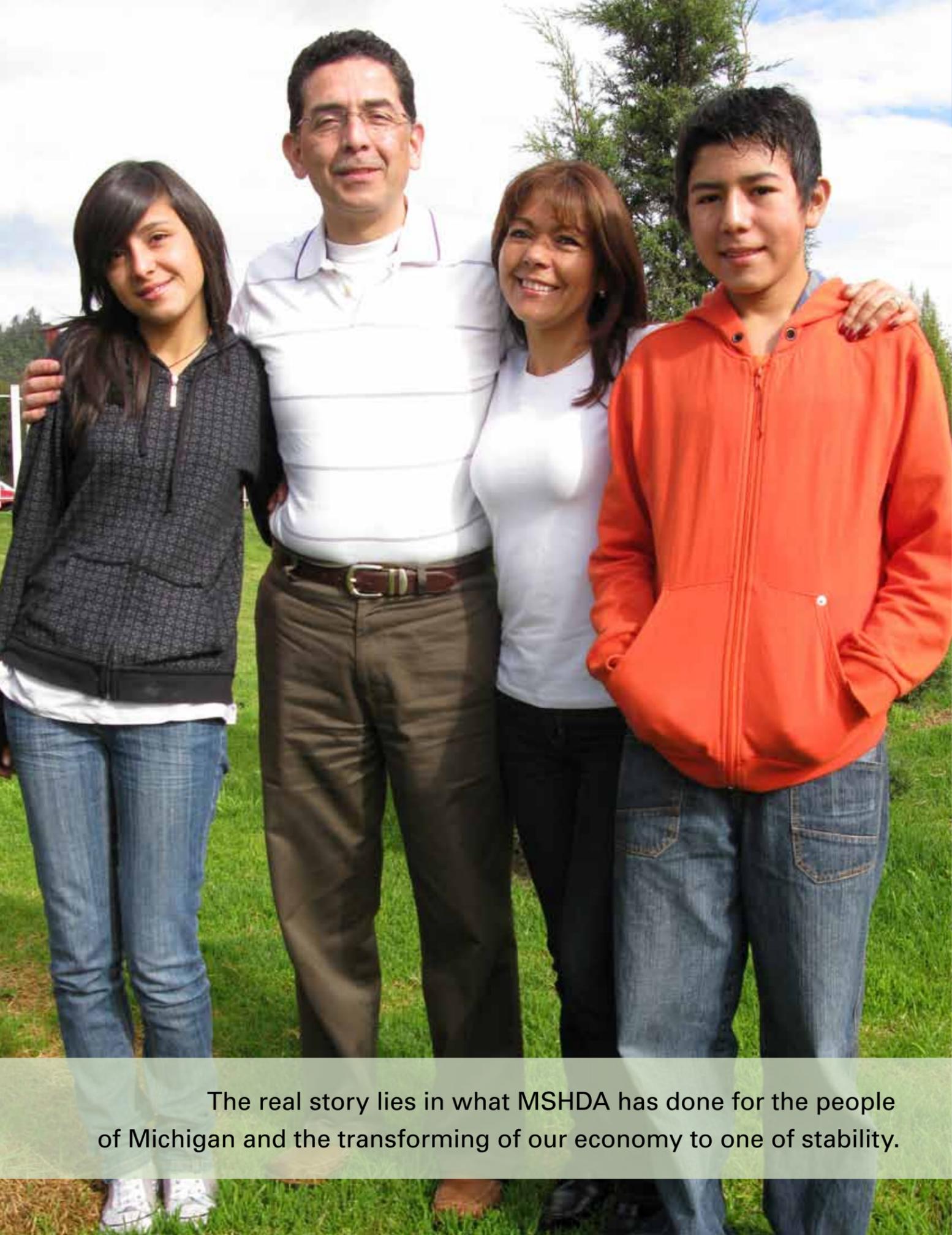


2008-2009 Annual Report





The real story lies in what MSHDA has done for the people of Michigan and the transforming of our economy to one of stability.



The purpose of an annual report, like my job, is to show that promises have been kept to the people we are entrusted to serve through the work we have accomplished with dedicated staff and statewide partnerships. Though economic forces have not been our friend this past year, annual reports should not be about numbers anyway, but about people. Financial reports on the

other hand are about numbers and we have submitted those figures in accordance with legislative mandates. Production goal reports, by nature, are also number-oriented and likewise have been submitted for review. They are accessible on our Web site should anyone wish to examine them further. But the real story lies in what the Michigan State Housing Development Authority (MSHDA) has done for the people of Michigan and the transforming of Michigan's vacillating economy to one of stability. This annual report is designed to reflect that story in such a way that there is not a shadow of doubt that MSHDA is open for business and serving the needs of people from Monroe to Marquette and New Buffalo to Newberry.

This past year we have seriously expanded our horizons and put our imaginations to work to get Michigan where it needs to be. I credit Sinclair Lewis with having the right idea nearly a century ago—"We're tired of hearing...Be calm! Be patient! Wait! We have the plans for a Utopia already made... we want our Utopia now—and we're going to try our hands at it."

In the following pages you will read real people stories through the eyes of staff how we are going about achieving the essence of that quote. Please remember that each story is but one example and in reality is representative of many similar stories.

Mary Townley will tell you a story of Homeownership that in the state of Michigan is key to creating vibrancy in our cities and neighborhoods. MSHDA has taken a leadership role in Governor Jennifer M. Granholm's 'Save the Dream' campaign and helped thousands of struggling homeowners avert foreclosure with the help of a dedicated statewide network of housing counselors. Not only has MSHDA saved homes from foreclosure, but has made it possible for many to become homeowners for the first time through

innovative programs and help from federal stimulus funds and incentives

Steve Lathom, whose knowledge and innovative ideas in the area of Affordable Rental Housing, has opened the door to attract developers from inside and outside the state to invest in Michigan. Peter Hughes' story is about MSHDA's commitment to 'green building' through LEED certification. It is the promotion of design and construction practices in both new building and historic preservation that increase profitability while reducing the negative environmental impacts of buildings and improving occupant health and well being.

From our Homeless Initiatives division, Christine Miller's story is heartwarming and demonstrates the pioneering spirit of our staff and partners in the creation of Silver Star Apartments in Battle Creek—a homeless development that began as only a glimmer of an idea and is now home to many deserving and formerly homeless veterans.

These stories inevitably lead to what our mission is really all about—the creation of Vibrant Cities and Neighborhoods. Urban Revitalization division staff member Karen Gagnon's story is about building community and keeping our young knowledge workers here in Michigan. Through a groundbreaking student intern pilot program, we put the next generation to work in eight population centers throughout the state on 14 different projects. From the Office of Community Development, Rick Ballard's story is one of preservation in our urban centers. Patience and credibility are the overarching watchwords that explain why both for-profit and nonprofit developers have joined hands to bring MSHDA into the future for the benefit of all Michiganders.

Our mission doesn't stop here. No more waiting. No more hesitation. The plans for our own Utopia are made and we plan to pursue them aggressively during the next year along with our many federal, state and local partners. We all want our Utopia now, so stay tuned as we keep you up to date every day through our Web sites and social media networks.

Keith Molin
Executive Director,
Michigan State Housing Development Authority



MSHDA is committed to four areas of work that are intended to improve the lives of all who live in Michigan as well as to retain and attract others...



Welcome to the Michigan State Housing Development Authority's 2008–2009 annual report. The following pages tell a story of the new MSHDA—the MSHDA that is dedicated to building a thriving and vibrant future for Michigan. We are taking a leadership role in this movement, having reached a level of maturity in our involvement that translates what we do into benefits for the people of Michigan and their economic future.

MSHDA's loan and operating expenses are financed through the sale of tax-exempt and taxable bonds as well as notes to private investors, not from state tax revenues. Proceeds are loaned at below-market interest rates to developers of rental housing, and help fund mortgages and home improvement loans. We also administer several federal housing programs.

MSHDA is committed to four areas of work that are intended to improve the lives of all who live in Michigan as well as to retain and attract others of all ages—to build community that extends from the most distant point of Michigan's Upper Peninsula to its southernmost border.

Those four areas are:

- > Supporting homeownership,
- > Providing affordable rental housing,
- > Ending homelessness, and
- > Creating vibrant cities and neighborhoods.

The Power of Partnerships

The vibrancy of Michigan's economy is at the heart of our efforts and without partnerships at every level, the work that MSHDA performs could not exist. Working together with state and local governments, nonprofits, for-profit and nonprofit developers, investors, landlords, associations, foundations, financial institutions, housing counselors and businesses is probably the one most important factor in keeping the pages turning in the MSHDA story. The other is a devoted staff that works hard and instills so much enthusiasm into each and every day. They are the storytellers.

The Next Chapters

The next chapters of the MSHDA story continues to unfold, and we would be remiss if we didn't provide a 'sneak peek' into what the future holds for next year.

We look forward to the wide range of exciting possibilities that the recent transfer of the State Historic Preservation Office, the Office of State Archaeology and the Idlewild Centennial Commission promises to bring to MSHDA's repertoire of resources.

Stay tuned to see how the impact of Michigan NSP2 award affects the transformation of the state's economy. After competing with hundreds of agencies nationally for nearly \$2 billion in federal funds to combat the effects of home foreclosures, vacancy and abandonment in 12 of the state's largest municipalities, the Michigan NSP2 Consortium received the single highest award in the country—nearly \$224 million! The 'New Michigan Urban Neighborhood' plan marks the first time in its 43-year history that MSHDA, in a leadership role, has sought HUD funding through a coalition that includes city government partners and eight of the state's most progressive land banks.

MSHDA is partnering with the Michigan Municipal League to bring residents of the state of Michigan a monthly radio program to air on our most powerful radio station—WJR. The program is slated to begin airing in the early part of the year and will focus on what we are doing to turn the state around and more importantly what Michigan folks can do to help.

Pure Michigan Living is a new Web site developed in partnership with the Michigan Economic Development Corporation and is dedicated to sharing quality of life stories in Michigan communities. Its goal is to raise the visibility of the 'new economy' and the many possibilities for success that abound in Michigan. It highlights the people who are choosing Michigan as a place to live and who are shaping the future of our state.

These are just a few examples of the many opportunities on the horizon, and MSHDA's rich history of responsiveness and innovation provides a strong base that should serve it well in the coming year.

Supporting Homeownership



By Mary Townley

None of us need a reminder that many Michigan residents have struggled during the past few years with housing and mortgage difficulties. These hardships started with either a poorly structured mortgage or in some cases employment and income changes. In the worst cases, job losses literally turned people's lives upside down. During the turbulence MSHDA has been there for the people of Michigan. We determined the most beneficial tool we can provide is guidance through a trained, experienced and reliable Homeownership Counseling network. MSHDA has worked with many of these offices, by providing training, certification, resources and funding to support homeowners with the options necessary to maintain their homes.

At the same time we are diligently working to keep families in their homes, we are taking a serious look at the future of homeownership. What has changed? How did we get here? What can we do differently? One of my favorite quotes is from a source we all know fondly as Dr. Seuss. He said, "Sometimes the questions are complicated and the answers are simple."

Then let's simply use the housing stock we already have. We are bringing back existing neighborhoods with the help of Neighborhood Stabilization Program (NSP) funds. We are providing Down Payment Assistance (DPA) for rehabilitation, closing costs, and other related expenses encountered by first-time homebuyers. This is an extraordinary opportunity for homebuyers to add in the much needed repairs to the home they are purchasing. The overall benefits to the new homeowners are enormous—they move into a home that needs little or no repairs, and the NSP-funded second loan may be forgiven.

We have helped multitudes, but one stands out in my mind. A married couple on the west side of the state fell in love with a foreclosed home that needed roof and plumbing repairs as well as minor electrical and safety code adjustments. The repairs were completed after closing by a licensed contractor and these Michigan residents are now very prideful 'homeowners.' The neighborhood and the entire community is benefiting because now, instead of being a blight on the landscape, a responsible homeowner is happily caring for their new home.

There is no better way to help transform Michigan than by providing our residents the opportunity for affordable homeownership.

All of these efforts create a win-win situation for Michigan. We're rolling up our sleeves to work with families in the coming years to maintain their current housing, and to put new homebuyers into foreclosed or abandoned homes. There is no better way to help transform Michigan than by providing our residents the opportunity for affordable homeownership.

Providing Affordable Rental Housing



By Steve Lathom

While any such statement is an oversimplification, for anyone at the Michigan State Housing Development Authority working with our rental housing production programs, the past year has been all stimulus all the time. Even before the American Recovery and Reinvestment Act (ARRA) was signed into law on February 17th, 2009, the promise and hope that early drafts of the legislation working its way through Congress buoyed the hopes of our industry.

On February 18th, however, we did not show up to work with sudden access to cash, and we were already tired of hearing about 'shovel ready.' In fact, it would be May before guidance on the Tax Credit Assistance Program (TCAP) or Section 1602 tax credit exchange program was available.

Though the phrase at the time was that "if there are no rules, you can't break them," in the language of this report, we decided to pursue our Utopia immediately. Six weeks after the Recovery act was signed and six weeks before the first federal guidance was published, staff presented a Preliminary Implementation Plan to the MSHDA board and the public. But for the timing of the regularly scheduled board meeting, MSHDA's plan would have been the nation's first; as it was, only California shared a plan ahead of ours.

The plan laid out an ambitious set of priorities and programs to use Recovery funding to support several production areas and challenged industry participants to alter their own business practices and expectations. We updated underwriting guidelines, re-evaluated assumptions about how developments should be structured, and acknowledged that many projects no longer should be funded.

At the same time, we moved forward, holding public hearings, conducting training for developers, and designing application materials, all while waiting for federal guidance. By May, MSHDA's efforts paid off. We were one of the first states awarded funding from both the U.S. Department of Treasury and the U.S. Department of Housing and Urban Development (HUD).

In addition to being one of the first, MSHDA's plan and the ongoing implementation of Recovery Act programs have been recognized by other industry leaders and partners. Our staff has crisscrossed the country to participate in panel discussions, present our programs, and otherwise share both Michigan's message and the broader perspective of our sister state housing finance agencies.

From Washington, to New Orleans, to San Diego and at many points in between, we have been recognized for being a leader developing policies related to the multifamily housing provisions of the Recovery Act, and other states have looked to us for advice and starting points. Our Reinvestment and Innovation Program has been covered by the Journal of Tax Credit Housing, and the State of Georgia requested permission to copy and adapt our program materials for a similar effort there. And this fall, I was asked to attend and participate on a panel at the Affordable Housing Investors Council meeting where MSHDA was the only state housing finance agency represented.

There have been no magic bullets, and the tax credit system that our industry has known for the better part of two decades is still finding new footing. But the hard work of our staff and the honest, yet sometimes unpleasant, analysis that has been the underpinning of our implementation has earned the respect of many industry players. Despite the negative headlines about our state, despite the excuses that are sometimes used to deflect attention from other issues, we are making progress. Over 70 percent of the developments that received awards of 9 percent Low Income Housing Tax Credits (LIHTC) had actual equity commitments in hand at the time of application, and by the end of calendar 2009, over \$160 million in Recovery Act funding had been awarded to transactions.

As envisioned by the preliminary plan, I am confident that our efforts will 'improve the quality, sustainability, and long-term impact of projects developed with ARRA resources.'

Our efforts will improve the quality, sustainability, and long-term impact of projects developed with ARRA resources.

We enter 2010 with continued uncertainty about what the future holds for federal programming and policy, and there is great deal of work to do as commitments turn into closings and construction begins. But through it all, we will continue to be guided by the principals, priorities, and hard-won lessons from the past year. Despite the fact that we have some rules to follow, we will continue to grab our Utopia now and move forward, helping to forge the path ahead working with our partners to provide affordable rental housing for Michigan residents and continuing to advance Michigan's interests among industry leaders and national policy makers.

'Green' Building Finds a Home in MSHDA's Rental Development Projects



By Peter Hughes

The word 'green' has come into vogue in the past few years as a moniker to describe everything from light bulbs to buildings. It seems as though everyone wants to be 'green' and with good reason. According to the United States Green Building Council (USGBC), buildings account for a full 40 percent of all energy consumed in the United States each year and on average, Americans spend 90 percent of their lives indoors. Improving the energy efficiency and indoor air quality of our buildings has the potential to provide a serious boost to our bottom line—by lowering utility bills—while at the same time increasing occupant health and productivity resulting in fewer sick days and doctor visits. But what does being 'green' mean to MSHDA?

During the last year, we have made it our business to answer that very question. We have increased our visibility in the sustainable development community by attending conferences regarding green communities in Boston, green building and sustainable development in Phoenix, and strategies to improve energy efficiency in low-income housing in Los Angeles. We have forged partnerships with the Michigan Department of Human Services and the Bureau of Energy Systems at the Department of Energy Labor and Economic Growth (DELEG) to provide weatherization assistance for Michigan in an effort to reduce energy consumption, and the cost of consumption, to low-income households. We have worked to



implement program and policy changes that encourage the use of sustainable development practices in the projects that we fund.

Perhaps most importantly, MSHDA has approved financing for its first Leadership in Energy and Environmental Design (LEED) for Homes affordable housing development. This development will incorporate sustainable building components including low-flow faucets and fixtures to reduce water consumption and sewage conveyance costs, low VOC paint and sealants on in-unit walls and doors to improve the quality of the air that future tenants will breath in their homes, and a geothermal heating system to provide renewable energy to reduce utility bills for low-income residents. MSHDA has secured an agreement to track utility consumption data in the housing units that will use the geothermal system to evaluate the effectiveness of using this renewable energy source on future low-income housing developments we finance.

These first steps to improve sustainability and 'green' building practices at MSHDA have laid a foundation upon which we will build programs and policies in the coming months. We recognize this is a work in progress, but are confident we are moving in the right direction as we anticipate future collaborations with our partners in the development community as well as local, state and federal governmental entities.

MSHDA has approved financing for its first LEED affordable housing development.

Ending Homelessness



By Christine Miller

Homelessness is recognized in Michigan as a serious social problem that must be addressed in order to advance the recovery of the state's economy. Michigan is the only state that is meeting this challenge on a statewide basis. MSHDA has taken the lead, together with other state agencies, nonprofits, and statewide organizations to adopt a 10-year plan to end homeless in Michigan—the Campaign to End Homelessness represents all 83 counties that submitted 60 local plans that work in conjunction with the overarching state plan. More than 40 initiatives are included in the 10-year campaign, including a Homeless Veterans Initiative. Silver Star Apartments is the first project under that initiative and it stands as an inspiration to those dedicated to serving our homeless veterans. I am just one of them.

As a supportive housing specialist for MSHDA, I am honored to have participated in a project dedicated to ending homelessness among our state's veteran population. Located on the east side of the campus of the Veterans Affairs Hospital in Battle Creek, the Silver Star apartment complex is a first-of-its-kind project that is providing permanent supportive housing targeted exclusively to homeless veterans. It is estimated that there are approximately 1,800 homeless people living in Calhoun County on any given day, and of those, 356 are veterans.

Silver Star is unique because the team that made it possible is not your typical partnership. MSHDA partnered with a for-profit developer, the Veteran's Administration, the Veteran's Hospital, and local service agencies to create a permanent supportive housing model for veterans who are homeless. It was the first time that federal and state government along with a for-profit developer and local service agencies got together to bring such a creative project from just an idea to a living reality. The need for such a development was clearly demonstrated when all 75 units were spoken for and occupied in less than 45 days.

It may have taken several years of planning and many hurdles to jump, but it was well worth the wait. United States Senator Debbie Stabenow was a strong advocate for this project and during a recent tour said, "I can't think of



a more important project than one for people who have no home but have fought for our homes." The project attracted a great deal of national attention as a model for other states to follow and stories appeared in several national publications.

The housed veterans couldn't agree more. Their lives have been changed in a positive way as a result of this development. Their dignity has been restored and their futures and those of their families secured. New alliances and partnerships have been forged and we have learned a lot along the way. In fact, two similar projects are currently under construction and we are taking long strides toward ending homelessness for veterans in Michigan. But the greatest impact has been on the former homeless veterans. They no longer have to worry about where they are going to sleep tonight, but can focus on their lives and futures. It has been a personally fulfilling journey for me and one that I look forward to carrying on in the years to come.

I was particularly touched by one of the formerly homeless veterans who had this to say: "The Silver Star Apartment complex is a GOD SEND. I've been homeless since Hurricane Rita destroyed my Cameron Parish home in September 2005. In September 2009, I was 'welcomed home' by Dave Phillips and the other professionals of Medallion Management. In my opinion, the most significant step in recovery...is stable housing. Silver Star is so much more than just a place to sleep at night."

"I can't think of a more important project than one for people who have no home but have fought for our homes."
U.S. Senator Debbie Stabenow



The New Michigan Urban Neighborhoods initiative is an affirmation that our economy has changed, and the neighborhoods of our industrial cities will never be the same.



Creating Vibrant Cities and Neighborhoods



By Rick Ballard

2009 has been a watershed year for community development professionals in Michigan and throughout the nation—and a year of great transition for these programs within MSHDA's Office of Community Development.

As the year began, the U.S. Department of Housing and Urban Development (HUD) was struggling to write regulations for confusing and sometimes contradictory language in Title III of the Housing and Economic Recovery Act of 2008 (HERA), and had emerged with a framework now known as the Neighborhood Stabilization Program (NSP). NSP provided nearly \$4 billion to acquire and redevelop or demolish foreclosed or abandoned homes left behind in the wake of economic displacement and a nationwide meltdown of the housing market. Throughout the winter and spring, states and localities were submitting locally developed implementation plans to qualify for an allocation of funding under HUD's new formula.

But no sooner was the ink dry on these plans than Congress passed the American Recovery and Revitalization Act of 2009 (ARRA), creating 'NSP2.' Instead of a formula allocation as in NSP1, HUD brought forth a creative national competition for \$2 billion in stimulus funding, encouraging states, localities and nonprofits to develop best practices for using NSP funding to restore balance to local housing markets and reconnect neighborhoods to their regional economy.

The summer was literally a 'three-ring community development circus,' as our MSHDA staff simultaneously managed its ongoing housing programs with HOME and Community Development Block Grant (CDBG) funds, launched the NSP

program under the tight time frames of HERA, and—in the center ring—began building a 'Michigan NSP2 Consortium'—reaching out to cities and land banks to conceive of the 'New Michigan Urban Neighborhood.'

The New Michigan Urban Neighborhoods initiative is an affirmation that our economy has changed, and the neighborhoods of our industrial cities will never be the same. They will be smaller in population, but they must be better, offering a better quality of life and more opportunity—places that will attract new residents, where people will choose to live, raise their families and invest in their neighborhoods.

For the first time, MSHDA reached out to the cities that joined our NSP2 Consortium venture—not at the level of the individual project site, but at the point of the inception of the comprehensive neighborhood plan:

- To identify specific target areas,
- To determine the type and scale of intervention necessary to create environments that can compete for future investment in housing and jobs,
- To build local partnerships with land banks to acquire, assemble, maintain and market vacant property for future investment, and
- To pledge the support in dollars, tools, systems, and talent to make it happen.

The year 2009 has closed with an unprecedented funding award to the Michigan Consortium of nearly \$224 million. This award will support the targeted efforts of our 12 partner cities and eight land banks to begin the rebuilding of 93 struggling urban census tracts, preparing them for investment to come in the decade ahead. This award, an extraordinary expression of confidence in Michigan, will help focus the eyes of the nation and the world on our cities in 2010. And we deserve to be judged by our results in this effort.



Cool Cities Student Intern Program = Vibrant Michigan Cities and Neighborhoods



By Karen Gagnon

“I learned that I am wanted in the state of Michigan...how cool is that?!”

That is a direct quote from a student thrilled with the opportunities offered in this past year’s internship pilot program. But let me explain how the pilot program came to be and what it means to the state’s economic recovery.

Creating vibrant neighborhoods and cities where people want to live, work and play and talent retention and attraction are the main objectives of Governor Granholm’s Cool Cities initiative. During the first several years of the program, without any new funding, we resourcefully created an innovative catalyst grant program resulting in awarding 48 neighborhoods in 32 different cities the Cool Cities Neighborhoods in Progress designation. Most of the funding, however, had to be used for bricks and mortar, or place-based projects. So we turned our attention to strategies of retention and attraction of our young people. It seemed a perfect opportunity to engage college students with neighborhood and community-based projects.

And so was born the Cool Cities Internship pilot program last year. I’m pleased to say that it far exceeded everyone’s expectations and resulted in the sort of transformational experience for students from the University of Michigan, Michigan State University and Wayne State University that one can only dream of.

Our Award Designees were ready and willing recipients of help and the local educational anchor institutions were brimming with talented students with the same expertise the communities needed to further their Cool Cities designations. A relatively small financial investment resulted in a very substantial return. The award designees benefited, the students obtained experience and a positive connection to a neighborhood, and the universities were able to achieve their community outreach goals while providing students with a rewarding real-life opportunity. The Cool Cities initiative was strengthened as a result, but a much bigger benefit was the tremendous boost to the state’s economic stability by building stronger neighborhoods and creating a sense of ‘place’ for all Michigan residents to rally around.

We placed 21 students at 14 different sites in eight cities. Projects ranged from sophisticated Web site updating to the creation of social media strategies and sites, hands-on work building gardens, playground buildings, and farmer’s markets. Interns created manuals, grant applications, surveys and inventories, conducted research and analysis, organized volunteers and planned community events.

A perfect opportunity to engage college students with neighborhood and community-based projects.



“I’m grateful for the opportunity I had to stay in Michigan over the summer and contribute to our economy.”

A student intern participant

An intern with LEED certification assisted local businesses with façade improvements and design standards. One of the interns completed a feasibility study on an historic opera house that will be used to help guide the community through the restoration process. A city employer said the internship provided fresh young ideas in the design and implementation of a community garden program that was instrumental in bringing the community and city together for a highly successful pilot that will be a part of their neighborhood for years to come.

Students all agreed this was their first real job and much more fulfilling and valuable than the internships their peers were experiencing. And all were deeply touched when MSHDA Executive Director Keith Molin made it a point to travel to each site and spend time with them on-the-job. The insight, sincerity and interest he conveyed in his opening and closing remarks made a lasting impression on the students by their own admission.

A majority of the interns reported that they now view the state of Michigan in a more positive light as a result of their participation, have an increased interest in civic engagement, knowledge of community development issues, and better understand the challenges of Michigan’s communities in retaining and attracting talent. Many reported an increased awareness of the ability they have to impact the future of

their neighborhood, city, region and state. “I’m grateful for the opportunity I had to stay in Michigan over the summer and contribute to our economy,” reported one of the interns.

I already have received dozens of requests from college students who want to participate in the Summer 2010 internship program! It’s a sure sign that we are on the right track to creating more and stronger vibrant cities and neighborhoods with the help of our talented young people who are opting to make their homes in Michigan with the help of programs like this.

For more information and a video about the internship program visit the Web site CoolCities.com.

For more information on the Michigan State Housing Development Authority’s Financial Report please visit: michigan.gov/documents/mshda/mshda_609_GASB_34_Muni_299000_7.pdf.

For more information on the Michigan State Housing Development Authority’s Production Goals Report please visit: michigan.gov/documents/mshda/MSHDA_ProdGoalsFY09_FINAL_300583_7.pdf.



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