



# 2026 Qualified Allocation Plan

## FINAL

*This plan was adopted and approved by the Missouri Housing Development Commission Board of Commissioners on July 18, 2025*

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## I. GENERAL INFORMATION

### A. Purpose

The Missouri Housing Development Commission (“MHDC”) has been designated by the Governor of the State of Missouri 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”) established by the Tax Reform Act of 1986 and codified as 26 U.S.C. § 42, as amended (the “Code”). MHDC also administers the State Low Income Housing Tax Credit Program (“State LIHTC”) established by the Tax Credit Accountability Act of 2004 and 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.

MHDC’s goal is to use the Federal LIHTC and State LIHTC as a financial incentive for the creation and maintenance of quality market-appropriate affordable housing that strengthens the communities and lives of Missourians.

### B. Developer’s Guide

MHDC has created the Developer’s Guide for MHDC Multifamily Programs (“Developer’s Guide”) to serve as a detailed resource regarding the principles and procedures governing all MHDC rental production programs including, but not limited to, the Federal LIHTC and State LIHTC. The Developer’s Guide is a supplement to this QAP. Throughout the course of this QAP, the Developer’s Guide is referenced as a source to gain more information regarding specific topics.

### 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.”

#### 9% Credit

For purposes of this QAP and the Developer’s Guide, the cumulative amount of both Federal and State 9% Credits MHDC can allocate for any calendar year shall be 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 9% Credit includes any seventy percent (70%) present value credit and any thirty percent (30%) present value credit for qualified existing buildings, which also will use the seventy percent (70%) present value 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 Housing Credit Ceiling is generally equal to the sum of the following:

1. Per Capita Credits: Calculated based on the state population and the per capita rate set by the IRS.
2. Carry Forward Credits: Should MHDC be unable to allocate all allotted 9% Credits in any one year, the unused credits will be carried forward for allocation in the succeeding year.

3. Returned Credits: Credits that are returned from developments that received an allocation in previous years may be made available for allocation in the year the credits are returned or in the succeeding year.
4. National Pool Credits: If MHDC is able to allocate the entire amount of Federal 9% Credits available in any one year, Missouri may receive additional credits from the pool of credits returned by other states ("National Pool"), if available.

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. State LIHTC up to an amount equal to seventy percent (70%) of the available and authorized Federal LIHTC allocation amount may be authorized under this QAP. The amount of State LIHTC authorized for a development cannot exceed the Federal LIHTC amount authorized. For any given development, MHDC shall determine, in its sole discretion, the amount of State LIHTC (if any) necessary for the financial feasibility of the development and shall make allocations of State LIHTC based on that determination.

The anticipated amount of the Annual 9% Credit Authority for Missouri will be announced in the NOFA (defined herein) to precede the application round.

#### **4% Credit**

Under § 42(h)(4) of the Code, developments financed with tax-exempt private activity bond volume cap ("Bond Developments") may be eligible to receive the "4% Credit." The 4% Credit includes the thirty percent (30%) present value credit for federally subsidized buildings that feature eligible basis financed by any obligation, the interest on which is exempt from federal tax and any thirty percent (30%) present value credit for the qualified existing buildings of Bond Developments. For any given development, MHDC shall determine, in its sole discretion, the amount of State LIHTC (if any) necessary for the financial feasibility of the development and shall make allocations of State LIHTC based on that determination.

While the NOFA will not establish a ceiling or annual authority for the Federal 4% Credit, the amount of State 4% Credits available for Bond Developments is statutorily capped at \$6 million per fiscal year. The amount of State 4% Credits may be reduced by the state legislature, making any allocation subject to change in the authorizing statute. MHDC, in its sole discretion, may choose to allocate no State 4% Credits or State 4% Credits in an amount up to the imposed statutory limit, as it deems necessary for the financial feasibility of the development.

#### **State LIHTC Accelerated Redemption Pilot Program**

MHDC has established a pilot program for developments that wish to accelerate redemption of State LIHTC ("AR Applications"). Up to fifty percent (50%) of the total credits recommended by staff and approved by the MHDC Board may be selected for this pilot program, which shall only be open to developments that elect in their application to participate in this accelerated redemption pilot. AR Applications are subject to the same review as general pool standard redemption applications, including, but not limited to, all four phases of the reservation process as set out in the QAP. Developers applying for the accelerated redemption pilot program must include a Letter of Intent ("LOI") for both accelerated and non-accelerated pricing. For this purpose, only one application and one application fee are required.

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

## D. Notice of Funding Availability

The Multifamily Rental Housing Production Program's Notice of Funding Availability (the "NOFA") will be published immediately following the Commission's formal approval of the QAP and the proposed NOFA. The NOFA will describe the types and amounts of funding available and the due date for applications. In addition to tax credits, the NOFA will reflect funding from the following sources: MHDC Fund Balance, HOME Investment Partnership Act ("HOME"), HOME American Rescue Plan ("HOME-ARP"), and National Housing Trust Fund ("NHTF"). In addition, the NOFA may reflect additional funding that may be made available to, and administered by, MHDC through any other source. Any such additional funding will be detailed in the NOFA. The NOFA will be published to MHDC's website. To be considered for a 9% Credit or 4% Credit allocation, an application must be submitted in accordance with this QAP, the NOFA (as applicable), and the Developer's Guide. MHDC shall have the right to consider any application for 4% Credits for a potential allocation of 9% Credits if the application meets the requirements and competes successfully with other 9% Credit applications. Similarly, MHDC may consider any application for 9% Credits for a potential allocation of 4% Credits. MHDC will set forth the protocol and timing for the submission of applications in the Developer's Guide, as it may be amended from time to time. MHDC accepts applications for its main NOFA cycle once per allocation year. MHDC may elect to accept applications for 4% Credits that do not include a request for other MHDC-administered funds in subsequent application rounds. Should MHDC elect to accept any applications in subsequent rounds, such election will be set forth in the NOFA. Please note that MHDC-administered funds include, but are not limited to, State LIHTC. MHDC reserves the right to establish subsequent NOFAs, and application rounds as it determines necessary.

Approval of 9% Credit applications and 4% Credit applications will take place at a public Commission meeting, notice of which shall be made in accordance with the provisions of Mo. Rev. Stat. § 610 including, but not limited to, being posted on the MHDC website. A Conditional Reservation Agreement describing the amount(s) of funding approved and the MHDC requirements that accompany such funding approval will be issued in approximately eight weeks after formal Commission approval.

## E. Deadlines and Application Fee

### 1. Applicant Request for ShareFile Link Deadline: September 12, 2025

MHDC will utilize ShareFile for the submission of all applications. Applicants must request a link from [application@mhdc.com](mailto:application@mhdc.com) for each application to be submitted. The request should include the following details in the body of the email:

- Development name
- City of the proposed development
- Credit type (9% or 4%)
- Applying under Nonprofit Priority (Yes/No)

Once the request for an upload link is received through [application@mhdc.com](mailto:application@mhdc.com), MHDC will provide a hyperlink to an individual and secure folder created for each individual application, as well as a separate link to electronically pay the application fee. The application submission link provided will allow applicants to securely upload all application materials electronically as detailed in the FIN-125: Application Checklist ("FIN-125"). Separate ShareFile link requests must be made for each individual application. Request for a submission link must be received by Friday, September 12, 2025.

## **2. Deadline for application submission to ShareFile link: September 17, 2025**

The deadline for applications submitted under this QAP is Wednesday, September 17, 2025. All applications must be submitted electronically through the provided ShareFile link, as detailed above. All deadlines are subject to change should the applicable NOFA need to be revised or modified as deemed necessary in the sole discretion of MHDC.

Application documents submitted in ShareFile are the application of record and must be received through the provided ShareFile link according to the deadline and terms established in the applicable NOFA. Any applications received after the deadline established by the applicable NOFA will not be considered. Early submission is strongly encouraged.

## **3. Deadline for application submission to MAAP: October 10, 2025**

All applicants must submit a complete application through MHDC's Multifamily Application and Administration Portal (MAAP) by Friday, October 10, 2025. A MAAP application is required in addition to the submission of application documents submitted through ShareFile and must include the same application details and materials. Any applications received after the deadline established by the applicable NOFA may not be considered. Early submission is strongly encouraged.

## **4. Application Fee and Deadline: September 17, 2025**

All applicants for MHDC financing under this QAP and NOFA must pay an application fee associated with each application submission. The application fee must be paid electronically through the payment link provided when the applicant requests an application submission link through [application@mhdc.com](mailto:application@mhdc.com). The application fee is non-refundable and if any application fee is returned for any reason, the application will be rejected. The standard application fee is \$2,000 unless the application qualifies under the following exceptions:

- **Nonprofit Priority Application Fee:** The application fee for applications requesting 9% credits that qualify for the Nonprofit Priority (as detailed in Section III below) is \$750. Applications submitted for 4% credits do not qualify for the Nonprofit Priority.
- **MHDC Real Estate Application Fee:** Applicants submitting proposals for a property listed publicly by MHDC as real estate owned and available for public bid are not required to submit an application fee.

## **F. Application Scoring Model**

For this QAP, as an additional aid in awarding 9% and 4% LIHTCs, MHDC will use an evaluation rubric against which applications shall be scored. The model is described in detail within this QAP, and further information and guidance is included in the Developer's Guide.

# **II. STANDARDS**

## **A. Participant Standards**

All participants must be in good standing with MHDC. In addition to satisfactory previous performance, participants must be aware that:

1. All identities of interest between members of the development team must be documented to MHDC's satisfaction. These include, but are not limited to, identities of interest between a property/land seller

and purchaser and identities of interest between any two or more development team members such as developer(s), general partner(s), syndicator(s), investor(s), lender(s), architect(s), general contractor(s), sub-contractor(s), attorney(s), management agent(s), etc.

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

2. Is also an officer, director, board member, or authorized agent of any other development team member;
  3. Has any financial interest in any other development team member's firm or corporation;
  4. Is a business partner of an officer, director, board member, or authorized agent of any other development team member;
  5. Has a family relationship through blood, marriage or adoption with an officer, director, board member, or authorized agent of any other development team member; or
  6. Advances any funds or items of value to the sponsor/borrower.
2. All participants must adhere to all federal, state, and local laws, as well as any and all applicable 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 with any such laws, regulations, and guidance, and are encouraged to seek the advice of their own legal counsel with respect to such compliance.
  3. 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. Any individual or entity which violates this provision may, in the sole discretion of MHDC, be barred from further participation in any MHDC rental production programs.
  4. When available and feasible, best efforts must be employed to use local vendors, suppliers, contractors, and laborers.
  5. MHDC's MBE/WBE Initiative encourages involvement of businesses certified as a Minority Business Enterprise (MBE) and/or Woman Business Enterprise (WBE) under a business certification program by a municipality, the State of Missouri, or other certifying agency, as deemed appropriate by MHDC in consultation with the State of Missouri Office of Equal Opportunity. MHDC encourages developments to reach 10% MBE and 5% WBE participation.
  6. All participants must agree to abide by the MHDC Workforce Eligibility Policy, as the same may be amended from time to time.
  7. Pursuant to the Fair Housing Act (42 U.S.C. § 3601 et seq. and including any and all regulations and guidance promulgated by HUD thereunder), discrimination on the basis of race, color, religion, national origin, sex, disability or familial status is strictly prohibited. In addition to prohibiting discrimination, the Fair Housing Act also imposes an obligation to affirmatively further the goals of the Fair Housing Act. MHDC is fully committed to affirmatively furthering fair housing by taking meaningful actions to promote fair housing choice, overcome patterns of segregation, and eliminate disparities in access to opportunity, and consequently, MHDC will consider the extent to which a certain development affirmatively furthers fair housing when deciding which developments should be recommended for funding.
  8. In addition to the requirements set forth 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 State Human Rights Statute (RSMo § 213.040.1 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.

9. The applicant must provide evidence that the chief executive officer of the local jurisdiction within which the development is located has been notified of the application submitted. The term "chief executive officer" means the local elected official of the applicable local jurisdiction, such as city mayor, county executive, chairperson of county board of commissioners, or otherwise titled chief elected official who is elected head of the local jurisdiction in which the property is located.
10. Pursuant to MHDC's adopted Standards of Conduct, criteria has been established upon 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).

## **B. Development Standards**

All MHDC-approved developments are required to:

1. Comply with MHDC Form 1200: Design/Construction Compliance Guidelines, as may be amended from time to time.
2. Comply with all applicable local, state, and federal ordinances and laws including, but not limited to:
  - a. Local zoning ordinances.
  - b. The construction code utilized by the local government unit where the development is located. In the absence of locally adopted codes, the International Building Code (2024), the International Plumbing Code (2024), the International Mechanical Code (2024), the National Electrical Code (2023), and/or the International Residential Code (2024) must be used. On a case-by-case basis, and upon the review of a formal waiver request submitted by an applicant, MHDC may in its sole discretion review exceptions to some of the requirements under the applicable Code. MHDC recommends the waiver be requested and approved 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.
  - e. If applicable, the Lead-Based Paint Poisoning Prevention Act, HUD Guidelines for the Evaluation and Control of Lead-Based Paint in Housing, and the MHDC Lead Based Paint Policy and Procedures.
3. All developments with twelve (12) or more units are required to 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, shall be designed and constructed in



accordance with the principles of universal design, as detailed in MHDC Form 1200: Design/Construction Compliance Guidelines. This requirement is in addition to the requirement for accessibility of persons with mobility, hearing and/or visual impairments as outlined in item #3 above.

5. In all rehabilitation proposals, the scope of work shall address work to be done in all units within the development. Should any unit not be included in the scope of work, documentation as such must be noted in the scope of work. No units shall be left unaddressed.
6. Rehabilitation developments with Permanent Supportive Housing set-aside units must meet item #3 above and must increase the number of units incorporating the principles of universal design to a percentage equal to or greater than the Permanent Supportive Housing set-aside percentage. The requirements set forth in #3 above for accessibility, hearing, and visual impairments can be included in the units incorporating universal design.
7. Provide facilities, amenities, and equipment appropriate for the population being served by the development.
8. 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.
9. If the development involves new construction, utilize sustainable building 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 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:
  - a. Demonstrate at the time of application, Firm Submission (as detailed in the Developer’s Guide), 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. The development is not required to receive formal certification, but any new construction projects must be designed and built in such a manner that it could receive formal certification. Green building criteria utilized must be clearly documented for MHDC staff’s review and confirmation.
  - b. Have at least one development team member who is an accredited green building professional with proven experience in sustainable design and/or construction. The team member must be a LEED AP®, LEED Green Associate™, or a Certified Green Professional™. If the development is not being formally certified, the 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.

If a development involves rehabilitation, applicants are required to conduct pre-development testing and energy audits of existing buildings to identify energy savings opportunities. The minimum standard for energy audits is 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 must be 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. The energy audit will be submitted with the initial application for the project.

10. All applications for MHDC funding 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"). Applicants are encouraged to review the HUD Broadband Rule and to seek the advice of counsel to determine compliance. The application should specifically address compliance with the HUD Broadband Rule in the narrative and should describe in sufficient detail how the particular development will comply with the HUD Broadband Rule.

11. Have contracts that are both reasonable and competitively priced for both hard and soft costs. Copies of the contracts must be provided to MHDC if requested.
12. 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. If required by such federal funding sources, a Section 3 Plan (as detailed in the Developer's Guide) signed by the owner/developer and the general contractor must be reviewed and approved by MHDC staff prior to Firm Commitment issuance.
13. The HOME Final Rule will be enforced on all MHDC projects funded with HOME funds as required by law.
14. All MHDC-approved developments requesting MHDC financing are required to 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 Form 1400: Environmental Review Guidelines.
15. Developments receiving HOME funds, HOME-ARP, NHTF, or HUD/MHDC Risk Sharing Insurance 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.
16. For mixed income developments not electing Average Income Minimum Set-aside (as defined herein), MHDC requires the affordable units be distributed proportionately throughout each building and each floor of each building of the development and throughout the bedroom/bath mix and type, when feasible and practicable. Both market rate and affordable units must have the same design regarding unit amenities and square footage. Amenities include, but are not limited to, fireplaces, covered parking, in-unit washer/dryers, etc.
17. When Average-Income Minimum Set-aside is elected, skewing the unit configuration such that unit Area Median Income ("AMI") designations are not reasonably distributed throughout the development will not be allowed in the initial unit designations and throughout the affordability period.
18. If receiving federal historic credits and/or state historic credits, developments must waive the right to opt out of the Declaration of Land Use Restriction Covenants for Low-Income Housing Tax Credits ("LIHTC LURA") to be recorded and choose to extend the compliance period (as defined in the Code) for an additional fifteen (15) years.
19. 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+). A development with multiple buildings that is proposing a mixed income structure must have low-income units in each building of the development. Scattered site buildings on noncontiguous tracts of land may also qualify if the development meets all of the other requirements described above, all buildings in the development

can be subject to a single LURA, and the development is 100 percent (100%) rent and income restricted, however, costs associated with the development of a separate community building may not be eligible for tax credits unless the building contains a residential rental unit.

20. Developments receiving a subsequent allocation of LIHTC will be considered a resyndication if awarded while subject to a valid extended use agreement/in the extended use period. For tax credit resyndication developments the original LURA restrictions must be followed for the original LURA term.
21. All applications for MHDC funding must establish an Infectious Disease Management Plan (“ID Plan”) to be adopted and followed by the property management agent in response to an outbreak of COVID-19, other infectious disease, or comparable circumstances. The ID Plan should be prepared in accordance with guidance from the Centers for Disease Control (CDC) or other appropriate local health authorities. Details of what the ID Plan must address are detailed in the MHDC Developer’s Guide.
22. Developments with MHDC funding must have a VAWA Emergency Transfer (VET) Plan for Victims of Domestic Violence, Dating Violence, Sexual Assault or Stalking. The *Model Emergency Transfer Plan for Victims of Domestic Violence, Dating Violence, Sexual Assault, or Stalking* (HUD-5381) form contains only general provisions of an Emergency Transfer Plan that apply across HUD programs. Adoption of this model plan without further information will not be sufficient to meet an owner/agent’s responsibility to adopt an emergency transfer plan. Owner/agents must consult applicable regulations and program-specific HUD guidance when developing their own emergency transfer plans, to ensure their plans contain all required elements ([HUD Notice H 2017-05](#)).

### C. Underwriting Standards

MHDC has adopted the following underwriting standards for all developments seeking a Federal LIHTC and/or State LIHTC allocation under this QAP. Meeting these standards does not constitute a representation regarding the feasibility or viability of the development and does not guarantee or imply an allocation will be made.

Applicants should refer to and rely upon the Developer’s Guide while completing an application under the NOFA as it provides a more detailed description of the underwriting standards and expectations of MHDC. MHDC will not award Federal LIHTCs and/or State LIHTCs based solely on the lowest development costs. The mission of MHDC is to provide high-quality affordable housing with long-term viability that contributes to the community. MHDC staff reserves the right to adjust assumptions according to market conditions at the time of application.

- a. **Rents.** The proposed rents must not exceed the rent maximums set by funding sources utilized in the application. Proposed rents must meet all underwriting standards for applicable funding sources and present achievable rents, as supported by the market study. All efforts must be made to keep from permanently displacing tenants.
- b. **Debt Coverage.** Development proposals must show stabilized debt service coverage (DSC) between 1.20 and 1.50 throughout the term of the permanent loan(s). MHDC reserves the right to underwrite to the standard for MHDC debt regardless of the source. Development proposals will not be recommended for funding if the DSC is below 1.00 at any point during the Compliance Period.
- c. **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. On a case-by-case basis, and upon submission of reasonable and well-documented justification, MHDC may in its sole discretion permit exceptions to the forty percent (40%) threshold. Requests for the

consideration of an exception to the forty percent (40%) threshold must be submitted to MHDC at least thirty (30) days before the application due date.

- d. **Development Cost Maximums.** Maximum Development Cost Limits are determined using the HUD method of calculating the 221(d)(3) total replacement cost limits. MHDC reserves the right, on rare occasions, to allow exceptions to the cost limit on a case-by-case basis if unique development characteristics that meet or exceed the standards and goals of this QAP are incorporated into the proposal and/or in response to unforeseen economic or market conditions that may severely impact development costs. As such, applications received under this QAP will not be evaluated against Development Cost Maximums.
- e. **Construction Cost Analysis.** MHDC may hire an independent third party to provide an up-front construction analysis for approved developments in excess of six (6) units. This analysis would be performed after Firm Submission documents (Full-size plans and Specifications) have been submitted. If it is determined the costs submitted are either excessive or deficient, MHDC may adjust the amount of Federal LIHTC, State LIHTC, and/or loan funds allocated to the development prior to closing. This review will also include a replacement reserve analysis for rehab, preservation, or conversions (except for RD properties).
- f. **Increase in Eligible Basis.** Developments located in a Qualified Census Tract or in a Difficult Development Area, as defined below, may be eligible to increase eligible basis by up to 30%.
  - a. Qualified Census Tract. 9% and 4% applications for developments located in areas designated by HUD as Qualified Census Tracts (QCTs).
  - b. Difficult Development Areas. 9% and 4% applications for developments located in areas designated by HUD to be difficult to develop.
  - c. State Designated Difficult Development Areas. Pursuant to § 42(d)(5)(B)(v) of the Code, MHDC may establish criteria to designate additional properties approved for 9% Credits to be treated as located in a difficult development area for purposes of this QAP, to qualify for such an increase, properties must elect at application and be determined to meet at least one (1) of the following priorities or preferences:
    - i. Preservation Priority;
    - ii. Set-Aside Preference (meet qualifications of one of the below);
    - iii. Permanent Supportive Housing
    - iv. Vulnerable Persons
    - v. Service-Enriched Priority;
    - vi. Veteran's Housing; or
    - vii. Workforce Housing.
- g. **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.

Deferred developer fees must demonstrate full payment within 15 years from available cash flow.

***For 9% Applications:***

- i. **New Construction Developments** are limited to the lesser of:
  - a. \$4,000,000; or
  - b. \$45,000 per unit; or
  - c. 13% of total development costs (excluding Developer/Consultant Fee category, MHDC fees, and all reserves).
- ii. **Acquisition-Rehabilitation Developments** are limited to the lesser of:
  - a. \$6,000,000; or
  - b. 35% of Hard Costs; or
  - c. 13% of total development costs (excluding Developer/Consultant Fee category, MHDC fees, and all reserves).
- iii. **Combination Developments with both New Construction and Rehabilitation** are limited to the lesser of the above calculations.

***For 4% Applications:***

- i. **New Construction Developments** are limited to the lesser of:
  - a. \$45,000 per unit; or
  - b. 13% of total development costs (excluding Developer/Consultant Fee category, MHDC fees, and all reserves).
- ii. **Acquisition-Rehabilitation Developments** are limited to the lesser of:
  - a. 35% of Hard Costs; or
  - b. 13% of total development costs (excluding Developer/Consultant Fee category, MHDC fees, and all reserves).
- iii. **Combination developments with both New Construction and Rehabilitation** are limited to the lesser of the above calculations.

In cases where there is a consultant or co-general partner, the applicant must fill out the “Developer/Co- Developer/Consultant Fee Structure Addendum” detailing the responsibilities and amounts earned of 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 for general requirements, overhead, and builder’s profit and cannot exceed fourteen (14%) of the total construction costs less the sum of general requirements, overhead, builder’s profit, bonding and permits. This limitation on contractor fees must be incorporated into the construction contract. A cost certification is required from the contractor and the limit imposed by this QAP cannot be exceeded.
  - i. Builder’s Profit maximum six percent (6%) of construction costs;
  - ii. Builder’s Overhead two percent (2%) of construction costs; and
  - iii. General Requirements six percent (6%) of construction costs.

All general requirement items in the FIN-115: Contractor’s/Mortgagor’s Cost Breakdown (“FIN-

115”) must be included in the calculation of the maximum amount for general requirements, regardless of the party who pays for the items.

- h. **Appraisal.** MHDC may order an appraisal to confirm market value of land and improvements for developments approved for MHDC loan resources. If the proposed price is not supported by the MHDC appraisal, the purchase price will be reduced to the appraised value. The intended users of the appraisal will be MHDC, the sponsors of the development, and their investors and any potential mortgagees.
- i. **Tax Credit Amount.** The Code and the State Act require that MHDC allocate to a development no more than the Federal LIHTC and State LIHTC amounts, respectively, which MHDC determines necessary to ensure the financial feasibility of the development and its viability as a qualified low-income housing development throughout the compliance period. MHDC retains the right, in its sole discretion, to reserve a lesser amount of LIHTC than the amount(s) requested on the application, to reserve less LIHTC than would result by using an applicable fraction of one hundred percent (100%), and/or to deny approval of any LIHTC (as defined in the Code). MHDC will evaluate each proposed development utilizing the selection criteria found in this QAP and the Developer’s Guide. MHDC staff will underwrite each application using the fixed applicable percentage rate of four percent (4%) or nine percent (9%) for developments. The applicable percentage rate is fixed at nine percent (9%) for new and rehabilitation credits and fixed at four percent (4%) for acquisition credits for 9% developments. The applicable percentage rate is fixed at four percent (4%) for acquisition, rehabilitation, and new construction for 4% developments. The determination of the Federal LIHTC and State LIHTC amounts necessary will be conducted at the following processing stages:
  - a. The time of application;
  - b. The time of Conditional Reservation Agreement issuance;
  - c. The time the approved Firm Commitment and Carryover Allocation are issued and/or a Letter of determination (also known as a “42(m) Letter”) is issued, if applicable; and
  - d. The time the development is placed in service (after all project costs are finalized and a third- party cost certification has been completed) and requests issuance of IRS Form(s) 8609.
- j. **Maximum Credit Amount.** The annual Federal 9% and State 9% Credit shall be limited to an amount necessary for the feasibility of the development, including any applicable basis boost, but in no event can the Federal 9% and State 9% Credit be awarded without Commission approval (“Initial Approval Amount”). The maximum amount of Credit that can be allocated to any one development without further Commission approval is the Initial Approval Amount plus ten percent (10%) of the Initial Approval Amount (“Maximum Credit Amount”).  
  
 Bond Developments receiving Federal 4% Credit allocations will not be limited, beyond what is dictated by the Code, in the amount of Federal LIHTC allocated.  
  
 MHDC has the right to 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.
- k. **Additional Credit.** Owners can apply for an increase in Federal LIHTC and/or State LIHTC amounts if a development’s eligible basis has increased. Additional credits may be awarded if:
  - a. The development continues to meet the requirements of the QAP at the time of



original award approval;

- b. There are additional Federal LIHTCs and/or State LIHTCs available;
- c. MHDC is satisfied the additional amount is necessary for the financial feasibility and viability of the development; and
- d. The increased amount of Federal LIHTC and/or State LIHTC does not exceed MHDC's Maximum Credit Amount.

- I. **Subsidy Layering Review.** Section 911 of the Housing and Community Development Act of 1992 and Section 102 of the Department of Housing and Urban Development Reform Act of 1989 have placed limitations on combining the 9% Credit and/or 4% Credit with certain HUD and other federal programs. The limitations currently apply to a number of programs under the jurisdiction of the HUD Office of Housing including, but not limited to, Section 221(d)(3), 221(d)(4), 223(f) and 542(c) mortgage insurance, Flexible Subsidy, and project-based Section 8 rental assistance programs (collectively, "HUD Housing Assistance").

As part of a Memorandum of Understanding ("Subsidy Layering MOU"), dated May 8, 2000, between HUD and MHDC, developments using the Federal LIHTC with HUD Housing Assistance are subject to a subsidy layering review by MHDC.

The Subsidy Layering MOU requires HUD and MHDC to share information on the developer's disclosure of sources and uses of funds for all developments financed with both the Federal LIHTC and HUD Housing Assistance. This review is designed to ensure such developments do not receive excessive federal assistance.

- m. **Use of HOME.** Funding from HOME is a resource that may be available to assist in the development of affordable housing. For a development with HOME funding to qualify for the 9% Credit and remain in basis, the HOME funds must be structured as a loan. If structured as a grant, the amount of such grant will be deducted from eligible basis. HOME funds are subject to the requirements of the Build America, Buy America Act (BABA).
- n. **Use of NHTF.** Funding from NHTF is subject to the requirements of the Build America, Buy America Act. Due to the limited amount of NHTF resources available, applications that include a request for NHTF should also include an alternate FIN-100 that does not include NHTF as a source. Further details regarding the NHTF Program requirements can be found in the Developer's Guide.
- o. **Use of HOME-ARP.** Funding is made available by the American Rescue Plan Act of 2021. HOME- ARP funding will to be used for development and support of affordable housing, as currently permitted through the HOME-ARP Notice (Notice CPD 21-10, as amended by Notice CPD 22-13. To qualify for this MHDC resource under this QAP, developments must commit to setting aside fifteen percent (15%) or more of the units for the following tenant population:
  - a. Homeless;
  - b. At-risk of homelessness (as defined by the McKinney-Vento Homeless Assistance Act);
  - c. Fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking;
  - d. Individuals for whom provision of supportive services or assistance herein would prevent homelessness or who are at the greatest risk of housing instability; or
  - e. Veterans and their families that meet any of the preceding criteria.

Further details regarding the HOME-ARP Program requirements can be found in the Developer's

Guide.

- p. **Use of 811 Project Rental Assistance (PRA).** MHDC will make available approximately eighteen (18) project-based vouchers through this QAP. Applications under the Service-Enriched Priority are eligible to request 811 PRA vouchers, as eligible under the program guidelines. 811 PRA vouchers are not eligible to be paired with set-aside units.

The 811 PRA program must serve households in which one non-elderly adult, between the ages of eighteen (18) and sixty-one (61), has a qualifying disability at the time of admission, are extremely low-income and are eligible for Medicaid services. This is a rental assistance program, not a loan program. Eligible properties will receive an award through the Missouri 811 PRA Program for project-based rental assistance. The PRA units will then be rented to persons with disabilities referred by the Missouri Department of Social Services and Missouri Department of Mental Health. No more than twenty-five percent (25%) of the total units in the project can be designated for individuals with disabilities, regardless of whether or not the units receive rental assistance.

Further details regarding the 811 PRA Program requirements can be found in the Developer's Guide.

- q. **Development Financing Commitments/LOIs.** MHDC requires a preliminary commitment letter at the time of application for all non-MHDC sources of financing. Updated commitment letters are required at Firm Submission for approved applications. Applications must clearly state whether or not they are requesting a participation loan. Applicants requesting an MHDC Fund Balance participation loan should include an LOI from their preferred lending institution(s) which states:
  - a. That the lender is willing to take a co-first lien position with MHDC;
  - b. The amount that the lender is willing to loan; and
  - c. An acknowledgement by the lender that any participation loan is subject to the terms and conditions of MHDC's Participation Loan Agreement. The lender must agree to MHDC's required deal terms. The form of Participation Loan Agreement is available on MHDC's website.

Please note that MHDC reserves the right to determine appropriate loan financing for the project.

If an application includes multiple non-MHDC commitments/LOIs, the applicant must specify which commitment should take precedence over the other(s). If applying for the Accelerated Redemption Pilot Program, commitments/LOIs should be submitted for both accelerated and standard redemption.

All financing commitments, including Federal LIHTC and State LIHTC equity, must be included with the application and reflected within the FIN-100. This includes sources that will be contributed outside of the typical timeline of the proposal. For those sources that do not have a hard commitment (i.e., City HOME Funds or Federal Home Loan Bank loans and grants), MHDC must be made aware of the approval process and alternative financing in the event the funds are not approved.

- r. **MHDC Reserves.** The following reserves are required as detailed below. Reserves cannot be funded with Fund Balance, HOME Funds or NHTF Funds.
  - **Operating Reserve:** The operating reserve must reflect at least six months of operating expenses and debt service. Amounts less than or more than six months must be accompanied by an explanation on the 2013A.



- **Replacement Reserve:** The initial replacement reserve should be \$600 per unit. Any other amount will require an explanation.
- **Rental Assistance Reserve:** Developer funded Rental Assistance is calculated as the difference between net rent (proposed 60% AMI rents in the application) and 30% AMI rents. The minimum amount of available rental assistance per assisted unit must be at least 15% of net rent for a minimum of three years. Self-funded rental assistance reserves must be 100% developer funded and should be deducted from the developer fee.
- **Set-Aside Reserves:** All applications submitted under the Set-Aside Preferences must include \$1,000 per set-aside unit as a payment to the Set-Aside Preferences Housing Reserve Fund (formerly the Special Needs Housing Reserve Fund) which has been established by MHDC. Each development approved pursuant to the Set-Aside Preferences must contribute to this reserve. Such contribution must be made no later than construction completion when other reserves are normally funded. These funds will be held by MHDC and used, as necessary, to temporarily assist developments funded under the Set-Aside Preferences that have experienced unforeseen operational issues (for example, the loss of rental assistance). Deposits to the Set-Aside Preferences Housing Reserve Fund are intended for use for all permanent supportive housing developments, commencing with 2014 approvals, and all developments funded under the Set-Aside Preferences commencing with 2018 approvals, and are intended to replace the need for each property to establish a separate reserve for unexpected costs specifically related to developments funded under the Set-Aside Preferences or the former Special Needs Reserve.
- **Service Enriched Reserve:** If the developer proposes an escrow for services, and that escrow is not funded by a grant specific to the development services, the developer must contribute at least 15% of the escrow amount from the developer fee. The maximum amount of such an escrow is the lesser of \$5,000 per unit or \$250,000 per development. Developments requesting priority status will be reviewed on a case-by-case basis and extensive services will be taken into consideration. Developments offering services but not selecting the priority and not receiving a services grant will be one hundred percent (100%) developer funded and should be deducted from the Developer's Fee.
- **Debt Service Reserve:** If the development cannot maintain the DSC guidelines, a debt-service reserve, in addition to the operating reserve, may be required.
- **Tax and Insurance:** Developments with a MHDC permanent loan will be required to fund a tax and insurance reserve prior to loan conversion and/or 8609 issuance. The reserve will be funded in an amount appropriate for annual tax and insurance expenses as determined by

### III. MHDC HOUSING PRIORITIES

The following housing priorities have been established by MHDC to encourage the development of certain types of housing in certain locations. A more detailed description of the priorities and the requirements for consideration under the priorities is available in the Developer's Guide. An application seeking a priority under one or more of the priorities listed below must still satisfy all other selection criteria and successfully compete against other applications. An application seeking a boost (up to 30%) in tax credits must explain the need for the additional tax credits in the FIN-100 and the Exhibit A to Form 2013.

#### 1. Nonprofit Involvement Set-aside

Pursuant to the Code, at least ten percent (10%) of the 9% Credit available must be allocated to

developments that involve a qualified nonprofit organization (“Nonprofit Priority”). Pursuant to the Code, 4% TE Bond applications do not qualify for the Nonprofit Involvement Set-aside.

26 U.S.C. § 42(h)(5)(C) defines a qualified nonprofit organization as:

- a. A 501(c)(3) or (c)(4) nonprofit organization;
- b. Having an express purpose of fostering low-income housing as evidenced in the Articles of Incorporation or Bylaws;
- c. One that will own an interest in the development and materially participate in the development and operation of the development throughout the compliance period. Material participation is defined in 26 U.S.C. §469(h), and further guidance on material participation is outlined in the Developer’s Guide; and
- d. Is not affiliated with, nor controlled by, a for-profit organization.

Developments wanting to be considered for this priority must fully complete the applicable sections of the application and MHDC Nonprofit Questionnaire and submit all required items.

## **2. HOME CHDO Set-aside**

MHDC will endeavor to set-aside fifteen percent (15%) of HOME Funds to be loaned or granted to Community Housing Development Organizations (“CHDO”) as CHDO Set-aside. Certain legal, organizational, and other requirements apply for nonprofit organizations to qualify for CHDO status (24 CFR § 92.2). If the development is seeking HOME funds under the CHDO Set-aside, the CHDO must be the sole general partner (in the case of a limited partnership) or sole managing member (in the case of a limited liability company) of the ownership entity to qualify.

Developments wanting to be considered for this priority must fully complete the applicable sections of the application and MHDC CHDO Questionnaire and submit all required items.

## **3. Set-Aside Preferences (9% Applications eligible for up to thirty percent (30%) boost in eligible basis)**

MHDC will endeavor to set aside thirty percent (33%) of Federal and State LIHTC (4% Credit and 9% Credit) for developments containing units qualifying under the Set-Aside Preferences outside the geographic set-aside, subject to the quality of the applications received under the Set-Aside Preferences and their ability to meet selection criteria and underwriting standards described in this QAP. The Set-Aside Preferences shall consist of two separate and distinct priorities: Permanent Supportive Housing and Vulnerable Persons, as defined and set forth in more detail below. Developments applying under the Set-Aside Preferences must select either the Permanent Supportive Housing Priority or the Vulnerable Persons Priority, but not both.

### **a. Permanent Supportive Housing Priority**

Developments providing housing opportunities for persons in need of permanent supportive housing are strongly encouraged. Developments committing to a Permanent Supportive Housing Set-Aside of at least fifteen percent (15%) of the total units, will receive a preference in funding (“Permanent Supportive Housing Priority”) as one of the Set-Aside Preferences. For purposes of administering the Federal and State LIHTC, a person in need of permanent supportive housing is a person with a disabling condition(s).

Developments funded under the Permanent Supportive Housing Priority cannot give preference to potential residents based upon having a particular disability or condition to the exclusion of persons

with other disabilities or conditions. Applicants must submit documentation demonstrating they have obtained commitments from a Lead Referral Agency which will refer households in need of permanent supportive housing qualified to lease identified units and from local service agencies which will provide a network of services capable of assisting each of the populations described in the preceding paragraph. For purposes of the Permanent Supportive Housing Priority, a “Lead Referral Agency” is a service provider agency that will provide tenants and services to the community through the later of (i) the completion of the compliance period, or (ii) the completion of the affordability period connected to any MHDC loan on the development. The Lead Referral Agency should demonstrate the ability to serve identified populations in need of permanent supportive housing. MHDC acknowledges that circumstances may require a change in the Lead Referral Agency during the life of the development, but the developer must contact MHDC’s Asset Management department in the event a change is necessary.

Rents should be as affordable as possible to permanent supportive housing households. Affordability can be accomplished through project-based or tenant-based subsidies. The Lead Referral Agency is responsible for coordinating tenant-based rental assistance with service providers or governmental agencies, whenever necessary and possible. In the absence of project-based or tenant-based assistance, the owner should consider other methods to ensure rents are affordable to permanent supportive housing households. If proposed rents for permanent supportive housing units are above 30% AMI rents, the applicant must provide evidence that permanent supportive housing tenants will qualify at 30% of their income for the permanent supportive housing unit proposed rents. In no circumstance should permanent supportive housing tenants pay more than the greater of 30% AMI rents, or 30% of their income towards rents.

Developments wanting to be considered for the Permanent Supportive Housing Priority must fully complete the applicable sections of the application and provide the following supplemental documentation with their application. Refer to the Developer’s Guide for further guidance. The referral process must include soliciting and accepting referrals from service agencies that serve all types of permanent supportive housing populations. Applicants should also detail how the marketing will reach all permanent supportive housing populations by including the following:

- i. A Draft Referral and Support Agreement with the Lead Referral Agency, Property Management Company, and Owner;
- ii. Set-Aside Preference Marketing Plan Exhibit; and
- iii. Rental assistance commitment letters (if applicable).

#### **b. Vulnerable Persons Priority**

It is the policy of MHDC, as the housing finance agency of the State of Missouri, to support housing for vulnerable persons. Developments committing to a set-aside of at least fifteen percent (15%) of the total units for vulnerable persons, will receive a preference in funding (“Vulnerable Persons Priority”) as one of the Set-Aside Preferences. A vulnerable person is a person who is: (a) homeless, as defined by HUD, including survivors of domestic violence and human or sex trafficking; or (b) a youth transitioning out of foster care.

Applicants must submit documentation demonstrating they have obtained commitments from a Lead Referral Agency which will refer vulnerable persons qualified to lease identified units and from local service agencies which will provide a network of services capable of assisting each type of vulnerable person defined above. For purposes of the Vulnerable Persons Priority, a “Lead Referral Agency” is a service provider agency that will provide tenants and services to the community through the later of

(i) the completion of the compliance period, or (ii) the completion of the affordability period connected to any MHDC loan on the development. The Lead Referral Agency should demonstrate the ability to serve identified vulnerable persons populations. MHDC acknowledges that circumstances may require a change in the Lead Referral Agency during the life of the development, but the developer must contact MHDC's Director of Asset Management in the event a change is necessary.

Rents should be as affordable as possible to vulnerable persons. Affordability can be accomplished through project-based or tenant-based subsidies. The Lead Referral Agency is responsible for coordinating tenant-based rental assistance with service providers or governmental agencies, whenever necessary and possible. In the absence of project-based or tenant-based assistance, the owner should consider other methods to ensure rents are affordable to vulnerable persons. If proposed rents for units identified for vulnerable persons are above thirty percent (30%) AMI rents, the applicant must provide evidence that vulnerable persons tenants will qualify at 30% of their income for the vulnerable persons unit proposed rents. In no circumstance should vulnerable persons tenants pay more than the greater of thirty percent (30%) AMI rents, or thirty percent (30%) of their income towards rents. Developments wanting to be considered for the Vulnerable Persons Priority must fully complete the applicable sections of the application and provide the following supplemental documentation with their application. The referral process must include soliciting and accepting referrals from service agencies that serve all types of vulnerable persons. Applicants should also detail how the marketing will reach all vulnerable persons by including the following:

- i. A Draft Referral and Support Agreement with the Lead Referral Agency, Property Management Company, and Owner;
- ii. Set-Aside Preference Marketing Plan Exhibit; and
- iii. Rental assistance commitment letters (if applicable).

#### **4. Service-Enriched Housing (9% Applications eligible for up to thirty percent (30%) boost in eligible basis)**

Service-Enriched Housing enhances the connection between affordable housing and supportive services. MHDC recognizes the advantages of supportive housing to individuals, communities and on public resources. To encourage more comprehensive housing environments for vulnerable populations, proposals offering significant services tailored to the tenant population will receive a preference in funding ("Service- Enriched Priority"). Developments which offer substantial services to enhance tenant housing stability and independence increase the competitiveness of their application. Proposed services should take into account the unique characteristics of residents and help them to identify, access, and manage available resources. The desired outcomes are for tenants to stay housed, have social and community connections, improve their physical and mental health, increase their income and employment, and to be satisfied with the services and housing. Other benefits of a well-planned and properly funded program may include reduced resident turnover, improved property appearance, and greater cooperation between residents and management.

To be considered under the Service-Enriched Priority, a development's services must target a specific population. Examples include, but are not limited to:

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

- Veterans.

The applicant should demonstrate it has experience with the population in question. If the applicant does not have experience with the specified population, it should have a commitment(s) from a service provider(s) who does have the necessary experience. Although MHDC expects applicants that have elected the Service-Enriched Priority to provide services for the full term of the MHDC-imposed affordability period, MHDC will accept service provider commitments for renewable three-year terms. Longer commitments will be viewed more favorably. MHDC acknowledges that circumstances may require a change in service provider during the life of the development. Services for family and senior developments include, but are not limited to, the following examples.

Family properties:

- Regularly-held resident meetings;
- After-school programs for children;
- Financial literacy courses for adults;
- Parents as Teachers program offered through the local school district;
- Credit and/or budget counseling;
- Life skills and employment services;
- Nutrition and cooking classes;
- Domestic violence survivor, including human or sex trafficking, support and counseling;
- Computer lab or computer check-out program;
- Food pantry;
- Daycare services;
- College preparation counseling;
- Clothes closet;
- Library;
- Back to school programs;
- Youth sports activities;
- Teen support groups;
- Good neighbor and tenant rights classes;
- Job training and job placement services; and
- Reentry programs for persons with prior justice system involvement.

Senior properties:

- Regularly-held resident meetings;
- Transportation to shopping and medical appointments;
- Nutrition and cooking classes;
- Enrichment classes such as seminars on health issues, prescription drugs, Medicare, the internet;
- Coordination with an agency that provides assistance with paying bills and balancing checkbooks;
- Periodic health screenings;
- Assistance preparing a Vial of Life;

- Exercise program such as the Arthritis Foundation Exercise Program;
- Monthly community activities (i.e., potluck dinners, holiday events, bingo);
- Access to fitness equipment;
- Food pantry or access to a mobile food pantry if available;
- Housekeeping; and
- Computer lab or check-out program.

Developments wanting to be considered under the Service-Enriched Priority must fully complete the applicable sections of the application and provide the following with their application. Refer to the Developer's Guide for further guidance:

- a. A detailed Supportive Services Plan explaining the type of services to be provided, who will provide them, how they will be provided, and how they will be funded. The Supportive Services Plan should include, but is not limited to, a description of how the development will meet the needs of the tenants, including access to supportive services, transportation, and proximity to community amenities. MHDC prefers the services be onsite or near the proposed development;
- b. Letters of Intent from service providers anticipated to participate in the development's services program; and
- c. Service coordinator job description.

## **5. Preservation (9% Applications eligible for thirty percent (30%) boost in eligible basis)**

The preservation of existing affordable housing will receive a preference in funding ("Preservation Priority"). To qualify for the Preservation Priority, a development must meet at least one (1) of the following criteria and, if receiving federal historic credits and/or state historic credits, must waive the right to opt out of the LIHTC LURA to be recorded against the development for an additional fifteen (15) years beyond the compliance period:

- a. Have and continue to use project-based rental assistance and/or operating subsidy;
- b. Have a loan made prior to 1985 from any of the following loan programs: HUD 202/811, 221(d)(3) or (d)(4), 236, or USDA RD 515;
- c. Participate in HUD's Mark-to-Market restructuring program; or
- d. Have a previous allocation of low-income housing tax credits and be in or have completed the final year of the compliance period for all buildings in the development.

In order to be considered for this priority, the applicant must include the following with the application:

- a. Copies of all loan notes and regulatory agreements encumbering the property;
- b. A copy of any project-based income or operating subsidy agreements and rent schedules;
- c. Audited financial statements for the development covering the three (3) most recent years;
- d. A Physical Needs Assessment or, for RD applications, an "as-is" CNA that meets USDA RD requirements;
- e. If the development has HUD or MHDC financing or is encumbered by a LIHTC LURA or an MHDC Regulatory Agreement ("Regulatory Agreement"), then a letter from HUD and MHDC indicating the need for preservation is required;

- f. If the proposed development includes USDA-RD financing, the application must include a letter of preservation from MHDC and a letter addressed to MHDC from USDA Rural Development indicating (1) RD support for the application, and (2) the applicant has met with USDA Rural Development prior to preparing/submitting the application to MHDC. The purpose of the meeting is to review the entire structure of the proposal with RD including, but not limited to, a discussion of the proposed scope of work, Capital Needs Assessment (“CNA”), financing structure, rents charged, operating budget, the potential amount of additional RD required Replacement Reserves, and any other unique feature or complexities pertaining to the development application. It is recommended applicants supply RD with a copy of the “as-is” CNA prior to this meeting; and
- g. All requests to MHDC for preservation letters must be made no later than 30 days prior to application submission deadline.

## **6. CDBG-DR**

Applications that include leveraging Community Development Block Grant Disaster Recovery (CDBG-DR) funds as a source are strongly encouraged. For applicants proposing to utilize the CDBG-DR 4451 funding, these applications must obtain a LOI from the lead applicant, Jefferson City. Projects must be located within the DR-4451 Most Impacted and Distressed County of Cole.

## **7. Veteran’s Housing (9% Applications eligible for up to 30% boost in eligible basis)**

Applicants developing Service-Enriched Housing targeting Veterans are eligible for this priority. Developments must offer significant services tailored to the Veteran tenant population. Provided services should enhance Veteran tenant housing stability and independence. A substance abuse program must be included in the proposal.

At time of application, letter(s) of intent for service commitment(s) shall be in place with a provider(s) who specialize in, or have substantial experience in, providing services to Veteran populations. If the applicant does not engage with a third-party service provider, support must be provided in the application, which demonstrates the substantial experience the applicant has with providing services to Veteran populations. Developments applying under the Veteran’s Housing priority are subject to any and all requirements of the Service-Enriched priority in addition to any specific requirements that are set forth for the Veteran’s Housing priority. Developments wanting to be considered under the Veteran’s Housing priority must fully complete the applicable sections of the application including, but not limited to, all sections required by the Service- Enriched priority.

In addition, applicants must provide the following with their application:

- a. A detailed Supportive Services Plan detailing: the type of services to be provided, who will provide them, how they will be provided, and how they will be funded. The plan should include, but is not limited to, a description of how the development will meet the needs of Veteran tenants, including access to supportive services, transportation, and proximity to community amenities. MHDC prefers the services be onsite or near the proposed development;
- b. Letters of Intent from those service providers associated with the development’s Veterans programs; and
- c. Service coordinator job description.

## **8. Workforce Housing (9% Applications eligible for 30% boost in eligible basis).**

Developments in counties with a median income less than the most recent statewide median income (as



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

## 9. Opportunity Areas

MHDC encourages affordable housing developments in opportunity areas by targeting communities that meet the following criteria: access to high-performing school systems, transportation and employment; as well as being located in a census tract with a fifteen percent (15%) or lower poverty rate. Family developments that meet these criteria will receive a preference in funding. Family developments proposed in opportunity areas are required to include an affirmative marketing plan that proactively reaches out to families currently living in census tracts where the poverty rate exceeds forty percent (40%). The plan must include a Special Marketing Reserve to assist in initial relocation expenses for families with children. Note that the minimum unit size for a family development in an opportunity area is two-bedroom. Developments that apply under this priority must also apply under the Service-Enriched Priority. MHDC will, on a case-by-case basis with reasonable and well documented justification, allow flexibility for meeting all four criteria for qualification. Please refer to the Market Study Guidelines which specifies how data on each of these criteria is to be collected. Below are examples of services for this type of family development:

- Regularly-held resident meetings;
- After-school programs for children;
- Financial literacy courses for adults;
- Credit and/or budget counseling;
- Life skills and employment services;
- Computer lab or computer check-out program;
- Daycare services;
- College preparation counseling;
- Library;
- Back to school programs;
- Youth sports activities;
- Teen support groups, and
- Good neighbor and tenant rights classes.

## IV. RESERVATION PROCESS

### A. Document Review: PHASE I

#### 1. Document Review Guidelines.

The Document Review will be conducted to determine if the applicant and its application meet the following requirements:

- a. **Organized Application.** Each application must be submitted using the ShareFile link requested



through [application@mhdc.com](mailto:application@mhdc.com). A complete application consists of: (1) electronic application documents as outlined on the FIN-125; (2) electronic exhibits as outlined on the FIN-125; (3) electronic payment of the appropriate application fee; (4) uploaded file names match the FIN-125 exhibit names; and (5) submission of completed MAAP application. MHDC staff has the right, in its sole discretion, to waive an exhibit requirement on a case-by-case basis upon the review of a formal waiver request submitted by an applicant prior to the applicable NOFA deadline. All waiver requests must be submitted to MHDC no later than seven (7) business days before the applicable NOFA deadline.

- b. **Good Standing with MHDC.** Any member of the development team that is 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 will be denied participation in the NOFA. In addition, any development team member not in compliance or good standing with any other MHDC program will similarly be denied participation. Should MHDC learn any principal 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, the application evaluation may be impacted, or the application will be rejected. Prior performance considered may include, but is not limited to, progress made with a previous Conditional Reservation Agreement, Firm Submission, execution of Firm Commitment, closing, cost certification, development compliance, payment of fees and/or violation of the MHDC Workforce Eligibility Policy.
- c. **Good Standing with Other Entities.** 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 may be denied participation in the NOFA, in MHDC's sole and absolute discretion.
- d. **Consistent with Applicable Law.** As previously stated in the Participant Standards, the submitted proposal must comply with all federal, state, and local laws, as well as any and all applicable 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 with any such laws, regulations, and notices, and are encouraged to seek the advice of their own legal counsel with respect to such compliance. Examples of such requirements include, but are not limited to:

**Code Requirements.** The proposal must meet all requirements set forth in 26 U.S.C. § 42 and all relevant Treasury Department regulations, notices, and rulings.

**Fair Housing Requirements.** As previously stated in the Participant Standards the submitted proposal must comply with the Fair Housing Act.

**Internal Revenue Service Memorandum of Understanding.** MHDC and the IRS have executed a Memorandum of Understanding ("IRS MOU") to improve the administration of the Federal LIHTC. Under the terms of this IRS MOU, all developers must complete IRS Form 8821 (Rev. 9-98), Tax Information Authorization, as a condition of consideration for an allocation of 9% Credit or 4% Credit. An executed IRS Form 8821 for the developer, and all key principals of the developer and general partnership must be included as part of the application. It is the position of MHDC that information contained within Missouri and IRS Form 8821 submitted with the application is not subject to public records requests.

- e. **Consistent with Tax Credit Accountability Act.** Under the provisions of 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 by MHDC. All developers, general partners/members, and key principals must complete the most recent Missouri and IRS Form 8821 as a consideration for the allocation of the State LIHTC. MHDC will obtain tax clearance for the developer/applicant from the Missouri Department of Revenue at the time of application. Should the developer, general partner, or any key principal be found to have outstanding tax liens or delinquent taxes, for federal or state taxes, the related application may be rejected.

## 2. Threshold Documents.

All threshold documents must be complete, fully-executed, and submitted by the application deadline. An exact list of all application documents can be found on the MHDC FIN-125. A missing threshold document may result in an application being eliminated from consideration. Below is a list of the required threshold document categories, some of which require multiple documents:

- a. **Executed FIN-100.** A completed and executed FIN-100 with appropriate certifications and elections made.
- b. **Application Fee.** Application fee must be paid through provided payment link by the applicable NOFA deadline. A payment returned for any reason will result in that application being rejected.
- c. **Development Questionnaire.** The current version of the Development Questionnaire must be provided. An incomplete questionnaire may result in the application being eliminated from consideration.
- d. **Market Study.** A market study meeting MHDC requirements and dated within six (6) months of the application due date. The market study must be prepared by an experienced market analyst on MHDC's approved provider list (not an affiliated company). See the Market Study Guidelines and Market Study Standards for Rental Housing Developments (MHDC Form 1300) for further guidance. Waivers requesting a submission of the Market Study after the application deadline will not be granted.
- e. **Financing Commitments.** Commitments for all non-MHDC financing sources, including commitments for all tax credit equity to be utilized.
- f. **Local Jurisdiction Contact Verification.** Evidence that the Chief Executive of the local jurisdiction has been contacted.

## 3. Secondary Documentation Review.

Secondary documentation must be submitted by the application deadline for an application to receive consideration. The FIN-125 contains an exact list and explanation of the required documentation. If five (5) or more secondary review documents are missing or are incomplete at the time the application is submitted, the application may be rejected. If four (4) or fewer secondary documents are missing or are incomplete at the time the application is submitted, the applicant will be notified in writing of deficient items and a date by which deficiencies must be cured ("Cure Date"). If the requested documents are not received by the Cure Date, the application may be rejected. MHDC has the right in its sole discretion to reject or cure any application. Below is a list of the secondary documentation categories, some of which require multiple documents:

- a. **Economic Impact to Missouri.** The applicant should provide information and data within the FIN-100 concerning the economic impact of the proposed development. At a minimum, the applicant should provide the following:
  - i. A description of the proposed services that will be performed and/or the proposed products that

- will be provided by Missourians;
- ii. The number of employees in Missouri, if the developer has existing operations in Missouri;
- iii. The percent of hard and soft costs expected to be paid to Missouri-based firms, vendors and /or suppliers;
- iv. The total number of months between initial construction closing and construction completion; and
- v. For senior and permanent supportive housing development proposals, projected Missouri savings in Medicaid expenses. Permanent supportive housing combines and links permanent, affordable housing with flexible, voluntary services designed to help the tenants stay housed and build the necessary skills to live as independently as possible.
- b. **Site Review Information.** MHDC requires multiple site information documents to conduct the site review.
- c. **Applicant Site Control.** Applications must include adequate documentation that demonstrates proper site control for all sites listed in the Application. Applicants should refer to the Developer's Guide for more information regarding site control and a thorough description of the required site control documents.
- d. **Seller Site Control.** The seller site control documents, as described in the Developer's Guide.
- e. **Local Jurisdiction Contact Verification.** In addition to other contact verification required by 26 U.S.C. § 42 as described in 2e above under Threshold Documents, provide evidence that the State Senator, State Representative, Executive Director of the Public Housing Authority, Superintendent of Schools (if applicable) and Councilperson(s)/Alderperson(s) have been contacted for each site, as applicable.
- f. **Statutorily Required Documents.** Various state and federal statutes and regulations require certain documents be submitted by the developer/applicant at the time of application.
- g. **Housing Priority Documentation.** Additional documentation required pursuant to the priority the applicant is applying under, if applicable.
- h. **Zoning.** Evidence of proper zoning or a letter from the appropriate governmental body describing the process and timeframe for approval of the proper zoning.
- i. **Architectural Information.** Documents regarding the design, cost, and historic designation of the building.
- j. **Sustainable Housing Information.** New construction applications must provide documentation demonstrating how the development will achieve and maintain the green building standard identified in the Development Characteristics Worksheet. For rehabilitation proposals, the green building requirement is highly encouraged but optional; however, rehabilitation developments that will achieve and maintain a green building standard should also provide such documentation.
- k. **Relocation and Existing Multifamily Operations Data.** For proposals with existing tenants (commercial or residential) who may be either temporarily relocated or permanently displaced as a result of the proposed development, applicable relocation documents are required. Applicants should refer to the Developer's Guide for more information regarding required relocation documentation. Permanent displacement of tenants is strongly discouraged. The applicant must take all reasonable steps to minimize the displacement of existing tenants
- l. **Homeownership Information.** For single-family or duplex developments interested in providing

tenants homeownership opportunities after the end of the compliance period, provide a homeownership proposal and a waiver of the right to opt out of the LIHTC LURA for an additional fifteen (15) years after the end of the compliance period. Homeownership must apply to the entire development.

- m. **Approved Utility Allowance Schedule.** Provide the most current utility allowance schedule from the following sources:
  - a. Rural Development (RD): buildings that receive RD assistance must use the applicable utility allowance provided by RD for all rent restricted units.
  - b. HUD: Buildings where rents and utility allowances are reviewed on an annual basis or that receive rental assistance must use the utility allowance provided by HUD for all rent restricted units.
  - c. Local Public Housing Authority (PHA)
  - d. Local Utility Provider Estimate
  - e. Energy Consumption Model
  - f. HUD Utility Schedule Model
- n. **Developer-General Partner Information.** Information regarding the developer and any general partner(s) who are not affiliates of the developer.
- o. **Management Agent Information.** Information regarding the proposed management agent.
- p. **Self-Scoring.** Provide a completed copy of the MHDC Application Self-Scoring form.

## B. Priority Scoring – PHASE II

Applications must meet the qualifications of one or more of the following priority groups listed in order to proceed to General Scoring – Phase III:

- Nonprofit, as defined in Section III of this QAP;
- HOME CHDO;
- Service-Enriched, including Veterans Housing;
- Permanent Supportive Housing or Vulnerable Populations;
- Preservation;
- CDBG-DR;
- Workforce Housing; or
- Opportunity Area, as defined in Section III of this QAP.

Applications that meet the qualifications for one of the above priority groups will be assigned forty-five (45) points.

## C. General Scoring – PHASE III

Applications must earn at least ninety (90) combined points in Phases II and III to qualify for Underwriting – PHASE IV review and be considered for funding. Applications that do not earn at least ninety (90) combined points in Phases II and III will not be considered for funding. 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.

The following chart summarizes the point categories in Phase III.

Scoring Category	Points
<i>Development Characteristics</i>	
Income Targeting	0-13
Mixed Income	10
Homeownership Opportunity	5
Housing Priorities	0-10
Extended Compliance	0-5
Previous Phase Success	1
<i>Site Location</i>	
Cost Burden	0-15
Opportunity Area	7
Rural Underserved	5
Preservation	0-15
<i>Use of Resources</i>	
Leveraged Funds	0-10
Federal Historic Tax Credits	5
Rental Assistance	0-5
Credit Efficiency	0-7
<i>Development Team</i>	
Development Team Prior Performance	0-25

## DEVELOPMENT CHARACTERISTICS

### Income Targeting

**0 - 13 points**

Developments that target a percentage of units to lower income households will be awarded points as described below. Evaluation will be based on LIHTC income determination guidelines. The maximum number of points an application can receive is thirteen (13) points. Proposals electing the Average Income Minimum Set-aside will be required to 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% or greater of the units at 30% AMI	13
10% or greater of the units at 30% AMI	9
10% or greater of the units at 40% AMI	4
10% or greater of the units at 50% AMI	2
Percentage of Units at Income Level (Springfield, Columbia, Joplin, Jefferson City, Cape Girardeau and St. Joseph MSAs)	Points
12.5% or greater of the units at 30% AMI	13
7.5% or greater of the units at 30% AMI	9
7.5% or greater of the units at 40% AMI	4
7.5% or greater of the units at 50% AMI	2

<b>Percentage of Units at Income Level (All other counties not included above)</b>	<b>Points</b>
10% or greater of the units at 30% AMI	13
5% or greater of the units at 30% AMI	9
5% or greater of the units at 40% AMI	4
5% or greater of the units at 50% AMI	2

**Mixed Income Development****10 points**

Developments that have at least ten percent (10%) market rate units, or Average Income Minimum Set-aside Units at eighty percent (80%) AMI will be awarded ten (10) points. Internal Revenue Code requires that mixed income multi-family developments must be located on contiguous sites.

**Homeownership Opportunity****5 points**

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 five (5) points. 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. Additional details are provided within MHDC Form 1500: Homeownership Policy. Homeownership must apply to the entire development.

**Housing Priorities****0 - 10 points**

Applicants may submit a proposal that meets one or both Service-Enriched and Set-Aside Preference Priorities, but points will only be awarded to the highest scoring priority that meets all requirements, for a maximum of ten (10) points available in this priority.

<b>Housing Priority Category</b>	<b>Maximum Points Possible</b>
Service-Enriched	10
Set-Aside Preference	10

**Service-Enriched**

Up to ten (10) points may be awarded to developments that qualify for the Service-Enriched Priority. Points will be awarded based on the below criteria:

1. Applications that include a commitment to provide services for the duration of the affordability period will receive five (5) points.
2. Applications that commit to provide services that fall under the Service Parameters as reflected below may receive one point per Service Parameter. Applications must include a fully executed LOI for each Service Parameter to receive points for that category. In awarding points, MHDC will evaluate the quality of services provided, the correlation between the services or programs to the tenant population, the service delivery plan and the duration of the commitment from the service provider(s) (minimum of three (3) years).

<b>Service Parameters</b>
Housing Stability
Increased Income and/or Employment

Physical and/or Mental Health
Quality of Life
Social and Community Connection

### ***Set-Aside Preference***

Up to ten (10) points may be awarded to development that qualify for the Set-Aside Preference. Points will be awarded based on the below criteria:

- Applications that include a commitment to set aside fifteen percent (15%) or more of all units for permanent supportive housing or vulnerable population tenants will receive five (5) points.
- For applications that meet the 15 percent (15%) set-aside qualifications, MHDC will evaluate the Supportive Services Plan and award up to five (5) points based on the quality and alignment of services with the targeted population(s).

### **Extended Compliance**

**0 - 5 points**

Development proposals that waive the right to opt out at the end of the fifteen-year LIHTC compliance period will be awarded points based on the table below.

# of Years Extending the Compliance Period	Points
5 - 9 years - (total compliance period 20-24 years)	1
10 - 14 years - (total compliance period 25-29 years)	3
>=15 years - (total compliance period 30 plus years)	5

### **Previous Phase Success**

**1 point**

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

- Have a vacancy rate of less than five percent;
- Has a waiting list;
- Has the same occupancy type; and
- Are located within ½ mile driving distance of the first phase.

## **SITE LOCATION**

### **Site Location**

**0 - 15 points**

1. Development proposals can qualify for points under either scoring category (1a) or (1b), as detailed below, but will only receive points for one category.

- Households spending more than fifty percent (50%) of gross monthly income on housing are termed severely cost burdened. Applications that propose a development in a county where the percentage of severe cost burdened renter households exceeds ten percent (10%) as identified in the published on the MHDC website will be awarded points as described below:

Percentage of Severe Cost Burdened Renter Households	Points
Greater than 20%	10
Greater than 15%	7

Greater than 10%	5
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- b. Family sites that meet the requirements of an Opportunity Area as described within this Plan will be awarded seven (7) points.
- 2. 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 published on MHDC's website.

### Preservation

0 - 15 points

Development proposals that qualify and meet the requirements for the Preservation priority will be awarded points based on the table below, development proposals will only earn points in the highest-scoring category eligible.

Preservation Development	Points
Located in Kansas City or St. Louis regions	10
Located in MSA-Rural or Rural regions	12
Development is existing USDA-RD property	15

### USE OF RESOURCES

#### Leveraged Funds

0 - 10 points

Applicants may submit a development proposal that meets one or both of the below scoring criteria, as detailed in sections a. and b., for a maximum of 7 points available in this category. Proposals that include federal disaster recovery funds, i.e., CDBG-DR funds, will be eligible for an additional 3 points in the category, up to a total of 10 points.

- a. Development proposals that include financial investment from an unaffiliated party will be awarded points based on the table below. Eligible sources include grant funds, capital contribution funds, federal funds, state funds, or municipal funds, and will be awarded points based on the percentage of award as it relates to the Total Development Budget. MHDC resources, Historic Tax Credit equity, and private institution loans are not eligible for points in this category. To qualify for points in this category, the application must include an executed Letter of Intent, including financial commitment amount and terms.

Percentage of Leveraged Funds	Points
Greater than 2.5%	3
Greater than 5%	5
Greater than 7.5%	7

- b. Development proposals that include local government support through one of the following categories will be eligible for 3 points. The support must offset the cost of eligible development line-item(s), and the proposal may not show the applicable cost(s) as a line-item in the application. The local government support must be documented through passed resolution(s) from the local government. In addition, documentation of the financial value and valuation methodology must be included in the application, i.e., appraisal, bids, contracts.
  - i. Tax exemptions, i.e., local property tax abatement, sales tax exemptions/savings



- ii. Fee waivers: totaling at least \$50,000 or all the fees a local government can waive, whichever is lesser
- iii. Land donation: real estate owned by local government and not previously purchased from any party related to development proposal
- iv. Infrastructure improvement, i.e., utility connects, water, sewer, drainage, streets

**Federal Historic Tax Credits****5 points**

Developments that have executed LOIs for Federal Historic Tax Credits will be awarded five (5) points.

**Rental Assistance****0 - 5 points**

Development proposals that include committed rental assistance for at least 15% of total units are eligible for points based on the table below. Rental assistance commitments are required for a minimum of five-year terms.

<b>Rental Assistance</b>	<b>Points</b>
Developer Funded Rental Assistance Reserve	2
Project-Based Vouchers	5

**Rental Assistance Reserve**

- a) Calculated as the difference between net rent of 60% AMI units and 30% AMI rents
- b) Must be funded by developer through Developer Fee
- c) Reserve must stay with development until it is depleted

**Project-Based Vouchers**

- a. Vouchers committed from Rural Development, HUD, or local Public Housing Authority
- b. Written commitment from eligible entity

**Credit Efficiency****0 - 7 points**

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 QAP. 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>Credit Efficiency</b>	<b>Points</b>
Eligible LIHTC amount per LIHTC bedroom is ABOVE the Safe Harbor	0
Eligible LIHTC amount per LIHTC bedroom is WITHIN the Safe Harbor	3
Eligible LIHTC amount per LIHTC bedroom is BELOW the Safe Harbor	7

Please refer to the MHDC Developer’s Guide for the exact method to calculate Credit Efficiency.

## DEVELOPMENT TEAM

### Development Team Prior Performance

**0 - 25 points**

An application will be awarded up to twenty-five (25) points based on a Development Team's prior MHDC performance. Significant cost increases, additional funding requests, responsiveness, timeliness, adherence to MHDC requirements, and compliance with MHDC's Asset Management Division will be evaluated from previous performance through July 31st of the application year. Developers, Co-developers, General Contractors, Management Agents and Syndicators will be evaluated as a team and MHDC will consider the prior five (5) years. An application submitted by a developer with no prior experience with MHDC, but which includes other Development Team members that do have prior experience with MHDC will be evaluated based on the prior performance of the entire Development Team and may earn up to a maximum twenty-five (25) points.

<b>Development Team Prior Performance</b>	<b>Points</b>
Developer/Owner/Consultant	12
Supporting Development Team	5
Property Management Company	8

## D. Underwriting/Selection Criteria – PHASE IV

Points earned in Phases II and III determine qualification for review and funding consideration in Phase IV. MHDC reserves the right to limit the level of review in Phase IV of lower scoring applications. Priority Group and Non-Priority Group applications that earn a minimum of ninety (90) combined points in Phase II and Phase III qualify for funding consideration. MHDC reserves the right to evaluate, and recommend for funding, applications that do not earn ninety (90) points or more to the extent necessary to meet affordable housing needs as determined by MHDC. Final funding decisions are within the sole and complete discretion of MHDC.

The selection criteria incorporate both the federal preferences and selection criteria as described in 26 U.S.C. § 42(m)(1). Per 26 U.S.C. § 42(m)(1)(C), the selection criteria must include:

- Project location;
- Housing needs characteristics;
- Project characteristics, including whether the project involves the use of existing housing as part of a community revitalization plan;
- Projects intended for eventual tenant ownership;
- Tenant populations with special housing needs or consisting of vulnerable persons;
- Sponsor characteristics;
- Tenant populations of individuals with children;
- Public housing waiting lists;
- Energy efficiency and overall sustainability; and
- Historic character.

Per 26 U.S.C. § 42(m)(1)(B)(ii), states must give preference among selected developments to:

- Those serving the lowest income tenants;
- Those serving qualified tenants for the longest period of time; and
- Projects located in Qualified Census Tracts only if the development contributes to a concerted community revitalization plan, which is in-place at the time of application.

26 U.S.C. § 42 also provides that states may include such other criteria, as they deem appropriate and, except for the specified preference items, there are no requirements as to the relative weight of the various factors.

MHDC will give preference in funding to Priority Group applications as defined within this QAP.

During the application review, MHDC staff may conduct a review of each proposed new construction or rehabilitation site (“MHDC Site Review”). Each proposed site location must have a sign posted identifying it as a proposed MHDC development. The sign should be posted from the time MHDC receives the application until the Commission votes to approve or not approve the application. At a minimum, the sign must identify the developer and have a contact name and phone number. The MHDC Site Review will consist of a determination regarding the feasibility, marketability, appropriateness of the site(s) for the intended population, and assessment of any perceived environmental issues. For rehabilitation and conversion applications, MHDC staff expects to be able to enter the buildings. Additional supporting documentation may be required if any environmental concerns are identified. Additional LIHTC responsibilities of MHDC include:

- Assurance that the amount of tax credits allocated does not exceed the amount “necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period” per 26 U.S.C. § 42(m)(2)(A);
- Evaluation of all projects for consistency with this QAP and for credit need, including projects using tax exempt bond financing;
- Execution of an agreement for “an extended low-income housing commitment” (as defined in 26 U.S.C. § 42(h)(6)(A)) for every project. This agreement must be recorded as a restrictive covenant binding on all successor owners, and must allow low-income individuals the right to enforce the commitment in state court; and
- Monitoring of compliance with the provisions of 26 U.S.C. § 42 and notifying the Internal Revenue Service of any noncompliance.

### Geographic Region

An attempt will be made to allocate the 9% Credit (both federal and state) across the state on a population proportionate basis, with the state divided into the following areas:

- a. **St. Louis Region - 33%**: Franklin, Jefferson, St. Charles, St. Louis City and St. Louis counties.
- b. **Kansas City Region - 20%**: Cass, Clay, Jackson, Platte and Ray counties.
- c. **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).
- d. **Rural Region - 27%**: All other counties.

### Development Characteristics

It is important the development’s characteristics are appropriate for the intended tenant population. The following characteristics will be reviewed closely:

#### a. Tenant Population

It is important MHDC fund developments offering quality affordable housing to the populations that need it in the locations where it is needed. Items given consideration with regard to the intended tenants include:

- i. Tenant populations with special housing needs, such as persons with physical impairment and/or developmental disabilities, homeless individuals and families, seniors, and other underserved and/or at risk populations;
- ii. Individuals experiencing, or being treated for, or having a diagnosis or a history of mental illness;
- iii. Individuals on public housing waiting lists;
- iv. Individuals with children;
- v. Youth transitioning out of foster care;
- vi. Developments serving the lowest income tenants; and
- vii. The quantity, quality, and suitability of services provided or offered to the tenants.

**b. Development Size**

All applications submitted for consideration are limited to sixty (60) affordable units in a proposal. Exceptions may include, but are not limited to, applications proposing a:

- i. Mixed income development;
- ii. Development selecting average-income as its tax credit set-aside where at least ten percent (10%) of the units are designated as eighty percent (80%) AMI units;
- iii. Development to replace existing public housing and/or subsidized housing;
- iv. Development where at least twenty-five percent (25%) of the units are set aside as Permanent Supportive Housing or Vulnerable Persons housing units;
- v. Development that includes serviced enriched housing features;
- vi. Development that preserves existing affordable housing;
- vii. Development that is part of a municipal redevelopment plan;
- viii. Senior housing development; or
- ix. New construction applications for Federal 4% LIHTC with no other MHDC administered funding sources.

**c. Type**

The type of development being proposed is an important characteristic and affects how the other selection criteria are applied. Developments will be evaluated on how they contribute to the goal of this QAP and the mission of MHDC. Developments fall into at least one of the following types:

- i. New construction;
- ii. Historic rehabilitation/adaptive reuse;
- iii. Acquisition/rehabilitation of existing housing; or
- iv. Developments intended for eventual tenant ownership.

Regardless of type, developments that obligate themselves to serve qualified tenants for the longest period of time are given extra consideration.

**d. Site**

Each site will be reviewed by MHDC staff to determine the overall suitability of the site for affordable

housing and for the intended population. Site reviews will consider:

- i. Marketability, or the likelihood that the site and improvements will be accepted by the target population, including proximity to other affordable housing developments;
- ii. Presence of environmental issues and concerns, including, but not limited to, habitat and wetland preservation, noise, proximity to floodplains, and proximity to other potentially hazardous land uses;
- iii. Neighborhood characteristics and land uses; and
- iv. Proximity to appropriate amenities and services.

#### **e. Design**

The design of each development will be examined closely to assess its appropriateness for the site, the market, and the population being served. The following will be taken into account when evaluating the application:

- i. Access into and out of the site and parking;
- ii. Placement of buildings on the site;
- iii. Development amenities, including, but not limited to, Wi-Fi access, community space, proximity to services, health and fitness space, playgrounds, picnic shelters, community gardens, trails, proximity to transit options;
- iv. Type and quality of materials;
- v. Energy efficiency and overall sustainability, including an MHDC approved sustainability certification;
- vi. Condition and suitability of structures being reused;
- vii. Scope of work for rehabilitation or renovation;
- viii. Population appropriate design features (for example, universal design features, interior and exterior common spaces, storage space, accessibility, adaptability, safety features, etc.);
- ix. Exterior Design aesthetics that blend well with the surrounding area; and
- x. Accessibility Requirements.

### **Market Characteristics**

It is important the development's characteristics are appropriate for the market in which it is located. The following will be analyzed for each proposal:

#### **a. Development Location**

Where a development is located affects almost all of the other selection criteria. Important considerations for location include, but are not limited to:

- i. New construction and conversion proposals criteria:
  - The proposed development shall not be located where the total of publicly subsidized housing units (as defined in the Market Study Guidelines) equal more than twenty percent (20%) of all units in the census tract where the development will be located.
  - If the proposed development is 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.

- Notwithstanding the competitive scores of applications in a Geographic Region, MHDC may in its sole discretion, limit the number of developments in a specific market or city if MHDC determines that there is insufficient demand or that a particular development would have adverse impact on low-income housing developments existing in a given market area.
- In the event that multiple applications are submitted for a given market area that cannot support all of the developments that would have received recommendation for Commission approval in a Geographic Region, MHDC may select one (1) or more that will best serve the market demand for the area.
- If the proposed development is located in the Kansas City or St. Louis Region, it shall not be located within a one (1) mile radius of any development that:
  - (a) has been approved for Federal LIHTC, State LIHTC, HOME, or Fund Balance funding through MHDC within the previous two (2) fiscal-year funding cycles; and
  - (b) is less than ninety percent (90%) leased-up at the time of application submission.

MHDC may consider exceptions to the previous two criteria including, but not limited to, applications proposing a:

- Mixed income development;
  - Development to replace existing public housing and/or subsidized housing;
  - Development where at least twenty-five (25%) of the units are set aside as Permanent Supportive Housing or Vulnerable Persons housing units;
  - Development that includes service-enriched housing features;
  - Development that preserves existing affordable housing;
  - Development that is part of a municipal redevelopment plan; or
  - Senior housing development.
- ii. Location in a Qualified Census Tract only if the development will contribute to a concerted community revitalization plan that is in-place at the time of application;
  - iii. Whether existing housing is used as part of a community revitalization plan;
  - iv. Location in a community with demonstrated new employment opportunities and a proven need for Workforce Housing;
  - v. Infill of existing stable neighborhoods; and
  - vi. Commission-designated targeted areas (historical examples: Joplin MSA and the City of Berkeley LIHTC set-aside in 2012 in response to natural disaster).

#### **b. Housing Needs**

Developments must address the affordable housing needs of the state, region, and locality where they will be located. Important considerations regarding market need include:

- i. Number and growth of the population and intended tenant population in the market area;
- ii. Presence, condition, occupancy, and comparability of other affordable housing developments in the market area;
- iii. Presence, condition, occupancy, and comparability of market rate housing in the market area;
- iv. Capture rate for the proposed development; and

- v. Housing needs of the permanent supportive housing or vulnerable persons population in the market area.

No application proposing the delivery of new units will be approved if it is deemed by MHDC to adversely impact any existing MHDC development(s), exist in a questionable market, or create excessive concentration of multifamily units.

### **Development Team Characteristics.**

A development team's experience with affordable housing, MHDC, and the type of development being proposed is important. The following development team members will be evaluated: developer(s), general partner(s), management agent, syndicator(s)/investor(s), contractor, architect, sustainable design team, consultant(s), lead referral agency (for Permanent Supportive Housing or Vulnerable Persons Housing), and the Service Provider (for Service-Enriched Housing).

Evaluations will assess the experience, performance, financial strength, and capacity to complete the proposed development in a timely and efficient manner.

Items considered will include, but are not limited to:

- i. Number of affordable developments completed;
- ii. Occupancy of developments owned and/or managed;
- iii. Number of developments in the planning and development stages;
- iv. Performance, quality, and condition of previously completed developments;
- v. Previous and outstanding compliance issues; and
- vi. 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.

The proposed general partner, developer, and general contractor will be assessed for their capacity to successfully manage the pre-development, closing, construction, and lease-up of the proposed development in addition to previously approved developments currently in those stages of development.

Development team members not in good standing with MHDC or its programs will not be approved for funding.

### **Feasibility**

Applications will be evaluated to determine feasibility and viability throughout the compliance period using the assumptions provided by the applicant. MHDC will evaluate:

#### **a. Sources**

All developments must demonstrate sufficient sources are available to assure feasibility. For non-MHDC sources, a commitment letter from the proposed provider indicating the amount and terms of financing must be included with the application. The type of financing and the source of all financing will be taken into consideration.

#### **b. Uses**

Development costs must be reasonable and competitive for the type of development and location being proposed. Sources and uses must balance.

**c. Income**

Rents must be appropriate for the market and affordable for the intended population. Other sources of income must be documented to determine feasibility or the size of MHDC debt, if any.

**d. Expenses**

Operating expenses must be adequate, reasonable, competitive, and appropriate for the market and type of development being proposed.

**e. Long-Term Viability**

Operating projections must indicate the development is viable for the greater of (i) the entire compliance period, (ii) the term of any MHDC financing, or (iii) HOME affordability period (if applicable), or NHTF affordability period (if applicable).

**f. Timing**

The timing of due diligence, financing commitments, and regulatory approvals will be considered when assessing an applicant's ability to proceed. Consideration will be given to applicants demonstrating they can proceed in a timeframe consistent with the requirements of 26 U.S.C. § 42 or, for tax-exempt bond-financed applications and/or applications utilizing historic tax credits, the allocation process established by the Missouri Department of Economic Development.

**g. Investment Potential**

Applications will be evaluated for their potential to attract investors for the Federal LIHTC and State LIHTC, if applicable, based on the potential amount of Federal LIHTC and State LIHTC, if applicable, the size of the proposed development, the market, the experience and strength of the development team, and financial feasibility. The strength and previous performance of all investors will be taken into consideration during the feasibility review.

MHDC will not allocate a credit amount exceeding the amount necessary to assure development feasibility

**Community Impact**

MHDC seeks to allocate funding to developments that appropriately and efficiently improve their communities. Impact may be weighed using:

- a. Local Jurisdiction and Community Comments.** Comments from the local jurisdiction, including, but not limited to, chief executive officers and community members.
- b. Catalytic Effect.** Developments that will successfully encourage further development or redevelopment in the community are encouraged, as are developments that are part of a larger community redevelopment effort or part of a concerted community revitalization plan.
- c. Community Needs.** How a development will address the needs of the population and community it intends to serve is important. The existing stock of affordable housing and demographic trends in the area will influence the needs of the community and ability of the development to meet those needs.
- d. Redevelopment Plan.** Applications that are a part of a Redevelopment Plan which has been approved/adopted by a local government will receive a preference in funding. The application must include a letter from the local authorizing official that the proposed development is a part of the Redevelopment Plan. The application should also include a detailed description of the Redevelopment Plan. A Redevelopment Plan should do the following:
  - 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.

### **Economic Impact**

The economic impact to Missouri of a proposed development is an important factor. MHDC will evaluate the Missouri economic impact of each proposal using information within the application items to be measured include, but are not limited to:

- Proposed services that will be performed and/or proposed products that will be provided by Missourians;
- The economic impact returned to the State of Missouri through tax revenue obligations, or otherwise;
- The Development Team's economic presence within the State of Missouri, including Missouri employee statistics; and,
- For senior and Set-Aside Preference development proposals, projected Missouri savings in Medicaid expenses.

### **Notifications**

26 U.S.C. § 42 requires MHDC, as the Housing Credit Agency, to notify the chief executive officer of the local jurisdiction where each proposed development is located and provide such individual(s) a reasonable opportunity to comment on the project. If an application satisfies the Initial Review and Primary Documentation Review requirements, a notification will be sent 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 be given 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 through [www.mhdc.com](http://www.mhdc.com) for review and comment. Public hearings will be held to afford the public a reasonable opportunity to comment on developments proposed throughout the state.

## **V. ALLOCATION PROCESS**

### **A. Conditional Reservation**

Applications receiving approval will be awarded a conditional reservation after approval and submission of additional ownership documentation by developer ("Conditional Reservation"). A Conditional Reservation will describe the funding characteristics and requirements applicable to the development in question. Conditional Reservations will be subject to the requirements MHDC staff determines necessary or appropriate to assure the development will meet the goals of this QAP in a timely manner.

All developments receiving a Conditional Reservation must submit a Firm Submission package no later than the date established in the Conditional Reservation.

For at least one (1) year after the last building is placed in service, monthly rents cannot exceed the MHDC-

approved rents reflected in the Firm Commitment and as determined at Tax Credit Issuance (defined herein). Any increase in annual rents must be approved by MHDC staff.

A Conditional Reservation is subject to rescission should the development fail to comply in a timely manner with the conditions thereof. This includes, but is not limited to, failure to provide evidence satisfactory to MHDC staff of financial feasibility or sufficient progress toward Firm Submission, closing, and placement in service.

## **B. Carryover Allocation**

For developments with 9% Credit reservations, 26 U.S.C. § 42 allows an allocation of Federal LIHTC to a qualified building(s) that will not be placed in service in that year ("Carryover Allocation"), provided that:

1. The building(s) is/are placed in service no later than December 31 of the second calendar year following the Carryover Allocation and;
2. The taxpayer's basis in the building(s) is more than ten percent (10%) of the reasonably expected basis as of the date that is one (1) year after the Carryover Allocation (26 U.S.C. § 42(h)(1)(E)(ii)) ("10% Test"). The reasonably expected basis is the expected basis of the building(s) on December 31 of the second calendar year following the year the Carryover Allocation is made.

To successfully complete the 10% Test, no later than thirteen (13) months after the effective date of the Federal Carryover Allocation, the owner must submit all of the required documentation.

For developments with 9% Credit reservations which are receiving an allocation of State LIHTC, a State Carryover Allocation will be issued for developments that qualify to receive a Federal Carryover Allocation. The Federal Carryover Allocation Agreement may be issued simultaneously with the Firm Commitment, according to the deadlines established in the Conditional Reservation and no later than the month of December in the year of reservation. The State Carryover Allocation Agreement may be issued simultaneously with the Firm Commitment, according to the deadlines established in the Conditional Reservation and no later than the month of June in the year of reservation.

The Carryover Allocation defines the amount of Federal LIHTC allocated to the development, the low-income unit set-asides, the percentages of median income to be served, the special housing needs or vulnerable persons units committed to, if any, the Building Identification Number(s) (BINs), the compliance period, and any other such requirements as MHDC may choose to include. The State Carryover Allocation details the amount of State LIHTC authorized and any other such requirements as MHDC may choose to include. Detailed description of the Federal Carryover Allocation and State Carryover Allocation is included in the Developer's Guide. MHDC reserves the right to request additional documents or certifications it deems necessary or useful in the determination that the development remains eligible for a Federal Carryover Allocation or State Carryover Allocation.

The credit amount defined in the Carryover Allocation may be reduced, if warranted.

MHDC retains the right to recapture credits allocated in a Carryover Allocation prior to the end of the two-year Carryover Allocation period allowed under 26 U.S.C. § 42. Each Carryover Allocation will contain conditions precedent and deadlines which must be satisfied to secure a Tax Credit Issuance of Federal LIHTC, and State LIHTC, if applicable. Should the development or owner fail to comply with all such conditions and deadlines, MHDC staff may, in its sole discretion, rescind the Carryover Allocation and use the recaptured credits for other developments.

## C. Tax Credit Issuance

Any development with a Carryover Allocation that does not place in service by the end of the second year following the allocation year is subject to having its allocation of Federal LIHTC and/or authorization of State LIHTC recaptured. The placed-in-service date for new construction is the date on which the building is certified as being suitable for occupancy in accordance with state or local law. The placed-in-service date for rehabilitation is the close of the twenty-four (24)-month period over which the expenditures are aggregated and the rehabilitation process is certified as being complete. See Internal Revenue Notice 88-116 for more information about placed in service dates.

MHDC will make the issuance of tax credits of Federal LIHTC and/or State LIHTC ("Tax Credit Issuance") after MHDC approval of all Tax Credit Issuance requirements (which includes, but is not limited to, approval of the cost certification) and conversion or permanent closing has occurred, if applicable. The Tax Credit Issuance amount is based on MHDC staff's final determination of the qualified basis for the building(s) based on an accountant's certification of final costs provided by the owner and a final determination of the Federal LIHTC and State LIHTC amounts. The Tax Credit Issuance amount may be less than the amount reserved or allocated previously.

Cost certifications should be submitted no later than two (2) months after the last building in the development is placed in service. The owner must meet all Tax Credit Issuance requirements of the Carryover Allocation to receive the Tax Credit Issuance. MHDC reserves the right to request additional documents or certifications it deems necessary or useful in determining if the development is eligible for Tax Credit Issuance. MHDC will not issue IRS Form 8609(s) and Missouri Eligibility Statement(s), if applicable, until the following conditions have been met (no exceptions will be made):

1. Each building in the development is a qualified low-income building as defined by 26 U.S.C. § 42. No 8609(s) and/or Missouri Eligibility Statement(s) will be issued for any portion of an incomplete development.
2. The owner and the development are in compliance with the terms of the LIHTC LURA.
3. The owner has provided a complete cost certification (for the entire completed development) in the format required by MHDC staff. The developer fee and the contractor's fee allowed in the cost certification are limited to the amounts in the Firm Commitment. The developer fee is the lesser of the recalculation at cost certification following the formula in Section II(C)(6) above or the amount approved in the Firm Commitment.
4. The owner has provided a complete copy of the executed, MHDC-approved, limited partnership agreement or operating agreement and all exhibits and schedules.
5. The owner has paid the tax credit fee and the compliance monitoring fee.
6. The owner representative and the management agent have successfully completed a compliance training session conducted or approved by MHDC staff and submitted proof of attendance in the form of compliance training certificates.
7. MHDC has completed its final inspection of the development.
8. MHDC has made its final determination of the credit amount and its final determination pursuant to 26 U.S.C. 42(m)(2).
9. All requirements included on the applicable MHDC checklist have been received and approved by MHDC. This includes funding of all required reserves.

Owners must file with MHDC executed copies of the 8609(s) and Missouri Eligibility Statement(s) for the first year in which credits are claimed, as indicated in the Compliance Manual (available at [www.mhdc.com](http://www.mhdc.com)).

## D. Transfer of Reservations and Allocations

Without MHDC's prior consent, Conditional Reservations allocations, and/or Carryover Allocations are non-transferable except to an entity in which the transferring holder of the Conditional Reservation or Carryover Allocation is the general partner or controlling principal. Because all representations made with respect to the applicant, its experience, and previous participation are material to the evaluation made by MHDC, it is not expected that MHDC's consent will be granted for transfers to an unrelated entity unless a new application is submitted and receives the same approval required for the initial application.

## E. Owner Elections

1. **Applicable Credit Percentage.** The applicable percentage for New Construction and Rehabilitation credits is a permanently fixed floor of nine percent (9%) (except for Bond Developments). The applicable percentage for Acquisition credits is a permanently fixed floor of four percent (4%). For Bond Developments, the applicable credit percentage is a permanently fixed floor of four percent (4%).
2. **Gross Rent Floor.** 26 U.S.C. § 42(g)(2)(A) provides a low-income unit is rent-restricted if the gross rent for such unit does not exceed thirty percent (30%) of the imputed income limitations applicable to the unit. Under Revenue Procedure 94-57, the effective date of the income limitation used to establish the gross rent floor is the date MHDC initially allocates a housing credit dollar amount to the development. This is typically the date of a Carryover Allocation, but if no Carryover Allocation is made, the date of Tax Credit Issuance will be used. An owner can designate a building's placed-in-service date as the effective date for the gross rent floor. Such designation must be made in the initial application. The Carryover Allocation specifies which designation was made by the applicant. The effective date used for the determination of the gross rent floor for developments not seeking a Carryover Allocation will be the date of Tax Credit Issuance.

For Bond Developments, the effective date of the income limitation used to establish the gross rent floor is the date MHDC issues the 42(m) Letter for the development, unless the owner designates a building's placed-in-service date as the effective date for the gross rent floor. Such designation must be made by advising MHDC staff in writing prior to the placed-in-service date.

The gross rent floor election does not replace the MHDC requirement that the initial monthly rents for at least one (1) year after the last building is placed in service cannot exceed the MHDC Firm Commitment approved rents. Any increases in the annual rents must be approved by MHDC staff.

3. **Credit Period.** 26 U.S.C. § 42(f)(1) defines the Credit Period for Federal LIHTC as the ten (10) taxable years beginning with (i) the taxable year in which the building is placed in service, or (ii) at the election of the taxpayer, the succeeding taxable year. The State LIHTC mirrors the Federal LIHTC Credit Period and applicable requirements. If a qualified development is comprised of more than one (1) building, the development shall be deemed to be placed in service in the taxable year during which the last building of the development is placed in service. MHDC staff should be notified as each building is placed in service and provided a copy of the permanent and temporary, if any, certificate(s) of occupancy for the building.
4. **Minimum Set-Aside Test.** Each development must make a minimum set-aside election. The owner must make an irrevocable election in the initial application of one of the following set-aside elections:

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

For tax credit resyndication developments, the original LURA restrictions must be followed for the original LURA term.

## F. Land Use Restriction Agreement

26 U.S.C. § 42(h)(6) requires LIHTC developments be subject to “an extended low-income housing commitment.” MHDC complies with this requirement with the execution and recording of a LIHTC LURA. The LIHTC LURA sets forth the low-income unit set-asides, the percentages of median income to be served, AMGI unit designations, the special housing needs or vulnerable persons units committed to, if any, and any other such requirements MHDC may include as covenants running with the land for a **minimum of thirty (30) years** (or additional years if the development owner has committed to a longer use period). MHDC staff will use the information submitted with the application, Firm Submission, the signed Firm Commitment, and items submitted in connection with the construction closing to prepare the LIHTC LURA. The LIHTC LURA will be prepared and sent to the development owner to review and will be signed by MHDC staff and the owner in preparation for the construction loan closing. The LIHTC LURA cannot be altered in any manner without the consent of MHDC staff.

The title company will record the LIHTC LURA with any other closing documents to be recorded. The LIHTC LURA must be recorded prior to the filing of any deed of trust or other first lien encumbrance on the development. 26 U.S.C. § 42(h)(6)(E)(ii) requires that even in the event of foreclosure, deed in lieu of foreclosure, or unwillingness to maintain the low-income status of the development, for a period of three (3) years, the following are not permitted: (i) the eviction or termination of tenancy (other than for good cause) of an existing tenant of any low-income unit, or (ii) an increase in gross rent for any low-income unit. The priority recording of the LIHTC LURA ensures all lien holders will honor these requirements of 26 U.S.C. § 42. The original recorded LIHTC LURA must be returned to MHDC staff.

## G. Bond Developments

Under 26 U.S.C. § 42(h)(4), Bond Developments may be entitled to the 4% Credit. The development must receive an allocation of private activity bond cap pursuant to 26 U.S.C. §146 and principal payments on the bonds must be applied within a reasonable period to redeem the bonds. Tax credits are allowed for that portion of a development’s eligible basis financed with the tax-exempt bonds. If fifty percent (50%) or more of a development’s aggregate basis is so financed, the development is entitled to 4% Credits for up to the full amount of the qualified basis.

Bond Developments are required by 26 U.S.C. § 42 to apply through MHDC (as the Housing Credit Agency)

for an allocation of 4% Credits and for a determination that the development satisfies the requirements of this QAP. Although the application does not have to compete for 4% Credits from the State Housing Credit Ceiling, applicants must submit an application during the posted NOFA period and meet all requirements of the reservation process and this QAP.

Applications for Federal 4% LIHTC that do not include a request for other MHDC-administered sources of funding are not required to meet the ninety (90) point threshold for funding consideration, MHDC staff will review the application, determine if the development is eligible and meets the requirements of this QAP, and make a determination of the development's tax credit amount.

If the bonds will be issued by a local Industrial Development Authority ("IDA") or similar authority, MHDC, as the State Housing Agency, must perform an evaluation of the development according to the requirements of 26 U.S.C. § 42(m). The IDA must submit a request on original letterhead to MHDC staff no later than five (5) business days prior to bond closing asking MHDC to issue the 42(m) Letter. MHDC staff will issue Building Identification Number(s) in the 42(m) Letter.

Developments receiving 4% Credits are required to follow the Tax Credit Issuance procedures described herein and to enter into a LIHTC LURA with regard to the development.

## VI. COMPLIANCE MONITORING

26 U.S.C. § 42(m)(1)(B)(iii) mandates that MHDC, as the State Housing Agency, monitor all placed in service tax credit developments for compliance with the provisions of 26 U.S.C. § 42. Developments approved for tax credits under this QAP must follow the HUD Multifamily Tax Subsidy Project ("MTSP") income limits in effect for the metropolitan area or county in which the property is located at the time a household leases a tax credit unit. HUD income limits for the Section 8 and HOME programs will prevail, as directed by HUD regulations, for tax credit units that are also Section 8 or HOME-assisted units. In addition, MHDC staff will monitor developments for compliance with the LIHTC LURA for any additional owner commitments made in the development selection process (e.g., additional low-income units or an extended low-income use period). Developers must finalize and receive approval for the unit mix and on-site management requirements prior to requesting a Firm Commitment. All owner representatives and their management agent representatives will be required to successfully complete a compliance training session conducted or approved by MHDC staff prior to the release of 8609(s).

Further information and guidance on compliance monitoring is included as supplemental to this QAP in the MHDC LIHTC Compliance Monitoring Manual, as may be amended from time to time, and explains the LIHTC monitoring process in detail. Each owner is required to comply with the requirements described in the designated program manuals and guides, MHDC policies, and as set forth in 26 U.S.C. § 42 and 24 CFR § 1.42-5 provisions, including, but not limited to:

**Record Keeping and Retention.** For each year in the compliance period and extended use period, the owner or its successor in interest shall keep records for each qualified low-income building in the Project, consistent with 24 CFR § 1.42-5. The owner or its successor in interest shall retain these records for each building in the development for at least six (6) years after the due date (with extensions) for filing the federal income tax return for that year. The records for the initial taxable year shall be retained for at least six (6) years after the due date for filing the federal income tax return for the last year of the compliance period and extended use period of the building.

**Annual Certifications.** The owner shall make all necessary annual certifications for the preceding twelve (12)-month period, as described in 24 CFR § 1.42-5 and as required by MHDC.



**Review and Inspections.** MHDC will review the certifications submitted and conduct on-site inspections of the developments pursuant to the required frequency. The number of low-income housing units and certifications to be inspected must be selected according to the minimum requirements as set forth in 24 CFR § 1.42-5 and in a manner that limits advance notice to owners that their records for a particular year will or will not be inspected. MHDC may give an owner reasonable notice, pursuant to 24 CFR § 1.42-5, that an inspection will occur so that the owner may assemble records.

**Notice of Noncompliance.** MHDC will provide written notice to the owner of a development if found to be out of compliance pursuant to 24 CFR § 1.42-5. The notice will describe the events of noncompliance and advise the owner of the development of the time period to correct the events of noncompliance.

**Correction Period.** The correction period shall not exceed 90 days from the date the notice of noncompliance is sent to the owner. MHDC may extend the correction period for up to six months, but only if MHDC determines there is good cause for granting the extension. During the ninety (90)-day time period, or an extension thereof, the owner shall supply any missing certifications and bring the development into compliance with the provisions of 26 U.S.C. § 42 and 26 CFR § 1.42-5.

**Notice to Internal Revenue Service.** MHDC will send a written notice to the Internal Revenue Service along with an IRS Form 8823 in the event of a finding of noncompliance by an owner. Copies of the IRS Form 8823 and the Internal Revenue Service notice will be forwarded to the owner.

**Liability.** Compliance with the requirements of 26 U.S.C. § 42 and MHDC requirements is the responsibility of the owner of the development for which the tax credits are allowable. MHDC's obligation to monitor for compliance with the requirements of 26 U.S.C. § 42 does not make MHDC liable for an owner's noncompliance.

## VII. Other Information

### A. Program Fees

1. MHDC may charge developments financed under the requirements of this QAP the fees listed below. MHDC reserves the right to charge additional fees, as it deems necessary in the course of administering the Federal LIHTC and State LIHTC.
2. **Tax Credit Fee.** A fee equal to 7% of the approved annual Federal LIHTC amount is due at construction closing ("Tax Credit Fee"). The amount of the Tax Credit Fee is to be rounded up to the next dollar. The fee is non-refundable and will not be reduced or refunded if the Tax Credit Issuance amount is reduced or if the tax credits are returned or recaptured. If the Tax Credit Issuance amount is increased, the increased amount is subject to the fee and must be received prior to the issuance of 8609(s) and Missouri Eligibility Statement(s). The Tax Credit Fee cannot be included in eligible basis.
3. **Appraisal Fee.** MHDC may order an appraisal from an independent third party to provide an appraisal for developments approved for MHDC loan resources. If MHDC orders an appraisal, a fee of \$6,500 will be assessed, to be paid with the execution of the Conditional Reservation ("Appraisal Fee"). The Appraisal Fee is non-refundable.
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 for approved developments in excess of six (6) units ("Cost Analysis Fee"). The Cost Analysis Fee would be due with the Conditional Reservation. If a third-party analysis is also required by the lender or investor on the property, MHDC will endeavor to work with that party to avoid duplicate costs.



5. **Construction Inspection Fee.** A minimum fee of \$13,500 will be assessed to compensate either MHDC or a third-party inspector hired by MHDC staff for construction inspections (“Construction Inspection Fee”). The amount of the Construction Inspection Fee will be based on the estimated length of the construction period. **LIHTC LURA Recording Fee.** The owner will be responsible for the fee charged for recording the LIHTC LURA with the county in which the development is located. If MHDC records the LURA, the fee is \$160.
6. **Compliance Monitoring Fee.** A compliance monitoring fee will be assessed to cover the costs of the IRS-required compliance monitoring program (“Compliance Monitoring Fee”). The fee is \$300 per low-income unit (including employee use units) and Workforce Housing unit (occupied by households between sixty percent (60%) and eighty percent (80%) of the area median income). The Compliance Monitoring Fee must be paid once the last building in the development is placed in service. 8609(s) and Missouri Eligibility Statement(s) will not be issued until MHDC receives the Compliance Monitoring Fee. The Compliance Monitoring Fee cannot be included in eligible basis.
7. **Document Revision Fee.** A fee of \$100 per form may be charged for revisions to an 8609 or Missouri Eligibility Statement or LIHTC LURA for (i) any corrections requested that were the result of incorrect information provided to MHDC staff by the owner, and (ii) any corrections requested more than ten (10) days after owner’s receipt of the 8609, Missouri Eligibility Statement, or LIHTC LURA, as applicable.
8. **Plan Review Worksheet Revision Fee.** A \$25 per unit fee may be charged if a revision of the unit number assignments is required after the submission of the fully executed Cost Certification.

## B. 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 is placed in service, any material changes (for example, changes in the site, scope, costs, credit pricing, ownership or design, etc.) from what was submitted in the application will require written notification to, and approval by, MHDC. Changes of development characteristics which were the basis, in whole or in part, of MHDC’s decision to reserve credits and/or provide MHDC funds may result in a revocation of the Conditional Reservation or a reduction in the amount of the tax credit award and/or MHDC funds.

## C. Administration of the QAP

MHDC reserves the right to 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.

## D. Amendments to the QAP

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

- E. To reflect any changes, additions, deletions, interpretations, or other matters necessary to comply with the Code or regulations promulgated thereunder;
- F. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Plan;
- G. 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;

**H.** To comply with the State Act, as to State LIHTC matters; and

**I.** To facilitate the award of tax credits that would not otherwise be awarded.

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

## **J. MHDC Discretionary Authority**

MHDC reserves the right, in its sole discretion, to:

1. Carry forward a portion of the current year's 9% Credit for allocation in the next calendar year;
2. Under certain conditions, issue a Conditional Reservation for a portion of the next year's 9% Credit;
3. Under certain conditions, 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 tax credits requested relative to the amount of funding available. This could result in awarding tax credits for a development that will fully utilize the amount available, while denying credit to a development which requested more credit than is available, without regard to location or ranking;
6. Fund fewer than the number of units proposed in an application; and
7. Assert discretionary authority concerning all aspects of an application during the underwriting process.

26 U.S.C. § 42(m)(1)(A)(iv) requires MHDC to make available to the general public a written explanation for any exceptions made to the requirements of this QAP.

## **K. Other Conditions**

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 KIND WILL BE GROUNDS FOR DENIAL OR LOSS OF THE TAX CREDITS AND MAY AFFECT FUTURE PARTICIPATION IN THE TAX CREDIT PROGRAM IN MISSOURI.