invested.

b. The development utilizes sustainable building techniques and materials to meet the certification of and obtain certification with one of the following green building rating systems:
   - Enterprise Green Communities,
   - Any of the Leadership in Energy and Environmental Design (LEED) rating systems, or
   - The National Green Building Standard (ICC 700-2020 or “NGBS”).

   In addition, to meet the sustainable housing requirement, the applicant must demonstrate at the time of application, Firm Submission, and construction completion that the development will meet or has met the design and construction requirements for any certification level offered by the three accepted rating systems.

VI. OTHER INFORMATION

A. Compliance Monitoring

Owners must follow the Low-Income Housing Tax Credit Program Compliance Manual, incorporated herein by reference.

B. Program Fees

MHDC may charge the fees listed below and additional fees as may be necessary in the course of administering the Federal LIHTC and State LIHTC.

1. Application Fee. All LIHTC and tax-exempt bond applications must include a nonrefundable $2,000 application fee paid electronically through the MHDC payment link. Applications requesting 9% Credits that qualify for the Nonprofit Priority pay $750.
2. Tax Credit Fee. A non-refundable fee equal to 7% of the approved annual Federal LIHTC amount (rounded up to the next dollar) is due at construction closing (“Tax Credit Fee”). If the amount of LIHTCs increases, MHDC must receive the corresponding increased Tax Credit Fee prior to issuing Form(s) 8609 and Missouri Eligibility Statement(s).
3. Appraisal Fee. MHDC may order an appraisal from an independent third party for developments approved for MHDC loan resources and assess a nonrefundable fee of $6,500 to be paid at Construction Closing.
4. Construction Cost Analysis Fee. MHDC may order and assess a fee of $5,000 for an independent third-party report to provide an upfront construction cost analysis (“Cost Analysis Fee”) due with the Conditional Reservation.
5. Construction Inspection Fee. MHDC will assess a minimum fee of $13,500 for rehabilitation developments and $17,500 for new construction developments for construction inspections (“Construction Inspection Fee”). The amount will be based on the estimated length of the construction period and paid at Construction Closing.
6. Recording Fee. The owner will be responsible for the fee charged for recording MHDC restrictions with the county. If MHDC records the LURA, the fee is $160.
7. Compliance Monitoring Fee. A compliance monitoring fee of $300 per unit at or below 80% AMI and for employees is due once the last building places in service. (“Compliance Monitoring Fee”).
8. Document Revision Fee. MHDC may charge a fee of $100 per form for revisions to an 8609 or Missouri Eligibility Statement or LIHTC LURA for any corrections requested:
   - That were the result of incorrect information provided to MHDC staff, and
   - More than ten (10) days after owner’s receipt of the form(s).

9. Plan Review Worksheet Revision Fee. MHDC may charge a $25 per unit fee if a revision of the unit number assignments is required after the submission of the fully executed Cost Certification.

C. Development Changes

A reservation of Federal LIHTC, State LIHTC, and/or MHDC funds is based on information provided in the development application. Until a development places in service, any significant changes (for example, scope, costs, credit pricing, or design, etc.) from what was submitted in the application will require written notification to, and approval by, MHDC. Failure to comply may result in a revocation of the Conditional Reservation or a reduction in the amount of MHDC resources. MHDC will not approve material changes, including changes to site or ownership.

D. Administration of the QAP

MHDC will resolve all conflicts, inconsistencies, or ambiguities, if any, in this QAP or which may arise in administering, operating, or managing the Federal LIHTC and State LIHTC and the right, in its sole discretion, to modify or waive, on a case-by-case basis, any provision of this QAP not required by the Code. All such resolutions or any such modifications or waivers are subject to written approval by MHDC's Executive Director and are available for review, as requested, by the general public.

E. Amendments to the QAP

MHDC may amend this QAP from time to time for any reason including, but not limited to:

1. To reflect any changes, additions, deletions, interpretations, or other matters necessary to comply with the Code or regulations promulgated thereunder;
2. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Plan;
3. To insert provisions clarifying matters or questions arising under this QAP as are necessary or desirable and are not contrary to or inconsistent with this QAP or the Code;
4. To comply with the State Act, as to State LIHTC matters; and
5. To facilitate the award of tax credits that would not otherwise be awarded.

All such amendments shall be fully effective and incorporated herein upon adoption by the Commission. This QAP may be amended as to substantive matters at any time following public notice, public hearing, and approval by the Commission.

F. MHDC Discretionary Authority

MHDC may:

1. Carry forward a portion of the current year's 9% Credit for allocation in the next calendar year.
2. Issue a Conditional Reservation for a portion of the next year's 9% Credit.
3. Issue a binding commitment for some portion of the next year's 9% Credit.
4. Limit the number of developments in a specific market or geographic area.
5. Award a Conditional Reservation based on the amount of 9% Credits requested relative to the amount of funding available. This could result in awarding 9% Credits without regard to location or ranking.
6. Fund fewer than the number of units proposed in an application.
7. Assert discretionary authority concerning all aspects of an application during the underwriting process.

G. Other Conditions

Meeting QAP standards does not constitute a representation regarding the feasibility or viability of the development and does not guarantee or imply MHDC will make an allocation. In making reservations or allocations, MHDC relies on information provided by or on behalf of the applicant. MHDC's review of documents submitted in connection with the tax credit allocation process is for its own purposes. In making reservations or allocations, MHDC makes no representations to the applicant or other party as to compliance of the development with the Code, Treasury Regulations, or any other laws or regulations governing Federal LIHTCs and/or State LIHTCs.

No member, director, officer, agent, or employee of MHDC shall be personally liable on account of any matters arising out of, or in relation to, the Federal LIHTC and/or State LIHTC.

Misrepresentations of any kinds will be grounds for denial or loss of the LIHTC and may affect future participation in MHDC programs.