



1118 S. Washington Ave  
Lansing, MI 48910

April 29, 2016

Ms. Michele Wildman  
Chief Housing Investment Officer  
Michigan State Housing Development Authority  
735 E. Michigan Avenue  
Lansing, MI 48909

Dear Ms. Wildman,

On behalf of the Community Economic Development Association of Michigan (CEDAM) and its more than 200 members across the state of Michigan, please accept these comments regarding the 2017 Qualified Allocation Plan (QAP) draft. CEDAM greatly appreciates the open process and the opportunity to provide feedback. CEDAM members request that the following changes be considered for the QAP.

#### **Development Team Characteristics**

We have significant concern with the requirement that a developer be a guarantor in order for experience points to be awarded, which will eliminate many nonprofits, and request that this requirement be eliminated. We encourage MSHDA to consider developments with fewer than twelve units to count toward experience, as well as to change the current timing requirement of having been placed in service for three years, but then no longer counting as experience at fifteen years. As the QAP draft is currently written, we do not believe there is a clear path for an inexperienced or smaller, place-based developer to ever build enough experience as MSHDA is currently defining it – even when regularly partnering with a larger developer – to do development on their own.

CEDAM submitted a proposal to MSHDA staff that added additional points for experience that was not specifically LIHTC experience, but experience that adds value to a development, including having served a specific community or population for more than a decade and having taken a development successfully through the end of its compliance period. While we appreciate that MSHDA added in additional developments outside of LIHTC to Tier 1, we request that MSHDA revisit this proposal and add additional points to Tier 1, allowing smaller, place-based developers with very specific and vital experience to be allowed to compete in this extremely competitive process that currently favors larger developers. The proposal is attached as Attachment A.

#### **Permanent Supportive Housing Set Aside**

We have several issues with the PSH Set Aside. First, we have strong concerns that the preservation of PSH units is treated the same as the construction of new units. We fear that this could favor preservation in a way that results in the construction of fewer new PSH units – which we believe is counter to not only the Governor's commitment to end homelessness but the written intent of MSHDA's Strategic plan especially as it impacts homeless veterans. In order to address this discrepancy, we recommend that MSHDA create a sub-set-aside for PSH preservation in the PSH category and allocate additional LIHTC to that sub-category, or that MSHDA increase the amount of credit available in the PSH set aside to address the need to preserve PSH projects coming off their 15

year compliance period while adding to the total number of new PSH units needed to come online. We also ask that MSHDA become more transparent and share with the development and nonprofit communities the number of PSH units both created and preserved under the current QAP.

We also believe that PSH developments are disadvantaged by the cost containment formula, as developers go above and beyond with design requirements, community space and other amenities to meet the unique needs of PSH tenants. This adds to the overall construction costs. Currently, preservation and historic developments have different cost containment formulas. We ask that MSHDA consider the same for PSH deals. CEDAM members are willing to review MSHDA's cost data in order to assist with this determination. We also request that MSHDA, when considering cost compliance, only compare the prices of PSH developments with other PSH developments, as is done in many other states. Or, PSH is simply given a waiver for cost containment. We ask that MSHDA also reconsider adding points back in for PSH for community spaces that go beyond the standard requirements detailed in the Scoring Criteria, as was done in prior QAPs.

We ask that when PSH credits are returned to MSHDA, that they are returned to the PSH set aside pool, as opposed to the general pool where they are currently awarded, to assure that developers construct as many PSH units as possible to achieve the goals and strategic objectives of the Governor and MSHDA.

We request that MSHDA modify its requirements for funding for services, requiring only one year of commitment for funding for services, with funding in reserves for an additional year of services, and with a letter of intent to seek out funding for the services for the full term. We also believe that the level of services required to obtain points in the scoring process should be revised to match the level of services needed for the targeted tenant population and updated to reflect current state and federal criteria as the strategy for services can vary depending on the populations residing in projects. The current scoring policy was adopted prior to targeting Chronic Homelessness or having those who score the highest on assessment tools used by Coordinated Entry Systems (HARAs) become the norm for PSH developments following best practices. We ask that the number of hours of on-site case management required be assessed per unit as opposed to a range of units depending on the size of the facility.

In the staff notes, Addendum III review language is addressed, but it is not formally addressed in the QAP. We request that the QAP language matches the staff notes. Also, the language in the Addendum III and staff notes for the intent of the early submission and applicants' ability to make revisions in between the Addendum III review meeting and the application deadline is inconsistent. We request that the Addendum III incorporate the language in the staff notes. We also request that the official submission date of the Addendum III is 45 days prior days prior to the application as opposed to the 60 days in the current draft.

We request that MSHDA define homeless frequent emergency department users with care needs and further define how developers would provide evidence that they are providing adequate and required services in Addendum III. It is our understanding that MSHDA is working with DHHS to create this definition, but we request that this be taken up as a separate discussion with an open comment period prior to finalization of Addendum III. For PSH projects, MSHDA reduced the basis boost to 10% from 30% in the current QAP, which is a large reduction in basis. In order to address this large reduction, we request that MSHDA consider making the basis boost categories cumulative, as opposed to either/or.

MSHDA doubled the minimum number of PSH units required for experience points for the development team, requiring 100 units as opposed to 50 units in the current QAP, as well as changed the language to read "General Partner/Member" as opposed to "Developer." CEDAM members

believe this that is excessive and will once again exclude smaller developers specializing in serving specific populations or locations – especially rural locations. Similar to the Michigan Housing Council, we respectfully request that the language revert back to what is in the current QAP.

### **Walk Score**

CEDAM continues to have a number of issues with MSHDA’s utilization of Walk Score. While we strongly believe that developments in areas with a high quality of life and location should be prioritized, we do not believe that Walk Score is the most appropriate tool to measure this especially when it comes to the populations served in the PSH set-aside.

As reflected in our prior QAP comment letters and discussions, we believe that Walk Score does not always accurately reflect a community’s amenities or quality of life. Walk Score often reflects out-of-date information and may include amenities not actually present. It is in everyone’s best interest to utilize a scoring protocol with a high degree of reliability, which we do not believe is currently reflected through Walk Score. We ask that MSHDA consider utilizing the mechanism in Ohio’s QAP to help determine walkability. Similarly, Walk Score does not reflect the services related access that should be a part of a PSH project and is reflected in Addendum III review. Walk Score also does not value amenities we believe are extremely valuable to a community, like a senior center or a community center. We request that MSHDA consider adding additional points for amenities that Walk Score does not believe add value, but are extremely valuable to a community. Please see Attachment B for a list of suggested bonus points.

We believe that the 20 point assignment is excessive, and combining it with Central Cities points is merely double counting. We also believe that Walk Score can be manipulated with outdated or false data, inadvertently giving a false score. We ask that rather than focusing in on Walk Score, you consider the market study, which details the neighborhood’s amenities or alternatively require that the market analyst review the Walk Score to assess its reliability.

MSHDA currently offers points that are not in tandem with Walk Score’s different point levels. We ask that if MSHDA is going to continue to use Walk Score, which we do not encourage, that at a minimum, its scoring matches the different scoring levels Walk Score uses.

### **Leveraged Debt and Cost Reasonableness**

The QAP encourages leveraged debt, which is what nonprofits and especially PSH developments try to avoid. We ask that MSHDA clarify what it means by “leveraged debt.”

While we appreciate that MSHDA defined a 5% range for an acceptable cost percentage change, CEDAM requests additional information and clarification on determining reasonable inflation or outside influences that might raise construction costs and allow for a waiver of the penalty.

### **Negative Points**

As requested in the past, we ask that the total number of negative points be reduced to match the number of potential positive points. We also ask that MSHDA create a written and transparent standard for assigning negative points, which includes a time schedule of how long negative points will remain in effect for a developer or property management company. Without standards and transparency, the public has no way of knowing the nature of the evaluation process being utilized by MSHDA, and whether it is fair and consistently administered.

**Gatekeeper Function for Preservation Applications.** While we appreciate MSHDA’s commitment to allocate credits as efficiently as possible, we do not agree with the requirement to apply for the 4% NOFA prior to applying for the 9% credits. We have concerns that with different underwriting goals and criteria between a 4% NOFA transaction and a 9% LIHTC transaction, and

that the language in the QAP that bars a preservation transaction in the 9% round unfairly penalizes developers from submitting preservation proposals that are worthy of consideration as a 9% transaction that might not work as a 4% NOFA transaction.

### **Affordable Assisted Living**

Currently, Affordable Assisted Living developments are included in the general pool, as opposed to receiving additional points with a separate set-aside. As Michigan has a growing population requiring assisted living (our largest growing population is that of adults aged 85 years and older), we ask that MSHDA consider adding points for affordable assisted living developments.

### **Cost Containment.**

We request that MSHDA make adjustments for PSH and other types of developments. Rather than give negative points, we request that you consider the City of Detroit's proposal that offers up additional points for difficult projects that have been vacant for some time or are historic in nature.

### **Additional Scoring Sheet Issues**

We request that you further define a typical fixed route public transportation system, in particular, how this relates to a Dial-a-Ride system or transportation system in a rural community.

CEDAM members believe that developments near an employment center should be the same number of points as Central Cities. We also believe that a cluster of smaller employers employing a large number of people like an industrial park or shopping center should count as an employment center.

We request further clarification on the Affordable/Market Rent Differential, including an explanation on how the 20% was determined to be the appropriate differential. We respectfully request that this be reduced to 15%. We further request clarification on what locations currently qualify, as well as if the Differential is based on square footage or number of bedrooms and other amenities. Also, we ask that MSHDA specify if the Differential will be assessed using the Market Study, and if the Primary Market Area in the Market Study will be the geographic area utilized to determine the Differential.

### **MSHDA's Strategic Plan**

While we appreciate that MSHDA took the time to create a new strategic plan and is focusing in on homeownership and veterans, we highly encourage MSHDA to consider expanding its strategic plan to include more opportunities for public feedback and engagement, as well as to look at serving even more populations than its current focus. We feel that there should be a stronger link between the strategic plan and the QAP. CEDAM members have worked with MSHDA for many years and stand ready to continue that vital work to ensure that we are providing homes and strong, vibrant communities to Michigan's most vulnerable citizens.

While we also appreciate the time and effort MSHDA took to create the draft QAP, the timing to respond to the draft was extremely tight, making it very difficult to engage the many stakeholders and developers serving Michigan's most vulnerable residents. To have only a week between the release of the draft and the public comment – with the Building Michigan Communities Conference taking place in the midst of the week between releasing the QAP and the first public comment hearing – was extremely difficult. We encourage MSHDA to consider a longer time frame to respond to the draft QAP and are happy to work with MSHDA to provide a more expansive calendar.

Again, CEDAM and its members greatly appreciate the opportunity to provide feedback on the next QAP. We are happy to continue to work with MSHDA staff and other partners to create the best possible policies to allocate Michigan's low income housing tax credits.

Please feel free to contact me with any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Schriener-Hooper', with a long horizontal flourish extending to the right.

Jamie Schriener-Hooper  
Executive Director

CC: CEDAM Board of Directors

## Attachment A

### Developer Experience Points

Previous Experience of Management Agent – 10 points total

Current Language – Reduce Maximum number of points from 10 to seven for specific LIHTC prior experience and keep language the same. See chart below for updates on number of points available.

Successful Projects	Points
1-4 projects	1
5-6 projects	3
7-8 projects	5
9 or more projects	7

Additional points available in the “previous experience of management agent” category that are applicable to both for-profits and nonprofits for a maximum of ten points within the full category (adding together the above prior language and below new categories):

- Successfully serving the proposed development area for more than ten years (shows a long-term commitment to the community); (2 POINTS)
- Experience successfully serving a very specific audience like seniors, chronically homeless, veterans, extremely low income households, etc. (although there are set-asides, these are areas where prior experience will likely lend to the stability and success of a development; must be specific and applicable to the project being proposed) (2 POINTS)
- A strong financial standing; (1 POINT)
- Successful re-syndication or maintenance of affordability past LIHTC compliance period (1 POINT)

## Attachment B

### Site Amenity Bonus Points:

Bonus points will be added to the score resulting from the Walk Score table only for the following amenities, with the total score in this section remaining capped by the limit. To receive points the amenity must be in place at the time of application. Distances must be documented in the application with a radius map drawn to scale identifying the development site and the amenity, using a standardized radius from the development site to the target amenity, unless that line crosses a significant physical barrier or barriers. Such barriers include highways, railroad tracks, regional parks, golf courses, or any other feature that significantly disrupts the pedestrian walking pattern between the development site and the amenity. In the event such a barrier disrupts the radius line, a walking path line must be substituted. The radius line may be struck from the corner of development site nearest the target amenity, to the nearest corner of the target amenity site. However, a radius line shall not be struck from the end of an entry drive or on-site access road that extends from the central portion of the site itself by 250 feet or more. Rather, the line shall be struck from the nearest corner of the site's central portion.

For a Senior Development, the site is within 1/2 mile (1 mile for Rural projects) of a daily operated senior center or a facility offering daily services specifically designed for seniors (the development's own resident services program does not count)

5 points

or within 3/4 mile (1.5 miles for Rural projects)

3 points

For a development including Supportive Housing, the site is located within 1/2 mile (1 mile for Rural projects) of a facility (including social supports such as VFW or American Legion Halls for veterans) that is open at least five days/week to serve the target supportive housing population living in the development

5 points

or within 1 mile (1.5 miles for Rural projects)

3 points

For projects in the Open Category, the site is located within 1/2 mile (1 mile for Rural projects) of a facility (including parks) in which one or more youth programs are operated by a public or private entity at least three week days each week during out-of-school time (the development's own resident services program does not count)

5 points

or within 1 mile (1.5 miles for Rural projects)

3 points

The site is within 1/2 mile (for Rural set-aside projects, 1 mile) of a qualifying medical clinic with a physician, physician's assistant, or nurse practitioner onsite for a minimum of 40 hours each week, or hospital (not merely a private doctor's office). A qualifying medical clinic must accept Medicaid payments, or Medicare payments for Senior Projects, or have an equally comprehensive subsidy program for low-income patients.

5 points

or within 1 mile (1.5 miles for Rural projects)

3 points