

Preliminary Implementation Plan
Public Comment Session - Notes
MSHDA Office, Lansing, MI
April 13, 2009

- Moderators: Steve Lathom, Chris LaGrand, Norm Harrod, Sally Harrison
- Opening Remarks
 - Keith Molin
 - Listening Session
 - Different points of view
 - Express those views...
 - Opportunity has never been greater in tough times
 - Create a big piece of a new economy
 - Build what is needed
 - Format
 - Overview by Steve Lathom
 - Comments/Exchange
 - Not a debate...
- Steve Lathom
 - Walking through the plan
 - Outlining the priorities/goals
 - Maximize resources
 - Focus on “shovel ready” projects
 - Do better projects
 - Address the economic challenges – new project structures
 - Cautions
 - Fed Rules/Regulations
 - HUD may be out ahead of Treasury
 - Stalled/Backlogged projects
 - But for the lack of financing...
 - Deal with projects moving forward faster than others
 - Variety of different federal rules
 - Move money around – make changes on the fly
 - Program options
 - 9% Funding Round - TCAP
 - Check the box
 - We will consider that it will be there
 - Up to \$0.25 per \$1.00 of LIHTC
 - Cross cutting requirements triggered
 - URA, NEPA, Davis Bacon...
 - Training Session to come early next week – one-day crash course
 - Leveraging of funds – maximizing the use of resources
 - Additional points for using less TCAP

- Up to 50 bonus points
 - Exchange/Monetized Credit
 - .85 per dollar
 - Ticket to the line is the return of the credit without a guarantee
 - Rules on this are being established
 - No guarantee of .85 back
 - Underwriting standards are beefed up
 - Bond capacity for tax-exempt financing for most of those deals that want it.
 - 4% credits with this ...lower pricing on these than before
 - Direct Lending – TCAP
 - Add'l gap financing available to help these projects move forward.
 - Existing Portfolio
 - \$75 million
 - Believe we have the ability to do this.
 - Capital infusions
 - Website
 - Comments posted.
 - Training session will be posted on the web.
 - E-mail updates.
 - COB – exchange survey, will be available on the website.
- Bob Jacobson
 - 2009 Credit Round – Application Process
 - Allows for the hard commitment component
 - Timing issues
 - How do those dovetail with the TCAP awards and the underwriting process with MSHDA?
 - *Steve Lathom – when we get the guidance...may have to bridge those dollars into the deal*
 - Bob Jacobson – if a project can proceed without the TCAP dollars is that more readiness to proceed...should that have preference?
 - *Steve Lathom – the 50 points given for not using TCAP is a preference*
- Lynne Martinez
 - 9% exchange program
 - Have reservation from 2008
 - PSH project
 - Special consideration for the PSH set-aside projects?
 - Ensure that certain amount of these dollars are spent on the PSH
 - Also a Preservation Project
 - Consideration for projects like this?

- Consider giving some credibility for projects that are taking care of homeless people.
- Marv Veltkamp
 - Applaud MSHDA staff
 - Extremely well written
 - Split into different areas
 - Request that MSHDA have conversations with RHS and HUD
 - Many older RD products that could use some capitalization in the reserve account...no other resources
 - HUD is receiving millions towards green initiative...unsure if these are only for HUD properties...?
 - Those developers who have been around are running into CNA issues and areas where rents can't be increased...trying to make projects viable...appreciate this effort to use the money in this way.
- Oscar King
 - Question
 - Baptist Pastor
 - Concerned about turning in the LIHTC
 - Trepidation with giving something back that is tangible...still do not know the parameters.
 - *Chris LaGrand– interested in developing as much detail as we can*
 - *Without guidance – it is difficult*
 - *We are interested in getting guidance to them...we have given what we feel is fit for public consumption and we will give more when we have it.*
 - *Steve Lathom – Consistent Factor – difficult to run a process where someone has held onto it all along without them giving up the reservation first.*
- Sheldon Winkelman
 - The devil is in the details
 - Express appreciation to the Authority – terrific job so far.
 - Concerns
 - Underwriting standards
 - Design criteria
 - Consideration
 - Assume that if there has been an allocation and the credits are going to be bought – the concepts of the plan do not apply...only apply where the funds will be utilized.
 - Review process for 9% projects works – do not burden the process further.
 - *Steve Lathom – Direct lending process does not apply to people who do not have a need for TCAP or other funds*
 - *We feel we may have real liability for these funds with recourse that is at least equivalent to an investor...that is why we are looking at them more stringently.*
- Jeff Gates

- Two weeks ago...they notified MSHDA of their return of the credits.
- Reality
 - Understand what they need to do and that MSHDA will implement a plan that works for everyone
 - Time is of the essence
 - Construction industry
 - No multifamily
 - Single family is at all-time low
 - Lay-offs
 - Sub-contractors doing work on their own homes
 - Putting people back to work
 - Need for affordable housing is continuing to grow
 - Minimize the bureaucracy
 - Do not create an unnecessary burden
 - Work closely with industry professionals to help develop the plan and iron out the details
 - Be fair with the developers who have already received a reservation
- Charlotte Johnson
 - Concerns about not having a guarantee when you go in the door
 - Direct Lending
 - Her deals are 221d4
 - What about scheduling conflicts?
 - What about the loan packages?
 - Who is going to govern the reserves?
 - HUD only permits cash flow notes
 - Upside down at end of deal...
 - A lot of debt
 - Does the developer fee change with the direct lending criteria?...\$2 million?
 - Inflation factors on rents...
 - RHS and HUD should be at the table to say how this impacts their standards...
- Peter Jobson
 - Draft very well structured
 - 2007/2008 – comparison of deals allocated and deals actually funded.
 - How many of those deals were actually funded?
 - Would hate to see everyone stop hunting for equity and rely on the TCAP and the exchange funds that are a one-time deal.
 - QAP was modified to allow for the rolling process and also to move to the head of the line for finding those dollars
 - The idea of the coupling of syndicated LIHTC with TCAP dollars
 - Architectural Review process.
 - MSHDA wants to make sure that it lasts for 35-years.

- MSHDA could do a certification
 - This is what they want...listed.
 - Do this by a certification rather than putting it through the full architectural review
 - Many of the 9% deals do not meet MSHDA standards for parking, etc...
 - Do this by certification – don't send it out for 3rd party review
- Jeff Supowit
 - Written comments sent
 - Generally
 - Good idea for how the resources are allocated - allows for good leveraging
 - Suggesting
 - Monetized
 - Treat these as synthetic equity – not as loans or forgivable loans
 - Congress gives us this monetization that represents the kind of money that would come from syndication
 - Tax advantages for this too
 - Allocate these resources in a similar way that investors would have done...not as loans
 - There is forgiveness of debt at the end of the deal even if everything has been done right.
 - Echo the comment by Charlotte Johnson
 - FHA financing with design review
 - There should be a carve-out for this if the design review is being done by HUD.
 - Similar to Pass-Through loans
 - MSHDA would be involved but would defer to the FHA insurance standards.
 - *Chris LaGrand – offline conversations*
- Sheldon Winkelman
 - MSHDA's role in the cash flow?
 - *Steve Lathom – contemplating this...*
- Charlotte Johnson – this presents problems with the layering of the deferred developer fee.
- *Steve Lathom – we are sensitive to those issues.*
- John B – Charles Morgan and Associates
 - Can the stimulus money be used in lieu of the LIHTC?
 - *Steve Lathom – Two forms*
 - *TCAP must go to deals with an award*
 - *Monetized does not necessarily have to go into a deal that received an award...have not anticipated putting this into a deal that never received an award...more guidance needed.*

- Sam Thomas
 - HOPE VI in Benton Harbor
 - ACC units – in HOPE VI and LIHTC
 - Not sure if he can turn his LIHTC back without major involvement from HUD...not sure how to deal with that issue.
 - Discussions on a weekly basis with HUD.
 - Have not heard more guidance yet.
- Amin Irving
 - 0.68 percent of MI population left last year.
 - Those people have a direct effect on LIHTC cap
 - Expedient implementation of the plan is critical.
 - The longer we wait, the harder deals are going to be in the long run
 - Like HOPE VI -- NSP and HOME funds from municipalities
 - These funds are predicated on the Reservation
 - The return of the LIHTC could affect the committed funds from the city
 - Solutions
 - Give a commitment of the funds and work out the details at a later date to show the developer that this is a deal that can get done.
 - Under the 4%
 - These will still rely on equity and equity pricing...without guarantee of equity.
 - It seems that we are allocating \$30 million in funds that could be used in the 9% round...
 - Unsure of the equity pricing and whether there is dollars for equity investment.
 - Is there any feel on the unfunded LIHTC projects that will fall out given the higher underwriting standards...?
 - How will these funds be used?
- Mike Levine
 - Money for existing programs for Preservation
 - Min or max or will there be flexibility built into the program.
 - Will there be any type of criteria for this?
 - *Steve Lathom – Make sure that the investment puts the deal on solid footing. Much yet to be determined here.*
- UNKNOWN QUESTION - Higher underwriting standards?
- *Steve Lathom – Q and A – standards are in there...*
 - *More vigorous stress tests...*
 - *More stringent cash flow projections*
 - *Higher expense growth*
 - *Make sure that the deals remain cash flow positive.*
 - *Administration*
 - *Looking at plans*
 - *Streamlining items*
 - *Room for error. Safe-Harbor areas.*
 - *Details are yet to be developed.*

- Marv Veltkamp
 - Is this specific to these deals? Or is this going to continue after the stimulus funds are spent? Will need \$1.20 of equity to cover this.
- *Steve Lathom – we will need to adjust to the landscape at the time. Fewer better deals.*
- Sheldon Winkelman– Criteria suggests tougher underwriting...more debt/more equity.
 - Forcing on the developer more equity than they think that they need.
- *Steve Lathom – But for the opportunity cost of the deals that get done...now the worst thing that happens is the deals have more cash flow than they would have had before.*
- Charlotte Johnson – don't you get the cash flow?
- *Steve Lathom – a piece of it...not the whole thing*
- *Sally Harrison – we need stronger deals right now. We can't have deals with a lot of gaps and that can't final close. Two years from now things might turn around, but we have to look at today.*
- Joe Hollander
 - Asset Management Function
 - What thoughts are there on this?
 - Many of the rules require a very close relationship...to minimize the number of staff in the asset management division
 - With this influx of funding...what is going to happen with this?
- *Steve Lathom – the system will need to be scaled-up. We do not anticipate creating a new system...MIE, annual budgets, audits...possibly some variations.*
- Charlotte Johnson – Most of the properties in the 4th bucket will already be in the MSHDA portfolio...
- *Steve Lathom – HUD has dollars of their own, RD unsure.*
- Charlotte Johnson – Those funds are intended for the MSHDA portfolio?
- *Steve Lathom – At this point, that is a fair assessment*
- Jeff Gates – Underwriting, DCR. RHS projects have received relief for that based on their criteria.
- *Steve Lathom – we have anticipated a waiver in the QAP if needed.*
- Jeff Gates – Credit exchange would be for the 4% and the 9%?
- *Steve Lathom– the credit exchange is from the credit ceiling. This applies to both the acquisition and the rehab portion of a 9% deal.*
- Chris LaGrand – Wrap-up.
 - Working diligently to get this program rolled out.
 - On-going Q and A.
 - Happy to receive phone calls and e-mails.