



April 13, 2009

Mr. Keith Molin
Executive Director
Michigan State Housing Development Authority
735 East Michigan Avenue
Lansing, MI 48912

Re: Comments on ARRA Preliminary Implementation Plan

Dear Mr. Molin:

The Great Lakes Capital Fund is looking forward to working with MSHDA as it supports LIHTC developments using resources made available by the American Recovery and Reinvestment Act (ARRA). Our staff has reviewed the Preliminary Implementation Plan published on March 25 and wish to offer the following comments and questions on the four proposed programs. We understand that regulations are still being drafted at the Federal level and appreciate MSHDA's willingness to share its concepts with the affordable housing industry and solicit feedback at this time.

1. 9% Tax Credit Assistance Program (TCAP):

- Will developers be required to submit a "hard" equity letter with their application in order to obtain these funds?
- Can developments with 2007-2008 reservations that need to close a pricing gap receive TCAP assistance?
- As a local syndicator we're interested in working with MSHDA staff to identify developments that generate investor interest. A number of developments will have gaps due to equity pricing and others might have gaps because the funds generated by local investors might come-up a little short in using all of the credits available. With the assistance of TCAP funds these developments could be closed and MSHDA would leverage the existing capital in the Michigan market.

2. 9% Tax Credit Exchange program (TCEP):

- What will the proposed terms be for the soft mortgage loans?

- Will the loans have forgiveness provisions? What will happen to those loans in Year 15 when the compliance period is completed?
- For the projects which request an exchange of credits, will they be underwritten again solely for viability or will there also be a rescoring process?
- Would sponsors who already returned 2007 and 2008 credits prior to this legislation be entitled to Exchange funding?

3. 4% Tax Credit Assistance Program:

- We recommend using these funds to promote the financing of acquisition/rehabilitation developments. As the preamble states there is little need to develop new construction units except for specialized projects which serve a particular niche demand.

4. Michigan Affordable Housing Reinvestment and Innovation Program

- Based on the criteria discussed it appears the first priority for 9% TCAP monies will be to preservation properties, then to provide gap financing for MSHDA's tax-exempt bond developments with equity commitments, and lastly to provide gap financing up to \$.25 per credit for developments which apply in 2009. Is this separate from the first 9% TCAP program?
- Under what criteria could an existing development apply for preservation funding?
- What kind of matching requirements from existing owners will be needed for projects without a reservation to receive an award?

Other Comments and Questions:

- While this funding is still waiting for guidance to be issued, timely implementation of this program is crucial once the regulations are released. Delays in implementing the program will dampen its intended economic impact.
- Instead of lending these funds could they be brought in as a grant instead? Preliminary information from the IRS indicates the ARRA funds would not be considered taxable income and can be included in depreciable and eligible basis. If this position becomes policy, making the ARRA funds a grant would solve exit tax problems for the for-profit sponsor and also solve possible valuation issues in regards to real debt.
- Properties which have a 2007-2008 reservation have equity but have a funding gap should receive assistance from TCAP to leverage available equity in the state. Other states including Indiana are pursuing this path.
- Great Lakes Capital Fund is interested in helping MSHDA staff members maximize the public resources that will become available. Some developments will attract enough private equity that they won't need ARRA funds. Others will

need a moderate amount of ARRA funds to fill a gap; while others will require a significant amount of ARRA funds.

We believe MSHDA through this Implementation Plan can create a favorable environment which will draw investment to the state. Great Lakes Capital Fund looks forward to working with MSHDA to create and preserve as much affordable housing as possible. Thank you for the opportunity to provide our comments on this implementation plan.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Edmiston". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Tom Edmiston
Senior Vice-President, Tax Credit Investing