

{ ONE VOICE. ONE COMMUNITY. WORKING AS ONE. }



## A MESSAGE FROM THE DIRECTOR

MICHAEL DEVOS, EXECUTIVE DIRECTOR

As we close out four decades of the Authority's existence, we can look back on its rich and vibrant history and be proud of the fact that the state of Michigan is a better place for our citizens to live, work and enjoy life to its fullest because of the dedicated efforts and hard work of our capable professional staff. Fiscal Year 2005-2006 has been particularly exciting—one of much change and renewed partnership building. We thank our many stakeholders, local officials, lenders, home builders, REALTORS®, bankers, nonprofits, developers and investors who have empowered our industry to rise to the occasion. Following the creation of an extensive five-year strategic plan, the entire affordable housing industry has united to become one single community with one single voice—and it has reached a booming crescendo with a very clear message.

We have encouraged prospective homebuyers 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 have provided technical assistance and funding to revitalize communities and downtowns throughout Michigan.

**“We have provided technical assistance and funding to revitalize communities and downtowns throughout Michigan.”**

We have rallied behind homeless and domestic violence issues and held the first ever Homeless Summit in Michigan at which all 60 entities in eight regions presented their 10-year plans to end homelessness in

the state. No one state has ever made that sort of commitment statewide, and we have garnered national attention for the effort. 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 fifth decade in service to Michigan's most vulnerable citizens, we will continue to invest in Michigan's future. Living in Michigan means investing in Michigan. Our industry has come together, done its homework, demonstrated the need, created the plan and is now ready to show the link between housing and community development investments will have a positive economic impact on Michigan from the most distant point of its Upper Peninsula to its southernmost borders.



# 2005-2006 HIGHLIGHTS

## MSHDA HIGH POINTS:

- MSHDA brought together more than 200 private sector partners, representing over 30 organizations, that collaborated and created a comprehensive 5-year Action Plan addressing affordable housing, community development and homelessness issues.
- Authority-financed housing and community development projects created approximately 43,600 jobs and paid approximately \$184 million in taxes.
- MSHDA invested over \$146 million on various projects in rural communities throughout the state.
- The 2006 housing conference, of which MSHDA is a major partner, attracted over 1,700 participants from all across the state, making the Michigan Conference on Affordable Housing the largest of its kind in the country. Represented were nonprofit and for-profit developers, homeless services providers, local and state government officials, lenders and other community development practitioners.

## RENTAL HIGH POINTS:

- Over \$23 million in tax-exempt financing was devoted to rental projects in rural areas of the state, developing 411 new construction units, of which 256 units were for families.
- MSHDA financed 5,388 new and rehabilitated units, which surpassed its goal of 5,100 units.
- Increased Housing Choice Voucher (HCV) lease-up for very low-income families to 21,345 units.
- MSHDA's Housing Choice Voucher division received a High Performance rating in the Section Eight Management Asset Program from the Department of Housing and Urban Development (HUD).
- MSHDA allocated \$28.9 million in Low Income Housing Tax Credits (LIHTC) to 69 developments helping create 3,410 units of affordable housing.

## HOMEOWNERSHIP HIGH POINTS:

- Low-interest mortgages tripled as MSHDA's Homeownership division issued 1,394 loans totaling over \$137 million.
- At its 35th annual conference, the National Council of State Housing Agencies presented MSHDA with "Outstanding State Housing Finance Agency" Award recognizing the "Key to Own Homeownership Program."
- The LINKS to Homeownership homebuyer education program served 2,926 households.













## AUTHORITY BOARD MEMBERS

COLLEEN PERO, VICE-CHAIRPERSON  
Attorney at Law

FLORISE R. NEVILLE-EWELL  
Attorney at Law

DAVID C. HOLLISTER  
Director, Department of Labor & Economic Growth

MARIANNE UDOW  
Director, Department of Human Services

GILBERT B. SILVERMAN, CHAIRPERSON  
President, Holtzman & Silverman Construction & Realty Limited

BERNARD S. GLIBERMAN  
Crosswinds Communities, Inc.

DOROTHY R. STOCKBRIDGE  
Section 8 Representative

JAY B. RISING  
State Treasurer, Department of Treasury

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, directors of the Michigan Department of Labor and Economic Growth and the Michigan Family Independence Agency (Department of Human Services.)

# LEGAL AND FINANCIAL SERVICES 2006

## UNDERWRITERS

### SENIOR MANAGERS

Bear, Stearns & Company, Inc.

UBS Financial Services Inc.

Lehman Brothers

Merrill Lynch & Company

### CO-MANAGERS

JP Morgan Chase

Comerica Securities

NatCity Investments, Inc.

Fifth Third

## INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

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## BOND COUNSEL

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G. Allen Bass, Esq.

## OFFICE OF THE ATTORNEY GENERAL, COUNSEL

Terrence P. Grady, Esq., Assistant Attorney General

Ronald H. Farnum, Esq., Assistant Attorney General

Robert Brackenbury, Esq., Assistant Attorney General



# FINANCIAL REPORT

## MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Michigan State Housing Development Authority (the "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. The Authority was created under the terms of Act 346, Public Acts of Michigan, 1966, as amended. The Authority is authorized to issue its bonds and notes to the investing public in order to create a flow of private capital through the Authority into mortgage loans to qualified housing sponsors and to certain qualified individuals.

The Authority offers a variety of programs to provide affordable housing opportunities, such as homeownership lending, low-interest property improvement lending, multifamily lending, mortgage credit certificates and pass-through obligations.

The enclosed financial statements present the Authority's financial position, revenue, expenses, changes in net assets and cash flows. The following is a condensed summary of financial information as of and for the years ended June 30, 2006, 2005 and 2004.



# FINANCIAL ANALYSIS

## MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED, CONTINUED)

Total assets increased from \$2.70 billion at June 30, 2005 to \$2.83 billion at June 30, 2006. This was an increase of approximately \$133.7 million, or 4.9 percent. Total assets decreased from \$2.71 billion at June 30, 2004 to \$2.70 billion at June 30, 2005. This was a decrease of approximately \$7 million, or 0.2 percent.

Net loans receivable increased from \$1,805.6 million at June 30, 2005 to \$1,941.7 million at June 30, 2006. Loans receivable increased due to improved homeownership mortgage (net increase of \$81.0 million) and multifamily mortgage (net increase of \$56.2 million) loan production. Net loans receivable decreased from \$1.807 billion at June 30, 2004 to \$1.805 billion at June 30, 2005. Loans receivable decreased due to a homeownership mortgage loan balance reduction of \$27.2 million and home improvement and moderate rehabilitation loan balance reduction of \$1.4 million. The fiscal year 2005 loan decreases were partially offset by multifamily mortgage loan production of \$27.4 million. The homeownership loan prepayments exceeded loan originations due to the low interest rate environment.

Bonds payable increased from \$1,621.1 million at June 30, 2005 to \$1,766.2 million at June 30, 2006, a net increase of approximately \$145.0 million. This increase was due primarily to the Authority issuing \$220.7 million of Rental Housing Revenue Bonds and \$294.9 million of homeownership Mortgage Revenue Bonds during the fiscal year, while bond calls and scheduled debt service totaled \$370.7 million. Bonds payable decreased from \$1.683 billion at June 30, 2004 to \$1.621 billion at June 30, 2005, a net decrease of approximately \$61.4 million. This decrease was primarily due to the Authority issuing \$197.8 million of Rental Housing Revenue Bonds and \$96.4 million of homeownership Mortgage Revenue Bonds during the fiscal year, while bond calls and scheduled debt service totaled \$358.2 million.

Escrow funds, which are recorded in other liabilities, decreased by \$42.6 million to \$347.2 million at June 30, 2006 from a year earlier due to the prepayment of multifamily developments with large reserves. Escrow funds increased by \$21.7 million to \$389.7 million at June 30, 2005 from a year earlier due to the increased balance of multifamily mortgage loans.

The Authority's net assets totaled \$620.0 million at June 30, 2006, equal to 21.9 percent of total assets and 28.0 percent of total liabilities. A significant portion of net assets is restricted. At June 30, 2006, \$265.3 million of net assets was pledged for payment against the various bond indentures. In addition, \$114.4 million is designated by board resolution, represented by the Community Development Fund. The Authority's net assets totaled \$596.4 million at June 30, 2005, equal to 22.1 percent of total assets and 28.3 percent of total liabilities. A significant portion of net assets is restricted. At June 30, 2005, \$268.0 million of net assets was pledged for payment against the various bond indentures. In addition, \$99.9 million is designated by board resolution, for community development activity.

