MISSOURI HOUSING DEVELOPMENT COMMISSION
QUALIFIED ALLOCATION PLAN FOR
RENTAL PRODUCTION AND PRESERVATION PROGRAMS

DEVELOPMENT OF THE PLAN

The Missouri Housing Development Commission (MHDC) is charged with the responsibility for administering the Low Income Housing Tax Credit for the State of Missouri. The Tax Reform Act of 1986 created the Low Income Housing Tax Credit to encourage the private sector to invest in the construction and rehabilitation of housing for low and moderate income individuals and families. Section 42 of the Internal Revenue Code mandates that housing credit agencies adopt a Qualified Allocation Plan for allocation of the Low Income Housing Tax Credit to low income rental developments across the state.

This Qualified Allocation Plan, herewith established and set forth, ensures the selection of those developments that serve to address the most pressing housing needs of the state, within the guidelines and requirements established by the Federal Government.

The general requirements in this Allocation Plan apply equally to the allocation of Low Income Housing Tax Credit pursuant to the MHDC Notification of Funding Availability (commonly referred to as “9% tax credit”) and to the allocation of these credits for rental units financed with tax-exempt bonds outside the MHDC competitive process (commonly referred to as “4% tax credit”).

Public hearings were held during the period of July 13-15, 1999, throughout the state to receive comments on the amended Qualified Allocation Plan. MHDC published notice of the public hearings in newspapers of general circulation throughout the state at least 10 days before the date of the public hearings. In addition, notice of the hearings was sent to over 2,000 interested parties.

APPLICATION PROCESS

The Tax Act of 1989 requires that MHDC determine that “the housing credit dollar amount allocated to the development will not exceed the amount the housing credit agency determines is necessary for the financial feasibility of the development and its viability as a qualified low income housing development throughout the credit period.” Tax Credit will be limited to the amount that the Commission, in its sole discretion, deems necessary. MHDC reserves the right to not select any development for an allocation of tax credit, regardless of the evaluation.

All of the state’s annual credit ceiling and any unused carry forward credit authority from the previous year will be awarded during one eligibility cycle if adequate applications are received. Applicants must apply during the eligibility cycle to receive a credit allocation during the calendar year. The closing date for applications and the Commission hearing date for application is as follows:

Application Closing Date	Commission Hearing of Application *	Maximum Portion Credit To be Allocated
November 2, 1999	February 18, 2000	100%

*(subject to change)

After February 18, 2000, any unallocated credit and/or recaptured credit may be allocated monthly. Developments financed with certain tax-exempt bonds may be eligible to receive tax credit outside the state's annual credit ceiling. Although these developments need not compete for an award through the competitive process, they must still be evaluated against the application threshold requirements, be approved by the Commission, and comply with the monitoring provisions of this Plan. **Also, the Commission, in its sole discretion, may approve an amount of tax credit for less than 100% low income occupancy or deny approval of any tax credit amount.**

Developments selected will be given preliminary approval for reservation of tax credit that shall be valid for 185 days. Before the expiration of the 185-day period, the sponsor must submit all required documentation for the next stage of processing. In unusual circumstances, and for good cause shown, an extension of the Reservation of up to sixty days may be granted. Developments that will not be placed in service in the same tax year in which MHDC approves the Tax Credit Reservation must be awarded a Carryover Allocation upon the satisfaction of requirements of I.R.S. Section 42 and the Commission. All developments with a valid Reservation of Tax Credit will be required to obtain a Placed in Service or Carryover Allocation by November 1 of the same calendar year. Interested parties should request the "Low Income Tax Credit Program Guidelines" and "MHDC Multifamily Application" for further information regarding the requirements.

Developers are encouraged to schedule a meeting with staff to discuss their proposals, and successful and unsuccessful applicants are encouraged to meet with staff after the selection process is completed as well to discuss their proposals and "next steps."

TAX CREDIT PROGRAM ALLOCATION AND SET-ASIDE

The base amount of annual credit authority is calculated at $1.25 per capita. This per capita amount is based upon population estimates released by the Internal Revenue Service. In calendar year 2000, approximately $6.7 million in 2000 credit authority, an undetermined amount of returned credit, and an undetermined amount of credit from the national pool will be available for allocation. No individual development may reserve or receive more than $600,000 of the annual credit authority available in the calendar year. (The Commission may waive this restriction.)

GEOGRAPHIC DISTRIBUTION

An attempt will be made to distribute the tax credit across the State of Missouri on a population proportionate basis, with the state divided into five areas, as follows:

Population Percentage	Area of State
36%	**St. Louis Metro** [Franklin, Jefferson, Lincoln, Montgomery, St. Charles, St. Louis City, St. Louis, Sullivan City (of Crawford County) and Warren Counties]
19%	**Kansas City Metro** (Clay, Cass, Clinton, Jackson, Lafayette, Platte and Ray Counties)
17%	**Southwest Region** (Bates, Barry, Barton, Benton, Camden, Cedar, Christian, Dade, Dallas, Greene, Henry, Hickory, Jasper, Laclede, Lawrence, McDonald, Miller, Morgan, Newton, Polk, Pulaski, St. Clair, Stone, Taney, Vernon and Webster Counties)

12%	**Southeast Region** (Bollinger, Butler, Cape Girardeau, Carter, Crawford, Dent, Douglas, Dunklin, Gasconade, Howell, Iron, Madison, Maries, Mississippi, New Madrid, Oregon, Ozark, Pemiscot, Perry, Phelps, Reynolds, Ripley, Scott, Shannon, St. Francois, Ste. Genevieve, Stoddard, Texas, Washington, Wayne and Wright Counties)
16%	**North/Central Region** (Adair, Andrew, Atchison Audrain, Boone, Buchanan, Caldwell, Callaway, Carroll, Chariton, Clark, Cole, Cooper, Daviess, DeKalb, Gentry, Grundy, Harrison, Holt, Howard, Johnson, Knox, Lewis, Linn, Livingston, Macon, Marion, Mercer, Monroe, Moniteau, Nodaway, Osage, Pettis, Pike, Putnam, Ralls, Randolph, Saline, Schuyler, Scotland, Shelby, Sullivan and Worth Counties)

The Commission's desire to effect a fair geographic distribution will be weighed against the primary priority of serving the most pressing housing needs across the state as represented by the applications submitted. It is also our belief that certain communities may have little or no need for additional housing, and therefore it may be impossible to achieve the targeted percentage for a given region. The narrow band of qualifying incomes further restricts the market in some small communities.

SET-ASIDE FOR NON-PROFIT SPONSORS
As mandated by Section 42(h)(5) if the I.R.S. Code, and in consideration of the housing needs identified in the Consolidated Plan and comments received through the public hearing process, 10% of the Tax Credit allocation will be set aside for developments sponsored by not-for-profit organizations.

RELIEF TO EMERGENCY-DECLARED COUNTIES
Should any part of the state be declared an emergency area for any reason, it may be necessary at that time for MHDC to set aside a certain percentage of tax credit or to specially consider a project that will assist in providing affordable housing in the area stricken by disaster. This will be decided on a case-by-case basis, as necessary.

PROJECT COSTS
While Project Costs, including Developer Fees and Overhead, Combined Contractor Profit, Overhead, General Requirements and Fee Percentage, and Total Costs will be given serious consideration, MHDC will not award tax credit based solely on the lowest development costs. The mission of MHDC is to provide high quality affordable housing with long-term viability that meets community standards.

THRESHOLD REVIEW
In 2000, if the application fails to meet any one of the threshold criteria, the application will be rejected by the Commission. *Please refer to the Checklist and Program Guidelines to determine the evidencing requirements that must be met to comply with the threshold criteria.*

The Commission has established the following threshold criteria that must be met in order to qualify for the competitive review stage. In addition, all projects with tax-exempt bond financing must meet all threshold requirements to receive a reservation of tax credit. Threshold review is a basic review of the application to determine that it is complete, that it includes all necessary forms, supporting evidence and fees, and that the project meets minimum program requirements.

- **Section 42 Compliance**
  If any owner or general partner is involved with a project which is in a state of uncured non-compliance due to site audits or the failure to comply with owner's reporting requirements during the period of January 1, 1999, through December 31, 1999, the application will be immediately rejected. In addition, an owner not in compliance or good standing with other MHDC programs will be subject to threshold rejection of the application.

- **Section 42 Requirements**
  The project must meet all requirements set forth in Section 42 of the Internal Revenue Code of 1986, as amended, and all relevant U.S. Treasury regulations, notices and rulings.

- **Complete, Organized Application**
  Applications must be submitted in a three-ring binder, utilizing the checklist provided with the application, with appropriate tabbing. Applications must be complete and consistent with all supporting documentation. Applications that are incomplete, inconsistent, and/or illegible will be rejected.

- **Processing Fee**
  The processing fee must accompany each application. If a check is returned for insufficient funds or other reasons, the application will be immediately rejected. The amount of the initial processing fee is based upon $150 per unit. An additional fee of $150 per unit will be charged if an allocation is granted. The fee is returned if an allocation is not awarded. The total fee will be $300 per unit or 6% of the total credit allocated, whichever is larger.

- **Project Narrative**
  Each applicant must submit a project narrative that summarizes the scope of the project and the roles of the development team. This narrative should include the following:

  - Description of the project and its location(s).
  - Description of need and target market.
  - Description of special amenities and services.
  - Description of local support.
  - Summary of construction and permanent financing. Anticipated start and completion date.
  - A discussion regarding the reasons for consideration of the proposal.

- **Evidence of Site Control**
  Both the buyer and seller must evidence site control. Site control may be properly evidenced by one of the following:

  - Executed and recorded deed.
  - Executed purchase option.
  - Executed purchase contract.
  - Executed long-term land lease or option on a long-term lease.

  Each of the site options/contracts, as applicable, must be valid at the time of selection by the Commission on or about February 18, 2000.

- **Market Study**

  A market study conducted by a trained professional, who is an independent third party, must be submitted with the application. Projects with 18 or fewer units are exempted from this criterion. The study must include:

1. An index which clearly identifies the location of each of the following required items.
2. A brief executive summary, in bullet format, stating:
   - A concise conclusion by the author.
   - The appropriate and supported vacancy rate for the proposed project.
   - The assumption and methods used by the author, including data sources.
   - A comparison analysis between the proposed rents for the project and the market rents for the project's market area.
3. If the Project will be serving a special needs population, the executive summary must state and provide supporting documentation that there is an adequate demand for these units by the targeted special needs population.
4. A description and evaluation of public services (transportation, police, fire protection, schools), infrastructure and community services (shopping, employment, recreation, transportation, medical and services for special needs population, if applicable).
5. A description and map of the market area including the location, supply and condition of the existing housing stock that serves the targeted population.
6. A description of the competition from other federally subsidized developments, as well as proposed LIHTC project(s) not yet placed in service.
7. An identification of the number of potential residents of the project and the condition and affordability of their current housing. These potential residents must meet the income restrictions of the LIHTC program.
8. The study must have been completed or updated by the author no later than six months prior to the application for LIHTC.
9. The project assumptions used in the study must match the project assumptions used in the LIHTC application. For example, the number of units in the project and number of bedrooms per unit must be the same in the market study as in the LIHTC application.

The characteristics listed above are the minimum required to meet the Commission's threshold requirements regarding a market study. The market study must comply fully with the MHDC Market Study Guidelines dated March 1999. Applications may be rejected if any of the above noted market study requirements are not provided.

- **Zoning**

  The applicant must demonstrate by submission of a letter from the local government that the zoning for each site on which the project will be located allows for the use(s) proposed by the applicant. **In cases where the site is not yet zoned properly, MHDC may consider a site for which the local government has issued a letter endorsing the project and the specific zoning change necessary for the proposed development.**

- **Local Needs**

  The Project must address local housing needs and priorities, as documented in the State or local Consolidated Plan. If the project is located in an area covered by a local Consolidated Plan, a current certification of consistency from the appropriate local government entity must be submitted with the application.

- **Affirmative Marketing Plan**
  The applicant must complete HUD Form 935.2 Affirmative Fair Housing Marketing Plan, and must include on the form a description of the outreach, marketing and advertising methods that will be used to affirmatively market the project.

- **Conditional Financial Commitments**
  All non-MHDC construction and permanent financing, grants and equity sources shall be conditionally committed at the time of application. The letters of intent from these sources must be included with the application and shall contain, at a minimum:

  - The amount of financing.
  - The interest rate of the loan.
  - The term and the amortization term of the loan.
  - The contact person's name and phone number.

  Those applicants seeking funding from a local government, Federal Home Loan Bank or other public or quasi-public funding source that does not issue a funding decision prior to the Housing Credit application deadline must substitute a letter of application or letter of intent from the funding source. The letter of application or letter of intent must be signed by an authorized representative of the funding source and shall include the name of the project, the number of units, the amount of funding sought, the terms and rates for the funding sought, anticipated rate of funding decision, and a statement that the project is or will be considered for funding.

- **Preliminary Plans and Specifications**
  The applicant must submit preliminary plans and specifications which provide a description of the proposed development. All applicants must also submit the following:

  - Typical unit plan.
  - Building elevation.
  - Site plan.
  - Detailed scope of work (rehabilitation only).
  - Photos of building(s) (rehabilitation only).
  - Color photos of the site and area surrounding all sides.
  - Clear, "to scale" map identifying the exact location of the project site.

- **Utility Allowance Information**
  Utility allowance information provided must be consistent with Section 42 of the Internal Revenue Code. MHDC has established monthly minimums for tenants who will pay their own utility bills:

  1 Bedroom - $50
  2 Bedroom - $60
  3 Bedroom - $70

  The actual allowance used must be the greater of the minimum or the allowance published by the local PHA for that size unit and must be recalculated on an annual basis.

- **Adherence to Commission Underwriting Standards**
  - Developer's fee and overhead, including any consultant fees may not exceed 15% of total estimated replacement costs (Line 39 of MHDC 2013). For acquisition and substantial rehabilitation projects, the developer's fee cannot exceed the sum of 8% of the acquisition cost plus 15% of the balance of the development costs.

- Contractor's profit, overhead and general requirements may not exceed 18% of the construction costs. General requirements must include the cost of builder's risk insurance and all bonding costs.
- The project's "Sources and Uses" must balance at the time of application.
- The proposed rents must be within the Tax Credit requirements and reasonable for the immediate market area.
- The project must demonstrate a minimum debt coverage ratio of 1.15 using reasonable vacancy and expense assumptions for local market conditions, as determined in MHDC's sole discretion. In addition, the sources of funds must equal the uses indicated in the project budget. MHDC, in its sole discretion, may also determine the **project's feasibility and the sufficiency of the proposed operating and replacement reserves. Exceptions may be made for those projects receiving financing through the Rural Development's 515 Program, HUD insured loans, or other credit enhanced loans.**

▪ **Public Notification**
The applicant must provide notification regarding his/her intent to develop a project using housing credit. The notification must be in writing via certified mail, return receipt requested, to the following officials. **Actual letters of support from an official may be substituted for the evidence of notification, as may minutes of city/town council meetings.** Officials who must be notified:

- ❖ Highest elected local executive official.
- ❖ State Representative.
- ❖ State Senator.
- ❖ The Aldermen or Councilmen of the jurisdiction (ward or district) in communities of 20,000 or more.
- ❖ Executive Director of the local Public Housing Authority.

Upon satisfying application threshold requirements, an application will be considered under the Mandatory Federal Preferences, Consistency with Local Needs Criteria, and Development Factors and Qualifications set forth herein. Notice of the application will be sent to the Chief Executive Officer of the local government jurisdiction, State Senator and State Representative for the district within which the development is located, and the Executive Director of the local Public Housing Authority, requesting comments on the development. MHDC will publish a notice in a local newspaper requesting public comment on the development. In addition, MHDC will hold public meetings in St. Louis, Kansas City and Jefferson City to allow the public to comment on the developments proposed in a given region.

SPECIAL THRESHOLD REQUIREMENTS

Following are threshold requirements that apply only to certain projects, depending on the type of credit sought:

- ❑ **For projects requesting acquisition credit,** the applicant must certify on the Housing Credit Acquisition Form that the previous owner last placed the project in service more than 10 years ago. The Commission may require, as a condition of the Housing Credit Reservation, that the applicant supply a legal opinion stating that the project is eligible for acquisition credit.
- ❑ **For projects seeking 9% tax credit,** construction costs for rehabilitation must equal or exceed 40% of the total project cost. The Commission may require a legal opinion stating that the project is eligible for Low Income Housing Tax Credit as a condition of reservation.

- **For projects to be acquired and rehabilitated that will utilize tax-exempt bond financing and also seek to utilize 4% tax credit**, construction costs for rehabilitation must equal or exceed 15% of the total project cost for projects in rural (non-MSA) areas. Construction costs for rehabilitation must equal or exceed 25% of the total project cost for projects in urban (MSA) areas.
- **For all projects to be acquired and rehabilitated that will utilize 4% tax credit or 9% tax credit**, the applicant must include a capital needs assessment for the structure(s), prepared by an independent third party within the past six months.
- **For projects with non-profit participation,** the non-profit organization must complete the Non-Profit Certification Form and include the organization's IRS Letter of Determination, Articles of Incorporation and By-Laws.
- **For projects being financed with MHDC Fund Balance or HOME loans,** the tax credit restrictions will remain on the property for the term of the loan.

EVALUATION FACTORS

The Commission has developed the following factors for evaluation of applications based on the identified housing needs for Missouri as well as federal mandates for the Housing Credit Program. These factors will be considered after staff has determined that the threshold requirements have been met.

Public Benefits

Each development will be evaluated to determine the public benefit that might be gained by development of the property, such as:

- **Mixed-Income Projects**
  In areas where need has been determined, does the project consist of a combination of market rate and affordable rental housing units?

- **Public Housing Authority Waiting List** **(Federal Preference)**
  Will the development provide units for persons on waiting lists for subsidized housing? Is this verified by the Public Housing Authority?

- **Service to Populations Requiring Special Services and experience in serving these populations.** Will the development serve populations requiring special services? These include:

  Elderly persons, as defined by Section 42.
  Persons with a physical disability.
  Persons with a developmental disability.
  Persons with a mental illness.
  Households that are very low income (50% AMGI or below).
  Large families.

- **Extended Use** **(Federal Preference)**
  Has applicant pledged to extend the project's affordability (compliance) period at least five years beyond the minimum 15-year requirement of Section 42?

Project Characteristics

Applications will also be evaluated upon local needs that are filled by development of the housing, such as:

Unit size.
Unit mix (large and small family).
Preservation of affordable housing and preservation of historic buildings.
(Note that the Commission has determined that the preservation of existing affordable housing should have a priority in the allocation of MHDC resources.)

Project Location

THE SITE SELECTED FOR THE HOUSING IS CRUCIAL TO THE OVERALL SUCCESS OF THE DEVELOPMENT.

- **Qualified Census Tract or Low Income County (Federal Preference)**
  Is the project located in a qualified census tract (as defined by the U.S. Dept. of Housing and Urban Development) that qualifies for the 130% basis adjustment? Is it located in a low income county, defined as a county whose median income is below 80% (HUD definition of low income) of the state's non-metropolitan area median income?
- **Location in High-Growth Employment Areas**
  Is the project in a community demonstrating new employment opportunities and a corresponding need for additional housing?

Local Government Support

These evaluation factors are considered in addition to the local needs described by the applicant:

- **Letters of Local Government Support**
  Does the applicant have local government support for the proposed project, as evidenced by an affirmative letter from the highest elected official (as defined in IRC Section 42) of the jurisdiction in which the project is located?
- **Letters of Other Local Support**
  Does the applicant have the support of local community groups, such as housing agencies, including the local housing authority, or service providers that are familiar with the population who will reside in the project?
- **Community Impact**
  Has the applicant shown that the project is part of a larger neighborhood revitalization plan that has been in place for not less than six (6) months prior to the approved date of the allocation plan?
- **Government Assistance**
  Has the project a financial commitment from a federal or local governmental unit?
  Has the applicant requested tax credit only?

Applicant Characteristics

MHDC will ascertain that the applicant's team is capable of proceeding in a timely and efficient manner, and will consider the following regarding the ability to proceed and experience of the development team:

- Has the applicant demonstrated the ability to proceed in an expeditious manner?

- Does the project sponsor have previous favorable experience in developing affordable housing and a proven record with MHDC and/or other HFAs? Applicant must include a letter authorizing other HFAs to release information regarding their experience with the applicant.

- Has the applicant demonstrated the experience and success of the managing agent? This includes an excellent compliance record with MHDC and/or other HFAs. Applicant must include a letter authorizing other HFAs to release information regarding their experience with the applicant and the managing agent.

Special Supportive Services

Has the applicant committed to providing supportive services to residents or to facilitate the delivery of supportive services, such as one of the activities listed below?

- Self-sufficiency activities for residents such as job training, computer literacy and/or training for the G.E.D. (General Education Diploma).
- Daycare facility for residents' children.
- After school tutoring, study hall and/or computer lab.
- Specially designed community space and facilities to accommodate supportive services.

Note that projects will be monitored for compliance based on the above commitments.

Other Considerations

Of special note are the following factors, some of which have been discussed earlier in this Plan. Applications will be evaluated on overall assessment of need, the quality of the application and the overall proposal. Categories to be considered include, but may not be limited to:

- **Demonstrated need, as detailed in the Market Study.**
- **Site location, site features.**
- **Quality of application.**
- **Total development cost.**
- **Architectural features.**
- **Compliance with program requirements.**
- **Lowest possible rents using sound underwriting, and established upon realistic costs, expenses, operating budgets and reserves.**
- **Long-term feasibility of the development.**
- **Needs and priorities of local community.**
- **State-wide housing needs.**
- **Preservation of affordable housing stock.**
- **Developer's proximity to community.**
- **Overall goals of the Commission.**

FINANCIAL UNDERWRITING

If a project is selected to receive an allocation of Tax Credit, the Commission will underwrite each project to ensure that the project receives only the amount of Housing Credit necessary to assure project feasibility and viability throughout the credit period. This includes tax-exempt bond-financed developments.

SPECIAL IDENTIFIED NEEDS WITHIN THE STATE

The Commission has determined that the preservation of existing affordable housing should have a priority in the allocation of MHDC resources. In addition, the following special needs have been identified in the Missouri Consolidated Plan:

- **Affordable housing for small low income households and single-parent households.**
- **Affordable housing for large low income households.**
- **Affordable housing for elderly low income households.**
- **Affordable housing for homeless persons and families.**
- **Affordable housing for persons with other special needs.**

DEVELOPMENT STANDARDS

The following standards are set to insure that developments are not allocated tax credit in excess of that needed to develop the project, to help insure that the tax credit produces the maximum practical equity, to insure that the tax credit will serve income–eligible tenants in habitable dwelling units and, to the maximum extent possible, serve those most in need. The Commission may, at its discretion, reconsider these standards if necessary to produce highly needed housing that meets the following criteria:

- **Development Size:** smaller size developments
- **Development Location:** developments in difficult to develop areas

Per Unit Cost Standard

The per-unit cost of tax credit developments shall not exceed HUD's 221(d)(3) limits, adjusted to reflect increases in construction costs since their adoption in 1992, and further adjusted by HUD's high cost factor to reflect differences in geographic areas. **To be consistent with other housing programs which are defined by SMA, the Commission will include Lincoln and Warren Counties in the St. Louis maximum cost limits and Lafayette and Clinton Counties in the Kansas City maximum cost limits. If HOME funds are used, federally imposed limitations will apply.** Projects receiving historic rehabilitation tax credit will be allowed to deduct the residential portion of the historic tax credit from the project cost to allow for stricter rehabilitation standards. The Commission may consider higher construction costs that can be attributed to unique development characteristics, and which are consistent with the needs and priorities identified in the appropriate Consolidated Plan.

Identity of Interest

The application must list any identity of interest between the sponsor, the developer, the architect, the contractor and all subcontractors, suppliers and vendors. If any identity of interest is not disclosed in advance, the cost of that contract/subcontract will not be recognized. **All subcontractors and suppliers must add reasonable commercial value to the product furnished.**

Justification of Expenditure Standard

- For developments of 12 units or less, the Commission will accept certification of costs from the development owner.
- For developments of 13 units or more, owners must submit a cost certification, supported by an Audit Report of an independent Certified Public Accountant. Such Audit Report will be prepared in accordance with generally accepted auditing standards and MHDC Guidelines.
- For Rural Development projects, the cost certification accepted by Rural Development must be submitted.

Unit Accessibility for Persons with Disabilities

Each development approved for Low Income Housing Tax Credit must comply with local and federal regulations relating to unit accessibility and construction standards to accommodate persons with physical disabilities.

Equal Opportunity
The Commission shall require that occupancy of all housing financed or otherwise assisted by MHDC shall be open to all persons regardless of race, sex, national origin, religion or creed; and that contractors and subcontractors engaged in the construction or rehabilitation of such housing shall provide equal opportunity for employment without discrimination as to race, sex, national origin, religion, or creed.

Compliance
As part of the compliance procedures, all tax credit recipients will be required to execute and record the Land Use Restriction Agreement for Low Income Housing Tax Credit developments. (This agreement will be furnished by the Commission and may be modified from time to time). The Land Use Restriction Agreement, at a minimum, will require conditions wherein the developer and the development must continuously comply with I.R.S. Section 42 and other applicable sections of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder or under the Internal Revenue Code of 1954 as in effect on the date of enactment of the Code.

The Land Use Restriction Agreement will also restrict the rent that may be charged for low income units to those rents accepted by the Commission prior to the issuance of I.R.S. Form 8609. Rent increases will be considered annually by the Commission.

The base rents which were represented to the Commission will remain in effect for one year after the date a qualified building in the development is placed in service, and may be increased annually, only upon application to and receipt of written approval from the Commission. In addition, the Commission will follow the compliance monitoring procedures contained in the Missouri Housing Development Commission Low Income Housing Tax Credit Compliance Manual, which is attached as an exhibit to this Plan.

Evaluation of Development Subject to Subsidy Layering Review
MHDC, as Missouri's sole housing credit agency for the administration of the Low Income Housing Tax Credit, has accepted the delegation of subsidy layering review of developments receiving tax credit and "assistance" from HUD's Office of Housing. HUD assistance generally refers to HUD-insured loans and Section 8 project-based assistance, but does not include HOME or CDBG funds. This delegation was authorized by Section 911 of the 1992 Housing Act and final administrative guidelines, pursuant to which the reviews will be conducted, and were published in the Federal Register on December 15, 1994. The subsidy layering review guidelines published by HUD provide standards for maximum builder profit, developer fee and syndication expenses. As an alternative to the HUD guidelines, MHDC may adopt standards which correspond to the standards adopted by the Tax Credit Task Force of the National Council of State Housing Agencies. **The following standards will apply for those developments subject to subsidy layering review:**

- **Development Fee Standard**
  MHDC may consider a developer's fee of greater than 10% where special market or risk factors are present.
- **Builder's Fee Standard**
  MHDC will include a maximum of 8% builder's profit, 2% builder's overhead and 6% general requirements. These percentages relate to the construction contract amount only (lines 1through 6, Section G, MHDC form 2013), excluding overhead, general requirements and profit.

CLARIFICATIONS AND GENERAL INFORMATION

Approval of the tax credit is made solely at the discretion of the Commission, but in no way represents or warrants to any sponsor, investor, lender or others that the project is, in fact, feasible or viable. MHDC's review of documents submitted in connection with this allocation plan is for its own purposes. In allocating tax credit, MHDC makes no representations to the owner, or other person or entity, regarding adherence to the Internal Revenue Code, Treasury regulations, or any other laws or regulations governing Low Income Housing Tax Credit.

No member, officer, agent or employer of MHDC shall be personally liable concerning any matters arising out of, or in relation to, the allocation of the Low Income Housing Tax Credit.

MHDC will, in all instances, reserve and allocate tax credit consistent with its sound and reasonable judgement, prudent business practices and the exercise of its discretion. Specifically, but without limiting the generality of the foregoing, MHDC reserves the right NOT to reserve or allocate tax credit to any applicant or project if it determines, in its sole discretion, that:

(i) a reservation or allocation for such applicant or project does not further the purpose and goals set forth in this plan;
(ii) the applicant's proposed project is not financially feasible or viable;
(iii) there is not a substantial likelihood that the project will be able to meet the requirements for carryover in a timely manner; or
(iv) the site is unacceptable to MHDC.

For purposes of these determinations, the information which may be considered includes, but is not limited to, comments of local government officials, the market appropriateness of the project, site location and the experience and performance of the sponsor and principal with any tax credit program or housing assistance program. Considerations will include, but are not limited to, progress made with previous tax credit reservations, carryover and project compliance.

It should be noted that each application competes primarily within its allocation area; however, MHDC may make a tax credit reservation based on the amount of tax credit allocation requested relative to the amount of funding available. This could result in reserving tax credit for a project which tax credit request can be fully realized by the amount of credit available, while simultaneously denying tax credit to a project which requested more credit than is available, without regard to allocation area.

Based on staff evaluation, MHDC will estimate the amount of tax credit to be reserved for the project. This determination is made solely at MHDC's discretion and is in no way a representation as to the actual feasibility of the project. Rather, it will serve as the basis for making a determination with respect to a project financed by Private Activity Bonds or reservation of tax credit. The amount of tax credit may change during the allocation process due to variations in cost, mortgage amount, tax credit percentage, syndication proceeds and staff's underwriting of the proposal.
Staff analysis to determine the tax credit allocation will be completed:

(i) at the time of preliminary application,
(ii) at the time a carryover allocation is approved (if applicable), and
(iii) at the time the project is placed in service (after all project costs are finalized and a third party cost certification has been completed).

If there are changes in sources and/or uses of funds or other material changes at these times, MHDC will adjust the tax credit amount to reflect the changes (not to exceed the amount reserved or allocated), and the tax credit amount may be reduced.

MHDC will limit developer and builder fees and overhead in calculating the amount of tax credit to be allocated to a proposed project. These fees are also restricted by HUD for projects subject to the subsidy layering review.

MHDC will estimate the credit amount needed by a project using three calculation methods. The amount of credit reserved will be based on the smallest of the amount resulting from the calculation methods or the amount requested if that is lower than the amounts determined by any of the three methods. This determination is made solely at MHDC's discretion and is not a representation of the feasibility or viability of the project. MHDC retains the right to reserve less than the amount produced by application of the three calculation methods. The calculation methods are as follows:

Method One: **Qualified Basis Calculation**
Method Two: **Gap Calculation**
Method Three: **Cost Reasonable Analysis**