

2005 ANNUAL REPORT



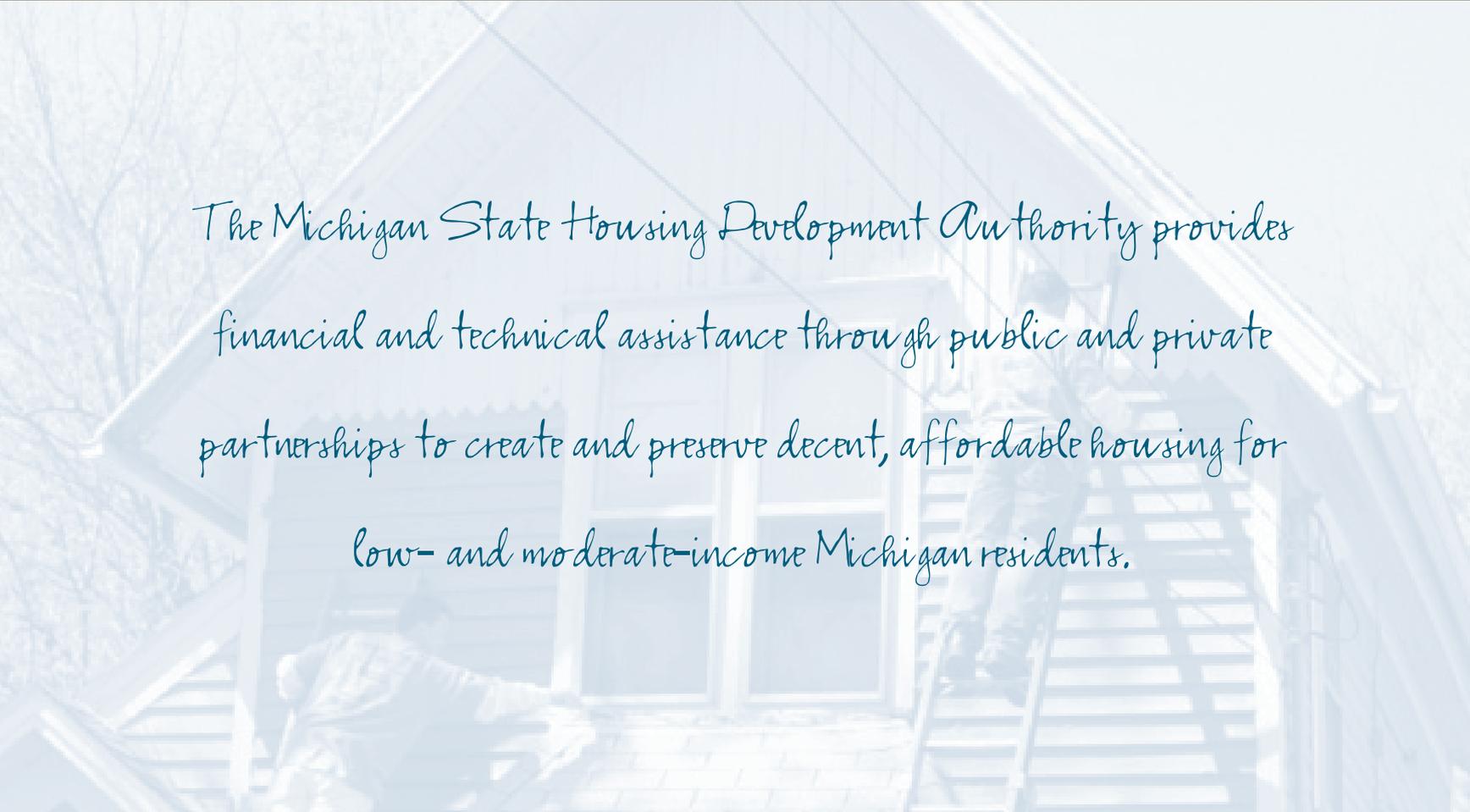
*Taking Care
of our
Own*



Michigan State Housing
Development Authority

MISSION

The Michigan State Housing Development Authority provides financial and technical assistance through public and private partnerships to create and preserve decent, affordable housing for low- and moderate-income Michigan residents.

A faded, light blue-tinted background image showing a house under construction. Two workers are visible on ladders, one near a window and another on a set of stairs. The scene is set against a backdrop of bare trees, suggesting a winter or early spring setting.

letter from the GOVERNOR



I am pleased to accept the 2004-2005 annual report from the Michigan State Housing Development Authority on behalf of the people of the state of Michigan.

It has been a most noteworthy year for the Authority for a number of reasons. First, Michael DeVos was named as the Authority's new executive director in January of 2005. Mr. DeVos has brought an enormous amount of energy and experience to Michigan to help a great program become even stronger.

Last year also saw MSHDA establish a Supportive Housing and Homeless Initiatives division to address special needs housing issues for state residents with the fewest housing options and for those at risk of homelessness.

A \$10 million grant from MSHDA assisted eight communities in Michigan in establishing permanent supportive housing programs for the chronically homeless. Battle Creek, Benton Harbor, Detroit, Flint, Lansing, Muskegon, Pontiac and Saginaw will share the grant. In Detroit, \$3 million has been committed, and each of the other seven communities will receive up to \$1 million.

Another \$4 million grant was provided for housing options to assist victims of domestic violence and their families.

The MSHDA board has approved a new "Tipping Point Neighborhood Initiative" focused on market-rate, mixed-income new construction

housing developments designed to keep young professionals and workers in the creative economy from leaving Michigan's urban centers.

MSHDA awarded \$3.2 million to Habitat for Humanity for the Jimmy Carter Work Project.

And thanks to the passage of legislation at the end of 2004 which increased sales price and income limits, MSHDA's production has doubled in terms of the number of loans made and tripled the dollar amount of loans.

As you can see, MSHDA is a key partner in our efforts to grow Michigan's economy by revitalizing Michigan cities and helping more people realize the dream of homeownership. We have been afforded some unprecedented opportunities, and we have been handed some significant challenges as well in the affordable housing arena, however, I am confident that the Michigan State Housing Development Authority will be a symbol of hope in the coming years as it works with families, the elderly, the homeless, and those with special housing needs throughout the state of Michigan.

Jennifer M. Granholm
Governor



"We are currently involved, along with hundreds of partners, in the creation of an extensive five-year strategic plan that will unite the entire affordable housing community and strengthen our voice into one thunderous outcry for affordable housing and vibrant neighborhoods in every community in Michigan."

message from the DIRECTOR

My first year as executive director of the Michigan State Housing Development Authority has been a fulfilling one as well as a valuable learning experience. One thing is for certain—no matter where a person or family hails from, there should be a place in every community for everyone; and affordability is the basic fundamental upon which to build a safe, decent dwelling for every single person throughout the state of Michigan.

During the past year, the Authority continued to play a critical role in promoting affordable housing development and the revival of neighborhoods and communities throughout the state. Affordability and the ending of homelessness have been at the heart of our efforts.

Affordable housing isn't easily defined and means many things. It means creating a brighter future for employment opportunities, being able to live in the community where you work and to afford additional education and training programs. It means raising children in safe neighborhoods and making needed home repairs. It means less stress because monthly budget needs are met. It means being able to afford a night out and a babysitter for the children. It means not having to wonder where the next meal is coming from or where to sleep at night.

During the Authority's 39-year history, we have responded with timeliness and sensitivity to the changing housing needs of Michigan communities. This year, in particular, has been one of change and renewed partnership building. We are currently involved, along with hundreds of partners, in the creation of an extensive five-year strategic plan that will unite the entire affordable housing community and strengthen our voice into one thunderous outcry for affordable housing and vibrant neighborhoods in every community in Michigan. That voice will be heard because we will be speaking as one.

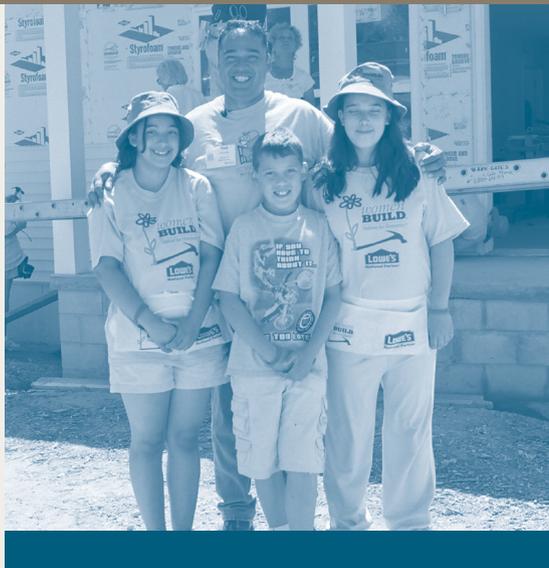
We have encouraged long-time renters to become first-time homeowners, inspired developers to build more affordable rental housing, and assisted communities to create housing targeted for people who are homeless or have disabilities.

We rallied behind Habitat For Humanity and the Jimmy Carter Work Project, not only with financial help in the amount of more than \$3 million, but also with the sweat equity of many dedicated Authority employees who helped build over 200 homes throughout the state for deserving families who couldn't have otherwise realized the dream of homeownership.

By combining efforts with nearly 30 other statewide partners, we played a leadership role in successfully hosting the seventh annual Michigan Conference on Affordable Housing. Outstanding leadership since the conference's inception has made it the largest of its kind in the country.

As we enter our 40th year of serving the low- to moderate-income residents of Michigan as well as the homeless, elderly and working poor, the Authority pledges to "take care of its own"—and team up with partners and allies in becoming ambassadors for a united affordable housing community that extends from the most distant point of Michigan's Upper Peninsula to the southernmost border.

Michael R. DeVos
Executive Director



2005 HIGHLIGHTS

The Michigan State Housing Development Authority, in accordance with its mission, concentrates efforts on achieving specific goals that will preserve and create affordable housing in Michigan. The following are some of the more significant accomplishments during the past year.

- MSHDA solidified its commitment to addressing the needs of Michigan's homeless by creating a new division, Supportive Housing and Homeless Initiatives.
- Seventeen workgroups consisting of MSHDA internal staff and outside partners were established to design a five-year strategic plan for Michigan's affordable housing community.
- The MSHDA board has approved a new "Tipping Point Neighborhood Initiative," focused on market-rate, mixed-income new construction housing development designed to keep young professionals and workers in the creative economy from leaving Michigan's urban centers.
- MSHDA awarded \$3.2 million to Habitat for Humanity for the Jimmy Carter Work Project.
- MSHDA launched a Green Communities Initiative with the Enterprise Foundation and the Great Lakes Capital Fund to encourage rental housing that is healthier for its residents, responsive to the environment, and is accessible to schools and employment.
- MSHDA developed and implemented an Employer Assisted Housing Down Payment Assistance program.
- MSHDA's Office of Single Family increased income and sales price limits, allowing more people to qualify for low-interest loans and Mortgage Credit Certificates.

2005 HIGHLIGHTS

- The MSHDA Down Payment Assistance (DPA) program has increased from \$5,000 to \$7,500, making it easier for more Michigan residents to become homeowners.
- Production in the Office of Single Family doubled in number of loans and low-interest mortgages tripled in dollars compared to the same time last year.
- A manufactured home financing policy was developed and implemented.
- MSHDA's Office of Asset Management hosted a Conference on Compliance at Federally Assisted Developments that was attended by 200 managing agents and owners of affordable housing.
- A two-year extension from the U. S. Department of Housing and Urban Development (HUD) was granted for Performance Based Contract Administration on Section 8 properties.
- In partnership with 32 other organizations, MSHDA spearheaded the seventh annual Michigan Conference on Affordable Housing, attracting over 1,500 attendees to become the largest conference of its type in the nation.
- MSHDA was awarded a national honor for the development of a new Housing Agent performance based contract.
- Implementation of the Key to Own Homeownership Program resulted in the first 27 Housing Choice Voucher rental participants being successfully transitioned to homeownership.
- Housing Choice Voucher lease-up for very low-income families was increased to 20,641 units.
- MSHDA was given the Wayne-Metropolitan Community Action Agency's Partner of the Year Award for its Housing Choice Voucher Program.



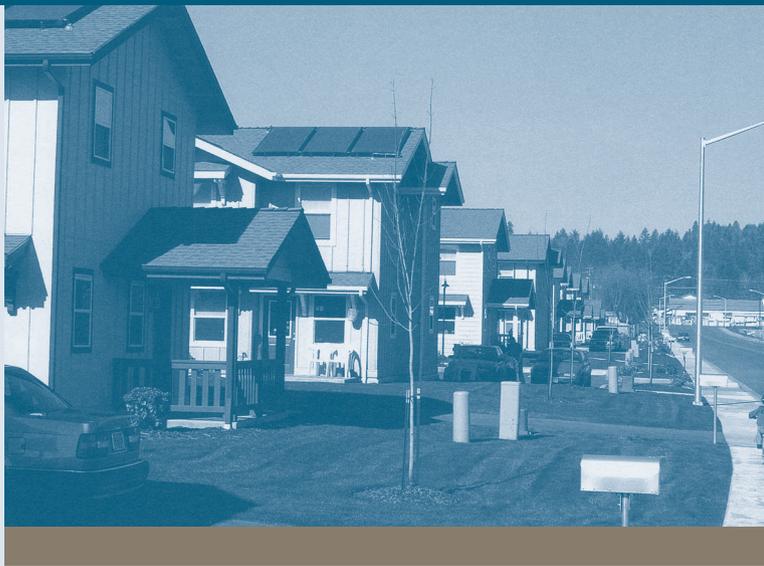


Photo courtesy of Umpqua CDC/Heartwood ReSources

mshda goes GREEN

Michigan Green Communities™, a collaboration between MSHDA, the Great Lakes Capital Fund and the Enterprise Foundation, made its first award this year to Genesis Non-Profit Housing Corporation to support the development of Kingsbury Place in Walker, Michigan near Grand Rapids. The collaborative, which includes the Natural Resources Defense Council, will invest more than \$70 million to build hundreds of affordable homes in Michigan that promote health, conserve energy and natural resources, and provide easy access to jobs, schools and services.

Kingsbury Place will provide green affordable housing to 44 individuals or families, including 29 for disabled low-income residents who are chronically homeless or at risk of homelessness. Onsite case management will be provided to ease access to services such as health care.

Harold J. Mast, executive director of Genesis said that the new project will ensure a healthy living environment for all the future residents of Kingsbury Place while keeping operating costs low and having as little impact as possible on the environment. Kingsbury Place is hopefully just the first of many future developments in Michigan with the same energy saving and clean environmental concepts.

Kingsbury Place is being built on the site of an abandoned nursing home in the northwest part of the Grand Rapids metropolitan area. The “green” site is conveniently located within walking distance of a grocery store and large shopping mall with numerous retail establishments and is linked to more jobs and services through public bus transportation that runs on the half-hour.

Michigan Green Communities brings \$70 million in equity from the federal Low Income Housing Tax Credit program as well as \$750,000 in grants, flexible financing and technical assistance to developers building affordable rental and for-sale housing across the state. Nationally, the initiative is a five-year, \$555 million commitment to build more than 8,500 affordable homes that promote health, conserve energy and natural resources, and provide easy access to jobs, schools, and services.

Green Communities developments are designed to reduce costs and consumption compared to conventionally built homes. Energy savings per year are \$1.5 million or \$350 per household, more than 5,000 tons in reduced greenhouse gas emissions per year or 2,340 fewer pounds per household are realized, and 30 million gallons of water are saved per year or 7,000 gallons per household.



taking care of our OWN

The seventh annual Michigan Conference on Affordable Housing proved to be another successful display of Michigan's commitment to housing, community development and homelessness issues. The conference hosted over 1,500 attendees, securing Michigan's conference position as the largest in the nation for the second year in a row.

Keynote speaker Christopher Gardner's "rags to riches" story of homelessness to corporate success brought conferees an uplifting message of hope and promise. Gardner's real-life account will be brought to life in the upcoming movie, "Pursuit of Happyness" starring Will Smith.

MSHDA Executive Director Michael R. DeVos surprised attendees when he unveiled an initiative to launch a process to develop an innovative plan that he believes will foster a single community of affordable housing ambassadors to serve the needs of Michigan residents who have the fewest housing options.

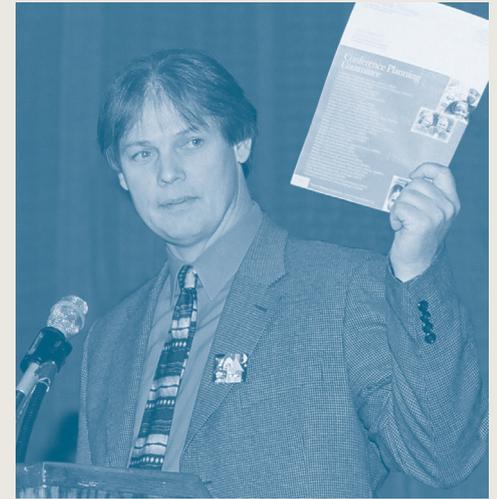
The five-year action plan will be developed over the coming year, and to implement the plan, workgroups were created that cover affordable housing issues of concern to all members of the affordable housing community. Members of all interested organizations were invited to join the workgroup related to their specific concerns. Internally, six workgroups were created that will address operational and staff issues at MSHDA.

But it was not the notion of a plan that brought the workgroups together. Instead, it is the need of a common vision, one vision that is created by all constituents in the one broad affordable housing community.

That common vision must come from a cohesive affordable housing community so that collectively the potential to improve the lives of those Michigan citizens who have the fewest housing options is maximized.

Expected outcomes from creating a Five-Year Strategic Plan are to raise visibility of affordable housing; build a strong coalition of partners; ensure a resource request from the Legislature; build a culture of an inclusive, warm, supportive housing community; build a valued and motivated staff; create a strong foundation of relationships; and develop a common vision among staff, board, and partners.

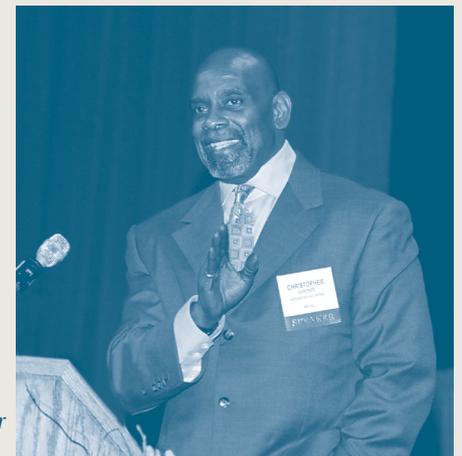
At MSHDA, we are not looking to finance housing development, we are dedicated to improving the lives of Michigan citizens who have the fewest housing options. Our focus is on people, not buildings.



Michael R. DeVos presented the concept of the five-year plan at the seventh annual Michigan Conference on Affordable Housing.



The media roundtable covered affordable housing and community development issues.



Keynote speaker Christopher Gardner shared his rags to riches story.



This natural light-filled upstairs loft unit features a wall of windows with a view onto the Avenue of the Arts. The new streetscape was under construction at the time of the photo.



This is a HOME-funded unit showing the creative solution, approved by HUD, to the restriction of defined bedroom space. The translucent moveable walls offer the resident artist flexibility in the space plan.

creative FINANCING

It was not long ago that Division Street in Grand Rapids was populated with more vacant and derelict buildings than not. Now, inspired by the private gift of a philanthropist, the 100 block of South Division Street has been transformed into an area dubbed Avenue of the Arts in downtown Grand Rapids. In 2003, Dwelling Place (a leading area community development corporation) received the gift which was used in part as seed money to acquire enough property along Division Street to allow the vision of an arts area to take shape. The Martineau Project, drawn from the original block name on the city plat, is the anchor 23-unit rental housing development created specifically for artists.

Dwelling Place assembled a seasoned development team to bring the Avenue of the Arts project to life. While Dwelling Place relied on a trusted team of key players, including several MSHDA employees, they also consulted with the Minneapolis-based Creative Places who specializes in live/work developments for artists.

In a resourceful context, MSHDA participated in a creative financing approach to help fund 11 of the 23 units. By using an innovative combination of HOME funds and Neighborhood Preservation Project (NPP) dollars, as well as the Historic Tax Credit and the New Markets Tax Credit, the very first arts development was created in Michigan. The overall

development project, valued at over \$10.5 million, was the second in the state of Michigan to close using the New Markets Tax Credit.

As the development plans took shape, the Avenue of the Arts earned one of the first State of Michigan Cool Cities catalyst grants. The Cool Cities grant is adding the artistic flair to the area by challenging area artists to create public functional art elements such as public benches and tree guards. The Cool Cities grant also has been designated to equip some of the common spaces in The Martineau and to assist the Urban Institute for Creative Arts to invest in a “sprung” dance floor, a lighting system and the hardware and software needed to improve marketing and communications efforts.

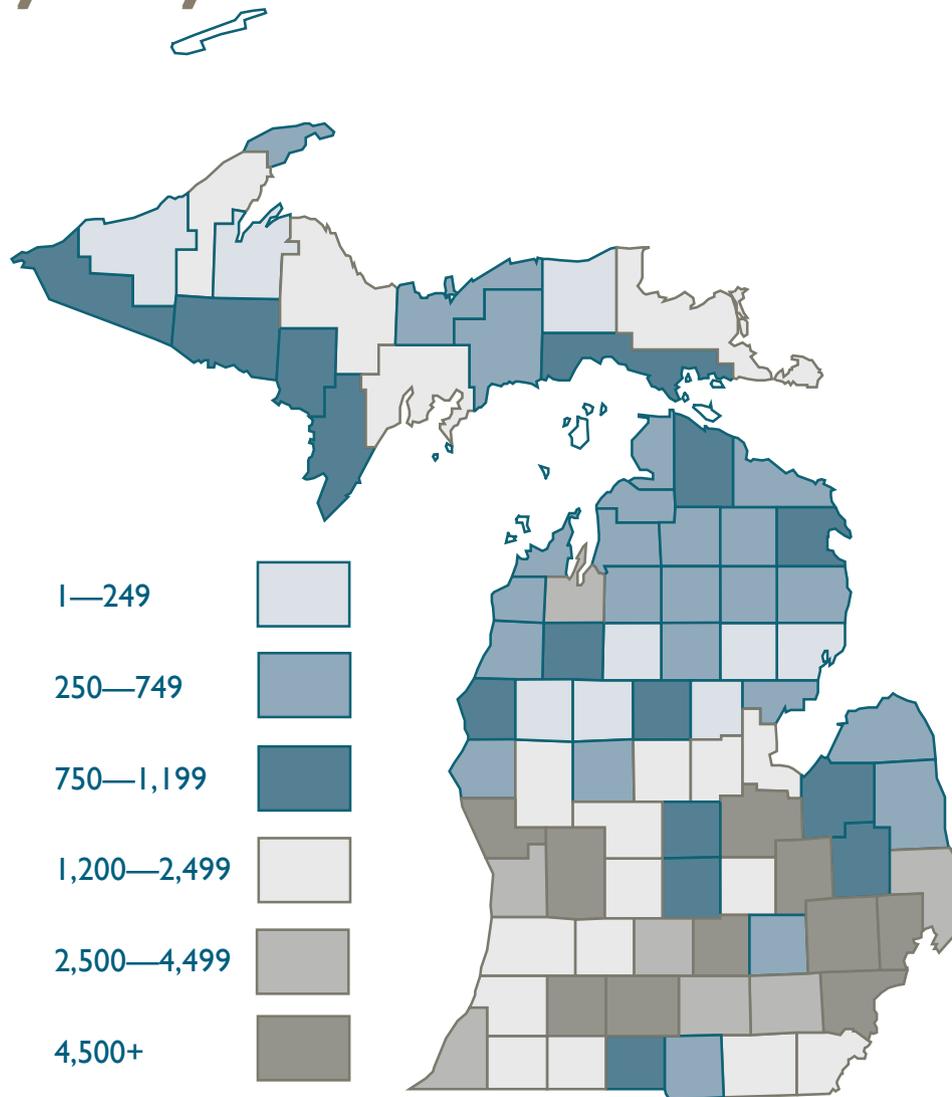
In September of 2005, the 11 rental units in The Martineau were completed and quickly rented to artists who are already enjoying either the loft-style live/work units on the second and third floors or the compelling first floor spaces that include streetfront gallery space. As with any HOME-funded development project, the units are reserved for residents whose income is at or below 60 percent of area median income – perfect for artists living on a shoestring budget. By December of 2005, the remaining 12 units were completed.

The creation of The Martineau and the Avenue of the Arts project is a state-of-the-art example of extreme collaboration, excellent development teamwork, creative thinking, and creative financing.

2005 PRODUCTION

PROGRAM	NUMBER OF UNITS/GRANTS	DOLLAR AMOUNT
RENTAL		
Section 8 Housing Voucher Program	20,391	\$ 107,421,153
Low Income Housing Tax Credit (LIHTC)	583	\$ 6,900,000
Tax-Exempt Bonds (Direct Lending)	1,136	\$ 57,761,555
Pass Through	709	\$ 37,757,000
Special Housing	59	\$ 5,214,235
HOME PURCHASE		
Single Family	786	\$ 65,975,257
Mortgage Credit Certificates	745	\$ 59,939,674
Down Payment Assistance	313	\$ 1,396,154
COMMUNITY DEVELOPMENT		
Homeless Emergency Shelter Grants	240	\$ 7,901,304
Housing Resource Fund	53	\$ 4,964,675
Federal HOME Investment Partnership	103	\$ 19,157,932
Community Development Block Grants	22	\$ 6,188,940
County Allocation Program (Federal CDBG & Home Funds)	29	\$ 5,771,900
HOME IMPROVEMENT		
Property Improvement Program (Owner Occupied)	148	\$ 1,580,000
Property Improvement Program (Non-owner Occupied)	12	\$ 215,849
Replacement Housing	8	\$ 188,000

activity by COUNTY



RENTAL PROGRAM

Section 8 Multifamily	\$ 9,264
Section 8	\$ 10,758
MI Home	\$ 11,120
Section 236	\$ 14,497
Low Income Housing Tax Credit	\$ 15,011
Direct Lending Assisted	\$ 19,295

AVERAGE INCOME

HOME PURCHASE PROPERTY IMPROVEMENT PROGRAMS

Replacement Housing	\$ 14,600
Property Improvement	\$ 21,155
Mortgage Credit Certificate	\$ 27,711
Down Payment Assistance	\$ 29,629
Single Family	\$ 34,391

AVERAGE INCOME

authority MEMBERS

The Authority meets once a month, generally in the Lansing Board Room at 735 East Michigan Avenue. The members provide policy direction to the MSHDA staff, authorize bond issues, approve development loan commitments, and evaluate programs.

Four Authority members are appointed by the Governor, with confirmation by the state Senate, for terms of four years. The remaining members are the State Treasurer and directors of the Michigan Department of Labor and Economic Growth and the Michigan Family Independence Agency (Department of Human Services).

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