MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

A G E N D A
TELECONFERENCE
August 27, 2020 – 10:00 a.m.
+1 248-509-0316
Conference ID: 864 075 593#

Roll Call:

Public Comments:

Remarks:

Chairperson
Executive Director

Voting Issues:

Tab A Approval of Agenda

CONSENT AGENDA ITEMS

Consent Agenda ***(Tabs B and C are Consent Agenda items. They are considered routine and are to be voted on as a single item by the Authority. There will be no separate discussion of these Tabs; any Authority member, however, may remove any Tab or Tabs from the Consent Agenda prior to the vote by notifying the Chair. The remaining Tabs will then be considered on the Consent Agenda. Tabs removed from the Consent Agenda will be discussed individually.)***

Tab B Minutes – July 30, 2020 (Rescheduled Meeting)

Tab C Resolution Authorizing the Extension of Professional Services Contract with Water Hill Creative, Inc.

REGULAR VOTING ITEMS

Tab D Resolution Authorizing Issuance and Sale of Michigan State Housing Development Authority Multifamily Housing Limited Obligation Revenue Note, CityLine Apartments, MSHDA No. 44c-170, City of Kentwood, Kent County

Resolution Authorizing Mortgage Loan, CityLine Apartments, MSHDA No. 44c-170, City of Kentwood, Kent County

Tab E Resolution Determining Mortgage Loan Feasibility, Carriage Place Apartments, MSHDA No. 3926, City of Pontiac, Oakland County

Resolution Authorizing Mortgage Loan, Carriage Place Apartments, MSHDA No. 3926, City of Pontiac, Oakland County

Tab F Resolution Determining Mortgage Loan Feasibility, HOM Flats at Felch Street, MSHDA No. 3920, Holland Township, Ottawa County

Resolution Authorizing Mortgage Loan, HOM Flats at Felch Street, MSHDA No. 3920, Holland Township, Ottawa County

Tab G Resolution Determining Mortgage Loan Feasibility, Marwood Apartments, MSHDA No. 3793, City of Detroit, Wayne County

Resolution Authorizing Mortgage Loan, Marwood Apartments, MSHDA No. 3793, City of Detroit, Wayne County

Tab H Resolution Determining Mortgage Loan Feasibility, Village at LaFranier Woods, MSHDA No. 3806, Garfield Township, Grand Traverse County

Resolution Authorizing Mortgage Loan, Village at LaFranier Woods, MSHDA No. 3806, Garfield Township, Grand Traverse County

Tab I Resolution Authorizing Modifications to Mortgage Loans for Westchester Village South, MSHDA Development No. 3788, City of Saginaw/Saginaw Township, Saginaw County

Tab J Resolution Authorizing the Extension of Professional Services Contract with Perich + Partners, Ltd.

Tab K Resolution Ratifying and Authorizing Extension of Enterprise Contract with Agate Software

Closed Session

None.

Discussion Issues:

None.

Reports:

Tab 1 MSHDA Mod Program Update

Tab 2 Short Term Relief Monthly Report

Tab 3 Hardest Hit Report

Tab 4 Current and Historical Homeownership Data

Michigan State Housing Development Authority
Minutes of Authority Meeting
July 30, 2020

AUTHORITY MEMBERS PRESENT:	AUTHORITY MEMBERS ABSENT:
Regina Bell	Tyrone Hamilton
Mark Burton	
Jeff Donofrio	
Carl English	
Rachael Eubanks	
Jennifer Grau	
Deb Muchmore	

OTHERS PRESENT:

Gary Heidel, Acting Executive Director
Maria Ostrander, Executive
Clarence Stone, Legal Affairs
Rick Norton, Legal Affairs
Lisa Ward, Legal Affairs
Jeff Sykes, Finance
Troy Thelen, Asset Management
John Hundt, Rental Development
Kelly Rose, Rental Assistance and Homeless Solutions
Jonathan Hilliker, Executive
Chad Benson, Rental Development
Ryan Koenigsknecht, Rental Development
Justin Wieber, Asset Management
Ron Farnum, Office of Attorney General
Mike Fobbe, Office of Attorney General
Katie Bach, Communications
Karen Gagnon, Executive
Mary Townley, Homeownership
Christina Soulard, Rental Assistance and Homeless Solutions
Daphne Wells, Executive
Haywood Edwards, Executive
Tiffany King, Executive
Sandy Pearson, Habitat for Humanity

Eighteen additional members of the public participated via the following conference line: +1 248-509-0316, Conference ID: 932 284 276#.

Chairperson Jeff Donofrio opened the meeting at 10:00 a.m. A quorum was established with the following members: Regina Bell, Mark Burton, Jeff Donofrio, Rachael Eubanks, and Jennifer Grau. Deb Muchmore joined the meeting at 10:02 a.m.; Carl English joined the meeting at 10:06 a.m.

Mr. Donofrio asked Jonathan Hilliker, IT Customer Service Liaison, to provide an overview of the meeting format, which was being conducted through Microsoft Teams. Mr. Hilliker explained that Board members and presenters were participating by video through a previously provided video link. A separate telephonic conference line linked to the video meeting was made available to the public.

Mr. Donofrio requested public comments from teleconference participants. Ms. Sandy Pearson from Habitat from Humanity noted her presence.

Mr. Donofrio announced there were goldenrods for the following items in the Board Docket:

- Tab K, Resolution Inducement Resolution, Sable Pointe Apartments, City of Hart, Oceana County, MSHDA No. 44c-177

- Tab O, Resolution Authorizing Amended and Restated Pass-Through Program

- Tab Q, Resolution Determining Mortgage Loan Feasibility and Resolution Authorizing Mortgage Loans, American House Village at Bloomfield, MSHDA No. 3867, City of Pontiac, Oakland County

Mr. Donofrio proceeded with an update on the search for a permanent Executive Director. He noted that a Policy Planning and Human Resources ("PPHR") subcommittee meeting was held on July 23, 2020 to review candidates for the position. The PPHR members are expected to meet again on August 10, 2020 to continue the review of candidates. Afterwards, there will be a Special Board meeting on August 13, 2020 to select candidates; interviews will take place at another Special Board meeting the week of August 17, 2020. The Regular Authority Board meeting will be held as planned on August 27, 2020 to address regular agenda items, as well as vote on a candidate. If a candidate is not selected at that time, a Special Board meeting will be held the first week of September 2020.

Following the Chair's remarks, Acting Executive Director Gary Heidel began with an update on how the recent flooding in Midland, Michigan has impacted the Authority. He asked Ms. Kelly Rose, Rental Assistance and Homeless Solutions, to speak on this issue. Ms. Rose noted that only one Housing Choice Voucher participant was permanently displaced by the flooding and that person has since been resettled. Additionally, there were a few other participants who were temporarily displaced but are now back in their units.

Mr. Heidel also noted that the Federal Emergency Management Agency (FEMA) was seeking recommendations to form a Volunteer Consulting Group. Mr. Heidel stated Chris Hudson of the Authority's Operations Division would be a part of the Volunteer Consulting Group.

Mr. Heidel continued with a brief overview of the HEROES (Health and Economic Recovery Omnibus Emergency Solutions) Act, as well as the HEALS (Health, Economic Assistance, Liability Protection and Schools) Act. He noted that the HEROES Act was introduced in the U.S. House of Representatives and sent to the U.S. Senate. This bill includes provisions for housing assistance. The HEALS Act is a proposal from the Senate intended to offset the financial and job losses brought on by coronavirus pandemic; however, it contains no housing provisions. Along with the Department of Labor and Economic Opportunity, the Authority will continue to monitor these pieces of legislation.

VOTING ISSUES:

Approval of the Agenda **(Tab A):**

Jennifer Grau moved approval of **Tab A (Agenda).** Deb Muchmore supported. The following Roll Call was taken for **Tab A**:

Regina Bell	Yes	Rachael Eubanks	Yes
Mark Burton	Yes	Jennifer Grau	Yes
Jeff Donofrio	Yes	Tyrone Hamilton	Absent
Carl English	Yes	Deb Muchmore	Yes

There were 7 “yes” votes. The agenda was approved.

Consent Agenda **(Tabs B through N)** The consent agenda included the following items:

Tab B Minutes – June 25, 2020

Tab C Resolution Authorizing Fourth Amendment to Amended and Restated Contract that Appoints and Retains Designated Holland & Knight Attorneys as Special Assistant Attorneys General

Tab D Resolution Authorizing Award of Emergency Solutions Grant Funds to the Michigan Department of Health and Human Services

Tabs E – N **INDUCEMENT RESOLUTIONS UNDER SINGLE LIMITED OBLIGATION BOND ISSUE:**

Tab E Inducement Resolution, Arbor Glen Apartments, Village of St. Charles, Saginaw County, MSHDA No. 44c-171

Tab F Inducement Resolution, Clairewood Apartments, City of St. Clair, St. Clair County, MSHDA No. 44c-172

Tab G Inducement Resolution, Creekside Apartments, Village of Ravenna, Muskegon County, MSHDA No. 44c-173

Tab H Inducement Resolution, Pine Bluff Apartments, City of Kingsford, Dickinson County, MSHDA No. 44c-174

Tab I Inducement Resolution, Grayling Pines, City of Grayling, Crawford County, MSHDA No. 44c-175

Tab J Inducement Resolution, Lakewood Apartments, Village of Stockbridge, Ingham County, MSHDA No. 44c-176

Tab K Inducement Resolution, Sable Pointe Apartments, City of Hart, Oceana County, MSHDA No. 44c-177

Tab L	Inducement Resolution, Village Apartments, Village of Bellaire, Antrim County, MSHDA No. 44c-178
Tab M	Inducement Resolution, Whispering Pines Apartments, City of Grayling, Crawford County, MSHDA No. 44c-179
Tab N	Inducement Resolution, Willow Creek Apartments I and II, City of Escanaba, Delta County, MSHDA No. 44c-180

Jennifer Grau moved approval of the consent agenda. Mark Burton supported. The following Roll Call was taken for the Consent Agenda:

Regina Bell	Yes	Rachael Eubanks	Yes
Mark Burton	Yes	Jennifer Grau	Yes
Jeff Donofrio	Yes	Tyrone Hamilton	Absent
Carl English	Yes	Deb Muchmore	Yes

There were 7 “yes” votes. The consent agenda was approved.

<u>Regular Voting Items:</u>

Chad Benson of Rental Development presented **Tab O, Resolution Authorizing Amended and Restated Pass-Through Program.** Mr. Benson reviewed the documents as outlined in the board docket. In response to a question from Chairperson Donofrio, Mr. Benson confirmed that the volume cap would be $100 million.

Regina Bell moved approval of **Tab O.** Jennifer Grau supported. The following Roll Call was taken for **Tab O**:

Regina Bell	Yes	Rachael Eubanks	Yes
Mark Burton	Yes	Jennifer Grau	Yes
Jeff Donofrio	Yes	Tyrone Hamilton	Absent
Carl English	Yes	Deb Muchmore	Yes

There were 7 “yes” votes. The resolution was approved.

Justin Wieber of Asset Management presented **Tab P, Resolution Authorizing Waiver of Mortgage Loan Prepayment Prohibition, Edge of the Woods, MSHDA No. 3363, City of Sault Saint. Marie, Chippewa County.** Mr. Wieber reviewed the documents as detailed in the board docket.

Mark Burton moved approval of **Tab P.** Deb Muchmore supported. The following Roll Call was taken for **Tab P**:

Regina Bell	Yes	Rachael Eubanks	Yes
Mark Burton	Yes	Jennifer Grau	Yes
Jeff Donofrio	Yes	Tyrone Hamilton	Absent
Carl English	Yes	Deb Muchmore	Yes

There were 7 “yes” votes. The resolution was approved.

John Hundt of Rental Development presented **Tab Q, Resolution Determining Mortgage Loan Feasibility, American House Village at Bloomfield, MSHDA No. 3867, City of Pontiac, Oakland County** and **Resolution Authorizing Mortgage Loans, American House Village at Bloomfield, MSHDA No. 3867, City of Pontiac, Oakland County.** Mr. Hundt reviewed the documents as detailed in the board docket.

Authority members requested clarification on the increased management fees for this project. Mr. Hundt, as well as Mr. Troy Thelen of Asset Management, explained that this is a unique type of project that is not receiving Low Income Housing Tax Credits. Additional services will also be included that warrant the increased fees. Authority members asked that these questions be addressed in the board reports going forward.

Carl English moved approval of **Tab Q.** Jennifer Grau supported. The following Roll Call was taken for **Tab Q**:

Regina Bell	Yes	Rachael Eubanks	Yes
Mark Burton	Yes	Jennifer Grau	Yes
Jeff Donofrio	Yes	Tyrone Hamilton	Absent
Carl English	Yes	Deb Muchmore	Yes

There were 7 “yes” votes. The resolutions were approved.

John Hundt of Rental Development presented **Tab R, Resolution Determining Mortgage Loan Feasibility, Apple Ridge Apartments II, MSHDA No. 2256-2, City of Kalamazoo, Kalamazoo County** and **Resolution Authorizing Mortgage Loans, Apple Ridge Apartments II, MSHDA No. 2256-2, City of Kalamazoo, Kalamazoo County.** Mr. Hundt reviewed the documents as detailed in the board docket. In response to Authority questions, he confirmed that the rent subsidies would continue for three years or until the money is gone.

Jennifer Grau moved approval of **Tab R.** Regina Bell supported. The following Roll Call was taken for **Tab R**:

Regina Bell	Yes	Rachael Eubanks	Yes
Mark Burton	Yes	Jennifer Grau	Yes
Jeff Donofrio	Yes	Tyrone Hamilton	Absent
Carl English	Yes	Deb Muchmore	Yes

There were 7 “yes” votes. The resolutions were approved.

John Hundt of Rental Development presented **Tab S, Resolution Determining Mortgage Loan Feasibility, Brentwood Apartments, MSHDA No. 3856, City of Belding, Ionia County** and **Resolution Authorizing Mortgage Loans, Brentwood Apartments, MSHDA No. 3856, City of Belding, Ionia County.** Mr. Hundt reviewed the documents as detailed in the board docket.

Deb Muchmore moved approval of **Tab S.** Mark Burton supported. The following Roll Call was taken for **Tab S**:

Regina Bell	Yes	Rachael Eubanks	Yes
Mark Burton	Yes	Jennifer Grau	Yes

Jeff Donofrio	Yes	Tyrone Hamilton	Absent
Carl English	Yes	Deb Muchmore	Yes

There were 7 "yes" votes. The resolutions were approved.

John Hundt of Rental Development presented **Tab T, Resolution Determining Mortgage Loan Feasibility, Greenbriar Apartments, MSHDA No. 3852, City of Greenville, Montcalm County** and **Resolution Authorizing Mortgage Loans, Greenbriar Apartments, MSHDA No. 3852, City of Greenville, Montcalm County.** Mr. Hundt reviewed the documents as detailed in the board docket.

Regina Bell moved approval of **Tab T.** Carl English supported. The following Roll Call was taken for **Tab T**:

Regina Bell	Yes	Rachael Eubanks	Yes
Mark Burton	Yes	Jennifer Grau	Yes
Jeff Donofrio	Yes	Tyrone Hamilton	Absent
Carl English	Yes	Deb Muchmore	Yes

There were 7 "yes" votes. The resolutions were approved.

John Hundt of Rental Development presented **Tab U, Resolution Determining Mortgage Loan Feasibility, Morton Manor Apartments, MSHDA No. 3851, City of Detroit, Wayne County** and **Resolution Authorizing Mortgage Loans, Morton Manor Apartments, MSHDA No. 3851, City of Detroit, Wayne County.** Mr. Hundt reviewed the documents as detailed in the board docket. In response to Authority questions, Mr. Troy Thelen noted that the underwriting is conservative for this type of project, due to the Section 8 Housing Choice Voucher component.

Jennifer Grau moved approval of **Tab U.** Deb Muchmore supported. The following Roll Call was taken for **Tab U**:

Regina Bell	Yes	Rachael Eubanks	Yes
Mark Burton	Yes	Jennifer Grau	Yes
Jeff Donofrio	Yes	Tyrone Hamilton	Absent
Carl English	Yes	Deb Muchmore	Yes

There were 7 "yes" votes. The resolutions were approved.

There being no additional remarks, Mr. Donofrio mentioned that the following reports were included for information: **(Tab 1)** Short Term Mortgage Relief Policy Monthly Report, **(Tab 2)** Hardest Hit Report, **(Tab 3)** Current and Historical Homeownership Data, **(Tab 4)** Homeownership Production Report, **(Tab 5)** Delegated Action Reports, and **(Tab 6)** Board Calendar.

Mr. Donofrio further stated that the next two Regular board meetings are August 27, 2020 and September 23, 2020. He added that special board meetings will be scheduled for August 13 and the week of August 17, 2020.

There being no additional comments, Mr. Donofrio requested a motion to adjourn. Rachael Eubanks moved to adjourn, and it was unanimously approved and accepted. The meeting adjourned at 10:50 a.m.

REVIEWED
By Lisa Ward at 8:36 am, Aug 10, 2020

REVIEWED
By Clarence Stone at 8:49 am, Aug 10, 2020

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Gary Heidel, Acting Executive Director Gary Heidel

DATE: August 27, 2020

RE: Resolution Authorizing the Extension of Professional Services Contract with Water Hill Creative, Inc.

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") authorize a one-year extension of the professional services contract with Water Hill Creative, Inc. (the "Contractor"), for the additional cost of $250,000. This service has been preauthorized by Civil Service.

CONTRACT SUMMARY:

Name of Contractor: Water Hill Creative, Inc.
Amount of Contract: $250,000/yr.
Length of Contract: Annual
Extension Options: Annual
Request for Proposal Date: February 7, 2017
Number of Bids Received: 14
MSHDA Division Requesting the Contract: Communications/Executive

EXECUTIVE SUMMARY:

The Contractor currently serves as the producer for video projects by supplying equipment, software, and staff to coordinate and conduct interviews, as well as write, and provide art direction for all productions. The Contractor is responsible for pre-production technical advice on developing videos, setting up the individual shots for best possible sound and video, lighting and filming the individual clips. They also edit and assemble the final video. The Authority does not currently have video production staff, equipment, or expertise to provide these services in-house.

The contract benefits the Authority by helping to tell the Authority's story in an engaging and compelling way. The contract benefits the public by explaining the Authority's purpose, mission, and programs.

The Contractor has performed well for the Authority. Communication flows well, and staff are very responsive to the Authority's requests for alterations. They also produce quality work. The

Contractor has met all milestones and deliverables in the contract. The performance metrics include quality of work product, timely performance, and review of invoices. Work and invoices are received regularly, and there have been no issues with productivity or with the working relationship with the Contractor. Finally, there is no foreseeable risk arising from approving a one-year extension of the contract and approving an increase not to exceed $250,000 in the maximum contract amount. If the proposed increase of $250,000 is approved, the total contract amount for the professional services contract with Water Hill Creative, Inc. will be an amount not to exceed $1,000,000 over the amended term of the Contract.

ADVANCING THE AUTHORITY'S MISSION:

This request continues to support the telling and broadcasting of the Authority's efforts across Michigan. It fulfills the guiding principle of placing people first by facilitating the exchange of information as these videos are delivered across the Authority's digital communications channels. These videos highlight a wide variety of diversity in the individuals the Authority helps and the communities it serves. Toward partner collaboration, the Authority has highlighted the efforts of some of our partners (e.g. Habitat for Humanity, Communities First and others) with this work.

COMMUNITY IMPACT:

This will provide greater awareness of the Authority's mission and availability to help.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

None.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING THE EXTENSION OF PROFESSIONAL SERVICES CONTRACT WITH WATER HILL CREATIVE, INC.

August 27, 2020

WHEREAS, the Michigan State Housing Development Authority (the "Authority") has received the report of the Acting Executive Director regarding the extension of the professional services contract to perform videography services for public relations and marketing; and

WHEREAS, on September 27, 2017, the Authority approved a professional services contract with Walter Hill Creative, Inc. (the "Contract") for a term beginning October 1, 2017 and ending September 30, 2018 for an amount not to exceed $250,000; and

WHEREAS, on July 25, 2018, the Authority approved a one-year extension to the Contract including a budget increase of $250,000; and

WHEREAS, on July 25, 2019, the Authority approved a one-year extension to the Contract including a budget increase of $250,000; and

WHEREAS, the Acting Executive Director has recommended that the Authority approve an additional one-year extension to the Contract beginning on or about October 1, 2020 and ending September 30, 2021 with an additional increase of the total contract amount of $250,000 as described in the accompanying memorandum; and

WHEREAS, if the proposed increase of $250,000 is approved, the total contract amount for the professional services contract with Water Hill Creative, Inc. will be an amount not to exceed $1,000,000 over the amended term of the Contract; and

WHEREAS, the Civil Service Commission has reviewed and approved the Authority's request for contractual services; and

WHEREAS, the Authority concurs in the report and recommendation of the Executive Director.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority, that the Executive Director, the Director of Legal Affairs, the Chief Financial Officer, or any person duly acting in such capacity (each, an "Authorized Officer"), or any of them, is hereby authorized to enter an amendment to the professional services contract with Water Hill Creative, Inc. to (a) extend the term of the professional services contract for a period beginning on or about October 1, 2020 and ending September 30, 2021 and (b) increase the total contract amount of the professional services contract by an amount not to exceed Two Hundred Fifty Thousand Dollars ($250,000), as described above and in the accompanying memorandum.

GOLDENROD
TAB D

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Gary Heidel, Acting Executive Director

Gary Heidel

DATE: August 27, 2020

RE: CityLine Apartments; MSHDA Development No. 44c-170

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") 1) adopt a resolution authorizing the issuance of a mortgage loan (the "Loan") with respect to the project described in the attached report; and 2) adopt a resolution authorizing the issuance of a multifamily housing limited obligation revenue note issued under Section 44c, the proceeds of which will finance the Loan.

PROJECT SUMMARY:

MSHDA No:	44c-170
Development Name:	CityLine Apartments
Development Location:	City of Kentwood, Kent County
Sponsor:	Herman & Kittle Properties, Inc.
Borrower:	CityLine Apartments Limited Dividend Housing Association Limited Partnership
Financing Program:	Multifamily Housing Limited Obligation Revenue Note issued under Section 44c
Number of Units (Affordable and Market Rate):	240
Construction Method:	New Construction
Total Development Cost	$44,264,316
Total MSHDA Loan Amount:	$25,000,000
Sponsor Loan:	$1,591,266
LIHTC Equity:	$14,625,058
GP Contribution:	$100
Interim Income:	$1,631,863
Commitment Deposit:	$463,200

Initial Funding Lender	Churchill Mortgage Construction LLC
Permanent Funding Lender	Federal Home Loan Mortgage Corporation (Freddie Mac), acting through KeyBank National Association as Freddie Mac's seller/servicer
Credit Enhancement during Construction Phase of MSHDA Loan	Completion and Repayment Guaranty made by Herman & Kittle Properties, Inc. and Jeffrey L. Kittle
Credit Enhancement during Permanent Phase of MSHDA Loan	Standby Credit Enhancement Agreement to be dated as of the Conversion Date between Freddie Mac as the Credit Enhancer and The Huntington National Bank, as Fiscal Agent
Fiscal Agent	The Huntington National Bank

EXECUTIVE SUMMARY:

The Borrower proposes to construct a 240-unit development (the "Development") in the City of Kentwood, Kent County, Michigan, using an Authority loan of $25 million financed with the proceeds of a multifamily housing limited obligation revenue note ("MSHDA Note") issued for the Development pursuant to Section 44c of the Authority's enabling act.

This financing will be structured as a long-term pass through private placement loan. The MSHDA Note will evidence a Funding Loan made by the Initial Funding Lender to the Authority pursuant to a Funding Loan Agreement. The Authority will use the proceeds of the Funding Loan to make a Project Loan to the Borrower, which will be secured by a first priority mortgage and security interest in the Project. During the construction phase of the Project Loan, the repayment of the Project Loan and the completion of the Project will be guaranteed by Herman & Kittle Properties, Inc. and Jeffrey L. Kittle (**COLLECTIVELY,** the "Construction Phase Guarantor") pursuant to a Completion and Repayment Guaranty (the "Construction Phase Guaranty").

Freddie Mac has issued a commitment to KeyBank National Association, as Freddie Mac's seller/servicer (the "Freddie Mac Seller/Servicer") to purchase the Funding Loan and provide credit enhancement of the Project Loan upon satisfaction of the conditions to conversion of the Project Loan from the construction phase to the permanent phase (the "Conversion Date") and the purchase of the Funding Loan by the Freddie Mac Seller/Servicer. The credit enhancement of the Project Loan during the permanent phase will be made pursuant to a Standby Credit Enhancement Agreement dated as of the Conversion Date (the "Permanent Phase Credit Enhancement") between Freddie Mac and the Fiscal Agent.

Section 44c of Public Act 346 of 1966, as amended (the "Act"), authorizes the Authority to issue bonds or notes that are not a general obligation of the Authority and are not backed by the moral obligation of the State to make loans to finance eligible multifamily housing projects. The MSHDA Note will be a "limited obligation" of the Authority with the security limited to the assets of the Borrower, the project, and the credit enhancement arranged by the Borrower.

The Development meets the requirements of Section 44c, and repayment of the MSHDA Note is reasonably secure based on (a) the Construction Phase Guaranty made by the Construction Phase Guarantor during the construction phase of the Project Loan and (b) the Permanent Phase Credit Enhancement to be made by Freddie Mac upon conversion of the Project Loan to the permanent phase.

The MSHDA Note will be purchased by the Initial Funding Lender for its own loan portfolio and subject to restrictions on transfer to ensure that any subsequent holder of the MSHDA Note is an eligible holder as described in the Funding Loan Agreement. Upon conversion to the permanent phase and satisfaction of the conditions to conversion, the MSHDA Note will be purchased by the Freddie Mac Seller/Servicer.

ADVANCING THE AUTHORITY'S MISSION:

- An affordable housing project will be built in the City of Kentwood.
- 100% of the units will be reserved for tenants at 60% of Area Median Income.
- The public will have the opportunity to provide comment at a TEFRA Hearing, as required under the Tax Equity and Fiscal Responsibility Act of 1982.

MUNICIPAL SUPPORT:

- Municipal support is evidenced by the City of Kentwood providing a payment in lieu of taxes (PILOT).

COMMUNITY IMPACT:

- The Affordability period for these units will be 30 years.

RESIDENT SUPPORT:

- No residents will be displaced as part of this transaction because it is a new construction

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

On June 25, 2020, Authority members authorized an inducement resolution, subject to the Borrower submitting credit enhancement in a form acceptable to the Office of Attorney General, the Authority's Director of Legal Affairs, and the Authority's Chief Financial Officer. Credit enhancement for the construction phase and permanent phase of the Authority loan has been submitted and reviewed and deemed acceptable.

THIS FINANCING WILL BE THE FIRST OPPORTUNITY FOR THE AUTHORITY TO MAKE A TAX-EXEMPT LOAN TO FINANCE AN ELIGIBLE MULTIFAMILY HOUSING PROJECT THROUGH THE FREDDIE MAC TEL PROGRAM. THE FREDDIE MAC TEL PROGRAM REQUIRES THE AUTHORITY TO ISSUE A PROMISSORY NOTE TO THE FUNDING LENDER INSTEAD OF A BOND THAT IS OFFERED TO INVESTORS AS IS CUSTOMARY IN THE

AUTHORITY'S PASS-THROUGH PROGRAM. THE MSHDA NOTE WILL BE HELD BY THE INITIAL FUNDING LENDER, WHICH QUALIFIES AS A MORTGAGE LENDER UNDER THE MSHDA ACT AND AN "ACCREDITED INVESTOR" UNDER REGULATION D OF THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR A "QUALIFIED INSTITUTIONAL BUYER" UNDER RULE 144(A) OF THE SECURITIES ACT. THE INITIAL FUNDING LENDER HAS SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS, INCLUDING PURCHASE AND OWNERSHIP OF MUNICIPAL AND OTHER TAX-EXEMPT OBLIGATIONS, TO EVALUATE THE RISKS AND MERITS OF THE INVESTMENT REPRESENTED BY THE FUNDING LOAN. ANY PURCHASER OF THE FUNDING LOAN OR A PARTICIPATION INTEREST IN THE FUNDING LOAN MUST SATISFY SIMILAR REQUIREMENTS TO EVALUATE THE RISKS AND MERITS OF ITS PURCHASE. THE DETERMINATION THAT CREDIT ENHANCEMENT DURING THE CONSTRUCTION LOAN PHASE IS SUFFICIENT IS THEREFORE BASED ON A REVIEW OF THE TERMS OF THE CONSTRUCTION PHASE GUARANTY, THE CONSTRUCTION PHASE GUARANTOR'S FINANCIAL CAPACITY, AND THE DETERMINATION OF SUFFICIENCY BY THE INITIAL FUNDING LENDER FOR PURPOSES OF ITS PARTICIPATION IN THE TRANSACTION.

44c LIMITED OBLIGATION PASS-THROUGH NOTE

MORTGAGE LOAN COMMITMENT STAFF REPORT

August 27, 2020

RECOMMENDATION:

Adopt a resolution authorizing the issuance of a mortgage loan commitment with respect to the project described in this report.

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

MSHDA No.:	44c-170
Development Name:	CityLine Apartments
Development Location:	City of Kentwood, Kent County
Eligible Distressed Area:	No
Sponsor:	Herman & Kittle Properties, Inc.
Borrower:	CityLine Apartments Limited Dividend Housing Association Limited Partnership
Number of Units:	240 Family Units
Construction Method:	New Construction
Financing Program:	Multifamily Limited Obligation Revenue Note issued under Section 44c
Total Development Cost:	$44,264,316
Total Loan Amount:	Not to exceed $25,000,000
Credit Enhancement during Construction Phase of MSHDA Loan:	Completion and Repayment Guaranty made by Herman & Kittle Properties, Inc. and Jeffrey L. Kittle
Credit Enhancement during Permanent Phase of MSHDA Loan:	Standby Credit Enhancement Agreement to be dated as of the Conversion Date between Freddie Mac as the Credit Enhancer and The Huntington National Bank, as Fiscal Agent
Commitment Fee:	1.74% of the Loan Amount

The material contained in this staff report is submitted to the Authority for information only. The Authority does not underwrite Pass-Through Bond or Note loans. To the extent that any information contained herein conflicts with the documents relating to the issuance of a tax-exempt limited obligation note and the making of the construction and permanent loan, the latter documents shall control.

PROGRAM DESCRIPTION:

Section 44c of Public Act 346 of 1966, as amended (the "Act"), authorizes the Authority to issue bonds or notes that are not a general obligation of the Authority and are not backed by the moral obligation of the State to make loans to finance eligible multifamily housing projects. The proposed Authority Multifamily Limited Obligation Revenue Note (the “MSHDA Note”) will be a "limited obligation" of the Authority with the security limited to the assets of the Borrower, the project, and the credit enhancement arranged by the Borrower.

The proposed financing will be a long-term construction and permanent loan financing and is permitted by Section 44c of the Authority’s enabling act. The Authority has issued long term pass-through bond financings in the past for similar qualified residential rental projects under Section 142 of the Internal Revenue Code. The Authority’s Limited Obligation Note will be a tax-exempt obligation which requires a $25,000,000 private activity bond volume cap allocation.

PROPOSAL SUMMARY:

The Borrower proposes to construct a 240-unit development (the “Development”) in the City of Kentwood, Kent County, Michigan, using an Authority loan of $25 million financed with the proceeds of a multifamily housing limited obligation revenue note (“MSHDA Note”) issued for the Development pursuant to Section 44c of the Authority’s enabling act. Section 44c of the Act limits the maximum amount of the MSHDA Note to $25,000,000 because this project is not located in a “distressed area”.

100% of the 240 units in the development--including 72 one-bedroom, 120 two-bedroom, 48 three-bedroom apartments--will be targeted to households with incomes at or below 60% of area median income, utilizing the new Multifamily Tax Subsidy Projects ("MTSP") income limits.

This financing will be structured as a long-term pass through private placement loan. The MSHDA Note will evidence a Funding Loan made by the Initial Funding Lender to the Authority pursuant to a Funding Loan Agreement. The Authority will use the proceeds of the Funding Loan to make a Project Loan to the Borrower, which will be secured by a first priority mortgage and security interest in the Project.

Freddie Mac has issued a commitment to KeyBank National Association, as Freddie Mac’s seller/servicer (the “Freddie Mac Seller/Servicer”) to purchase the Funding Loan and provide credit enhancement of the Project Loan upon satisfaction of the conditions to conversion of the Project Loan from the construction phase to the permanent phase (the “Conversion Date”) and the purchase of the Funding Loan by the Freddie Mac Seller/Servicer.

The MSHDA Note will be purchased by the Initial Funding Lender for its own loan portfolio and subject to restrictions on transfer to ensure that any subsequent holder of the MSHDA Note is an eligible holder as described in the Funding Loan Agreement. Upon conversion to the permanent phase and satisfaction of the conditions to conversion, the MSHDA Note will be purchased by the Freddie Mac Seller/Servicer.

CREDIT ENHANCEMENT:

During the construction phase of the Project Loan, the repayment of the Project Loan and the completion of the Project will be guaranteed by Herman & Kittle Properties, Inc. and Jeffrey L. Kittle (the “Construction Phase Guarantor”) pursuant to a Completion and Repayment Guaranty (the “Construction Phase Guaranty”).

The credit enhancement of the Project Loan during the permanent phase will be made pursuant to a Standby Credit Enhancement Agreement dated as of the Conversion Date (the “Permanent Phase Credit Enhancement”) between Freddie Mac and the Fiscal Agent.

The Development meets the requirements of Section 44c, and repayment of the MSHDA Note is reasonably secure based on (a) the Construction Phase Guaranty made by the Construction Phase Guarantor during the construction phase of the Project Loan and (b) the Permanent Phase Credit Enhancement to be made by Freddie Mac upon conversion of the Project Loan to the permanent phase.

CONDITIONS:

1. Income Limits:

The Borrower must enter into a Regulatory Agreement with the Authority requiring that 100% of the 240 units in the Development (72 one-bedroom, 120 two-bedroom, 48 three-bedroom apartments) must be rented or available for rental by tenants whose income does not exceed the 60% income limit for Multifamily Tax Subsidy Projects as determined by HUD with respect to projects financed pursuant to Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), as further amended by the Housing and Economic Recovery Act of 2008 (P.L. 110-289), adjusted for family size. These occupancy restrictions shall be contained in a covenant running with the land and shall remain in effect for the period that the Authority mortgage loan remains outstanding, but in no event for less than the period of time required by the terms of the Low Income Housing Tax Credit ("LIHTC") Regulatory Agreement or the period required by Section 142(d) of the Code. The remaining units shall be considered market-rate units.

The income of the individuals and the area gross median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median gross income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of Treasury publishes its requirements, income of individuals shall be determined in accordance with the Section 8 regulations.

2. <u>Limitations on Rental Rates:</u>

The Regulatory Agreement must also require that the monthly Total Housing Expense (contract rent plus tenant-paid utilities) on 100% of the units in the Development (72 one bedroom, 120 two bedroom, and 48 three bedroom apartments) shall be contained in a covenant running with the land and shall remain in effect for the period that the Authority loan remains outstanding, but in no event for less than the period of time required by the terms of the LIHTC Regulatory Agreement, known as the Extended Use Period.

In the event that relevant median incomes as determined by HUD decrease at any point in time during the tax credit compliance period, the Borrower must agree to reduce rents according to the formula stated above as of the date required by the LIHTC Program. Such reductions in rents will not restrict the Borrower's right to receive HAP subsidy above the adjusted rents.

3. <u>Covenant Running with the Land:</u>

The Borrower must subject the Development site to a covenant running with the land to preserve the tax-exempt status of the MSHDA Note. This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is fifteen (15) years after fifty percent (50%) of the residential units in the project are occupied, the first day on which the MSHDA Note is no longer outstanding, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates (the "Qualified Project Period"). Additionally, during the Qualified Project Period, the minimum set-aside requirements of the Code must be maintained, namely, at least forty percent (40%) of the units in the Development must be occupied or held available for occupancy by individuals whose income is lower than the MTSP Limits sixty percent (60%) income limit adjusted for family size. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations.

4. <u>Limitation on Return on Equity:</u>

The Borrower must agree that its return on equity will be limited to twelve percent (12%) for the first twelve (12) month period following substantial completion of the Development, with annual one percent (1%) increases thereafter, subject to a maximum allowable return of 25% under Section 44c(12) of the Act, and to submit an annual financial statement evidencing its eligibility for return no later than ninety (90) days after the close of the Borrower's fiscal year. The Borrower's return is fully cumulative. The amount of the Borrower's equity will be determined by the Authority.

5. Note and Tax Credit Requirements:

The Borrower must certify in writing to the sources and uses involved in the financing of the Development and must also provide the Authority with an opinion of tax counsel that the structure of the transaction will permit the Borrower to claim the four percent (4%) tax credit.

6. Compliance Monitoring and Reporting Requirements:

The Borrower must agree to provide the Authority on or before September 1 of each year with a report in a form acceptable to the Authority, including such information as is required by Section 44c of the Act. The Borrower must also agree to participate in compliance monitoring activities relative to the MSHDA Note and the tax credits allocated to the Development, as required by the Authority's Compliance Monitoring staff, and to pay an annual compliance monitoring fee not to exceed 0.25% of the outstanding principal amount of the MSHDA Note.

7. Environmental Indemnification:

Prior to initial closing the following must occur:

a. an asbestos survey satisfying NESHAP requirements must be performed and report provided under separate cover; and

b. a Level 2 or Level 3 wetland delineation is required and the sponsor is to obtain the proper permits from MEGLE, if required, for any activity in the wetland and provide documentation to MSHDA.

The Borrower must agree to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of the financing, construction, ownership, or operation of the Development including any violation of environmental laws. The indemnification agreement must be acceptable to the Authority's Director of Legal Affairs.

8. Closing and Organizational Documents:

Prior to MSHDA Note closing, the Borrower must submit all the documents relating to the making of the loan, including title, lease, and survey matters, and its organizational documents. The MSHDA Note shall contain transfer restrictions limiting transfers of all or any interest in the MSHDA Note to qualified transferees as described in the loan documents. All documents must comply with the Authority’s Act and be acceptable to the Michigan Attorney General, the Authority's Note Counsel and the Authority’s Director of Legal Affairs.

9. LIHTC Regulatory Agreement:

Following the "Placed in Service Date," the Borrower must enter into an LIHTC Regulatory Agreement in a form required by the Authority.

DEVELOPMENT TEAM AND PROJECT INFORMATION:

Sponsor and Borrower:

Sponsor:

Herman & Kittle Properties, Inc.
500 East 96th Street, Suite 300
Indianapolis, Indiana 46240

Contact: Jeffrey L. Kittle
Phone: (317) 805-1980

Borrower: CityLine Apartments Limited Dividend Housing Association Limited Partnership

Credit Enhancement:

During the construction phase, the Sponsor will provide a Completion and Repayment Guaranty. The credit enhancement of the Project Loan during the permanent phase will be made pursuant to a Standby Credit Enhancement Agreement dated as of the Conversion Date between Freddie Mac and the Fiscal Agent.

Note Underwriter: Not Applicable

Note Counsel: Dickinson Wright PLLC (Craig Hammond)

Note Trustee: Not Applicable

Other Members of the Development Team:

Equity Partner:	National Equity Fund (Kristen Senff)
Borrower Counsel:	Honigman LLP (Steve Rypma)
Borrower Accountant:	Dauby O'Connor & Zaleski, LLC
Contractor:	Herman & Kittle Properties, Inc. (Jeffrey L. Kittle)
Property Management:	Herman & Kittle Properties, Inc. (Steve Lavery)
Architect:	Herman & Kittle Properties, Inc. (David Weitbrock, AIA)
Environmental Consultant:	ASTI Environmental (Thomas Wackerman)
Rating Agency:	Not Applicable

Sources and Uses of Funds:

Sources	Amount	Per Unit
Sponsor Loan	$1,591,266	$6,630
GP Contribution	$100	$0
Mortgage (Perm)Freddie Mac	$23,160,000	$96,500
Interim Income	$1,631,863	$6,799
Commitment Deposit	$463,200	$1,930
LIHTC Equity	$14,625,058	$60,938
Federal Historic Tax Credit Equity	$0	$0
Deferred Developer Fee	$2,792,829	$11,637
Total	**$44,264,316**	**$184,435**

Uses	Amount	Per Unit
Acquisition	$1,720,000	$7,167
New Const./Rehab	$30,194,644	$125,811
Soft Costs	$5,828,843	$24,287
Reserves	$920,829	$3,837
Developer Fee	$5,600,000	$23,333
Total	**$44,264,316**	**$184,435-**

APPROVALS:

Jeffrey J Sykes Digitally signed by Jeffrey J Sykes Date: 2020.08.19 08:49:11 -04'00' 8/18/20

Jeffrey Sykes, Chief Financial Officer Date

Chad Benson Digitally signed by Chad Benson Date: 2020.08.19 14:06:06 -04'00' 08/19/20

Chad Benson, Acting Director of Development Date

Clarence L. Stone, Jr. Digitally signed by Clarence L. Stone, Jr. Date: 2020.08.19 14:48:39 -04'00' 08/19/20

Clarence L. Stone, Jr., Director of Legal Affairs Date

Gary Heidel Digitally signed by Gary Heidel Date: 2020.08.20 09:27:48 -04'00' 08/20/20

Gary Heidel, Acting Executive Director Date

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING ISSUANCE AND SALE OF MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY MULTIFAMILY HOUSING LIMITED OBLIGATION REVENUE NOTE (CITYLINE APARTMENTS PROJECT)

TO FINANCE A LOAN TO CITYLINE APARTMENTS LIMITED DIVIDED HOUSING ASSOCIATION LIMITED PARTNERSHIP SO AS TO ENABLE THE BORROWER TO ACQUIRE AND CONSTRUCT A CERTAIN MULTIFAMILY RENTAL HOUSING FACILITY, AUTHORIZING THE EXECUTION OF THE FUNDING LOAN AGREEMENT, THE PROJECT LOAN AGREEMENT AND THE AUTHORITY NOTE, AND DETERMINING AND AUTHORIZING OTHER MATTERS RELATIVE THERETO

AUGUST 27, 2020

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized by Act 346, Michigan Public Acts, 1966, as amended (the "Act"), to issue notes for the purpose of making loans to limited dividend housing associations (as defined in the Act) to provide financing for multifamily housing projects (as defined in the Act); and

WHEREAS, CityLine Apartments Limited Divided Housing Association Limited Partnership, a Michigan limited partnership (the "Borrower"), is a limited dividend housing association (as defined in the Act); and

WHEREAS, the Borrower has applied to the Authority for a loan in a maximum amount of twenty five million dollars ($25,000,000) to finance the costs of acquiring, constructing and equipping a certain multifamily rental housing facility located in the City of Kentwood, Kent County, Michigan (the "Project"); and

WHEREAS, pursuant to this Resolution and the Funding Loan Agreement dated as of September 1, 2020 (the "Funding Loan Agreement") among the Authority, Churchill Mortgage Construction LLC, as Initial Funding Lender (the "Initial Funding Lender") and The Huntington National Bank, as Fiscal Agent (the "Fiscal Agent"), the Initial Funding Lender will make a loan in the maximum aggregate principal amount of $25,000,000 (the "Funding Loan") to the Authority, which Funding Loan will be evidenced by a Multifamily Housing Limited Obligation Revenue Note (CityLine Apartments Project) in an aggregate principal amount not to exceed $25,000,000 (the "Authority Note") to be executed by the Authority and authenticated by the Fiscal Agent in favor of the Initial Funding Lender; and

WHEREAS, the Authority will use the proceeds of the Funding Loan to make a loan to the Borrower in an aggregate principal amount not to exceed $25,000,000 (the "Project Loan"), pursuant to a Project Loan Agreement dated as of September 1, 2020 (the "Project Loan Agreement"), between the Authority and the Borrower, to finance the costs of acquiring, constructing and equipping the Project; and

WHEREAS, the obligation of the Borrower to repay the Project Loan will be evidenced by a Multifamily Note in an aggregate principal amount not to exceed $25,000,000 (the "Project Note") to be executed by the Borrower to the order of the Authority and assigned by the Authority to the Fiscal Agent; and

WHEREAS, the Borrower's obligations under the Project Note and the Project Loan Agreement will be secured by a Multifamily Mortgage (the "Security Instrument") made by the Borrower to the Authority, granting a first priority mortgage and security interest in the Project to the Authority, which Security Instrument will be assigned by the Authority to the Fiscal Agent pursuant to an Assignment of Multifamily Mortgage (the "Assignment") made by the Authority to the Fiscal Agent; and

WHEREAS, during the construction phase of the Project Loan, the repayment of the Project Loan and the completion of the Project will be guaranteed by Herman & Kittle Properties, Inc. and Jeffrey L. Kittle (the "Construction Phase Guarantor") pursuant to a Completion and Repayment Guaranty (the "Construction Phase Guaranty"); and

WHEREAS, the Federal Home Loan Mortgage Corporation ("Freddie Mac") has issued a commitment to KeyBank National Association, as Freddie Mac's seller/servicer (the "Freddie Mac Seller/Servicer") to purchase the Funding Loan and provide credit enhancement of the Project Loan upon satisfaction of the conditions to conversion of the Project Loan from the construction phase to the permanent phase (the "Conversion Date") and the purchase of the Funding Loan by the Freddie Mac Seller/Servicer; and

WHEREAS, the credit enhancement of the Project Loan during the permanent phase will be made pursuant to a Standby Credit Enhancement Agreement dated as of the Conversion Date (the "Permanent Phase Credit Enhancement") between Freddie Mac and the Fiscal Agent; and

WHEREAS, the form of the Permanent Phase Credit Enhancement will be attached as an exhibit to the Construction Phase Financing Agreement dated as of September 1, 2020 (the "Construction Phase Financing Agreement") to be entered into as of the closing date among the Initial Funding Lender, Freddie Mac and the Freddie Mac Seller/Servicer and acknowledged and agreed by the Borrower; and

WHEREAS, the Funding Loan shall be advanced on a draw-down basis upon satisfaction of the conditions to each advance set forth in the Construction Funding Agreement dated as of September 1, 2020 between the Initial Funding Lender and the Borrower (the "Construction Funding Agreement");

WHEREAS, in order to establish and maintain compliance by the Project with the requirements of Section 142(d) of the Internal Revenue Code for "qualified residential rental project," the Authority and the Borrower shall enter into a Regulatory Agreement dated as of September 1, 2020 (the "Regulatory Agreement");

WHEREAS, the Authority has determined that making the Project Loan requested by the Borrower and borrowing the Funding Loan and issuing the Authority Note, as hereinafter provided, will promote and serve the intended purposes of, and in all respects will conform to the provisions and requirements of, the Act and the rules of the Authority; and

WHEREAS, pursuant to Section 27(*l*) of the Act, the Authority proposes to delegate to the Executive Director, the Chief Financial Officer, the Deputy Director of Finance, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chairperson or the Vice Chairperson of the Authority or any person duly authorized to act in such capacity (each hereinafter individually referred to as an "Authorized Officer") the power to determine certain terms and conditions of the Authority Note, subject to the limitations established herein.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority, as follows:

SECTION 1. Issuance of Authority Note; Limited Obligation. For the purpose of making the Project Loan requested by the Borrower and thereby assisting in the financing of the acquisition, construction and equipping of the Project, the borrowing of the Funding Loan and the issuance of the Authority Note in an aggregate principal amount not to exceed $25,000,000 is authorized. The Authority Note shall be designated "*Michigan State Housing Development Authority Multifamily Housing Limited Obligation Revenue Note (CityLine Apartments Project),*" shall be issued as a single promissory note substantially as set forth in the Funding Loan Agreement; shall be dated as of the date of delivery and shall bear interest from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from its date.

The Funding Loan shall be evidenced by the Authority Note and shall bear interest and be paid in accordance with the payment terms set forth in the Authority Note and the Funding Loan Agreement, with such modifications as may be approved by an Authorized Officer.

The Authority Note shall be issued pursuant to this Resolution and the Funding Loan Agreement in substantially the form on file with the Executive Director, with such changes as may be acceptable to an Authorized Officer of the Authority.

The Authority Note and the interest obligation thereon shall never constitute a debt or general obligation of the State of Michigan or the Authority within the meaning of any constitutional or statutory provision or limitation, and shall never constitute nor give rise to a charge against the general credit or taxing powers of the State of Michigan or the general funds or assets of the Authority (including funds relating to other Authority loans or activities) but shall be a limited obligation, and not a general obligation, of the Authority payable solely from those certain revenues derived from the Project Loan Agreement, the Project Note and the Security Instrument and other money and securities held by the Fiscal Agent in the funds and accounts established pursuant to the Funding Loan Agreement, including payments made by the Construction Phase Guarantor pursuant to the Construction Phase Guaranty and by Freddie Mac pursuant to the Permanent Phase Credit Enhancement. The Authority hereby approves the Construction Phase Guaranty, the Permanent Phase Credit Enhancement and the Security Instrument and determines that repayment of the Project Note thereby will be reasonably secure.

SECTION 2. Application of Proceeds of Funding Loan. The Funding Loan shall be originated by the Initial Funding Lender on a draw-down basis. The proceeds of the Funding Loan shall be advanced in installments directly to the Fiscal Agent for deposit to the "Project Account" created pursuant to the Funding Loan Agreement upon receipt of a requisition request from the Borrower meeting the requirements of the Funding Loan Agreement and satisfaction of the conditions to such advance set forth in the Construction Funding Agreement.

SECTION 3. No Capital Reserve Requirement. The Authority Note of this issue shall not be secured by the capital reserve capital account of the Authority.

SECTION 4. Form of the Authority Note. The form of the Authority Note shall be substantially in the form attached to the Funding Loan Agreement, with such appropriate changes, omissions and insertions as are permitted or required by the Funding Loan Agreement or by subsequent action of an Authorized Officer.

SECTION 5. Execution of the Authority Note. The Authority Note shall bear the facsimile signature of the Chairperson or Executive Director of the Authority, shall have the official seal of the Authority (or a facsimile thereof) impressed or imprinted thereon, and shall be authenticated by the manual signature of an authorized signer of the Fiscal Agent.

SECTION 6. Approval of Project Loan Agreement and Funding Loan Agreement. The form of the Project Loan Agreement and the form of the Funding Loan Agreement on file with the Executive Director and on which an Authorized Officer has endorsed the date of adoption of this Resolution, with such changes as may be necessary or desirable, permitted by the Act or otherwise by law, and as any Authorized Officer deems are not materially adverse to the Authority, are hereby approved.

SECTION 7. Approval of the Project Note, Security Instrument, Assignment and Regulatory Agreement. The forms of the Project Note, the Security Instrument, the Assignment and the Regulatory Agreement, each on file with the Executive Director and on which the date of adoption of this Resolution has been endorsed, with such changes as may be necessary or desirable, permitted by the Act or otherwise by law, and as any Authorized Officer deems are not materially adverse to the Authority, are hereby approved.

SECTION 8. Approval of Certain Ancillary Documents. The forms of the Construction Phase Guaranty, the Construction Phase Financing Agreement (with the form of Permanent Phase Credit Enhancement attached as an exhibit thereto), and the Construction Funding Agreement, each on file with the Executive Director and on which the date of adoption of this Resolution has been endorsed, with such changes as may be necessary or desirable, permitted by the Act or otherwise by law, and as any Authorized Officer deems are not materially adverse to the Authority, are hereby approved.

SECTION 9. Execution and/or Delivery of Funding Loan Agreement, the Authority Note, the Project Loan Agreement, the Assignment and the Regulatory Agreement and Changes Therein. Each Authorized Officer is severally authorized to execute, seal in his discretion, deliver, and/or accept delivery, as appropriate, of the Funding Loan Agreement, the Authority Note, the Project Loan Agreement, the Assignment and the Regulatory Agreement, and the assignment of the Project Note, in substantially the forms approved, with such changes as may be necessary or desirable, permitted by the Act or otherwise by law, and as any Authorized Officer deems are not materially adverse to the Authority.

SECTION 10. Sale and Delivery of the Authority Note. The Authority Note shall be delivered to the Initial Funding Lender pursuant to the Funding Loan Agreement subject to the following conditions:

a) The maximum principal amount of the Authority Note shall not exceed $25,000,000.

b) The initial interest rate on the Authority Note shall not exceed 5.0%.

c) The maximum interest rate shall not exceed 6.0% per annum.

d) The maximum principal amount coming due on the Authority Note in any calendar year shall not exceed $25,000,000.

e) The Authority Note shall mature not later than December 1, 2038.

f) The Authority Note shall be subject to payment as set forth in the Funding Loan Agreement on file with the Executive Director.

g) Prior to the delivery of the Authority Note, the Authority shall have received all fees provided in Section 44c of the Act.

The Authority Note shall be delivered to the Initial Funding Lender as provided in the Funding Loan Agreement upon receipt of payment therefor and upon delivery to the Fiscal Agent of each of the following:

A. A certified copy of this Resolution.

B. An executed counterpart of the Project Loan Agreement.

C. An executed counterpart of the Funding Loan Agreement.

D. An executed counterpart of the Security Instrument.

E. An executed counterpart of the Project Note.

F. An executed counterpart of the Regulatory Agreement.

G. An executed counterpart of the Construction Phase Guaranty.

H. An executed counterpart of the Construction Phase Financing Agreement.

I. An executed counterpart of the Construction Funding Agreement.

J. An opinion or opinions of Dickinson Wright PLLC, as bond counsel to the Authority ("Bond Counsel"), dated as of the date of issuance of the Authority Note, in form acceptable to the Director of Legal Affairs and the Attorney General of the State of Michigan (the "Attorney General").

I. An opinion or opinions of the Attorney General dated as of the date of issuance of the Authority Note, in form acceptable to the Director of Legal Affairs.

J. An opinion or opinions of legal counsel for the Borrower, dated as of the date of issuance of the Authority Note, in form acceptable to the Director of Legal Affairs, Bond Counsel and the Attorney General.

K. Evidence of insurance as required by the Project Loan Agreement.

L. A certificate dated the date of the issuance of the Authority Note made by the Authority, based upon a certificate of similar import from the Borrower and upon certain use and occupancy restrictions relating to the Project in recordable form, to the effect that the Bond proceeds will be used, and the Project will be operated, in a manner consistent with the requirements of the Internal Revenue Code of 1986, as amended, and the arbitrage regulations of the United States Department of Treasury.

M. A copy of each of the title insurance policies and the survey meeting the requirements for such items established under the Construction Funding Agreement.

N. Such additional certificates, instruments, opinions of counsel and other documents as the Initial Funding Lender, the Fiscal Agent, Bond Counsel or the Attorney General may reasonably deem necessary or desirable to evidence the truth and accuracy on the date of issuance of the Authority Note, of the representations and warranties set forth in the Project Loan Agreement, the Funding Loan Agreement or the Construction Funding Agreement, and such other matters as the Initial Funding Lender, Bond Counsel, the Borrower or the Attorney General may reasonably request.

SECTION 11. Approval of Filings and Submissions with Other Governmental Agents. Each Authorized Officer is severally authorized on behalf of the Authority to apply for such rulings, orders and approvals and file or submit such elections or other documents to any governmental agency in order that the Authority Note may be validly issued and the interest on the Authority Note may be exempt from federal income taxation. Applications for any such rulings, orders, approvals or elections previously submitted on behalf of the Authority are hereby ratified and confirmed.

SECTION 12. Authorization of Other Documents and Actions. An Authorized Officer, as well as counsel to the Authority, and each of them, are hereby authorized to execute and deliver such other certificates, documents, instruments, and opinions and other papers and to take such other actions as may be required by the Project Loan Agreement, the Funding Loan Agreement or the Construction Funding Agreement, or as may be necessary or convenient to effectuate the issuance of the Authority Note and the closing of the Funding Loan and the Project Loan.

SECTION 13. Appointment of Fiscal Agent. The Huntington National Bank is hereby appointed Fiscal Agent under the Funding Loan Agreement.

SECTION 14. Conflict. All resolutions and parts of resolutions or other proceedings of the Authority in conflict herewith are repealed to the extent of such conflict.

SECTION 15. Effectiveness. This Resolution shall become effective upon adoption. If the Authority Note is not executed and delivered on or before November 30, 2020, the authority granted by this Resolution shall lapse. In the event the issuance of the Authority Note occurs later than September 30, 2020, all references to September 1, 2020 herein may be permissibly changed to the month reflecting the actual date of delivery of the Authority Note.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MORTGAGE LOAN
CITYLINE APARTMENTS, MSHDA No. 44c-170
CITY OF KENTWOOD, KENT COUNTY

August 27, 2020

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized, under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (the "Act"), to make loans to qualified nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations, limited dividend housing associations, mobile home park corporations, and certain public bodies or agencies; and

WHEREAS, an application (the "Application") has been filed with the Authority by Herman & Kittle Properties, Inc. (the "Applicant") for a mortgage loan in an amount not to exceed Twenty-Five Million Dollars ($25,000,000) (the "Loan") for the acquisition, construction and equipping of a housing project having an estimated Total Development Cost of Forty-Four Million Two Hundred Sixty-Four Thousand Three Hundred Sixteen Dollars ($44,264,316), to be known as CityLine Apartments (the "Development"), located in the City of Kentwood, Kent County, Michigan and to be owned by CityLine Apartments Limited Dividend Housing Association Limited Partnership (the "Borrower"); and

WHEREAS, the Executive Director has forwarded to the Authority his analysis of the Application and his recommendation with respect thereto; and

WHEREAS, the Authority has reviewed the Application and the recommendation of the Executive Director and, on the basis of the Application and such recommendation, has made determinations that:

(a) The Borrower is an eligible applicant;

(b) The proposed housing project is eligible for financing under Section 44c of the Act;

(c) The Borrower has submitted evidence of commitments to issue credit enhancement in forms and amounts sufficient to assure the Authority that its loan to the Borrower is reasonabl secure;

(d) The Borrower has agreed to compensate, as it considers appropriate and at no cost to the Authority, any underwriters, trustees, counsel, and other professionals as are necessary to complete the financing of the proposed housing project;

(e) The Borrower has paid to the Authority its nonrefundable application fee;

(f) The amount of the loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation of loan amount; and

(g) Use of the note authority from the State uniform volume cap for the project will not impair the ability of the Authority to carry out programs or finance housing developments or housing units which are targeted to lower income persons.

WHEREAS, Sections 82 and 93 of the Act provide that the Authority shall determine a reasonable and proper rate of return to limited dividend housing corporations and associations on their investment in a housing project.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Application be and it hereby is approved, subject to the terms and conditions of this Resolution, the Act, the General Rules of the Authority and the Staff Loan Commitment Report dated August 27, 2020 and attached hereto (the “Commitment Report”).

2. A mortgage loan (the "Loan") be and it hereby is authorized and the Executive Director, the Chief Financial Officer, the Director of Legal Affairs and the Deputy Director of Legal Affairs, or any person duly authorized to act in such capacity (each an "Authorized Officer"), or any one of them acting alone, are authorized to issue to the Applicant and the Borrower the Authority's loan commitment (the "Commitment") for the construction and permanent financing of the proposed housing project, with the Loan to have an initial principal amount not to exceed Twenty-Five Million Dollars ($25,000,000), to have a term not to exceed Eighteen (18) years, and to bear interest at a rate not to exceed five percent (5%) per annum. Any Authorized Officer is authorized to modify or waive any condition or provision contained in the Commitment.

3. This Resolution and issuance of the Commitment are based on the information obtained from the Applicant. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or changes in any materially adverse respect, this Resolution, together with the Commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded.

4. Notwithstanding passage of this Resolution or execution of any documents in anticipation of the closing of the proposed Loan, no contractual rights to receive the Loan authorized herein shall arise unless and until an Authorized Officer shall have issued the Commitment and the Applicant shall have agreed in writing within fifteen days after receipt thereof, to the terms and conditions contained therein.

5. Availability of funds for financing the construction and permanent loan of the proposed housing project is subject to the Authority's ability to sell its limited obligation notes or bonds in the amount and at a rate or rates of interest and at a sufficient length of maturity, as determined by the Executive Director, necessary to make the Loan.

6. In accordance with Sections 93(b) and 44c(12) of the Act, the maximum reasonable and proper rate of return on the investment in the Development be and it hereby is determined to be 12 percent for the first 12 months of operation of the Development following substantial completion. The allowable rate of return shall be increased by 1 percent for each 12-month period after the first 12 months, up to a maximum of 25 percent per annum. Any return less than the allowable rate in any preceding period may be received in any subsequent period on a cumulative basis.

7. The Loan shall be subject to, and the Commitment shall contain, the conditions set forth in the Commitment Report attached hereto, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Gary Heidel, Acting Executive Director Gary Heidel

DATE: August 27, 2020

RE: Carriage Place Apartments Development No. 3926

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize tax-exempt bond mortgage loans in the amounts set forth in this report, 3) authorize a waiver of the loan parameter concerning annual payments equal to 50% of surplus cash, and 4) authorize the Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

PROJECT SUMMARY:

MSHDA No:	3926
Development Name:	Carriage Place Apartments
Development Location:	Pontiac, Oakland County
Sponsor:	Pontiac Housing Commission
Mortgagor:	Carriage Place Limited Dividend Housing Association Limited Partnership
Number of Units:	234 affordable units
Occupancy Rate:	88%
Total Development Cost:	$37,627,288
TE Bond Construction Loan:	$19,566,190
TE Bond Permanent Loan:	$10,890,337
MSHDA Gap Funds:	$1,437,003 HOME Funds
Other Funds:	Sponsor loans $8,900,000
	Oakland County HOME $1,500,000
	Current reserves $750,000
	Deferred developer fee $282,752

EXECUTIVE SUMMARY:

Carriage Place Apartments is located at 255 Carriage Circle Drive in the City of Pontiac in Oakland County (the “Development”). The Pontiac Housing Commission is partnering with Lighthouse Michigan to rehabilitate and convert this public housing development into a Section 8 Development under the Rental Assistance Demonstration program (“RAD”). The building needs many capital improvements. The 234 units, as well as the common areas and grounds, will be completely remodeled. Amenities include walking trails, game room, community room, computer room, lobby bathrooms, air conditioning, dishwashers, garbage disposals, mini blinds, walk-in closets, patios, and balconies.

The sponsor has committed all the sale proceeds as well as an additional $500,000 in loans and will contribute $750,000 in reserves.

I am recommending Board approval for the following reasons:

- The Development’s affordability will be extended for up to 50 years for all units.
- All units will be refurbished to meet the physical needs of the Development.
- The RAD conversion will provide a project-based section 8 contract to cover all 234 units.
- Financing the Development results in an earning asset for the Authority.
- As an existing family development with an excellent occupancy and operational history, this proposal is low risk to the Authority.

ADVANCING THE AUTHORITY’S MISSION:

- Providing financing for the preservation of this Development enables improvements to the property extending its effective use and improving the lives of residents as well as the broader community.
- The sponsor is investing its own resources in the Development in the form of a Sponsor Loan.
- The Development will have a new Section 8 contract for all 234 units.

MUNICIPAL SUPPORT:

- The City of Pontiac has approved a 6% payment in lieu of taxes (“PILOT”) agreement for the Development.
- Oakland County will be providing a $1,500,000 HOME loan.

COMMUNITY IMPACT:

- The affordability period for these units range from 15 to 50 years, depending on the funding source.

RESIDENT IMPACT:

- No residents will be displaced as a result of this preservation.
- No residents will experience a rent increase that exceeds 5% because of this preservation.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

The Authority's HOME loan will have a 40-year term instead of 50 years to match the requirements of the Oakland County's HOME loan.

The Authority's Multifamily Direct Lending Parameters (Section II.B.2(f)) state that annual payments equal to 50% of cash available for distribution are required on gap loans after 12 years or the year in which the sum of all surplus cash available for distribution equals the amount of deferred developer fee. In this case, the 50% payment will begin immediately following the first year after construction completion because the development fee is over $2.1 million. Furthermore, any cost savings and residual receipts during the construction period will be used to pay down the gap loan.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

August 27, 2020

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize tax-exempt bond mortgage loans in the amounts set forth in this report, 3) authorize a waiver of the loan parameter concerning annual payments equal to 50% of surplus cash, and 4) authorize the Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

MSHDA No.:	3926
Development Name:	Carriage Place Apartments
Development Location:	City of Pontiac, Oakland County
Sponsor:	Pontiac Housing Commission
Mortgagor:	Carriage Place Limited Dividend Housing Association Limited Partnership
TE Bond Construction Loan:	$19,566,190 (52% of TDC)
TE Bond Permanent Loan:	$10,890,337
MSHDA HOME Loan:	$1,437,003
Total Development Cost:	$37,627,288
Mortgage Term:	40 years for the tax-exempt bond loan; 40 years for the HOME loan
Interest Rate:	4.25% for the tax-exempt bond loan; 1% simple interest for the HOME
Program:	Tax-Exempt Bond and Gap Financing Programs
Number of Units:	234 family units of rehabilitation.
Unit Configuration:	141 studio, 86 one-bedroom and 7 two-bedroom one-bath apartments located within two seven-story buildings
Builder:	O'Brien Construction
Syndicator:	Alliant Capital LTD
Date Application Received:	November 15, 2019
HDO:	James E Smith II

Issuance of the Authority's Mortgage Loan Commitment is subject to fulfillment of all Authority processing and review requirements and obtaining all necessary staff approvals as required by the Authority's underwriting standards.

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

The Authority's HOME loan will have a 40-year term instead of 50 years to match the requirements of the Oakland County's HOME loan.

The Authority's lending parameters (Repayment of Gap Funding Loans; Section II.B.2(f)) state that annual payments equal to 50% of cash available for distribution are required on gap loans after 12 years or the year in which the sum of all surplus cash available for distribution equals the amount of deferred developer fee. In this case, the 50% payment will begin immediately following the first year after construction completion because the development fee is over $2.1 million. Furthermore, any cost savings and residual receipts during the construction period will be used to pay down the gap loan (see Special Condition No.5).

EXECUTIVE SUMMARY:

Carriage Place Apartments is located at 255 Carriage Circle Drive in the City of Pontiac in Oakland County (the "Development"). The Pontiac Housing Commission is partnering with Lighthouse Michigan to rehabilitate and convert this public housing development into a Section 8 Development under the Rental Assistance Demonstration program ("RAD"). The building needs many capital improvements. The 234 units, as well as the common areas and grounds, will be completely remodeled. Amenities include walking trails, game room, community room, computer room, lobby bathrooms, air conditioning, dishwashers, garbage disposals, mini blinds, walk-in closets, patios, and balconies.

The sponsor has committed all the sale proceeds as well as an additional $500,000 in loans and will contribute $750,000 in reserves.

Structure of the Transaction and Funding:

There are several elements to this transaction that are common to preservation transactions:

- A tax-exempt bond construction loan and a permanent mortgage loan will be provided by the Authority (the "Mortgage Loan"). The construction loan will be in the amount of $19,566,190 at 4.25% interest with an 18-month term (a 12-month construction term and a 6-month holding period), which will be used to bridge an extended equity pay-in period. Interest-only payments will be required under the construction loan. The amount by which the construction loan exceeds the permanent loan will be due on the first day of the month following the month in which the 18-month construction loan term expires or such later date determined by an Authorized Officer of the Authority (the "Permanent Financing Date").

- A permanent loan will be provided by the Authority in the amount of $10,890,337 The permanent loan is based upon the current rents, less vacancy loss, payments to reserves and escrows, operating costs based on historical data (unless modified by project improvements) and construction and soft costs at levels appropriate for this specific transaction. The permanent loan includes a 1.15 debt service coverage ratio, an annual interest rate of 4.25%, with a fully amortizing term of 40 years commencing on the Permanent Financing Date. The Mortgage Loan will be funded on the Permanent Financing Date and will be in **First Position**.

- A permanent subordinate loan using HOME funds (the "HOME Loan") in the amount of $1,437,003 will be provided at 1% simple interest with payments initially deferred. The HOME Loan will be in **Second Position**.

- The County of Oakland will provide a HOME Loan in the amount of $1,500,000 This loan will be in **Third Position**. See Special Condition No. 4.

- The Sponsor is providing a loan in the amount of $8,400,000 and a loan of $500,000. See Special Condition No. 3.

- Equity support comes from an investment related to the 4% Low Income Housing Tax Credit ("LIHTC") in the estimate amount of $12,894,636.

- The Housing Assistance Payment ("HAP") contract will be transferred, subject to HUD approval, to the Mortgagor and will continue to provide deep subsidy assistance for all of the assisted units.

- Income from operations will be used as a source of funding to make the interest-only, tax and insurance payments during the construction period in the amount of $972,560.

- The Sponsor has agreed to defer $282,752 of the developer fee to help fill the remaining funding gap.

- An amount equal to one month's gross rent potential will be funded in the Development's operating account.

- An operating assurance reserve will be required in the amount identified in the attached proforma. The reserve will be capitalized at closing in an amount which, along with accumulated interest, is expected to meet the Development's unanticipated operating needs. This reserve will be held by the Authority.

- An operating deficit reserve will be required to fund projected operating deficits per the cash flow analysis establishing the operating deficit reserve, identified in the attached proforma. This reserve will be capitalized at closing and will be held by the Authority.

- The Development will be renovated and a new replacement reserve requirement imposed, based upon a capital needs assessment ("CNA"), to ensure an extension of the useful life of the property and to maintain an excellent quality of life for the residents. At the closing, the Mortgagor must deposit the amount determined necessary to satisfy the requirements of the Authority-approved CNA over a 20-year period. This reserve will be held by the Authority.

- Replacement Reserve escrow proceeds in the amount identified in the attached proforma will be transferred from the existing project to the new project to use as a source of funding.

<u>Scope of Rehabilitation:</u>

The following improvements to the property are included in the Scope of Work:

- New kitchens
- New bathrooms

- New flooring throughout the units
- New paint throughout the units
- New interior doors
- New exterior doors
- Common area painting
- New common area flooring
- New roofing
- New siding
- New windows
- New gutters and downspouts
- New heating and A/C
- Upgraded hot water systems
- Asphalt and concrete repairs
- Upgraded exterior lighting
- Upgraded interior lighting
- Upgraded common area lighting
- New smoke detectors
- New CO2 detectors

Affordability Requirements:

The LIHTC regulatory agreement will require that all of the dwelling units in the property assisted by LIHTC remain occupied by households with incomes at or below 60% of the Multifamily Tax Subsidy Project ("MTSP") area median income ("AMI"). The number of restricted units is controlled by the number of eligible households in place at closing, estimated to be 100% of the units.

Protections for Existing Residents:

The preservation and renovation of the Development will not result in a rent increase for existing tenants, and all units will continue to be assisted by Section 8 rental assistance. There will be no tenant displacement because of this transaction.

Site Selection:

The site has been vetted by Authority Staff and the Authority's Manager of the Office of Market Research has indicated that the site meets the Authority's current site selection criteria.

Market Evaluation:

The unit mix as well as the amenities package and rent levels have been approved by the Manager of the Office of Market Research Rental Development Division.

Valuation of the Property:

An appraisal dated October 22, 2019 estimates the Property value at $8,400,000.

CONDITIONS:

At or prior to (i) issuance of the Authority's mortgage loan commitment ("Mortgage Loan Commitment"), (ii) the initial Mortgage Loan Closing (the "Initial Closing"), or (iii) such other date as may be specified herein, the new Mortgagor, and other members of the Development team, where appropriate, must satisfy each of the following conditions by entering into a written agreement or providing documentation acceptable to the Authority:

Standard Conditions:

1. **Limitation for Return on Equity:**

   For each year of the Development's operation, beginning in the year in which the Mortgage Cut-Off Date occurs, as determined by the Authority, payments are limited to twelve percent (12%) of the Mortgagor's equity. Following expiration of the HAP Contract, the Mortgagor's rate of return shall not exceed twenty-five percent (25%) per annum. For purposes of distributions, the Mortgagor's equity will be the sum of (i) the LIHTC equity; (ii) the brownfield tax credit equity; (iii) the historic tax credit equity; (iv) general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority, unless HUD or other federal regulations require a different calculation. All such payments shall be referred to as "Limited Dividend Payments." The Mortgagor's return shall be fully cumulative.

2. **Income Limits:**

   The income limitations for the 234 units of this proposal are as follows:

   a. 22 units have been designated as Low-HOME units. During the Period of Affordability required under the HOME program (15 years), these units must be available for occupancy by households whose incomes do not exceed 50% of the HOME published area median income as determined by HUD, adjusted for family size.

   b. 234 units (141 studio units, 86 one-bedroom units and 7 two-bedroom units) must be occupied or available for occupancy by households whose incomes do not exceed the income limits in the HAP Contract for so long as the HAP Contract between the Mortgagor and the Authority is in effect (including extensions and renewals), or for such longer period as determined by HUD.

   c. 234 units (141 studio units, 86 one-bedroom units and 7 two-bedroom units must be available for occupancy by households whose incomes do not exceed 60% MTSP income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

   To the extent units within the Development are subject to multiple sets of income limits, the most restrictive income limit will apply so long as the applicable term of affordability continues.

   The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size.

3. Limitations on Rental Rates:

The Total Housing Expense (contract rent plus tenant-paid utilities) for 234 units is subject to the following limitations:

a. During the Period of Affordability required under the HOME program (15 years), the Total Housing Expense for the twenty-two Low-HOME units may not exceed the "Low-HOME Rent Limit" forthe units established and published annually by HUD.

b. So long as the HAP Contract remains in effect, the Mortgagor agrees to establish and maintain rents for all HAP-assisted units (141 studio units, 86 one-bedroom units and 7 two-bedroom units) ("Contract Rents") that comply with the rent levels established by the HAP Contract and that do not exceed the rent levels approved by HUD.

c. The Total Housing Expense for all 234 units (141 studio units, 86 one-bedroom units and 7 two-bedroom units) may not exceed one-twelfth (1/12th) of 30% of the MTSP 60% of area median income adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

For the initial lease term of the first household occupying each rent restricted unit in the Development, the initial rent may not exceed 105% of the rent approved in this Mortgage Loan Feasibility/Commitment Staff Report. Rental increases on occupied units during any 12-month period will be limited to not more than 5% of the rent paid by the resident household at the beginning of that annual period. Exceptions to this limitation may be granted by the Authority's Director of Asset Management for extraordinary increases in project operating expenses (exclusive of limited dividend payments) or mortgage loan increases. Rents on vacated units may be increased to the maximum level permissible by the applicable programs. Rents and utility allowances must be approved annually.

4. Covenant Running with the Land:

The Mortgagor must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the obligations issued or to be issued to finance the Mortgage Loan. This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is: (i) 15 years after the date on which 50% of the residential units in the Development are occupied, (ii) the first day on which no bonds are outstanding with respect to the project, or (iii) the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations. Additionally, if LIHTC is awarded to the Development, the Mortgagor must agree to subject the property to the extended low-income use commitment required by Section 42 of the Internal Revenue Code.

5. Restriction on Prepayment and Subsequent Use:

The Mortgage Loan is eligible for prepayment after the expiration of fifteen (15) years after the commencement of amortization. The Mortgagor must provide the Authority with at least 60 days' written notice prior to any such prepayment.

In the event of a prepayment, however, the Mortgagor must pay a prepayment fee equal to the sum of:

a. 1% of the balance being prepaid.
b. Any bond call premium, prepayment or swap penalty, or any other cost that the Authority incurs to prepay the bonds or notes that were used to fund the Mortgage Loan; and
c. Any loss of debt service spread between the Mortgage Loan and the bonds used to finance the loan from the date of the prepayment through the end of the 20th year of amortization.

Once the Mortgagor has been approved for the early prepayment of the underlying loan, it must sign an agreement with the Authority stating it is responsible for the cost of terminating the swap. The Mortgagor can then choose the timing of the termination and participate in the transaction with the swap counterparty. The swap counterparty will quote the cost of terminating the swap and the Mortgagor will have the ability to execute the transaction or cancel at its sole discretion. If the Mortgagor chooses not to terminate the swap, it will forfeit the right to prepay the Mortgage Loan.

Subordinate loans are eligible to prepay at any time upon 60-days' prior written notice to the Authority, but prepayment may not extinguish federal affordability and compliance requirements.

6. **<u>Operating Assurance Reserve:</u>**

At Initial Closing, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to 4 months' of estimated Development operating expenses (estimated to be $613,186). The OAR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority in accordance with the Authority's written policy on the use of the OAR, as amended from time to time. The OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. **<u>Operating Deficit Reserve</u>:**

At Initial Closing, the Mortgagor must establish an operating deficit reserve ("ODR") with the Authority in the initial amount of $371,857. The ODR shall be used to fund projected operating deficits at the Development as shown on the cash flow analysis, and in accordance with Authority policies and requirements regarding the Operating Deficit Reserve.

If the Development experiences an operating deficit that is greater than that projected on the cash flow analysis, the Mortgagor may request that the Authority increase the amount drawn from the ODR. The Director of Asset Management must approve the request. However, the

Mortgagor shall not be entitled to receive a Limited Dividend payment for any year in which the amount drawn from the ODR is greater than the annual projected budget deficit for that year, until the balance of the ODR is restored to the appropriate level.

At the earlier of the time when 80% of the ODR has been depleted or during the 18th year after the commencement of amortization, the Authority will determine the annual projected operating deficits and the total amount sufficient to fund projected operating deficits through the remaining term of the Authority's mortgage loan(s).

8. Replacement Reserve:

At Initial Closing, the Mortgagor must establish a replacement reserve fund ("Replacement Reserve") with an initial deposit in an amount of $1,456 per unit. The Mortgagor must agree to make annual deposits to the Replacement Reserve, beginning on the Mortgage Cut-Off Date, at a minimum of $300 per unit for the first year of operation. These deposits are payable in monthly installments, with deposits in subsequent years to be the greater of (i) the prior year's deposit, increased by 3%, or (ii) a percentage of the Development's projected annual rental income or gross rent potential ("GRP") for the year using the percentage obtained by dividing the first year's deposit by the first year's GRP shown on the operating proforma for the Development attached hereto. The annual deposit to the Replacement Reserve may also be increased to any higher amount that is determined to be necessary by the Authority, based on a CNA and the Authority's Replacement Reserve policies. The Authority may update any CNA or obtain a new CNA every five years, or upon any frequency, as determined necessary by the Authority.

9. One Month's Gross Rent Potential:

At Initial Closing, the Mortgagor shall deposit an amount equal to one month's gross rent potential ($160,080) into the Development's operating account.

10. Authority Subordinate Loan(s):

At Initial Closing, the Mortgagor must enter into agreements relating to the HOME Loan. The HOME Loan will be secured by a subordinate mortgage and will bear simple interest at 1% with a 40-year term. Following the first year after construction completion, repayment of the HOME Loan will be made from fifty percent (50%) of any surplus cash available for distribution. Such payments shall be applied first to accrued interest, then to current interest and principal. Payments shall continue until the sale of the Development or refinancing of the Mortgage Loan, at which time the HOME Loan shall be due in full. If the HOME Loan is still outstanding, then following repayment of the Mortgage Loan and continuing on the first day of every month thereafter, the Mortgagor shall make monthly payments of principal and interest equal to the monthly payments that were required on the Mortgage Loan on the first day of every month until the HOME Loan is paid in full, sale of the Development or the date that is 40 years from date of Initial Closing, whichever occurs first.

11. Architectural Plans and Specifications; Contractor's Qualification Statement:

Prior to Mortgage Loan Commitment, the architect must submit architectural drawings and specifications that address all design review comments, acceptable to the Authority's Chief Architect and the Director of Development.

Prior to Mortgage Loan Commitment, the general contractor must submit AIA Document A305 as required by the Authority's Chief Architect.

12. <u>Owner/Architect Agreement</u>:

Prior to Mortgage Loan Commitment, the Mortgagor must provide the Authority with an executed Owner Architect Agreement acceptable in form and substance to the Director of Legal Affairs.

13. <u>Trade Payment Breakdown:</u>

Prior to Mortgage Loan Commitment, the general contractor must submit a signed Trade Payment Breakdown acceptable to the Authority's Design and Construction Manager.

14. <u>Section 3 Requirements:</u>

Prior to Mortgage Loan Commitment, the general contractor must agree to comply with all federal Section 3 hiring requirements. The general contractor must provide the contractor's "Section 3 Hiring Plan" which must be reviewed and found acceptable to the Authority's Section 3 Compliance Officer. In addition, the general contractor must agree to adhere to follow-up reporting requirements as established by the Authority.

15. <u>Equal Opportunity and Fair Housing:</u>

Prior to Mortgage Loan Commitment, the management and marketing agent's Affirmative Fair Housing Marketing Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer for Fair Housing Requirements.

In addition, prior to Mortgage Loan Commitment, the general contractor's Equal Employment Opportunity Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer.

16. <u>Davis-Bacon and Cross-cutting Federal Requirements:</u>

At Initial Closing, the general contractor must agree to comply with all federal prevailing wage requirements, the requirements of the Davis-Bacon and Related Acts, and other applicable federal regulations as required under both the terms of the HOME Program and the Housing Choice Voucher Program.

17. <u>Cost Certification</u>:

The general contractor's cost certification must be submitted within 90 days following the completion of construction, and the Mortgagor's cost certification must be submitted within 90 days following the Mortgage Cut-off Date. For LIHTC, the owner is obligated to submit cost certifications applicable to itself and the contractor prior to issuance of IRS form 8609 (see LIHTC Program Cost Certification Guidelines).

18. <u>Title Insurance Commitment and Survey:</u>

Prior to Mortgage Loan Commitment, the Mortgagor must provide an updated title insurance commitment, including zoning, pending disbursement, comprehensive, survey and such other endorsements as deemed necessary by the Authority's Director of Legal Affairs. The updated title commitment must contain only exceptions to the insurance acceptable to the Authority's Director of Legal Affairs.

Additionally, prior to Mortgage Loan Commitment, the Mortgagor must provide a surveyor's certificate of facts together with an ALTA survey certified to the 2016 minimum standards, and that appropriately reflects all easements, rights of way, and other issues noted on the title insurance commitment. All documents must be acceptable to the Director of Legal Affairs.

19. Organizational Documents/Equity Pay-In Schedule:

Prior to Mortgage Loan Commitment, the Mortgagor must submit a substantially final form syndication partnership agreement, including an equity pay-in schedule, that is acceptable in form and substance to the Director of Development and Director of Legal Affairs.

At or prior to Initial Closing, the final, executed syndication partnership agreement must become effective and the initial installment of equity must be paid in an amount approved by the Director of Development.

20. Designation of Authority Funds:

The Authority reserves the express right, in its sole discretion, to substitute alternate subordinate funding sources.

21. Management & Marketing:

Prior to Mortgage Loan Commitment, the management and marketing agent must submit the following documents, which must be found acceptable to the Director of Asset Management:

a. Management Agreement
b. Marketing/Construction Transition Plan
c. Tenant selection criteria.

22. Guaranties:

At Initial Closing, the Sponsor, General Partner, and any entity receiving a developer fee in connection with the Development must deliver certain guaranties. The required guaranties include a guaranty of HOME recapture liability, an operating deficit guaranty and a performance completion guaranty. The required guaranties, the terms thereof and the parties who shall be required to deliver the guaranty must be determined and approved by the Authority's Director of Development.

23. Financial Statements:

Prior to Mortgage Loan Commitment, financial statements for the Sponsor, the guarantor(s) and the general contractor must be reviewed and found acceptable by the Authority's Chief Financial Officer.

If prior to Initial Closing the financial statements that were approved by the Authority become more than six months' old, the Sponsor, the guarantor(s) and/or the general contractor must provide the Authority with updated financial statements meeting Authority requirements upon request.

24. Future Contributions:

To ensure the Authority is contributing the least amount of funding necessary to achieve project feasibility, any decrease in Development costs or future contributions not included in the Development proforma may, at the Authority's discretion, be utilized to reduce, in equal proportions, any deferred developer fee and Authority soft funds.

25. Ownership of Development Reserves:

At the Initial Closing, the Mortgagor must enter into an agreement confirming the Authority's ultimate ownership of excess cash reserves, escrows and accounts as may exist at the time the Authority's mortgage loans are paid off or the Development is sold or refinanced. However, the Authority's claim to these funds shall be subject to any lawful claim to such funds by HUD. This agreement must be acceptable to the Authority's Director of Legal Affairs.

26. Section 8 Required Approvals - HUD and MSHDA:

This transaction is subject to certain HUD approvals including, but not limited to 1) assignment of the HAP Contract and 2) previous participation approval (HUD Form 2530) for the Mortgagor, its partners, and property management agent. Prior to the Initial Closing, the HUD approvals must be obtained and must be consistent with the loan structure and intent of the transaction as described in this report. The approvals by HUD are subject to review and concurrence by the Authority's Director of Legal Affairs. The Mortgagor must enter into all agreements as may be required by HUD and to abide by all terms, conditions, and requirements of the Section 8 Program and all other Authority rules, guidelines, and procedures as required under the Regulatory Agreement.

27. HAP Extension:

At Initial Closing, the Mortgagor must enter into an agreement to apply for and accept any HAP or other HUD subsidy extensions available in the future, subject to Authority approval.

28. HUD Authority to Use Grant Funds:

Prior to Mortgage Loan Commitment, the Authority must receive HUD's Authority to Use Grant Funds (HUD 7015.16) in connection with the proposed HOME Loan from the Authority or confirmation that the Development is categorically excluded from NEPA review.

29. HUD Subsidy Layering Review:

Prior to Initial Closing, the subsidy layering review must be performed by Authority staff and must be submitted to HUD for approval. The subsidy layering approval is subject to review and approval by the Authority's Director of Development.

30. Application for Disbursement:

Prior to Initial Closing, the Mortgagor must submit an "Application for Disbursement" along with supporting documentation, which must be found acceptable to the Authority's Director of Development.

31. **Uniform Relocation Act Compliance:**

If the Development is occupied at Initial Closing and any occupants of the Development will be displaced and/or relocated as a result of the rehabilitation of the Development, then the Mortgagor and/or the Sponsor shall ensure compliance with all requirements of the Uniform Relocation Act and implementing regulations as set forth in 24 CFR Part 42 and 49 CFR Part 24, as well as 24 CFR §570.606. Such compliance shall be at the Mortgagor's or Sponsor's sole cost and expense. Prior to Final Closing, the Mortgagor must submit documentation that it has complied with all requirements of the Uniform Relocation Act. This documentation must be found acceptable by the Authority's Director of Development.

Special Conditions:

1. **Legal Requirements:**

The Mortgagor and/or Sponsor must submit documentation acceptable to the Authority's Director of Legal Affairs for the items listed below:

- The survey must be acceptable.
- Title exceptions must be resolved to the satisfaction of the Director of Legal Affairs. A gas and mineral endorsement is needed and copies of filed exceptions must be submitted.
- Prior to Initial Closing, the Michigan Attorney General's Office must complete its review of the transaction and provide the Director of Legal Affairs its recommendation.
- Any other documentation as required by the Director of Legal Affairs, including acceptable evidence of insurance, permits, licenses, zoning approvals, utility availability, payment and performance bonds and other closing requirements.

2. **Environmental Review and Indemnification:**

Prior to Board Approval, the sponsor will complete items below and submit to MSHDA for review and approval:

Asbestos – Drawings and specifications detailing where proposed renovation activities may affect any Asbestos Containing Materials (ACM) should be reviewed by the project architect (or CNA).

If abatement of Regulated Asbestos Containing Materials (RACM)is required, an abatement plan must be provided to the sponsor's environmental consultant and the work performed by an appropriately licensed and insured abatement contractor. Asbestos abatement costs must be identified by a separate line item in the trade payment breakdown.

Lead-Based Paint – Deteriorated lead-based paint or lead hazards must be remediated using EPA lead-safe renovation/interim control/abatement activities, as appropriate. Drawings and specifications detailing the proposed renovation activities affecting any lead-based paint (LBP) should be reviewed by the project architect (or CNA): a) If remediation/abatement is required, remediation plan must be provided to the sponsor's environmental consultant and the work performed by an appropriately certified and insured contractor for all regulated activities. Lead remediation costs must be identified by a separate line item in the trade payment breakdown.

At Initial Closing, the Mortgagor must indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of any violation of environmental laws. The indemnification agreement must be acceptable to the Director of Legal Affairs.

3. **Sponsor Loans:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the Sponsor loan acceptable to the Authority's Director of Legal Affairs and Director of Development. The Sponsor loan must:

a) not be secured by a lien on the Development or any of the Development's property, funds or assets of any kind;
b) be payable solely from approved Limited Dividend payments, and not from other development funds;
c) be expressly subordinate to all Authority mortgage loans; and
d) have a loan term exceeding the term of all Authority mortgage loans.

At or prior to Initial Closing, the final, executed Sponsor loan documents must become effective and initial funding of the loan must be made in an amount approved by the Director of Development.

4. **Local HOME Loan:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents of the $1,500,000 HOME Loan and a funding schedule acceptable to the Authority's Director of Legal Affairs and Director of Development.

At or prior to Initial Closing, the final, executed Oakland County's HOME Loan documents must become effective and initial funding of the loan must be made in an amount approved by the Director of Development. An intercreditor and subordination agreement between Oakland County and the Authority must also be in substantially final form and acceptable to the Director of Legal Affairs.

The loan will be for a term of 40 years at 1% interest with a nominal payment of $500 per month.

5. **Residual Receipts and Cost Savings at the End of the Construction Period**:

Any cost savings and residual receipts identified in any post-construction cost certification or audit that would otherwise be used to pay down deferred developer fee will be applied to the HOME Loan interest and then principal if available.

6. **Reserves:**

At initial closing the Mortgagor must fund $750,000 in transferred replacement reserves to fund project costs.

DEVELOPMENT TEAM AND SITE INFORMATION

I. MORTGAGOR:
Carriage Place Limited Dividend Housing Association Limited Partnership

II. GUARANTOR(S):

A. Guarantor #1:

Name: Pontiac Carriage Place, LLC
Address: 132 Franklin Blvd, Suite 100
Pontiac, MI, 48341

B. Guarantor #2:

Name: SPERO Carriage Place, Inc.
Address: 46156 Woodward Ave
Pontiac, MI 48342

III. DEVELOPMENT TEAM ANALYSIS:

A. Sponsor:

Name: Pontiac Housing Commission
Address: 132 Franklin Boulevard,
Pontiac, MI 48341

Individuals Assigned: Ahmad Taylor
Telephone: 248-338-4551
E-mail: ataylor@pontiachousing.com

1. **Experience**: The Sponsor does not have experience working on Authority-financed development but has retained a consultant who has experience.

2. **Interest in the Mortgagor and Members**: Pontiac Carriage Place LLC will own .5%, Spero Carriage Place, LLC will own .5% and the equity investor, (TBD) will own 99.99%

B. Architect:

Name: Redstone Architects, Inc
Address: 2709 S Telegraph road
Bloomfield Hills, MI 48302

Individual Assigned: Daniel Redstone
Telephone: 248-418-0990
E-Mail: dredstone@redstonearchitects.com

1. **Experience**: Architect has previous experience with Authority-financed developments.

2. **Architect's License**: License number 1301019670, exp. 10/31/2020.

C. Attorney:

Name: Dykema
Address: 400 Renaissance Center
Detroit, MI 48243

Individual Assigned: Rochelle Lento
Telephone: 313-568-5322
E-Mail: rlento@dykema.com

1. **Experience**: This firm has experience in closing Authority-financed developments.

D. Builder:

Name: O'Brien Construction
Address: 966 Livernois
Troy, Mi 48038

Individual Assigned: Tim Obrien
Telephone: 248-334-2470
E-mail: tobrien@obriencc.com

1. **Experience**: The firm has previous experience in constructing Authority-financed developments.

2. **State Licensing Board Registration**: License number 2102195384 with an expiration date of 05/31/2023

E. Management and Marketing Agent:

Name: KMG Prestige
Address: 23332 Orchard Lake Rd. Suite F
Farmington Hills, MI 48336

Individual Assigned: James Breidenstein
Telephone: 248-352-8835
E-mail: james.breidenstein@kmgprestige.com

1. **Experience**: This firm has significant experience managing Authority-financed developments.

F. **Development Team Recommendation:** Proceed to Authority Board Approval

IV. SITE DATA:

A. Land Control/Purchase Price:
The land control document indicates a price of $8,400,000

B. Site Location:
255 Carriage Circle Drive, Pontiac, Oakland County

C. Size of Site:
3.26 acres

D. Density:
Appropriate for area

E. Physical Description:

1. Present Use:
   A family apartment community
2. Existing Structures:
   Two seven-story buildings.
3. Relocation Requirements:
   No temporary or permanent relocation is planned.

F. Zoning:
R4 Multifamily

G. Contiguous Land Use:

1. North: Woodside Bible Church
2. South: Pond and vacant land
3. East: A large pond
4. West: Spring Lake Village Apartment Community.

H. Tax Information:
A PILOT of 6% has been approved by the City.

I. Utilities:
DTE supplies the Electric.
Consumers Energy supplies the gas.
Water Resources Commissioner supplies the water and sewer.

J. Community Facilities:

1. Shopping:
   Many retail outlets within one mile. “Peoples” food-mart store is located .2 miles east of the site.
2. Recreation:
   Murphy Park is located .7 miles away.
3. Public Transportation:

Smart bus operates in Pontiac and a bus stop is nearby.

4. Road Systems
Carriage Circle drive is located just off Auburn avenue which connects residents to major thoroughfares in Pontiac.

5. Medical Services and other Nearby Amenities:
Many health facilities are nearby with the closest full-service hospital, McLaren Oakland, located 1.6 miles west of the site.

6. Description of Surrounding Neighborhood:
The surrounding area is in good condition.

7. Local Community Expenditures Apparent:
There are some commercial investment activities near the site.

8. Indication of Local Support:
The City has indicated they would grant a 6% PILOT for this development, the county has also committed HOME funds to the project.

V. ENVIRONMENTAL FACTORS:

A Phase I Environmental Site Assessment was submitted to the Authority (see Special Condition No. 2).

VI. DESIGN AND COSTING STATUS:

Architectural plans and specifications consistent with the scope of work have been reviewed by the Chief Architect. A response to all design review comments and the submission of corrected and final plans and specifications must be made prior to initial closing.

This proposal will satisfy the State of Michigan barrier-free requirements, the Authority's policy regarding accessibility and non-discrimination for the disabled, the Fair Housing Amendments Act of 1988, and the HOME requirements for barrier-free vision and hearing designed units. Construction documents must be acceptable to the Authority's Chief Architect.

VII. MARKET SUMMARY:

The Market study has been reviewed by the Authority's Chief Market Analyst and found to be acceptable. The Authority's Chief Market Analyst has reviewed and approved the unit mix, rental structure, and unit amenities.

VIII. EQUAL OPPORTUNITY AND FAIR HOUSING:

The contractor's Equal Employment Opportunity Plan is currently being reviewed and must be approved by the Authority's Design and Construction Manager prior to initial closing. The management and marketing agent's Affirmative Fair Housing Marketing Plan has been approved.

IX. MANAGEMENT AND MARKETING:

The management/marketing agent has submitted application level management and marketing information, to be approved prior to initial closing by the Authority's Director of Asset Management.

X. FINANCIAL STATEMENTS:

The sponsor's/guarantor's and the builder's financial statements have been submitted and are to be approved prior to initial closing by the Authority's Director of Rental Development.

XI. DEVELOPMENT SCHEDULING:

A. Mortgage Loan Commitment:	August 2020
B. Initial Closing and Disbursement:	October 2020
C. Construction Completion:	October 2021
D. Cut-Off Date:	April 2022

XII. ATTACHMENTS:

A. Development Proforma

APPROVALS:

Chad Benson   Digitally signed by Chad Benson
Date: 2020.08.19
13:49:02 -04'00'   08/19/2020

Chad Benson   Date
Acting Director of Development

Clarence L. Stone, Jr.   Digitally signed by Clarence L. Stone, Jr.
Date: 2020.08.19
14:47:06 -04'00'   8/19/2020

Clarence L. Stone, Jr.   Date
Director of Legal Affairs

Gary Heidel   Digitally signed by Gary Heidel
Date: 2020.08.20
09:26:58 -04'00'   08/20/2020

Gary Heidel   Date
Acting Executive Director

Development	Carriage Place
Financing	Tax Exempt
MSHDA No.	3926
Step	Commitment
Date	08/27/2020
Type	Preservation - Subsidized

Mortgage Assumptions:

Debt Coverage Ratio	1.15	
Mortgage Interest Rate	4.250%	
Pay Rate	4.250%	
Mortgage Term	40	years
Income from Operations	Yes	

Instructions

			Per Unit	Total	Initial Inflation Factor	Beginning in Year	Future Inflation Factor
Total Development Income Potential							
Annual Rental Income			8,209	1,920,960	1.0%	6	2.0%
Annual Non-Rental Income			15	3,600	1.0%	6	2.0%
Total Project Revenue			8,225	1,924,560			
Total Development Expenses							
						Future Vacancy	
Vacancy Loss	5.00%	of annual rent potential	410	96,048		6	5.0%
Management Fee	534	per unit per year	534	124,956	3.0%	1	3.0%
Administration			1,262	295,209	3.0%	1	3.0%
Project-paid Fuel			333	78,000	3.0%	6	3.0%
Common Electricity			406	95,000	4.0%	6	3.0%
Water and Sewer			458	107,200	5.0%	6	5.0%
Operating and Maintenance			1,101	257,591	3.0%	1	3.0%
Real Estate Taxes			0		5.0%	1	5.0%
Payment in Lieu of Taxes (PILOT)	6.00%	Applied to: All Units	396	92,683			
Insurance			171	40,000	3.0%	1	3.0%
Replacement Reserve	300	per unit per year	300	70,200	3.0%	1	3.0%
Other: City Annual HOME Loan Payment			26	6,000	0.0%	1	0.0%
Other: Municipal Services Agreement			43	10,000	3.0%	1	3.0%

	% of Revenue	Per Unit	Total	Override
Total Expenses	66.14%	**5,440**	**1,272,887**	
Base Net Operating Income		2,785	651,673	
Part A Mortgage Payment	29.44%	2,422	566,672	
Part A Mortgage		**46,540**	**10,890,337**	
Non MSHDA Financing Mortgage Payment		0		
Non MSHDA Financing Type:		**0**		
Base Project Cash Flow (excludes ODR)	4.42%	363	85,001	

Development Carriage Place
Financing Tax Exempt
MSHDA No. 3926
Step Commitment
Date 07/09/2020
Type Preservation - Subsidized

Instructions

Income Limits for	Oakland County			(Effective April 1,2020)		
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	16,500	18,840	21,210	23,550	25,440	27,330
40% of area median	22,000	25,120	28,280	31,400	33,920	36,440
50% of area median	27,500	31,400	35,350	39,250	42,400	45,550
60% of area median	33,000	37,680	42,420	47,100	50,880	54,660

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	Current Section 8 Contract Rent	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense
60%	Area Median Income Units																
30%	Tenant AMI Restriction (if different from rent restriction)																
Yes	Other Project Based Voucher Units																
Family	Occupancy																
A	129	Apartment	0	1.0	350	625	0	625	967,500		50.4%	55.1%	45,150	37.4%	45,150		825
B	77	Apartment	1	1.0	750	757	0	757	699,468		36.4%	32.9%	57,750	47.8%	57,750		883
C	6	Apartment	2	1.0	1,000	979	0	979	70,488		3.7%	2.6%	6,000	5.0%	6,000		1,060
									1,737,456	0	90.4%	90.6%	108,900	90.1%	108,900		
50%	Area Median Income Units																
30%	Tenant AMI Restriction (if different from rent restriction)																
Yes	Other Project Based Voucher Units																
Family	Occupancy																
A	12	Apartment	0	1.0	350	625	0	625	90,000	0	4.7%	5.1%	4,200	3.5%	4,200	Low HOME	687
B	9	Apartment	1	1.0	750	757	0	757	81,756	0	4.3%	3.8%	6,750	5.6%	6,750	Low HOME	736
C	1	Apartment	2	1.0	1,000	979	0	979	11,748	0	0.6%	0.4%	1,000	0.8%	1,000	Low HOME	883
									183,504	0	9.6%	9.4%	11,950	9.9%	11,950		
Mgrs									0	0	0.0%	0.0%	0	0.0%	0		
													120,850		120,850		

Total Tenant Units 234
Manager Units 0
Income Average 59.06%
Set Aside 100.00%

Gross Rent Potential	**1,920,960**
Average Monthly Rent	**684**
Gross Square Footage	**120,850**

HOME Units SF/Total Units SF	9.9%	**Within Range**
# HOME Units/# Total Units	9.4%	**Within Range**

Utility Allowances

	Electricity	A/C	Gas	Water/ Sewer	Other	Total	Overide
	Owner-Paid	Owner-Paid	Owner-Paid	Owner-Paid	Owner-Paid		
A						0	
B						0	
C						0	
D						0	
E						0	
F						0	
G						0	
H						0	

Annual Non-Rental Income

Misc. and Interest	2,400
Laundry	1,200
Carports	
Other:	
Other:	
	3,600

Total Income	Annual	Monthly
Rental Income	1,920,960	160,080
Non-Rental Income	3,600	300
Total Project Revenue	1,924,560	160,380

Development Carriage Place
Financing Tax Exempt
MSHDA No. 3926
Step Commitment
Date 08/27/2020
Type Preservation - Subsidized

Instructions

TOTAL DEVELOPMENT COSTS			Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Acquisition							
Land			1,709	400,000	0%	0	0
Existing Buildings			34,188	8,000,000	100%	8,000,000	0
Other:			0		0%	0	0
		Subtotal	35,897	8,400,000			
Construction/Rehabilitation							
Off Site Improvements			0		100%	0	0
On-site Improvements			3,058	715,507	100%	715,507	0
Landscaping and Irrigation			0	0	100%	0	0
Structures			64,604	15,117,229	100%	15,117,229	15,117,229
Community Building and/or Maintenance Facility			0		100%	0	0
Construction not in Tax Credit basis (i.e.Carports and Commercial Space)			0		0%	0	0
General Requirements	% of Contract 6.00%	Within Range	4,060	949,964	100%	949,964	949,964
Builder Overhead	% of Contract 2.00%	Within Range	1,434	335,654	100%	335,654	335,654
Builder Profit	% of Contract 6.00%	Within Range	4,389	1,027,101	100%	1,027,101	1,027,101
Permits, Bond Premium, Tap Fees, Cost Cert.			2,112	494,262	100%	494,262	494,262
Other:			0		100%	0	0
		Subtotal	79,657	18,639,717			
	15% of acquisition and $15,000/unit test:			met			
Professional Fees							
Design Architect Fees			3,186	745,589	100%	745,589	745,589
Supervisory Architect Fees			797	186,397	100%	186,397	186,397
Engineering/Survey			107	25,000	100%	25,000	25,000
Legal Fees			427	100,000	100%	100,000	100,000
		Subtotal	4,517	1,056,986			
Interim Construction Costs							
Property & Causality Insurance			299	70,000	100%	70,000	70,000
Construction Loan Interest	Override	864,956	3,696	864,956	67%	576,637	576,637
Title Work			171	40,000	100%	40,000	0
Construction Taxes			267	62,551	100%	62,551	62,551
Other: Builders risk			299	70,000	100%	70,000	70,000
		Subtotal	4,733	1,107,507			
Permanent Financing							
Loan Commitment Fee to MSHDA		2%	1,795	420,064	0%	0	0
Other:			0		0%	0	0
		Subtotal	1,795	420,064			
Other Costs (In Basis)							
Application Fee			9	2,000	100%	2,000	2,000
Market Study			28	6,500	100%	6,500	6,500
Environmental Studies			107	25,000	100%	25,000	25,000
Cost Certification			64	15,000	100%	15,000	15,000
Equipment and Furnishings			107	25,000	100%	25,000	0
Temporary Tenant Relocation			107	25,000	100%	25,000	25,000
Construction Contingency			7,754	1,814,546	100%	1,814,546	1,814,546
Appraisal and C.N.A.			85	20,000	100%	20,000	20,000
Other:			0		100%	0	0
		Subtotal	8,261	1,933,046			
Other Costs (NOT In Basis)							
Start-up and Organization			256	60,000	0%	0	0
Tax Credit Fees (based on 2017 QAP)	84,379	Within Range	361	84,379	0%	0	0
Compliance Monitoring Fee (based on 2017 QAP)			475	111,150	0%	0	0
Marketing Expense			21	5,000	0%	0	0
Syndication Legal Fees			214	50,000	0%	0	0
Rent Up Allowance	months		0	0	0%	0	0
Other:			0		0%	0	0
		Subtotal	1,327	310,529			

Summary of Acquisition Price		As of	
Attributed to Land	400,000	1st Mortgage Balance	
Attributed to Existing Structures	8,000,000	Subordinate Mortgage(s)	
Other:	0	Subordinate Mortgage(s)	
Fixed Price to Seller	8,400,000	Subordinate Mortgage(s)	
		Premium/(Deficit) vs Existing Debt	8,400,000

Construction Loan Term	Months
Construction Contract	12
Holding Period (50% Test)	6
Construction Loan Period	18

Appraised Value	Value As of: October 22, 2019
"Encumbered As-Is" value as determined by appraisal:	8,400,000
Plus 5% of Appraised Value:	0
LESS Fixed Price to the Seller:	8,400,000
Surplus/(Gap) Within Range	0

Override

			Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis	OAR Funded Yr 1	4 Month OAR
Project Reserves									
Operating Assurance Reserve	4.0 months	Funded in Cas	2,620	613,186	0%	0	0	613,186	613,186
Replacement Reserve		Required	1,456	340,696	0%	0	0		
Operating Deficit Reserve			1,589	371,857	0%	0	0		
Rent Subsidy Reserve			0	0	0%	0	0		
Syndicator Held Reserve			0	0	0%	0	0		
Rent Lag Escrow			0	0	0%	0	0		
Tax and Insurance Escrows			0	0	0%	0	0		
Other:	Rent increase escrow		0		0%	0	0		
Other:			0		0%	0	0		
		Subtotal	5,666	1,325,739					
Miscellaneous									
Deposit to Development Operating Account (1MGRP) Required			684	160,080	0%	0	0		
Other (Not in Basis):			0	0	0%	0	0		
Other (In Basis):			0	0	100%	0	0		
Other (In Basis):			0	0	100%	0	0		
		Subtotal	684	160,080					
Total Acquisition Costs			35,897	8,400,000					
Total Construction Hard Costs			79,657	18,639,717					
Total Non-Construction ("Soft") Costs			26,983	6,313,951					

Developer Overhead and Fee			Per Unit	Total			
Maximum	4,273,620		18,263	4,273,620	100%	4,273,620	4,273,620
7.5%	of Acquisition/Project Reserves	Override		5% Attribution Test			
15%	of All Other Development Costs			met			

	LIHTC Basis	Historic Basis	221(d)(3) Limit	Aggregate Basis
	34,722,557	25,942,050	37,818,329	35,122,557
			Non-elevator	

Total Development Cost 160,800 37,627,288

TOTAL DEVELOPMENT SOURCES		% of TDC	Per Unit	Total
MSHDA Permanent Mortgage		28.94%	46,540	10,890,337
Conventional/Other Mortgage		0.00%	0	0
Equity Contribution from Tax Credit Syndication		34.27%	55,105	12,894,636
MSHDA NSP Funds		0.00%	0	
MSHDA HOME or Housing Trust Funds		3.82%	6,141	1,437,003
Mortgage Resource Funds		0.00%	0	
Other MSHDA:		0.00%	0	
Local HOME		3.99%	6,410	1,500,000
Income from Operations		2.58%	4,156	972,560
Other Equity	Sponsor loan	1.33%	2,137	500,000
Transferred Reserves:		1.99%	3,205	750,000
Other:		0.00%	0	
Other:	Sponsor loan from sale proceeds	22.32%	35,897	8,400,000
Deferred Developer Fee		0.75%	1,208	282,752
Total Permanent Sources				37,627,288

# of Units	Gap to Hard Debt Ratio	Home Subsidy Limit	HOME Unit Mix
0.00	13.20%	2,974,900	12 Zero Bedroom, 1 Bath, 350 Sq Ft
22.00			9 One Bedroom, 1 Bath, 750 Sq Ft A
			1 Two Bedroom, 1 Bath, 1000 Sq Ft

Deferred Dev Fee
6.62%

Sources Equal Uses?	**Balanced**
Surplus/(Gap)	0

MSHDA Construction Loan	52.00%	83,616	19,566,190
Construction Loan Rate	4.250%		
Repaid from equity prior to final closing			8,675,853

Eligible Basis for LIHTC/TCAP		Value of LIHTC/TCAP		
Acquisition	8,420,000	Acquisition	266,914	
Construction	34,193,324	Construction	1,083,928	Override
Acquisition Credit %	3.17%	Total Yr Credit	1,350,842	1,364,648
Rehab/New Const Credit %	3.17%	Equity Price	$0.9450	
Qualified Percentage	100.00%	Equity Effective Price	$0.9450	Override
QCT/DDA Basis Boost	130%	Equity Contribution	12,894,634	12,894,636
Historic?	No			

Existing Reserve Analysis			
DCE Interest:		Current Owner's Reserves:	0
Insurance:		Reserves Transferred in to Project	750,000
Taxes:		Tax/Ins Escrows transferred to project	0
Rep. Reserve	750,000		
ORC:			
DCE Principal:			
Other:			

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	12,894,636
Brownfield Equity	
Historic Tax Credit Equity	
General Partner Capital Contributions	
Other Equity Sources	
New Owner's Equity	12,894,636

Cash Flow Projections

Development Carriage Place
Financing Tax Exempt
MSHDA No. 3926
Step Commitment
Date 08/27/2020
Type Preservation - Subsidized

	Initial	Starting in	Future	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Income																							
Annual Rental Income	1.0%	6	2.0%	1,920,960	1,940,170	1,959,571	1,979,167	1,998,959	2,038,938	2,079,717	2,121,311	2,163,737	2,207,012	2,251,152	2,296,175	2,342,099	2,388,941	2,436,719	2,485,454	2,535,163	2,585,866	2,637,584	2,690,335
Annual Non-Rental Income	1.0%	6	2.0%	3,600	3,636	3,672	3,709	3,746	3,821	3,898	3,975	4,055	4,136	4,219	4,303	4,389	4,477	4,567	4,658	4,751	4,846	4,943	5,042
Total Project Revenue				**1,924,560**	**1,943,806**	**1,963,244**	**1,982,876**	**2,002,705**	**2,042,759**	**2,083,614**	**2,125,286**	**2,167,792**	**2,211,148**	**2,255,371**	**2,300,478**	**2,346,488**	**2,393,418**	**2,441,286**	**2,490,112**	**2,539,914**	**2,590,712**	**2,642,527**	**2,695,377**
Expenses																							
Vacancy Loss	5.0%	6	5.0%	96,048	97,008	97,979	98,958	99,948	101,947	103,986	106,066	108,187	110,351	112,558	114,809	117,105	119,447	121,836	124,273	126,758	129,293	131,879	134,517
Management Fee	3.0%	1	3.0%	124,956	128,705	132,566	136,543	140,639	144,858	149,204	153,680	158,291	163,039	167,930	172,968	178,157	183,502	189,007	194,677	200,518	206,533	212,729	219,111
Administration	3.0%	1	3.0%	295,209	304,065	313,187	322,583	332,260	342,228	352,495	363,070	373,962	385,181	396,736	408,638	420,897	433,524	446,530	459,926	473,724	487,935	502,574	517,651
Project-paid Fuel	3.0%	6	3.0%	78,000	80,340	82,750	85,233	87,790	90,423	93,136	95,930	98,808	101,772	104,825	107,970	111,209	114,546	117,982	121,521	125,167	128,922	132,790	136,773
Common Electricity	4.0%	6	3.0%	95,000	98,800	102,752	106,862	111,137	114,471	117,905	121,442	125,085	128,838	132,703	136,684	140,784	145,008	149,358	153,839	158,454	163,208	168,104	173,147
Water and Sewer	5.0%	6	5.0%	107,200	112,560	118,188	124,097	130,302	136,817	143,658	150,841	158,383	166,302	174,618	183,348	192,516	202,142	212,249	222,861	234,004	245,704	257,990	270,889
Operating and Maintenance	3.0%	1	3.0%	257,591	265,319	273,278	281,477	289,921	298,619	307,577	316,804	326,309	336,098	346,181	356,566	367,263	378,281	389,629	401,318	413,358	425,759	438,531	451,687
Real Estate Taxes	5.0%	1	5.0%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)				92,683	93,088	93,474	93,841	94,187	95,717	97,262	98,822	100,396	101,985	103,587	105,202	106,829	108,468	110,118	111,778	113,447	115,124	116,809	118,501
Insurance	3.0%	1	3.0%	40,000	41,200	42,436	43,709	45,020	46,371	47,762	49,195	50,671	52,191	53,757	55,369	57,030	58,741	60,504	62,319	64,188	66,114	68,097	70,140
Replacement Reserve	3.0%	1	3.0%	70,200	72,306	74,475	76,709	79,011	81,381	83,822	86,337	88,927	91,595	94,343	97,173	100,088	103,091	106,184	109,369	112,650	116,030	119,511	123,096
Other:	0.0%	1	0.0%	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Other:	3.0%	1	3.0%	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,439	13,842	14,258	14,685	15,126	15,580	16,047	16,528	17,024	17,535
Subtotal: Operating Expenses				1,272,887	1,309,691	1,347,694	1,386,940	1,427,470	1,470,425	1,514,748	1,560,486	1,607,687	1,656,400	1,706,677	1,758,571	1,812,138	1,867,435	1,924,523	1,983,461	2,044,315	2,107,152	2,172,038	2,239,048
Debt Service																							
Debt Service Part A				566,672	566,672	566,672	566,672	566,672	566,672	566,672	566,672	566,672	566,672	566,672	566,672	566,672	566,672	566,672	566,672	566,672	566,672	566,672	566,672
Debt Service Conventional/Other Financing				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenses				**1,839,559**	**1,876,363**	**1,914,367**	**1,953,612**	**1,994,142**	**2,037,097**	**2,081,420**	**2,127,158**	**2,174,359**	**2,223,072**	**2,273,349**	**2,325,243**	**2,378,810**	**2,434,108**	**2,491,195**	**2,550,134**	**2,610,988**	**2,673,824**	**2,738,711**	**2,805,720**
Cash Flow/(Deficit)				**85,001**	**67,442**	**48,877**	**29,264**	**8,563**	**5,662**	**2,194**	**(1,872)**	**(6,567)**	**(11,924)**	**(17,978)**	**(24,765)**	**(32,323)**	**(40,690)**	**(49,909)**	**(60,022)**	**(71,074)**	**(83,112)**	**(96,184)**	**(110,343)**
Cash Flow Per Unit				363	288	209	125	37	24	9	(8)	(28)	(51)	(77)	(106)	(138)	(174)	(213)	(257)	(304)	(355)	(411)	(472)
Debt Coverage Ratio on Part A Loan				1.15	1.12	1.09	1.05	1.02	1.01	1.00	1.00	0.99	0.98	0.97	0.96	0.94	0.93	0.91	0.89	0.87	0.85	0.83	0.81
Debt Coverage Ratio on Conventional/Other Financing				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Interest Rate on Reserves: 3%

Average Cash Flow as % of Net Income

Operating Deficit Reserve (ODR) Analaysis

Maintained Debt Coverage Ratio (Hard Debt): 1.00
Maintained Operating Reserve (No Hard Debt): 250
Initial Deposit: **371,857**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Initial Balance	371,857	383,013	394,503	406,338	418,528	431,084	444,017	457,337	469,185	476,694	479,071	475,465	464,964	446,591	419,298	381,968	333,405	272,333	197,392	107,129
Total Annual Draw to achieve 1.0 DCR	0	0	0	0	0	0	0	(1,872)	(6,567)	(11,924)	(17,978)	(24,765)	(32,323)	(40,690)	(49,909)	(60,022)	(71,074)	(83,112)	(96,184)	(110,343)
Total Annual Deposit to achieve Maintained DCR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR	0	0	0	0	0	0	0	(1,872)	(6,567)	(11,924)	(17,978)	(24,765)	(32,323)	(40,690)	(49,909)	(60,022)	(71,074)	(83,112)	(96,184)	(110,343)
Interest	11,156	11,490	11,835	12,190	12,556	12,933	13,321	13,720	14,076	14,301	14,372	14,264	13,949	13,398	12,579	11,459	10,002	8,170	5,922	3,214
Ending Balance at Maintained DCR	383,013	394,503	406,338	418,528	431,084	444,017	457,337	469,185	476,694	479,071	475,465	464,964	446,591	419,298	381,968	333,405	272,333	197,392	107,129	**(0)**
Maintained Cash Flow Per Unit	363	288	209	125	37	24	9	0	0	0	0	0	0	0	0	0	0	0	0	0
Maintained Debt Coverage Ratio on Part A Loan	1.15	1.12	1.09	1.05	1.02	1.01	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Maintained Debt Coverage Ratio on Conventional/Other	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Standard ODR: **126,686**
Non-standard ODR: **245,171**

Operating Assurance Reserve Analysis

613,186
Required in Year: 1
Inititial Deposit: **613,186**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Initial Balance	613,186	631,582	650,529	670,045	690,147	710,851	732,177	754,142	776,766	800,069	824,071	848,793	874,257	900,485	927,499	955,324	983,984	1,013,504	1,043,909	1,075,226
Interest Income	18,396	18,947	19,516	20,101	20,704	21,326	21,965	22,624	23,303	24,002	24,722	25,464	26,228	27,015	27,825	28,660	29,520	30,405	31,317	32,257
Ending Balance	631,582	650,529	670,045	690,147	710,851	732,177	754,142	776,766	800,069	824,071	848,793	874,257	900,485	927,499	955,324	983,984	1,013,504	1,043,909	1,075,226	1,107,483

Deferred Developer Fee Analysis

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Initial Balance	282,752	197,751	130,309	81,432	52,168	43,605	37,944	35,750	35,750	35,750	35,750	35,750	35,750	35,750	35,750	35,750	35,750	35,750	35,750	35,750
Dev Fee Paid	85,001	67,442	48,877	29,264	8,563	5,662	2,194	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
Ending Balance (Repaid in ye #N/A)	197,751	130,309	81,432	52,168	43,605	37,944	35,750	35,750	35,750	35,750	35,750	35,750	35,750	35,750	35,750	35,750	35,750	35,750	35,750	35,750

Mortgage Resource Fund Loan

Interest Rate on Subordinate Financing / Principal Amount of all MSHDA Soft Funds: 3%
Initial Balance
% of Cash Flow: **50%**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Principal Amount of all MSHDA Soft Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Current Yr Int	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Int	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Payment Due	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Year End Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
CARRIAGE PLACE APARTMENTS, MSHDA DEVELOPMENT NO. 3926
CITY OF PONTIAC, OAKLAND COUNTY

August 27, 2020

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (the "Act"), to make mortgage loans to qualified non-profit housing corporations, consumer housing cooperatives and limited dividend housing corporations and associations; and

WHEREAS, an Application for Mortgage Loan Feasibility has been filed with the Authority by the Pontiac Housing Commission (the "Applicant") for a multifamily housing project to be located in the City of Pontiac, Oakland County, Michigan, having an estimated total development cost of Thirty-Seven Million Six Hundred Twenty-Seven Thousand Two Hundred Eighty-Eight Dollars ($37,627,288), a total estimated maximum mortgage loan amount of Nineteen Million Five Hundred Sixty-Six Thousand One Hundred Ninety Dollars ($19,566,190) (hereinafter referred to as the "Application"); and

WHEREAS, a housing association to be formed by the Applicant may become eligible to receive a mortgage loan from the Authority under the provisions of the Act and the Authority's General Rules; and

WHEREAS, the Acting Executive Director has forwarded to the Authority his analysis of the Application and his recommendations with respect thereto; and

WHEREAS, the Authority has considered the Application in the light of the Authority's project mortgage loan feasibility evaluation factors.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The following determinations be and they hereby are made:

   a. The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located, thereby enhancing the viability of such housing.

   b. The Applicant is reasonably expected to be able to achieve successful completion of the proposed housing project.

   c. The proposed housing project will meet a social need in the area in which it is to be located.

   d. A mortgage loan, or a mortgage loan not made by the Authority that is a federally-aided mortgage, can reasonably be anticipated to be obtained to provide financing for the proposed housing project.

e. The proposed housing project is a feasible housing project.

f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Twenty-Three Million Ninety Thousand Dollars ($23,090,000).

2. The proposed housing project be and it is hereby determined to be feasible for a mortgage loan on the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Report of the Authority Staff presented to the meeting, subject to any and all applicable determinations and evaluations issued or made with respect to the proposed housing project by other governmental agencies or instrumentalities or other entities concerning the effects of the proposed housing project on the environment as evaluated pursuant to the federal National Environmental Policy Act of 1969, as amended, and the regulations issued pursuant thereto as set forth in 24 CFR Part 58.

3. The determination of feasibility is based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this feasibility determination resolution may, at the option of the Executive Director, the Chief Housing Investment Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chief Financial Officer, the Deputy Director of Finance or any person duly authorized to act in any of the foregoing capacities (each an "Authorized Officer"), be immediately rescinded.

4. Neither this determination of feasibility nor the execution prior to closing of any documents requested to facilitate processing of a proposed mortgage loan to be used in connection therewith constitutes a promise or covenant by the Authority that it will make a Mortgage Loan to the Applicant.

5. This determination of Mortgage Loan Feasibility is conditioned upon the availability of financing to the Authority. The Authority does not covenant that funds are or will be available for the financing of the subject proposed housing development.

6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated August 27, 2020, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MORTGAGE LOAN
CARRIAGE PLACE APARTMENTS, MSHDA DEVELOPMENT NO. 3926
CITY OF PONTIAC, OAKLAND COUNTY

August 27, 2020

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized, under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (hereinafter referred to as the "Act"), to make mortgage loans to qualified nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations and associations and certain qualified individuals; and

WHEREAS, an application (the "Application") has been filed with the Authority by the Pontiac Housing Commission (the "Applicant") for a construction mortgage loan in the amount of Nineteen Million Five Hundred Sixty-Six Thousand One Hundred Ninety Dollars ($19,566,190), and a permanent mortgage loan in the amount of Ten Million Eight Hundred Ninety Thousand Three Hundred Thirty-Seven Dollars ($10,890,337), for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Thirty-Seven Million Six Hundred Twenty-Seven Thousand Two Hundred Eighty-Eight Dollars ($37,627,288),, to be known as Carriage Place Apartments, located in the City of Pontiac , Oakland County, Michigan, and to be owned by Carriage Place Limited Dividend Housing Association Limited Partnership (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a mortgage loan under the HOME Investment Partnerships Program using HOME funds in the estimated amount of One Million Four Hundred Thirty-Seven Thousand Three Dollars ($1,437,003) (the "HOME Loan"); and

WHEREAS, the Acting Executive Director has forwarded to the Authority his analysis of the Application and his recommendation with respect thereto; and

WHEREAS, the Authority has reviewed the Application and the recommendation of the Acting Executive Director and, on the basis of the Application and recommendation, has made determinations that:

(a) The Mortgagor is an eligible applicant;

(b) The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located thereby enhancing the viability of such housing;

(c) The Applicant and the Mortgagor are reasonably expected to be able to achieve successful completion of the proposed housing project;

(d) The proposed housing project will meet a social need in the area in which it is to be located;

(e) The proposed housing project may reasonably be expected to be marketed successfully;

(f) All elements of the proposed housing project have been established in a manner consistent with the Authority's evaluation factors, except as otherwise provided herein;

(g) The construction or rehabilitation will be undertaken in an economical manner and it will not be of elaborate design or materials; and

(h) In light of the estimated total project cost of the proposed housing project, the amount of the mortgage loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation on the ratio of mortgage loan amount to estimated total project cost.

WHEREAS, the Authority has considered the Application in the light of the criteria established for the determination of priorities pursuant to General Rule 125.145 and hereby determines that the proposed housing project is consistent therewith; and

WHEREAS, Sections 83 and 93 of the Act provide that the Authority shall determine a reasonable and proper rate of return to limited dividend housing corporations and associations on their investment in Authority-financed housing projects.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Application be and it hereby is approved, subject to the terms and conditions of this Resolution, the Act, the General Rules of the Authority, and of the Mortgage Loan Commitment hereinafter authorized to be issued to the Applicant and the Mortgagor.

2. A construction and permanent mortgage loan (the "Mortgage Loan") be and it hereby is authorized and the Executive Director, the Chief Housing Investment Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chief Financial Officer, the Deputy Director of Finance or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction financing of the proposed housing project in an amount not to exceed Nineteen Million Five Hundred Sixty-Six Thousand One Hundred Ninety Dollars ($19,566,190), and permanent financing in an amount not to exceed Ten Million Eight Hundred Ninety Thousand Three Hundred Thirty-Seven Dollars ($10,890,337), and to have a term of forty (40) years after amortization of principal commences and to bear interest at a rate of four and 25/100 percent (4.25%) per annum. The amount of proceeds of tax-exempt bonds issued or to be issued and allocated to the financing of this housing project shall not exceed Twenty-Three Million Ninety Thousand Dollars ($23,090,000). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

3. The mortgage loan commitment resolution and issuance of the Mortgage Loan

Commitment are based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this mortgage loan commitment resolution together with the commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded.

4. Notwithstanding passage of this resolution or execution of any documents in anticipation of the closing of the proposed mortgage loan, no contractual rights to receive the mortgage loan authorized herein shall arise unless and until an Authorized Officer shall have issued a Mortgage Loan Commitment and the Applicant shall have agreed in writing within fifteen days after receipt thereof, to the terms and conditions contained therein.

5. The proposed housing project be and it hereby is granted a priority with respect to proceeds from the sale of Authority securities which are determined by the Executive Director to be available for financing the construction and permanent loans of the proposed housing project. Availability of funds is subject to the Authority's ability to sell bonds at a rate or rates of interest and at a sufficient length of maturity so as not to render the permanent financing of the development unfeasible.

6. In accordance with Section 93(b) of the Act, the maximum reasonable and proper rate of return on the investment of the Mortgagor in the housing project be and it hereby is determined to be as follows:

(a) So long as the Housing Assistance Payments Contract or any other federal subsidy is in effect, the rate of return shall be twelve percent (12%) of the Mortgagor's equity, as determined by the Authority.

(b) Following the expiration or termination of the Housing Assistance Payments Contract or other federal subsidy, the rate of return shall not exceed twenty-five percent (25%) of the Mortgagor's equity, as determined by the Authority.

(c) The Mortgagor's return on equity shall be fully cumulative.

7. The Authority hereby waives its Multifamily Direct Lending Parameter, II Eligibility and Resource Availability, B(2)(f) Repayment: to remove the payment deferral and require payment equal to 50% of surplus cash on or before the date on which any Limited Dividend Payment is distributed, but in no event later than April 30th of that year.

8. The Mortgage Loan shall be subject to, and the Commitment shall contain, the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated August 27, 2020, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Gary Heidel, Acting Executive Director *Gary Heidel*

DATE: August 27, 2020

RE: HOM Flats at Felch Street, Development No. 3920

<u>RECOMMENDATION:</u>

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize tax-exempt bond mortgage loans in the amounts set forth in this report, 3) authorize waivers of a certain loan parameters regarding funding of the operating assurance reverse and underwritten rent percentages, 4) authorize a waiver of the Standards of Design concerning balconies, and 5) authorize the Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

<u>PROJECT SUMMARY:</u>

MSHDA No:	3920
Development Name:	Hom Flats at Felch Street
Development Location:	Holland Township, Ottawa County
Sponsor:	Magnus Capital Partners, LLC
Mortgagor:	12191 Felch Street Limited Dividend Housing Association, LP
Number of Units:	114 (77 affordable, 37 market)
Occupancy Rate:	N/A
Total Development Cost:	$21,063,609
TE Bond Construction Loan:	$16,250,000 (77.15% TDC)
TE Bond Permanent Loan:	$14,621,828
MSHDA Gap Funds:	$1,820,000 HOME Funds
Other Funds:	$3,527,485 of Low Income Housing Tax Credit ("LIHTC") Equity, $219,108 of Income from Operations, and $875,188 of Deferred Developer Fee.

EXECUTIVE SUMMARY:

HOM Flats at Felch Street will contain 114 family units configured in 3 buildings which will be 4 stories high (the "Development"). 37 units will be offered at market-rate rents of $1,180 for a one-bedroom, $1,380 for a two-bedroom and $1,580 for a three-bedroom unit. 20 units are targeted to 80% of area median income ("AMI") with rents of $1,088 for a one-bedroom, $1,303 for a two-bedroom and $1,500 for a three-bedroom unit (units have initial rents set at approximately 74% of AMI). The remaining 50% of the units are for tenants which are at or below 60% AMI including 15% of the total units for tenants at or below 40% AMI.

The project site is in close proximity to the City of Holland shopping and amenities. Each unit will have its own washer and dryer, and there is also a planned fitness center, bicycle storage, on-site leasing office, playground and dog-washing station.

I am recommending Board approval for the following reasons:

- This Development will add 77 units of quality affordable housing to an underserved community in Ottawa County.
- The sponsor is new to working with the Authority but has an additional Authority development project currently under construction and has retained as part of its development team a consultant who has a history of successfully partnering with the Authority.
- The Development will add a new development to the Authority's portfolio.
- There is a strong need for affordable housing in this community and other affordable housing developments in the area are successful.
- Due to the current medical and economic crisis there may be enhanced financial risk to the Authority, but with the Authority's conservative underwriting standards concerns should be mitigated.

ADVANCING THE AUTHORITY'S MISSION:

- The Development will serve the people of Michigan by adding quality, affordable housing stock to the greater City of Holland area and retaining affordable residential homes in Ottawa County for up to 50 years.

MUNICIPAL SUPPORT:

- Holland Charter Township is providing municipal support to the Development in the form of a PILOT. The PILOT rate will be 50% of the projected ad valorem taxes.

COMMUNITY IMPACT:

- The affordability period for these units range from 20 to 50 years, depending on the funding source.
- The development team has fostered community relationships in anticipation of Authority approval, coordinating with the nearby Falcon Woods, MSHDA Development No. 1842-2, to develop a positive working relationship between the management teams, and with Housing Next, a West Michigan-based non-profit representing regional interests to promote affordable housing.

RESIDENT IMPACT:

- Although the Development will be constructed on largely vacant land, two existing single-family rental units will be replaced as part of the construction process. The Sponsor has submitted to Authority staff a relocation plan designed to minimize the disruption to any affected tenants and afford affected individuals the right to quality replacement housing and relocation services.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

The sponsor has elected to utilize the "Average Income Test for Low-Income Housing Tax Credit". Income Averaging is permanently established as a third minimum-set-aside election for Housing Credit developments and became available in March 2018. This election allows developments to target units to households with rent and income up to 80% of AMI as long as the average AMI level of the affordable units in the project is 60% AMI or less. For this proposal there are 20 units at 80% of AMI that will be offset by 17 units targeted to 40% AMI tenants and 10 units targeted to 50% AMI, for an average AMI of 59%.

It should also be noted that, due to the existing strong Holland rental market, the Authority's Chief Market Analyst has approved a 6% vacancy loss rather than the 8% that is typically required in Authority developments.

I am recommending waivers of certain provisions of the Authority Multifamily Direct Lending parameters. The two parameters waivers include (1) a waiver to permit the operating assurance reserve to be funded at 100% construction completion rather than initial closing as provided for in section VI.K(1) and (2) a waiver to permit underwritten rents equal to 100% of maximum allowable rent instead of 95% of tax credit rents as provided for in section VI.E(1).

I am also recommending a waiver of the Standards of Design, which typically require individual balconies, because the sponsor has agreed to include common area outdoor pavilions.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

August 27, 2020

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal 2) authorize tax-exempt bond mortgage loan in the amounts set forth in this report, 3) authorize waivers of certain loan parameters regarding funding of the operating assurance reserve and underwritten rent percentages, 4) authorize a waiver of the Standards of Design concerning balconies; and 5) authorize the Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

MSHDA No.:	3920
Development Name:	HOM Flats at Felch Street
Development Location:	Holland Charter Township, Ottawa County
Sponsor:	Magnus Capital Partners, LLC
Mortgagor:	12191 Felch Street Limited Dividend Housing Association Limited Partnership
TE Bond Permanent Loan:	$14,621,828
TE Bond Construction Loan:	$16,250,000
MSHDA HOME Loan:	$1,820,000
Total Development Cost:	$21,063,609
Mortgage Term:	40 years for the tax-exempt bond loan; and 50 years for the HOME loan.
Interest Rate:	4.25% for the tax-exempt bond loan; and 1% simple interest for the HOME loan.
Program:	Tax-Exempt Bond and Gap Financing Programs
Number of Units:	114 family units of new construction
Unit Configuration:	20 one-bedroom, 50 two-bedroom and 44 three-bedroom apartments
Builder:	Rohde Construction Company Inc.
Syndicator:	Insite Capital
Date Application Received:	December 15, 2019
HDO:	Charles J. Smith

Issuance of the Authority's Mortgage Loan Commitment is subject to fulfillment of all Authority processing and review requirements and obtaining all necessary staff approvals as required by the Authority's underwriting standards.

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

The Sponsor has elected to utilize the "Average Income Test for Low-Income Housing Tax Credit". Income Averaging is permanently established as a third minimum-set-aside election for Housing Credit developments and became available in March 2018. This election allows developments to target units to households with rent and income up to 80% of area median income ("AMI") as long as the average AMI level of the affordable units in the project is 60% AMI or less. For this proposal there are Twenty (20) units at 80% of area median income ("AMI") that will be offset by Sixteen (16) units targeted to 40% AMI tenants and Eleven (11) units targeted to 50% AMI, for an average AMI of 59%.

It should also be noted that, due to the existing strong Holland rental market, the Authority's Chief Market Analyst has approved a 6% vacancy loss rather than the 8% that is prescribed in the Authority's lending parameters.

It is recommended that two waivers of certain provisions of the Authority Multifamily Direct Lending parameters be granted. The two parameters waivers include (1) a waiver to permit the operating assurance reserve to be funded at 100% construction completion rather than initial closing as provided for in section VI.K(1) and (2) a waiver to permit underwritten rents equal to 100% of maximum allowable rent instead of 95% of tax credit rents as provided for in section VI.E(1).

It is further recommended that a waiver of the design requirement for individual balconies and patios for new construction projects also be granted, in lieu of outdoor pavilions that will be provided for general tenant use.

EXECUTIVE SUMMARY:

The development will contain 114 family units configured in 3 buildings which will be four-stories high. 37 units will focus on the high end of the market with rents of $1,180 for a one-bedroom, $1,380 for a two-bedroom and $1,580 for a three-bedroom unit. Twenty (20) units are targeted at 80% AMI with rents of $1,088 for a one-bedroom, $1,303 for a two-bedroom and $1,500 for a three-bedroom unit (these units have initial rents set at approximately 74% of AMI). The remaining 50% of the units are for tenants which are at or below 60% AMI including 15% of the total units for tenants at or below 40% AMI.

The site itself is in close proximity to Holland shopping and amenities. Each unit will have its own washer and dryer, and there is also a planned fitness center, bicycle storage, on-site leasing office, playground and dog-washing station.

Structure of the Transaction and Funding:

There are several elements to this transaction that are common to new construction transactions:

- A tax-exempt bond construction and permanent mortgage loan will be provided by the Authority (the "Mortgage Loan"). The Mortgage Loan will be in the amount of $16,250,000 at 4.25% interest with 23-monthly interest only payments (a 14-month construction term and a 9-month rent up period) required under the construction loan. The permanent financing date will commence on the first day of the month following the month in which the 23-month construction loan term expires or such later date as determined by an Authorized Officer of the Authority (the "Permanent Financing Date").

- The permanent tax-exempt bond loan is based upon the current rents, less vacancy loss, payments to reserves and escrows, operating costs based on historical data unless modified by project improvements and construction and soft costs at levels appropriate for this specific transaction. The permanent loan includes a 1.15 debt service coverage ratio, an annual interest rate of 4.25%, with a fully amortizing term of 40 years commencing on the Permanent Financing Date. The Mortgage Loan will be funded on the Permanent Financing Date and will be in **First Position**.

- A subordinate loan using HOME funds (the "HOME Loan") in the amount of $1,820,000 will be provided at 1% simple interest with payments initially deferred. The HOME Loan will be in **Second Position**.

- Equity support comes from an investment related to the 4% low income housing tax credit ("LIHTC") in the estimate amount of $3,527,485.

- Income from operations will be used as a source of funding to make the interest only payments and the tax and insurance payments during the construction period in the amount of $219,108.

- The Sponsor has agreed to defer $875,188 of the developer fee to help fill the remaining funding gap.

- A nine (9) month rent-up allowance in the amount identified in the attached proforma will be required to support interest payments between construction completion and the Mortgage Cut-Off Date, as determined by the Authority.

- An operating assurance reserve will be required in the amount identified in the attached proforma. The reserve will be capitalized at closing in an amount which, along with accumulated interest, is expected to meet the Development's unanticipated operating needs. This reserve will be held by the Authority.

- An additional operating reserve is required by the syndicator which is equal to an additional 2 months of operating costs over and above the 4 months operating assurance reserve that is required by the Authority. The amount of this reserve is included in the total deferred developer fee and will be held by the syndicator. This $244,696 syndicator reserve will be held and controlled pursuant to the Restated and Amended Limited Partnership Agreement.

Site Selection:

The Authority's Chief Market Analyst has approved this proposal for multifamily housing.

Market Evaluation:

The Authority's Chief Market Analyst has reviewed and approved the market study for this proposal.

Valuation of the Property:

An appraisal dated November 7, 2019 estimates the value at $560,000.

CONDITIONS:

At or prior to (i) issuance of the Authority's mortgage loan commitment ("Mortgage Loan Commitment"), (ii) the initial Mortgage Loan Closing (the "Initial Closing"), or (iii) such other date as may be specified herein, the new Mortgagor, and other members of the Development team, where appropriate, must satisfy each of the following conditions by entering into a written agreement or providing documentation acceptable to the Authority:

Standard Conditions:

1. **Limitation for Return on Equity:**

   For each year of the Development's operation, beginning in the year in which the Mortgage Cut-Off Date occurs, payments are limited to twelve percent (12%) of the Mortgagor's equity. For purposes of distributions, the Mortgagor's equity will be the sum of (i) the LIHTC equity; (ii) the brownfield tax credit equity; (iii) the historic tax credit equity; (iv) general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority (estimated to be a total of $3,527,485). All such payments shall be referred to as "Limited Dividend Payments". The Mortgagor's return shall be fully cumulative. Limited Dividend Payments shall be capped at 12% per annum, until the HOME Loan have been repaid. Thereafter, Limited Dividend Payments may increase 1% per annum until a cap of 25% per annum is reached.

2. **Income Limits:**

   The income limitations for 114 units of this proposal are as follows:

   a. 11 units have been designated as Low-HOME units and during the Period of Affordability required under the HOME program (20 years) must be available for occupancy by households whose incomes do not exceed 50% of the HOME published area median income as determined by HUD, adjusted for family size.

   b. 11 units (2 one-bedroom units, 5 two-bedroom units and 4 three-bedroom units) must be available for occupancy by households whose incomes do not exceed 50% MTSP income limits, adjusted for family size, until latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

   c. 16 units (4 one-bedroom units, 8 two-bedroom units and 4 three-bedroom units) must be available for occupancy by households whose incomes do not exceed 40% MTSP income limits, adjusted for family size, until latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

d. 30 units (4 one-bedroom units, 9 two-bedroom units and 17 three-bedroom units) must be available for occupancy by households whose incomes do not exceed 60% MTSP income limits, adjusted for family size, until latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

e. 20 of the units (3 one-bedroom, one-bath apartments, 8 two-bedroom, one-bath apartments and 9 3-bedroom two bath apartments, must be available for occupancy by households whose incomes do not exceed up to 80% of AMI to achieve and maintain the average AMI level of the affordable units in the project at 60% AMI or less based upon the MTSP limits, adjusted for family size as determined by HUD, with the exception of when the income averaging test is met, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

f. 37 units (7 one-bedroom units, 20 two-bedroom units and 10 three-bedroom units) are market rate and may be rented without regard to income.

To the extent units within the Development are subject to multiple sets of income limits, the most restrictive income limit will apply so long as the applicable term of affordability continues.

The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size.

3. <u>Limitations on Rental Rates</u>:

The Total Housing Expense (contract rent plus tenant-paid utilities) for 114 units is subject to the following limitations:

a. During the Period of Affordability required under the HOME program (20 years), the Total Housing Expense for the 11 Low-HOME units may not exceed the "Low-HOME Rent Limit" for the unit established and published annually by HUD.

b. The Total Housing Expense for 11 units (2 one-bedroom units, 5 two-bedroom units and 4 three-bedroom units), may not exceed one-twelfth ($1/12^{th}$) of 30% of the MTSP 50% of area median income adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

c. The Total Housing Expense for 16 units (4 one-bedroom units, 8 two-bedroom units and 4 three-bedroom units), may not exceed one-twelfth ($1/12^{th}$) of 30% of the MTSP 40% of area median income adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

d. The Total Housing Expense for 30 units (4 one-bedroom units, 9 two-bedroom units and 17 three-bedroom units), may not exceed one-twelfth ($1/12^{th}$) of 30% of the MTSP 60% of area median income adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

e. The Total Housing Expense for 20 units (3 one-bedroom units, 8 two-bedroom units and 9 three-bedroom units), may not exceed up to one-twelfth ($1/12^{th}$) of 30% of the MTSP 80% income limit as long as the average AMI level of the affordable units in the project is 60% AMI or less, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

f. 37 units (7 one-bedroom units, 20 two-bedroom units and 10 three-bedroom units) are market rate and there shall be no limit on the rents charged for these units.

To the extent units within the Development are subject to multiple sets of rent limits, the most restrictive rent limit will apply so long as the applicable term of affordability continues.

While rental increases for these units may be permitted from time to time as HUD publishes updated median income limits, the Mortgagor must further agree that rental increases for targeted units will be limited to not more than 5% for any resident household during any 12-month period.

For the initial lease term of the first household occupying each rent restricted unit in the Development the initial rent may not exceed 105% of the rent approved in this Mortgage Loan Feasibility/Commitment Staff Report. Rental increases on occupied units during any 12-month period will be limited to not more than 5% of the rent paid by the resident household at the beginning of that annual period. Exceptions to this limitation may be granted by MSHDA's Director of Asset Management for extraordinary increases in project operating expenses (exclusive of limited dividend payments) or mortgage loan increases. Rents on vacated units may be increased to the maximum level permissible by the applicable programs. Rents and utility allowances must be approved annually

Exceptions to the foregoing limitations may be granted by the Authority's Director of Asset Management to pay for extraordinary increases in operating expenses (exclusive of Limited Dividend Payments) or to enable the owner to amortize a Mortgage Loan increase to fund cost overruns pursuant to the Authority's policy on Mortgage Loan increases.

4. <u>Covenant Running with the Land</u>:

The Mortgagor must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the obligations issued or to be issued to finance the Mortgage Loan. This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is 15 years after the date on which 50% of the residential units in the Development are occupied, the first day on which no bonds are outstanding with respect to the project, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations. Additionally, if LIHTC is awarded to the Development, the Mortgagor must agree to subject the property to the extended low-income use commitment required by Section 42 of the Internal Revenue Code.

5. Restriction on Prepayment and Subsequent Use:

The Mortgage Loan is eligible for prepayment after the expiration of fifteen (15) years after the commencement of amortization. The Mortgagor must provide the Authority with at least 60 days' written notice prior to any such prepayment.

In the event of a prepayment, however, the Mortgagor must pay a prepayment fee equal to the sum of:

a. 1% of the balance being prepaid;
b. Any bond call premium, prepayment or swap penalty, or any other cost that the Authority incurs to prepay the bonds or notes that were used to fund the Mortgage Loan; and
c. Any loss of debt service spread between the Mortgage Loan and the bonds used to finance the loan from the date of the prepayment through the end of the 20th year of amortization.

Once the Mortgagor has been approved for the early prepayment of the underlying loan, it must sign an agreement with the Authority stating it is responsible for the cost of terminating the swap. The Mortgagor can then choose the timing of the termination and participate in the transaction with the swap counterparty. The swap counterparty will quote the cost of terminating the swap and the Mortgagor will have the ability to execute the transaction or cancel at its sole discretion. If the Mortgagor chooses not to terminate the swap, it will forfeit the right to prepay the Mortgage Loan.

Subordinate loans are eligible to prepay at any time upon 60 days prior written notice to the Authority, but prepayment may not extinguish federal affordability and compliance requirements

6. Operating Assurance Reserve:

Upon Construction Completion, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to 4 months' of estimated Development operating expenses (estimated to be $489,391). The OAR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority in accordance with the Authority's written policy on the use of the Operating Assurance Reserve, as amended from time to time. The OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. **Replacement Reserve:**

The Mortgagor must agree to establish a replacement reserve fund ("Replacement Reserve") by making annual deposits to the Replacement Reserve, beginning on the Mortgage Cut-Off Date, at a minimum of $350 per unit for the first year of operation, payable in monthly installments, with deposits in subsequent years to be the greater of (i) the prior year's deposit, increased by 3%, or (ii) a percentage of the Development's projected annual rental income or gross rent potential ("GRP") for the year using the percentage obtained by dividing the first year's deposit by the first year's GRP shown on the operating proforma for the Development attached hereto. The annual deposit to the Replacement Reserve may also be increased to any higher amount that is determined to be necessary by the Authority, based on a CNA and the Authority's Replacement Reserve policies. The Authority may update any CNA or obtain a new CNA every five years, or upon any frequency, as determined necessary by the Authority.

8. **Authority Subordinate Loan(s):**

At Initial Closing, the Mortgagor must enter into agreements relating to the permanent HOME Loan. The HOME Loan will be secured by a subordinate mortgage and will bear simple interest at 1% with a 50-year term. No payments on the HOME Loan will be required until the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee, or (b) the 13th year following the commencement of amortization of the Mortgage Loan. Interest will continue to accrue on each loan until paid in full.

At the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee or (b) the 13th year following the date that Mortgage Loan amortization commences, repayment of the HOME Loan will be made from fifty percent (50%) of any surplus cash available for distribution. Such payments shall be applied first to accrued interest, then to current interest and principal and shall continue until the sale of the Development or refinancing of the Mortgage Loan, at which time the HOME Loan shall be due in full. If the HOME Loan is still outstanding, then following repayment of the Mortgage Loan and continuing on the first day of every month thereafter, the Mortgagor shall make monthly payments of principal and interest equal to the monthly payments that were required on the Mortgage Loan on the first day of every month until the HOME Loan is paid in full, sale of the Development or the date that is 50 years from date of Initial Closing, whichever occurs first.

9. **Architectural Plans and Specifications; Contractor's Qualification Statement:**

Prior to Mortgage Loan Commitment, the architect must submit architectural drawings and specifications that address all design review comments, acceptable to the Authority's Chief Architect and the Director of Development.

Prior to Mortgage Loan Commitment, the general contractor must submit AIA Document A305 as required by the Authority's Chief Architect.

10. <u>Owner/Architect Agreement</u>:

Prior to Mortgage Loan Commitment, the Mortgagor must provide the Authority with an executed Owner Architect Agreement acceptable in form and substance to the Director of Legal Affairs.

11. <u>Trade Payment Breakdown:</u>

Prior to Mortgage Loan Commitment, the general contractor must submit a signed Trade Payment Breakdown acceptable to the Authority's Design and Construction Manager.

12. <u>Section 3 Requirements:</u>

Prior to Mortgage Loan Commitment, the general contractor must agree to comply with all federal Section 3 hiring requirements. The general contractor must provide the contractor's "Section 3 Hiring Plan" which must be reviewed and found acceptable to the Authority's Section 3 Compliance Officer. In addition, the general contractor must agree to adhere to follow-up reporting requirements as established by the Authority.

13. <u>Equal Opportunity and Fair Housing:</u>

Prior to Mortgage Loan Commitment, the management and marketing agent's Affirmative Fair Housing Marketing Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer for Fair Housing Requirements.

In addition, prior to Mortgage Loan Commitment, the general contractor's Equal Employment Opportunity Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer.

14. <u>Cost Certification</u>:

The contractor's cost certification must be submitted within 90 days following the completion of construction, and the Mortgagor's cost certification must be submitted within 90 days following the Mortgage Cut-off Date. For LIHTC, the owner is obligated to submit cost certifications applicable to itself and the contractor prior to issuance of IRS form 8609 (see LIHTC Program Cost Certification Guidelines).

15. <u>Environmental Review and Indemnification</u>:

Prior to Mortgage Loan Commitment, the Mortgagor must address any outstanding environmental issues, in form and substance acceptable to the Authority's Environmental Review Officer.

At Initial Closing, the Mortgagor must enter an agreement to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of any violation of environmental laws. The indemnification agreement must be acceptable to the Director of Legal Affairs.

16. <u>Title Insurance Commitment and Survey:</u>

Prior to Mortgage Loan Commitment, the Mortgagor must provide an updated title insurance commitment, including zoning, pending disbursement, comprehensive, survey and such other endorsements as deemed necessary by the Authority's Director of Legal Affairs. The updated title commitment must contain only exceptions to the insurance acceptable to the Authority's Director of Legal Affairs.

Additionally, prior to Mortgage Loan Commitment, the Mortgagor must provide a surveyor's certificate of facts together with an ALTA survey certified to the 2016 minimum standards, and that appropriately reflects all easements, rights of way, and other issues noted on the title insurance commitment. All documents must be acceptable to the Director of Legal Affairs.

17. <u>Organizational Documents/Equity Pay-In Schedule:</u>

Prior to Mortgage Loan Commitment, the Mortgagor must submit a substantially final form syndication partnership agreement, including an equity pay-in schedule, that is acceptable in form and substance to the Director of Development and Director of Legal Affairs.

At or prior to Initial Closing, the final, executed syndication partnership agreement must become effective and the initial installment of equity must be paid in an amount approved by the Director of Development.

18. <u>Designation of Authority Funds:</u>

The Authority reserves the express right, in its sole discretion, to substitute alternate subordinate funding sources.

19. <u>Management & Marketing:</u>

Prior to Mortgage Loan Commitment, the management and marketing agent must submit the following documents, which must be found acceptable to the Director of Asset Management:

a. Management Agreement
b. Marketing Addendum

20. <u>Guaranties:</u>

At Initial Closing, the Sponsor, General Partner, and any entity receiving a developer fee in connection with the Development must deliver certain guaranties. The required guaranties include a guaranty of HOME recapture liability, an operating deficit guaranty and a performance completion guaranty. The required guaranties, the terms thereof and the parties who shall be required to deliver the guaranty must be determined and approved by the Authority's Director of Development.

21. <u>Financial Statements:</u>

Prior to Mortgage Loan Commitment, financial statements for the Sponsor, the guarantor(s) and the general contractor must be reviewed and found acceptable by the

Authority's Chief Financial Officer.

If prior to Initial Closing the financial statements that were approved by the Authority become more than six months old, the Sponsor, the guarantor(s) and/or the general contractor must provide the Authority with updated financial statements meeting Authority requirements upon request.

22. Future Contributions:

To ensure the Authority is contributing the least amount of funding necessary to achieve project feasibility, any decrease in Development costs or future contributions not included in the Development proforma may, at the Authority's discretion, be utilized to reduce, in equal proportions, any deferred developer fee and Authority soft funds.

23. Ownership of Development Reserves:

At the Initial Closing, the Mortgagor must enter into an agreement confirming the Authority's ultimate ownership of excess cash reserves, escrows and accounts as may exist at the time the Authority's mortgage loans are paid off or the Development is sold or refinanced. However, the Authority's claim to these funds shall be subject to any lawful claim to such funds by HUD. This agreement must be acceptable to the Authority's Director of Legal Affairs.

24. HUD Authority to Use Grant Funds:

Prior to Mortgage Loan Commitment, the Authority must receive HUD's Authority to Use Grant Funds (HUD 7015.16) in connection with the proposed HOME Loan from the Authority or confirmation that the Development is categorically excluded from NEPA review.

25. HUD Subsidy Layering Review:

Prior to Initial Closing, the subsidy layering review must be performed by Authority staff and must be submitted to HUD for approval. The subsidy layering approval is subject to review and approval by the Authority's Director of Development.

26. Application for Disbursement:

Prior to Initial Closing, the Mortgagor must submit an "Application for Disbursement" along with supporting documentation, which must be found acceptable to the Authority's Director of Development.

27. Uniform Relocation Act Compliance:

If the Development is occupied at Initial Closing and any occupants of the Development will be displaced and/or relocated as a result of the rehabilitation of the Development, then the Mortgagor and/or the Sponsor shall ensure compliance with all requirements of the Uniform Relocation Act and implementing regulations as set forth in 24 CFR Part 42 and 49 CFR Part 24, as well as 24 CFR §570.606. Such compliance shall be at the Mortgagor's or Sponsor's sole cost and expense. Prior to Final Closing, the Mortgagor must submit documentation that it has complied with all requirements of the Uniform Relocation Act. This documentation must be found acceptable by the Authority's Director of Development.

Special Conditions:

1. **Legal Requirements:**

   The Mortgagor and/or Sponsor must submit documentation acceptable to the Authority's Director of Legal Affairs for the items listed below:

   - Prior to Initial Closing, the Michigan Attorney General's Office must complete its review of the transaction and provide the Director of Legal Affairs its recommendation.
   - Any other documentation as required by the Director of Legal Affairs, including acceptable evidence of insurance, permits, licenses, zoning approvals, utility availability, payment and performance bonds and other closing requirements.

2. **Syndicator Reserve:**

   The Mortgagor shall fund a syndicator held reserve ("Syndicator Reserve") with a one-time deposit in the amount of $244,696 paid from equity proceeds according to the terms of the Mortgagor's limited partnership agreement. The Syndicator Reserve shall be controlled by the syndicator. The purpose of this reserve will be to fund an additional two-months of operating expenses.

DEVELOPMENT TEAM AND SITE INFORMATION

I. MORTGAGOR: 12191 Felch Street Limited Dividend Housing Association Limited Partnership

II. GUARANTOR(S):

A. Guarantor #1:

Name: Vishal Arora
Address: 305 East 47th Street, 10th Floor
New York, New York 10017

B. Guarantor #2:

Name: 12191 Felch GP LLC
Address: 305 East 47th Street, 10th Floor
New York, New York 10017

C. Guarantor #3:

Name: Magnus Capital Partners, LLC
Address: 305 East 47th Street, 10th Floor
New York, New York 10017

III. DEVELOPMENT TEAM ANALYSIS:

A. Sponsor:

Name: Magnus Capital Partners, LLC
Address: 305 East 47th Street
10th floor
New York, New York 10017

Individuals Assigned: Vishal Arora
Telephone: 917-349-3066
Fax: Not provided
E-mail: va@magnuscapitalpartners.com

1. **Experience**: The Sponsor has experience working on one Authority-financed development that is currently under construction. The sponsor has hired an experienced consultant Lori Pung of Pung Rental Housing Associates to assist in processing this proposal.

2. **Interest in the Mortgagor and Members**: An Insite Capital entity will be the 99.9% limited partner and an entity created by the sponsor will be the .01% general partner.

B. Architect:

Name: Hooker Dejong Inc.
Address: 549 Ottawa Avenue, NW, Suite 102
Grand Rapids, MI 49503

Individual Assigned: Eric Maring
Telephone: 616-617-1691
Fax: None provided
E-Mail: eroicm@hdjinc.com

1. **Experience**: Architect has previous experience with Authority-financed developments.

2. **Architect's License**: License number 1301057778, exp. 10/31/2021.

C. Attorney:

Name: Warner Norcross and Judd
Address: One Michigan Avenue Building
120 North Washington Square, Suite 410
Lansing, MI 48933

Individual Assigned: Tracey Lackman
Telephone: 517-679-7434
Fax: Not provided
E-Mail: tlackman@wnj.com

1. **Experience**: This firm has experience in closing Authority-financed developments.

D. **Builder**:

Name: Rhode Construction Company, Inc.
Address: 4087 Brockton Drive SE
Kentwood, MI 49512

Individual Assigned: Chad White
Telephone: 616-698-0880
Fax: Not provided
E-mail: chad@rhodeconstruction.com

1. **Experience**: The firm has previous experience in constructing Authority-financed developments.

2. **State Licensing Board Registration**: License number 2101108788, with an expiration date of 5/31/2023.

E. **Management and Marketing Agent**:

Name: American Preferred Management, Inc.
Address: 4390 Cascade road, Suite C
Grand Rapids, MI 49546

Individual Assigned: John Murphy
Telephone: 616-942-1792
Fax: Not provided
E-mail: jmurphy@americanpfd.com

1. **Experience:** This firm has significant experience managing Authority-financed developments.

F. **Development Consultant:**

Name: PRHC, LLC
Address: 1331 N Nine Mile
Sanford, MI 48657
Individual Assigned: Lori Pung
Telephone: 561-789-8206
E-mail : lori@prhcllc.com

Experience: This firm has previous experience closing Authority-financed developments.

G. **Development Team Recommendation:** Go

IV. SITE DATA:

A. Land Control/Purchase Price:
$ 415,000

B. Site Location:
12191 Felch Street, Holland, MI.

C. Size of Site:
8.48 Acres.

D. Density:
Deemed appropriate.

E. Physical Description:

1. Present Use: Residential.
2. Existing Structures: There are currently 2 single family homes, at least one of which is currently occupied.
3. Relocation Requirements: Yes. The sponsor is providing necessary relocation funds and a plan of action has been submitted and approved by legal staff.

F. Zoning:
Property is being rezoned to multifamily to suit this proposal.

G. Contiguous Land Use:

1. North: Multifamily
2. South: Vacant
3. East: Residential
4. West: Commercial

H. Tax Information:
A payment in lieu of taxes ("PILOT") will be applicable to this property. The PILOT rate will be 50% of the projected ad valorem taxes and Holland Charter Township has provided documentation that supports the tax expense in the proforma.

I. Utilities: Utilities will be provided to the site (Consumers Energy – electric, Semco energy – gas, Water and Sewer – Holland Charter Township).

J. Community Facilities:

1. Shopping:
The shops at Westshore is right across the street with various retail outlets to include groceries, apparel, banking, restaurants, etc.

2. Recreation:
There are a multitude of city parks in Holland including beachfront, hiking, picnicking, etc.

3. Public Transportation:
Max Transit operates a bus route that includes Felch Street, current bus stop is located at the shops of Westshore.

4. Road Systems
The proposed site is 12191 Felch street, which is located just east of Highway 31 and west of 120^{th} street.

5. Medical Services and other Nearby Amenities:
Holland hospital is 3 miles north of site.

6. Description of Surrounding Neighborhood:
Residential and commercial.

7. Local Community Expenditures Apparent:
None.

8. Indication of Local Support:
The city is approving rezoning for the site.

V. ENVIRONMENTAL FACTORS:

A Phase I Environmental Site Assessment was submitted to the Authority (see Standard Condition No. 15).

VI. DESIGN AND COSTING STATUS:

Architectural plans and specifications consistent with the scope of work have been reviewed by the Chief Architect. A response to all design review comments and the submission of corrected and final plans and specifications must be made prior to initial closing.

This proposal will satisfy the State of Michigan barrier-free requirements, the Authority's policy regarding accessibility and non-discrimination for the disabled, the Fair Housing Amendments Act of 1988, and the HOME requirements for barrier-free vision and hearing designed units. Construction documents must be acceptable to the Authority's Chief Architect.

VII. MARKET SUMMARY:

The Market study has been reviewed by the Authority's Chief Market Analyst and found to be acceptable. The Authority's Chief Market Analyst has reviewed and approved the unit mix, rental structure, and unit amenities.

VIII. EQUAL OPPORTUNITY AND FAIR HOUSING:

The contractor's Equal Employment Opportunity Plan is currently being reviewed and must be approved by the Authority's Design and Construction Manager prior to initial closing. The management and marketing agent's Affirmative Fair Housing Marketing Plan has been approved.

IX. MANAGEMENT AND MARKETING:

The management/marketing agent has submitted application level management and marketing information, to be approved prior to initial closing by the Authority's Director of Asset Management.

X. FINANCIAL STATEMENTS:

The sponsor's/guarantor's and the builder's financial statements have been submitted and are to be approved prior to initial closing by the Authority's Director of Rental Development.

XI. DEVELOPMENT SCHEDULING:

A. Mortgage Loan Commitment:	August 2020
B. Initial Closing and Disbursement:	November 2020
C. Construction Completion:	December 2021
D. Cut-Off Date:	September 2022

XII. ATTACHMENTS:

A. Development Proforma

APPROVALS:

Chad Benson Digitally signed by Chad Benson Date: 2020.08.19 13:51:11 -04'00' 08/19/2020

Chad Benson Date
Acting Director of Development

Clarence L. Stone, Jr. Digitally signed by Clarence L. Stone, Jr. Date: 2020.08.19 14:50:03 -04'00' 8/19/2020

Clarence L. Stone, Jr. Date
Director of Legal Affairs

Gary Heidel Digitally signed by Gary Heidel Date: 2020.08.20 09:29:00 -04'00' 08/20/2020

Gary Heidel Date
Acting Executive Director

Development	HOM Flats at Felch
Financing	Tax Exempt
MSHDA No.	3920
Step	Commitment
Date	08/27/2020
Type	New Construction

Mortgage Assumptions:

Debt Coverage Ratio	1.15	
Mortgage Interest Rate	4.250%	
Pay Rate	4.250%	
Mortgage Term	40	years
Income from Operations	No	

Instructions

Total Development Income Potential			Per Unit	Total	Initial Inflation Factor	Beginning in Year	Future Inflation Factor
Annual Rental Income			13,754	1,567,926	1.0%	6	2.0%
Annual Non-Rental Income			126	14,372	1.0%	6	2.0%
Total Project Revenue			13,880	1,582,298			
Total Development Expenses							
						Future Vacancy	
Vacancy Loss	6.00%	of annual rent potential	825	94,076		6	8.0%
Management Fee	534	per unit per year	534	60,876	3.0%	1	3.0%
Administration			1,068	121,777	3.0%	1	3.0%
Project-paid Fuel			150	17,100	3.0%	6	3.0%
Common Electricity			138	15,732	4.0%	6	3.0%
Water and Sewer			300	34,200	5.0%	6	5.0%
Operating and Maintenance			1,250	142,463	3.0%	1	3.0%
Real Estate Taxes			1,275	145,300	5.0%	1	5.0%
Payment in Lieu of Taxes (PILOT)		Applied to: All Units	0	0			
Insurance			315	35,910	3.0%	1	3.0%
Replacement Reserve	350	per unit per year	350	39,900	3.0%	1	3.0%
Other:			0		3.0%	1	3.0%
Other:			0		3.0%	1	3.0%

	% of Revenue	Per Unit	Total	Override
Total Expenses	44.70%	**6,205**	**707,334**	
Base Net Operating Income		7,675	874,964	
Part A Mortgage Payment	48.08%	6,674	760,838	
Part A Mortgage		**128,262**	**14,621,828**	
Non MSHDA Financing Mortgage Payment		0		
Non MSHDA Financing Type:		**0**		
Base Project Cash Flow (excludes ODR)	7.21%	1,001	114,126	

Development HOM Flats at Felch
Financing Tax Exempt
MSHDA No. 3920
Step Commitment
Date 08/27/2020
Type New Construction

Instructions

Income Limits for	Ottawa County			(Effective April 1,2020)		
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	17,580	20,070	22,590	25,080	27,090	29,100
40% of area median	23,440	26,760	30,120	33,440	36,120	38,800
50% of area median	29,300	33,450	37,650	41,800	45,150	48,500
60% of area median	35,160	40,140	45,180	50,160	54,180	58,200

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	Current Section 8 Contract Rent
40% Family	Area Median Income Units Occupancy									
A	4	Apartment	1	1.0	709	548	79	627	26,304	
B	8	Apartment	2	1.0	966	656	97	753	62,976	
C	4	Apartment	3	2.0	1,225	752	117	869	36,096	
									125,376	0
60% Family	Area Median Income Units Occupancy									
A	4	Apartment	1	1.0	709	862	79	941	41,376	0
B	9	Apartment	2	1.0	966	1,032	97	1,129	111,456	0
C	17	Apartment	3	2.0	1,225	1,187	117	1,304	242,148	0
									394,980	0
80% Family	Area Median Income Units Occupancy									
A	3	Apartment	1	1.0	709	1,088	79	1,167	39,161	0
B	8	Apartment	2	1.0	966	1,303	97	1,400	125,119	0
C	9	Apartment	3	2.0	1,225	1,500	117	1,617	162,038	0
									326,318	0
Market Family	Rate Units Occupancy									
A	7	Apartment	1	1.0	709	1,180	79	1,259	99,120	0
B	20	Apartment	2	1.0	966	1,380	97	1,477	331,200	0
C	10	Apartment	3	2.0	1,225	1,580	117	1,697	189,600	0
									619,920	0
50% Family	Area Median Income Units Occupancy									
A	2	Apartment	1	1.0	709	633	79	712	15,185	0
B	5	Apartment	2	1.0	966	719	97	816	43,124	0
C	4	Apartment	3	2.0	1,225	896	117	1,013	43,024	0
									101,332	0

Unit	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense	Rent Limited By	Differential: Under/ (over)	Differential %	Effective AMI%	Contract Rent/Sq. Foot
40% Family												
A	1.7%	3.5%	2,836	2.4%	2,836		627	TC Rent	0	0.00%	40.0%	$0.77
B	4.0%	7.0%	7,728	6.6%	7,728		753	TC Rent	0	0.00%	40.0%	$0.68
C	2.3%	3.5%	4,900	4.2%	4,900		869	TC Rent	0	0.00%	40.0%	$0.61
	8.0%	14.0%	15,464	13.3%	15,464							
60% Family												
A	2.6%	3.5%	2,836	2.4%	2,836		941	TC Rent	0	0.00%	60.0%	$1.2
B	7.1%	7.9%	8,694	7.5%	8,694		1,129	TC Rent	0	0.00%	60.0%	$1.0
C	15.4%	14.9%	20,825	17.9%	20,825		1,304	TC Rent	0	0.00%	60.0%	$0.9
	25.2%	26.3%	32,355	27.8%	32,355							
80% Family												
A	2.5%	2.6%	2,127	1.8%	2,127		1,255	TC Rent	88	7.01%	74.4%	$1.5
B	8.0%	7.0%	7,728	6.6%	7,728		1,506	TC Rent	106	7.04%	74.4%	$1.3
C	10.3%	7.9%	11,025	9.5%	11,025		1,739	TC Rent	122	7.02%	74.4%	$1.2
	20.8%	17.5%	20,880	17.9%	20,880							
Market Family												
A	6.3%	6.1%	4,963	4.3%	0		N/A	N/A	N/A	N/A	80.3%	$1.6
B	21.1%	17.5%	19,320	16.6%	0		N/A	N/A	N/A	N/A	78.5%	$1.4
C	12.1%	8.8%	12,250	10.5%	0		N/A	N/A	N/A	N/A	78.1%	$1.2
	39.5%	32.5%	36,533	31.4%	0							
50% Family												
A	1.0%	1.8%	1,418	1.2%	1,418	Low HOME	763	HOME Rent	51	6.68%	45.4%	$0.8
B	2.8%	4.4%	4,830	4.2%	4,830	Low HOME	874	HOME Rent	58	6.64%	43.3%	$0.7
C	2.7%	3.5%	4,900	4.2%	4,900	Low HOME	1,086	TC Rent	73	6.72%	46.6%	$0.7
	6.5%	9.6%	11,148	9.6%	11,148							
			116,380		**79,847**							

Total Tenant Units	**114**	1 br	20
Manager Units	**0**	2 br	50
Income Average	59.61%	3 br	44
Set Aside	67.54%		

Gross Rent Potential	**1,567,926**
Average Monthly Rent	**1,146**
Gross Square Footage	**116,380**

HOME Units SF/Total Units SF	9.6%	**Within Range**
# HOME Units/# Total Units	9.6%	**Within Range**

Utility Allowances

	Tenant-Paid Electricity	Tenant-Paid A/C	Tenant-Paid Gas	Owner-Paid Water/ Sewer	Other	Total	Overide
A	42		37			79	
B	55		42			97	
C	68		49			117	
D						0	
E							
F						0	
G							
H							

0.686088675

Annual Non-Rental Income

Misc. and Interest	14,372
Laundry	
Carports	
Other:	
Other:	
	14,372

Total Income	**Annual**	**Monthly**
Rental Income	1,567,926	130,660
Non-Rental Income	14,372	1,198
Total Project Revenue	1,582,298	131,858

Development HOM Flats at Felch
Financing Tax Exempt
MSHDA No. 3920
Step Commitment
Date 08/27/2020
Type New Construction

Instructions

TOTAL DEVELOPMENT COSTS

		Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Acquisition						
Land		3,640	415,000	0%	0	0
Existing Buildings		0		100%	0	0
Other: URA Relocation Costs		772	88,000	0%	0	0
	Subtotal	4,412	503,000			
Construction/Rehabilitation						
Off Site Improvements		0		100%	0	0
On-site Improvements		12,263	1,398,000	100%	1,398,000	0
Landscaping and Irrigation		1,123	128,000	100%	128,000	128,000
Structures		99,816	11,379,000	100%	11,379,000	11,379,000
Community Building and/or Maintenance Facility		1,518	173,000	100%	173,000	173,000
Construction not in Tax Credit basis (i.e.Carports and Commercial Space		0		0%	0	0
General Requirements	% of Contract 3.05% Within Range	3,500	399,000	100%	399,000	399,000
Builder Overhead	% of Contract 2.00% Within Range	2,362	269,300	100%	269,300	269,300
Builder Profit	% of Contract 4.00% Within Range	4,822	549,700	100%	549,700	549,700
Permits, Bond Premium, Tap Fees, Cost Cert.		1,175	134,000	100%	134,000	134,000
Other:		0		100%	0	0
	Subtotal	126,579	14,430,000			
	15% of acquisition and $15,000/unit test:		met			
Professional Fees						
Design Architect Fees		2,736	311,904	100%	311,904	311,904
Supervisory Architect Fees		684	77,976	100%	77,976	77,976
Engineering/Survey		88	10,000	100%	10,000	10,000
Legal Fees		351	40,000	100%	40,000	40,000
	Subtotal	3,859	439,880			
Interim Construction Costs						
Property & Causality Insurance		614	70,000	100%	70,000	70,000
Construction Loan Interest	Override 264,440	2,320	264,440	80%	211,552	211,552
Title Work		614	70,000	100%	70,000	0
Construction Taxes		614	70,000	100%	70,000	70,000
Other:		0		100%	0	0
	Subtotal	4,162	474,440			
Permanent Financing						
Loan Commitment Fee to MSHDA	2%	3,170	361,400	0%	0	0
Other:		0		0%	0	0
	Subtotal	3,170	361,400			
Other Costs (In Basis)						
Application Fee		18	2,000	100%	2,000	2,000
Market Study		57	6,500	100%	6,500	6,500
Environmental Studies		88	10,000	100%	10,000	10,000
Cost Certification		175	20,000	100%	20,000	20,000
Equipment and Furnishings		877	100,000	100%	100,000	0
Temporary Tenant Relocation		0		100%	0	0
Construction Contingency		8,772	1,000,000	100%	1,000,000	1,000,000
Appraisal and C.N.A.		26	3,000	100%	3,000	3,000
Other: Soil Studies		132	15,000	100%	15,000	15,000
	Subtotal	10,145	1,156,500			
Other Costs (NOT In Basis)						
Start-up and Organization		44	5,000	0%	0	0
Tax Credit Fees (based on 2017 QAP)	25,749 Within Range	226	25,749	0%	0	0
Compliance Monitoring Fee (based on 2017 QAP)		321	36,575	0%	0	0
Marketing Expense		1,316	150,000	0%	0	0
Syndication Legal Fees		395	45,000	0%	0	0
Rent Up Allowance	9.0 months	5,281	601,978	23%	138,455	138,455
Other:		0		0%	0	0
	Subtotal	7,582	864,302			

		Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Project Reserves						
Operating Assurance Reserv	4.0 months Funded in Cas	4,293	489,391	0%	0	0
Replacement Reserve	Not Required	0	0	0%	0	0
Operating Deficit Reserve		0	0	0%	0	0
Rent Subsidy Reserve		0	0	0%	0	0
Syndicator Held Reserve		2,146	244,696	0%	0	0
Rent Lag Escrow		0	0	0%	0	0
Tax and Insurance Escrows		0	0	0%	0	0
Other:		0		0%	0	0
Other:		0		0%	0	0
	Subtotal	6,439	734,087			
Miscellaneous						
Deposit to Development Operating Account (1MGRP	Not Required	0	0	0%	0	0
Other (Not in Basis):		0	0	0%	0	0
Other (In Basis):		0	0	100%	0	0
Other (In Basis):		0	0	100%	0	0
	Subtotal	0	0			
Total Acquisition Costs		4,412	503,000			
Total Construction Hard Costs		126,579	14,430,000			
Total Non-Construction ("Soft") Costs		35,356	4,030,609			
Developer Overhead and Fee						
Maximum 2,745,160		18,421	2,100,000	100%	2,100,000	2,100,000
7.5% of Acquisition/Project Reserves	Override 2,100,000		5% Attribution Test			
15% of All Other Development Costs			met		LIHTC Basis	Historic Basis
Total Development Cost		184,769	21,063,609		18,686,387	17,118,387

TOTAL DEVELOPMENT SOURCES

	% of TDC	Per Unit	Total
MSHDA Permanent Mortgage	69.42%	128,262	14,621,828
Conventional/Other Mortgage	0.00%	0	0
Equity Contribution from Tax Credit Syndication	16.75%	30,943	3,527,485
MSHDA NSP Funds	0.00%	0	
MSHDA HOME or Housing Trust Funds	8.64%	15,965	1,820,000
Mortgage Resource Funds	0.00%	0	
Other MSHDA:	0.00%	0	
Local HOME	0.00%	0	
Income from Operations	1.04%	1,922	219,108
Other Equity	0.00%	0	
Transferred Reserves:	0.00%	0	0
Other:	0.00%	0	
Other:	0.00%	0	
Deferred Developer Fee	4.15%	7,677	875,188
Total Permanent Sources			21,063,609

# of Units	Gap to Hard Debt Ratio
0.00	12.45%
11.00	

Deferred Dev Fee
41.68%

Sources Equal Uses?	**Balanced**
Surplus/(Gap)	0

MSHDA Construction Loan	77.15%	142,544	16,250,000
Construction Loan Rate	4.250%		
Repaid from equity prior to final closing			1,628,172

Eligible Basis for LIHTC/TCAP		**Value of LIHTC/TCAP**		
Acquisition	0	Acquisition	0	
Construction 12,621,507		Construction	387,480	Override
Acquisition Credit %	3.07%	Total Yr Credit	387,480	
Rehab/New Const Credit %	3.07%	Equity Price	$0.9075	
Qualified Percentage	67.54%	Equity Effective Price	$0.9105	Override
QCT/DDA Basis Boost	100%	Equity Contribution	3,516,032	3,527,485
Historic?				

Existing Reserve Analysi	
DCE Interest:	
Insurance:	
Taxes:	
Rep. Reserve:	
ORC:	
DCE Principal:	
Other:	

Summary of Acquisition Price		As of	
Attributed to Land	415,00	1st Mortgage Balance	
Attributed to Existing Structure	0	Subordinate Mortgage(s)	
Other:	0	Subordinate Mortgage(s)	
	88,000	Subordinate Mortgage(s)	
		Premium/(Deficit) vs Existing	503,000

Construction Loan Term	Months
Construction Contract	14
Holding Period (50% Test)	9
Rent Up Allowance	9
Construction Loan Period	23

Appraised Value	Value As of: November 7, 2019
"Encumbered As-Is" value as determined by appraisal:	560,000
Plus 5% of Appraised Value:	0
LESS Fixed Price to the Seller:	503,000
Surplus/(Gap) Within Range	57,000

Override

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	3,527,485
Brownfield Equity	
Historic Tax Credit Equity	
General Partner Capital Contributions	
Other Equity Sources	
New Owner's Equity	3,527,485

Cash Flow Projections

Development HOM Flats at Felch
Financing Tax Exempt
MSHDA No. 3920
Step Commitment
Date 08/27/2020
Type New Construction

	Initial	Starting in	Future		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Income																								
Annual Rental Income	1.0%	6	2.0%		1,567,926	1,583,605	1,599,441	1,615,435	1,631,590	1,664,222	1,697,506	1,731,456	1,766,085	1,801,407	1,837,435	1,874,184	1,911,667	1,949,901	1,988,899	2,028,677	2,069,250	2,110,635	2,152,848	2,195,905
Annual Non-Rental Income	1.0%	6	2.0%		14,372	14,516	14,661	14,807	14,956	15,255	15,560	15,871	16,188	16,512	16,842	17,179	17,523	17,873	18,231	18,595	18,967	19,347	19,734	20,128
Total Project Revenue					**1,582,298**	**1,598,121**	**1,614,102**	**1,630,243**	**1,646,545**	**1,679,476**	**1,713,066**	**1,747,327**	**1,782,274**	**1,817,919**	**1,854,277**	**1,891,363**	**1,929,190**	**1,967,774**	**2,007,130**	**2,047,272**	**2,088,218**	**2,129,982**	**2,172,582**	**2,216,033**
Expenses																								
Vacancy Loss	6.0%	6	8.0%		94,076	95,016	95,966	96,926	97,895	133,138	135,800	138,516	141,287	144,113	146,995	149,935	152,933	155,992	159,112	162,294	165,540	168,851	172,228	175,672
Management Fee	3.0%	1	3.0%		60,876	62,702	64,583	66,521	68,516	70,572	72,689	74,870	77,116	79,429	81,812	84,267	86,795	89,398	92,080	94,843	97,688	100,619	103,637	106,746
Administration	3.0%	1	3.0%		121,777	125,430	129,193	133,069	137,061	141,173	145,408	149,770	154,263	158,891	163,658	168,568	173,625	178,834	184,199	189,725	195,416	201,279	207,317	213,537
Project-paid Fuel	3.0%	6	3.0%		17,100	17,613	18,141	18,686	19,246	19,824	20,418	21,031	21,662	22,312	22,981	23,670	24,381	25,112	25,865	26,641	27,440	28,264	29,112	29,985
Common Electricity	4.0%	6	3.0%		15,732	16,361	17,016	17,696	18,404	18,956	19,525	20,111	20,714	21,336	21,976	22,635	23,314	24,013	24,734	25,476	26,240	27,027	27,838	28,673
Water and Sewer	5.0%	6	5.0%		34,200	35,910	37,706	39,591	41,570	43,649	45,831	48,123	50,529	53,055	55,708	58,494	61,418	64,489	67,714	71,099	74,654	78,387	82,306	86,422
Operating and Maintenance	3.0%	1	3.0%		142,463	146,737	151,139	155,673	160,343	165,154	170,108	175,212	180,468	185,882	191,458	197,202	203,118	209,212	215,488	221,953	228,611	235,470	242,534	249,810
Real Estate Taxes	5.0%	1	5.0%		145,300	152,565	160,193	168,203	176,613	185,444	194,716	204,452	214,674	225,408	236,678	248,512	260,938	273,985	287,684	302,068	317,172	333,030	349,682	367,166
Payment in Lieu of Taxes (PILOT)					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance	3.0%	1	3.0%		35,910	36,987	38,097	39,240	40,417	41,630	42,878	44,165	45,490	46,854	48,260	49,708	51,199	52,735	54,317	55,947	57,625	59,354	61,134	62,968
Replacement Reserve	3.0%	1	3.0%		39,900	41,097	42,330	43,600	44,908	46,255	47,643	49,072	50,544	52,060	53,622	55,231	56,888	58,594	60,352	62,163	64,028	65,949	67,927	69,965
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses					707,334	730,419	754,365	779,204	804,975	865,793	895,018	925,321	956,747	989,341	1,023,149	1,058,221	1,094,609	1,132,365	1,171,545	1,212,208	1,254,415	1,298,229	1,343,715	1,390,944
Debt Service																								
Debt Service Part A					760,838	760,838	760,838	760,838	760,838	760,838	760,838	760,838	760,838	760,838	760,838	760,838	760,838	760,838	760,838	760,838	760,838	760,838	760,838	760,838
Debt Service Conventional/Other Financing					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenses					**1,468,172**	**1,491,258**	**1,515,203**	**1,540,043**	**1,565,813**	**1,626,632**	**1,655,856**	**1,686,159**	**1,717,585**	**1,750,179**	**1,783,987**	**1,819,060**	**1,855,447**	**1,893,203**	**1,932,384**	**1,973,047**	**2,015,253**	**2,059,067**	**2,104,554**	**2,151,783**
Cash Flow/(Deficit)					**114,126**	**106,863**	**98,899**	**90,200**	**80,732**	**52,845**	**57,210**	**61,168**	**64,688**	**67,740**	**70,290**	**72,303**	**73,743**	**74,571**	**74,746**	**74,225**	**72,964**	**70,915**	**68,028**	**64,251**
Cash Flow Per Unit					1,001	937	868	791	708	464	502	537	567	594	617	634	647	654	656	651	640	622	597	564
Debt Coverage Ratio on Part A Loan					1.15	1.14	1.13	1.12	1.11	1.07	1.08	1.08	1.09	1.09	1.09	1.10	1.10	1.10	1.10	1.10	1.10	1.09	1.09	1.08
Debt Coverage Ratio on Conventional/Other Financing					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Rate on Reserves	3%				Average Cash Flow as % of Net Income																			
Operating Deficit Reserve (ODR) Analysis																								
Maintained Debt Coverage Ratio (Hard Debt)	1.00																							
Maintained Operating Reserve (No Hard Debt)	250			Initial Deposit																				
Initial Balance				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Maintained Cash Flow Per Unit					1,001	937	868	791	708	464	502	537	567	594	617	634	647	654	656	651	640	622	597	564
Maintained Debt Coverage Ratio on Part A Loan					1.15	1.14	1.13	1.12	1.11	1.07	1.08	1.08	1.09	1.09	1.09	1.10	1.10	1.10	1.10	1.10	1.10	1.09	1.09	1.08
Maintained Debt Coverage Ratio on Conventional/Other					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR				**0**																				
Non-standard ODR				**0**																				
Operating Assurance Reserve Analysis				489,391																				
Required in Year: 1				Initital Deposit																				
Initial Balance				**489,391**	489,391	504,072	519,195	534,770	550,813	567,338	584,358	601,889	619,945	638,544	657,700	677,431	697,754	718,687	740,247	762,455	785,328	808,888	833,155	858,149
Interest Income					14,682	15,122	15,576	16,043	16,524	17,020	17,531	18,057	18,598	19,156	19,731	20,323	20,933	21,561	22,207	22,874	23,560	24,267	24,995	25,744
Ending Balance					504,072	519,195	534,770	550,813	567,338	584,358	601,889	619,945	638,544	657,700	677,431	697,754	718,687	740,247	762,455	785,328	808,888	833,155	858,149	883,894
Deferred Developer Fee Analysis																								
Initial Balance					875,188	761,062	654,199	555,301	465,101	384,369	331,524	274,314	213,147	148,458	80,718	10,428	0	0	0	0	0	0	0	0
Dev Fee Paid					114,126	106,863	98,899	90,200	80,732	52,845	57,210	61,168	64,688	67,740	70,290	10,428	0	0	0	0	0	0	0	0
Ending Balance	Repaid in ye 0				761,062	654,199	555,301	465,101	384,369	331,524	274,314	213,147	148,458	80,718	10,428	0	0	0	0	0	0	0	0	0
Mortgage Resource Fund Loan																								
Principal Amount of all MSHDA Soft Funds / Interest Rate on Subordinate Financing	3%			Initial Balance 0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Current Yr Int					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Int					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal				% of Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Payment Due				**50%**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Year End Balance					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
HOM FLATS AT FELCH STREET, MSHDA DEVELOPMENT NO. 3920
HOLLAND TOWNSHIP, OTTAWA COUNTY

August 27, 2020

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (the "Act"), to make mortgage loans to qualified non-profit housing corporations, consumer housing cooperatives and limited dividend housing corporations and associations; and

WHEREAS, an Application for Mortgage Loan Feasibility has been filed with the Authority by Magnus Capital Partners, LLC (the "Applicant"), for a multifamily housing project to be located in Holland Township, Ottawa County, Michigan, having an estimated total development cost of Twenty-One Million Sixty-Three Thousand Six Hundred Nine Dollars ($21,063,609), and a total estimated maximum mortgage loan amount of Sixteen Million Two Hundred Fifty Thousand Dollars ($16,250,000) (hereinafter referred to as the "Application").

WHEREAS, a housing association to be formed by the Applicant may become eligible to receive a Mortgage Loan from the Authority under the provisions of the Act and the Authority's General Rules; and

WHEREAS, the Acting Executive Director has forwarded to the Authority his analysis of the Application and his recommendations with respect thereto; and

WHEREAS, the Authority has considered the Application in the light of the Authority's project mortgage loan feasibility evaluation factors.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The following determinations be and they hereby are made:

    a. The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located, thereby enhancing the viability of such housing.

    b. The Applicant is reasonably expected to be able to achieve successful completion of the proposed housing project.

    c. The proposed housing project will meet a social need in the area in which it is to be located.

    d. A mortgage loan, or a mortgage loan not made by the Authority that is a federally-aided mortgage, can reasonably be anticipated to be obtained to provide financing for the proposed housing project.

e. The proposed housing project is a feasible housing project.

f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Nineteen Million One Hundred Seventy-Five Thousand Dollars ($19,175,000).

2. The proposed housing project be and it is hereby determined to be feasible for a mortgage loan on the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Report of the Authority Staff presented to the meeting, subject to any and all applicable determinations and evaluations issued or made with respect to the proposed housing project by other governmental agencies or instrumentalities or other entities concerning the effects of the proposed housing project on the environment as evaluated pursuant to the federal National Environmental Policy Act of 1969, as amended, and the regulations issued pursuant thereto as set forth in 24 CFR Part 58.

3. The determination of feasibility is based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this feasibility determination resolution may, at the option of the Acting Executive Director, the Chief Housing Investment Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chief Financial Officer, the Deputy Director of Finance or any person duly authorized to act in any of the foregoing capacities (each an "Authorized Officer"), be immediately rescinded.

4. Neither this determination of feasibility nor the execution prior to closing of any documents requested to facilitate processing of a proposed mortgage loan to be used in connection therewith constitutes a promise or covenant by the Authority that it will make a Mortgage Loan to the Applicant.

5. This determination of Mortgage Loan Feasibility is conditioned upon the availability of financing to the Authority. The Authority does not covenant that funds are or will be available for the financing of the subject proposed housing development.

6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated August 27, 2020, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MORTGAGE LOAN
HOM FLATS AT FELCH STREET MSHDA DEVELOPMENT NO. 3920
HOLLAND TOWNSHIP, OTTAWA COUNTY

August 27, 2020

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized, under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (hereinafter referred to as the "Act"), to make mortgage loans to qualified nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations and associations and certain qualified individuals; and

WHEREAS, an application (the "Application") has been filed with the Authority by Magnus Capital Partners, LLC (the "Applicant"), for a construction mortgage loan in the amount of Sixteen Million Two Hundred Fifty Thousand Dollars ($16,250,000), and a permanent mortgage loan in the amount of Fourteen Million Six Hundred Twenty-One Thousand Eight Hundred Twenty-Eight Dollars ($14,621,828), for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Twenty-One Million Sixty-Three Thousand Six Hundred Nine Dollars ($21,063,609), to be known as HOM Flats on Felch Street, located in the Township of Holland, Ottawa County, Michigan, and to be owned by 12191 Felch Street Limited Dividend Housing Association Limited Partnership (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a mortgage loan under the HOME Investment Partnerships Program (the “HOME Loan”) using HOME funds in the estimated amount of One Million Eight Hundred Twenty Thousand Dollars ($1,820,000); and

WHEREAS, the Acting Executive Director has forwarded to the Authority his analysis of the Application and his recommendation with respect thereto; and

WHEREAS, the Authority has reviewed the Application and the recommendation of the Acting Executive Director and, on the basis of the Application and recommendation, has made determinations that:

(a) The Mortgagor is an eligible applicant;

(b) The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located thereby enhancing the viability of such housing;

(c) The Applicant and the Mortgagor are reasonably expected to be able to achieve successful completion of the proposed housing project;

(d) The proposed housing project will meet a social need in the area in which it is to be located;

(e) The proposed housing project may reasonably be expected to be marketed successfully;

(f) All elements of the proposed housing project have been established in a manner consistent with the Authority's evaluation factors, except as otherwise provided herein;

(g) The construction or rehabilitation will be undertaken in an economical manner and it will not be of elaborate design or materials; and

(h) In light of the estimated total project cost of the proposed housing project, the amount of the mortgage loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation on the ratio of mortgage loan amount to estimated total project cost.

WHEREAS, the Authority has considered the Application in the light of the criteria established for the determination of priorities pursuant to General Rule 125.145 and hereby determines that the proposed housing project is consistent therewith; and

WHEREAS, Sections 83 and 93 of the Act provide that the Authority shall determine a reasonable and proper rate of return to limited dividend housing corporations and associations on their investment in Authority-financed housing projects.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Application be and it hereby is approved, subject to the terms and conditions of this Resolution, the Act, the General Rules of the Authority, and of the Mortgage Loan Commitment hereinafter authorized to be issued to the Applicant and the Mortgagor.

2. A construction and permanent mortgage loan (the "Mortgage Loan") be and it hereby is authorized and the Acting Executive Director, the Chief Housing Investment Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chief Financial Officer, the Deputy Director of Finance or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction financing of the proposed housing project in an amount not to exceed Sixteen Million Two Hundred Fifty Thousand Dollars ($16,250,000), and permanent financing in an amount not to exceed Fourteen Million Six Hundred Twenty-One Thousand Eight Hundred Twenty-Eight Dollars ($14,621,828), and to have a term of Forty (40) years after amortization of principal commences and to bear interest at a rate of Four and 25/100 percent (4.25%) per annum. The amount of proceeds of tax-exempt bonds issued or to be issued and allocated to the financing of this housing project shall not exceed Nineteen Million One Hundred Seventy-Five Thousand Dollars ($19,175,000). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

3. The mortgage loan commitment resolution and issuance of the Mortgage Loan Commitment are based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by

the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this mortgage loan commitment resolution together with the commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded.

4. Notwithstanding passage of this resolution or execution of any documents in anticipation of the closing of the proposed mortgage loan, no contractual rights to receive the mortgage loan authorized herein shall arise unless and until an Authorized Officer shall have issued a Mortgage Loan Commitment and the Applicant shall have agreed in writing within fifteen days after receipt thereof, to the terms and conditions contained therein.

5. The proposed housing project be and it hereby is granted a priority with respect to proceeds from the sale of Authority securities which are determined by the Acting Executive Director to be available for financing the construction and permanent loans of the proposed housing project. Availability of funds is subject to the Authority's ability to sell bonds at a rate or rates of interest and at a sufficient length of maturity so as not to render the permanent financing of the development unfeasible.

6. In accordance with Section 93(b) of the Act, the maximum reasonable and proper rate of return on the investment of the Mortgagor in the housing project be and it hereby is determined to be twelve percent (12%) per annum initially. Following the payment in full of the HOME Loan, the Mortgagor's rate of return may be increased by one percent (1%) annually until a cap of twenty-five percent (25%) is reached.

7. The Authority hereby waives Section VI.E.1 of the Multifamily Direct Lending Parameters adopted on June 28, 2017, requiring that underwritten rents for new construction transactions be limited to 95% of 30% of the MTSP 60% AMI limit for all units restricted to the MTSP 60% AMI limit.

8. The Authority hereby waives its Multifamily Direct Lending Parameters, VI(K)(1) Operating Assurance Reserve: to permit the operating assurance reserve to be funded at 100% construction completion rather than initial closing.

9. The Authority hereby waives its Standards of Design, to the extent the Standards require individual balconies, to permit common area outdoor pavilions.

10. The Mortgage Loan and HOME Loan shall be subject to, and the Mortgage Loan Commitment shall contain, the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated August 27, 2020, which conditions are hereby incorporated by reference as if fully set forth herein.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO:	Authority Members
FROM:	Gary Heidel, Acting Executive Director Gary Heidel
DATE:	August 27, 2020
RE:	The Marwood, Development No. 3793

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize a tax-exempt bond mortgage loan in the amounts set forth in this report, and 3) authorize waivers of certain loan parameters regarding the payment in lieu of taxes ("PILOT") and underwritten rent percentages, and 4) authorize the Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

PROJECT SUMMARY:

MSHDA No:	3793
Development Name:	The Marwood
Development Location:	City of Detroit, Wayne County
Sponsor:	Develop Detroit
Mortgagor:	Dev Detroit Marwood Limited Dividend Association, Limited Partnership
Number of Units:	71 affordable units
Occupancy Rate:	Underwritten at 92%
Total Development Cost:	$17,433,483
TE Bond Construction Loan:	$9,065,471 (52% TDC)
TE Bond Permanent Loan:	$5,060,495
MSHDA Gap Funds:	$2,948,980 Housing Trust Fund ("HTF")
Other Funds:	$5,055,445 Low Income Housing Tax Credit ("LIHTC") Equity, $1,184,148 in Historic Tax Credit Equity, $398,147 of Income from Operations, and

$1,026,268 of Deferred Developer

EXECUTIVE SUMMARY:

The Marwood is an apartment building located at 53 Marston Street in Detroit, Michigan. It was listed on the National Register of Historic Places in 2019 (the "Development").

The Development is a U-shaped four-and-a-half-story, neoclassical multi-tone red brick building. It has a flat roof and a raised basement. The U shape creates a narrow courtyard in the center, which leads to the building entrance at the back of the courtyard. The entrance is located in a projecting, one-story pavilion, and consists of a door with surrounding sidelight and transom. The front of the courtyard is decorated with limestone piers.

The ends of the U shape make up the front facade. Each end has a tall limestone basement level, with windowsills that are just above ground level. The brick walls above contain projecting stretcher courses at regular intervals.

Detroit expanded greatly in the 1910s and 1920s, creating a boom in housing construction of all types, notably including the construction of large apartment buildings. Developer Emil C. Pokorny of Pokorny & Company hired local architect Harvey J. Haughey to design this building, one of five Porknoy developed in Detroit. Construction began late that year and was finished in mid-1925. The apartments were rented as fully furnished units. The apartments were marketed to professionals and white-collar workers, and residents included a number of teachers as well as an embalmer, nurses, stenographers, a solicitor, an accountant, and bookkeepers.

The sponsor of this proposal, Develop Detroit, is planning on rehabilitating the Development and transforming it from a 53 to a 59-unit apartment building. In addition to the rehabilitation, two other residential structures will be constructed along Marston Street each containing 6 units. One of the new residential buildings will feature community space and apartments while the second structure will house 6 townhome units.

The City of Detroit is soundly behind this proposal and is providing 25 Section 8 Vouchers, a $1,760,000 HOME loan and a proposed 4% PILOT.

I am recommending Board approval for the following reasons:

- The Development will preserve a historic housing structure.
- The Development will add a new development to the Authority's portfolio.
- There is a strong need for affordable housing in this community and other affordable housing developments in the area are successful.

ADVANCING THE AUTHORITY'S MISSION:

- The Development will serve the people of Michigan by adding quality, affordable housing stock to the City of Detroit north side area and retaining affordable residential homes in Wayne County for up to 50 years.

MUNICIPAL SUPPORT:

- The City of Detroit is providing 25 Section 8 Vouchers and a $1,760,000 HOME Loan.

COMMUNITY IMPACT:

- The affordability period for these units range from 20 to 50 years, depending on the funding source.
- The development team has fostered community relationships in anticipation of Authority approval. The sponsor has had numerous neighborhood meetings with current and future residents of the Marwood Neighborhood. They have shared their overall development plans at these meetings and actively sought input from the community.

RESIDENT IMPACT:

- The existing Marwood will be renovated and 12 new units will be constructed. As units are completed, current residents of the apartment community will transfer to the updated/new units.
- The renovation/new construction units will improve the quality of living for existing tenants.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

The sponsor has elected to utilize the "Average Income Test for Low-Income Housing Tax Credit". Income Averaging is permanently established as a third minimum set-aside election for Housing Credit developments and became available in March 2018. This election allows developments to target units to households with rent and income up to 80% of area median income ("AMI") as long as the average AMI level of the affordable units in the project is 60% AMI or less. For this proposal there are 34 units at 80% of area median income ("AMI") that will be offset by 25 units targeted to 30% AMI tenants.

I am recommending waivers of certain provisions of the Authority's Multifamily Direct Lending Parameters. The two parameters waivers include (1) a waiver concerning a PILOT conditioned on the PILOT being acceptable prior to the Authority's disbursement of any funds as provided for in section VI.I(2) and (2) a waiver to permit underwritten rents equal to 100% of maximum allowable rent instead of 95% of tax credit rents as provided for in section VI.E(1).

MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

August 27, 2020

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize tax-exempt bond mortgage loans in the amounts set forth in this report, and 3) authorize waivers of certain loan parameters regarding the payment in lieu of taxes ("PILOT") and underwritten rent percentages, and 4) authorize the Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report,

MSHDA No.:	3793
Development Name:	Marwood Apartments
Development Location:	City of Detroit, Wayne County
Sponsor:	Develop Detroit
Mortgagor:	Marwood Marston 2020 Limited Dividend Housing Association LLC
TE Bond Construction Loan:	$9,065,411 (52% of TDC)
TE Bond Permanent Loan:	$5,060,495
MSHDA Permanent HTF Loan:	$2,948,980
Total Development Cost:	$17,433,483
Mortgage Term:	40 years for the tax-exempt bond loan; 50 years for the HTF loan
Interest Rate:	4.9% for the tax-exempt bond loan; 1% simple interest for the HTF loan
Program:	Tax-Exempt Bond and Gap Financing Programs
Number of Units:	12 family units of new construction and 59 units of rehabilitation
Unit Configuration:	10 Efficiencies, 44 One Bedroom Apartments, 11 Two Bedroom Apartments and 6Two Bedroom Townhomes
Builder:	O'Brien Waterford Construction Company, Inc.
Syndicator:	Insite Capital
Date Application Received:	February 2018
HDO:	Charles J Smith II

Issuance of the Authority's Mortgage Loan Commitment is subject to fulfillment of all Authority processing and review requirements and obtaining all necessary staff approvals as required by the Authority's underwriting standards.

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

The Sponsor has elected to utilize the "Average Income Test for Low-Income Housing Tax Credit".

Income Averaging is permanently established as a third minimum set-aside election for Housing Credit developments and became available in March 2018. This election allows developments to target units to households with rent and income up to 80% of area median income ("AMI") as long as the average AMI level of the affordable units in the project is 60% AMI or less. For this proposal there are 34 units at 80% of area median income ("AMI") that will be offset by 25 units targeted to 30% AMI tenants.

The Development will require a waiver of the following Authority Multifamily Direct Lending Parameters concerning a PILOT (Section VI I 2.) conditioned on the PILOT being found acceptable prior to the Authority's disbursement of any funds. See Special Condition No. 2.

- Proposals that do not include tax abatement will be underwriting based on the ad valorem taxes applicable to the property.
- That for a proposal to be underwritten on the basis of a PILOT, the PILOT must be approved prior to Authority Board consideration.

It is recommended that a waiver of the program provision that requires for underwriting purposes, on all new construction or vacant acquisition rehab transactions, underwritten rents for all units restricted to the Multifamily Tax Subsidy Project ("MTSP") 60% AMI limit, will be limited to 95% of 30% of the MTSP 60% AMI limit be granted. The underwritten rents will be 100% of the maximum allowable rents. The rents have been reviewed and approved by the Chief Market Analyst.

EXECUTIVE SUMMARY:

Marwood Apartments is an apartment building located at 53 Marston Street in Detroit, Michigan. It was listed on the National Register of Historic Places in 2019 (the "Development").

The Development is a U-shaped four-and-a-half-story, neoclassical multi-tone red brick building. It has a flat roof and a raised basement. The U shape creates a narrow courtyard in the center, which leads to the building entrance at the back of the courtyard. The entrance is located in a projecting, one-story pavilion, and consists of a door with surrounding sidelight and transom. The front of the courtyard is decorated with limestone piers.

The ends of the U shape make up the front facade. Each end has a tall limestone basement level, with windowsills that are just above ground level. The brick walls above contain projecting stretcher courses at regular intervals.

Detroit expanded greatly in the 1910s and 1920s, creating a boom in housing construction of all types, notably including the construction of large apartment buildings. Developer Emil C. Pokorny of Pokorny & Company hired local architect Harvey J. Haughey to design this building, one of five Porknoy developed in Detroit. Construction began late that year and was finished in mid-1925. The apartments were rented as fully furnished units. The apartments were marketed to professionals and white-collar workers, and residents included a number of teachers as well as an embalmer, nurses, stenographers, a solicitor, an accountant, and bookkeepers. Notable early residents at the Marwood included boxing promoter manager Al Werbe, silent film start Allan Forrest, and organist F. Dudleigh Vernor, who composed the song *Sweetheart of Sigma Chi*.

The sponsor of this proposal, Develop Detroit, is planning on rehabilitating the Development and transforming it from a 53 to a 59-unit apartment building. In addition to the rehabilitation, two other residential structures will be constructed along Marston Street each containing 6 units. One of the new residential buildings will feature community space and apartments while the second structure will house 6 townhome units.

The City of Detroit is soundly behind this proposal and is providing 25 Section 8 Vouchers, a $1,760,000 HOME loan and a proposed 4% PILOT.

Structure of the Transaction and Funding:

There are several elements to this transaction that are common to new construction/rehabilitation transactions:

- A tax-exempt bond construction loan and a permanent mortgage loan will be provided by the Authority (the “Mortgage Loan”). The construction loan will be in the amount of $9,065,411 at 4.9% interest with a 18-month term (an 12-month construction term and a 6-month rent-up period which will be used to bridge an extended equity pay-in period. Interest only payments will be required under the construction loan. The amount by which the construction loan exceeds the permanent loan will be due on the first day of the month following the month in which the 24-month construction loan term expires or such later date determined by an Authorized Officer of the Authority (the “Permanent Financing Date”).

- A permanent loan will be provided by the Authority in the amount of $5,060,495. The permanent loan is based upon the current rents, less vacancy loss, payments to reserves and escrows, operating costs based on historical data unless modified by project improvements and construction and soft costs at levels appropriate for this specific transaction. The permanent loan includes a 1.15 debt service coverage ratio, an annual interest rate of 4.9%, with a fully amortizing term of 40 years commencing on the Permanent Financing Date. The Mortgage Loan will be funded on the Permanent Financing Date and will be in **First Position**.

- A permanent subordinate loan using an Authority Housing Trust Fund Loan (the “HTF Loan”) in the amount of $2,948,980 will be provided at 1% simple interest with payments initially deferred. The HTF Loan will be in **Second Position**.

- The City of Detroit will provide a HOME Loan in the amount of $1,760,000. This loan will be in **Third Position**. See Special Condition No. 4.

- Equity support comes from an investment related to the 4% LIHTC in the estimate amount of $5,055,445.

- Federal Historic Tax Credits have been requested and additional equity support will come from the sale of these credits. See Special Condition No. 3.

- Income from operations will be used as a source of funding to make the interest only payments and the tax and insurance payments during the construction period in the amount of $398,147.

- The Sponsor has agreed to defer $1,026,268 of the developer fee to help fill the remaining funding gap.

- An operating assurance reserve will be required in the amount identified in the attached proforma. The reserve will be capitalized at closing in an amount which, along with accumulated interest, is expected to meet the Development's unanticipated operating needs. This reserve will be held by the Authority.

- A 6 month rent-up allowance in the amount identified in the attached proforma will be required to support interest payments between construction completion and the Mortgage Cut-Off Date, as determined by the Authority.

- The Development will be renovated and a new replacement reserve requirement imposed, based upon a capital needs assessment ("CNA"), to ensure an extension of the useful life of the property and to maintain an excellent quality of life for the residents. At the closing, the Mortgagor must deposit the amount determined necessary to satisfy the requirements of the Authority-approved CNA over a 20-year period. This reserve will be held by the Authority.

<u>Scope of Rehabilitation:</u>

The following improvements to the property are included in the Scope of Work for the 59 units of rehab:

- New roof
- Replace all exterior and interior doors
- New Energy Star windows
- New carpet and tile in common areas and units
- New Energy Star appliances
- New kitchen cabinets
- New countertops
- New bathroom vanities
- New shower units and fixtures
- New Energy Star toilets
- New concrete walkways
- New parking lot surface

<u>Affordability Requirements</u>:

The Authority's tax-exempt bond regulatory agreement will require that all of the dwelling units in the property remain occupied by households with incomes at or below 60% of the MTSP income limit, adjusted for family size, in conjunction with the average income test. The number of restricted units is controlled by the number of eligible households in place at closing, estimated to be 100% of the units. 25 units will be further restricted to the income limits required by the HAP Contract, and those 25 units will be restricted to extremely low income (at or below 30% of AMI) households as required by the HTF Program.

<u>Protections for Existing Residents:</u>

The preservation and renovation of the Development will not result in a rent increase for the existing tenants. There will be no tenant displacement as a result of this transaction.

Site Selection:

The site has been vetted by Authority Staff and the Authorities Manager of the office of Market Research has indicated that the site meets the Authorities current site selection criteria.

Market Evaluation:

The unit mix as well as the amenities package and rent levels have been approved by the Manager of the office of Market Research Rental Development Division.

Valuation of the Property:

An appraisal dated October 30, 2018 estimates the value at $2,750,000.

CONDITIONS:

At or prior to (i) issuance of the Authority's mortgage loan commitment ("Mortgage Loan Commitment"), (ii) the initial Mortgage Loan Closing (the "Initial Closing"), or (iii) such other date as may be specified herein, the new Mortgagor, and other members of the Development team, where appropriate, must satisfy each of the following conditions by entering into a written agreement or providing documentation acceptable to the Authority:

Standard Conditions:

1. **Limitation for Return on Equity:**

   For each year of the Development's operation, beginning in the year in which the Mortgage Cut-Off Date occurs, payments are limited to twelve percent (12%) of the Mortgagor's equity. For purposes of distributions, the Mortgagor's equity will be the sum of (i) the LIHTC equity; (ii) the brownfield tax credit equity; (iii) the historic tax credit equity; (iv) general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority (estimated to be a total of $5,055,445). All such payments shall be referred to as "Limited Dividend Payments". The Mortgagor's return shall be fully cumulative. Limited Dividend Payments shall be capped at 12% per annum, until the HTF Loan has been repaid. Thereafter, Limited Dividend Payments may increase 1% per annum until a cap of 25% per annum is reached.

2. **Income Limits:**

   The income limitations for 71 units of this proposal are as follows:

   a. 25 units have been designated as HTF units and during the Period of Affordability required under the HTF program (30 years) must be available for occupancy by Extremely Low Income households whose incomes do not exceed 30% of AMI , as determined by HUD, adjusted for family size, or families whose adjusted gross income is at or below the poverty line (as defined in Section 673 of the Omnibus Budget Reconciliation Act of 1981, 42 U.S.C. 9902), whichever is greater.

b. 25 units (3 efficiency units, 16 one-bedroom units and 6 two-bedroom units) must be occupied or available for occupancy by households whose incomes do not exceed the income limits in the HAP Contract for so long as the HAP Contract between the Mortgagor and the Authority is in effect (including extensions and renewals), or for such longer period as determined by HUD.

c. 12 units (2 efficiency units, 6 one-bedroom units and 4 two-bedroom units), must be available for occupancy by households whose incomes do not exceed 50% MTSP income limits, adjusted for family size, until latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

d. 34 of the units (19 efficiency units, 22 one-bedroom, and 7 two-bedroom apartments must be available for occupancy by households whose incomes do not exceed up to 80% of AMI to achieve and maintain the average AMI level of the affordable units in the project at 60% AMI or less based upon the Multifamily Tax Subsidy Project ("MTSP") limits, adjusted for family size as determined by HUD, with the exception of when the income averaging test is met, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

25 units have been designated as Low-HOME units by the City of Detroit, and for the remainder of the Period of Affordability required under the HOME program must be available for occupancy by households whose incomes do not exceed the HOME Very Low Income Limit (50% of AMI), published annually by HUD, adjusted for family size. The Authority is not responsible for the HOME compliance monitoring or oversight of the occupancy or the regulations applicable to these HOME units.

To the extent units within the Development are subject to multiple sets of income limits, the most restrictive income limit will apply so long as the applicable term of affordability continues.

The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size.

3. <u>Limitations on Rental Rates</u>:

The Total Housing Expense (contract rent plus tenant-paid utilities) for 71 units is subject to the following limitations:

a. During the Period of Affordability required under the HTF program (30 years), the Total Housing Expense for the 25 HTF units may not exceed the Housing Trust Fund rent limit for the unit established and published annually by HUD, and based upon an imputed occupancy of one and one-half persons per bedroom.

b. So long as the HAP Contract remains in effect, the Mortgagor agrees to establish and maintain rents for all HAP-assisted units 25 units (3 efficiency units, 16 one-bedroom units and 6 two-bedroom units) that comply with the rent levels established by the HAP Contract and that do not exceed the rent levels approved by HUD.

c. The Total Housing Expense for 12 units (2 efficiency units, 6 one-bedroom units and 4 two-bedroom units), may not exceed one-twelfth (1/12th) of 30% of the MTSP 50% limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

d. 34 of the units (5 efficiency units, 22 one-bedroom, and 7 two-bedroom apartments, may not exceed up to one-twelfth (1/12th) of 30% of 80% of the MTSP limit as long as the average AMI level of the affordable units in the project is 60% AMI or less, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

The Total Housing Expense for the 25 Low HOME units may not exceed the "Low HOME Rent Limit" for the unit established and published annually by HUD. The Authority is not responsible for the compliance monitoring or oversight of the HOME rents charged for or the regulations applicable to these units. To the extent, however, that units within the Development are subject to multiple sets of rent limits, the most restrictive rent limit will apply so long as the applicable term of affordability continues. The Authority is not responsible for the HOME compliance monitoring or oversight of the occupancy or the regulations applicable to these HOME units.

To the extent units within the Development are subject to multiple sets of rent limits, the most restrictive rent limit will apply so long as the applicable term of affordability continues.

While rental increases for these units may be permitted from time to time as HUD publishes updated median income limits, the Mortgagor must further agree that rental increases for targeted units that do not receive assistance under the HAP Contract will be limited to not more than 5% for any resident household during any 12-month period.

For the initial lease term of the first household occupying each rent restricted unit in the Development the initial rent may not exceed 105% of the rent approved in this Mortgage Loan Feasibility/Commitment Staff Report. Rental increases on occupied units during any 12-month period will be limited to not more than 5% of the rent paid by the resident household at the beginning of that annual period. Exceptions to this limitation may be granted by MSHDA's Director of Asset Management for extraordinary increases in project operating expenses (exclusive of limited dividend payments) or mortgage loan increases. Rents on vacated units may be increased to the maximum level permissible by the applicable programs. Rents and utility allowances must be approved annually by the Authority's Division of Asset Management

Exceptions to the foregoing limitations may be granted by the Authority's Director of Asset Management to pay for extraordinary increases in operating expenses (exclusive of Limited

Dividend Payments) or to enable the owner to amortize a Mortgage Loan increase to fund cost overruns pursuant to the Authority's policy on Mortgage Loan increases.

4. Covenant Running with the Land:

The Mortgagor must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the obligations issued or to be issued to finance the Mortgage Loan. This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is 15 years after the date on which 50% of the residential units in the Development are occupied, the first day on which no bonds are outstanding with respect to the project, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations. Additionally, if LIHTC is awarded to the Development, the Mortgagor must agree to subject the property to the extended low-income use commitment required by Section 42 of the Internal Revenue Code.

5. Restriction on Prepayment and Subsequent Use:

The Mortgage Loan is eligible for prepayment after the expiration of fifteen (15) years after the commencement of amortization. The Mortgagor must provide the Authority with at least 60 days' written notice prior to any such prepayment.

In the event of a prepayment, however, the Mortgagor must pay a prepayment fee equal to the sum of:

a. 1% of the balance being prepaid;
b. Any bond call premium, prepayment or swap penalty, or any other cost that the Authority incurs to prepay the bonds or notes that were used to fund the Mortgage Loan; and
c. Any loss of debt service spread between the Mortgage Loan and the bonds used to finance the loan from the date of the prepayment through the end of the 20th year of amortization.

Once the Mortgagor has been approved for the early prepayment of the underlying loan, it must sign an agreement with the Authority stating it is responsible for the cost of terminating the swap. The Mortgagor can then choose the timing of the termination and participate in the transaction with the swap counterparty. The swap counterparty will quote the cost of terminating the swap and the Mortgagor will have the ability to execute the transaction or cancel at its sole discretion. If the Mortgagor chooses not to terminate the swap, it will forfeit the right to prepay the Mortgage Loan.

Subordinate loans are eligible to prepay at any time upon 60 days prior written notice to the Authority, but prepayment may not extinguish federal affordability and compliance requirements.

6. Operating Assurance Reserve:

At Initial Closing, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to 4 months' of estimated Development operating expenses (estimated to be $235,201). The OAR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority in accordance with the Authority's written policy on the use of the Operating Assurance Reserve, as amended from time to time. The OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. **Replacement Reserve:**

At Initial Closing, the Mortgagor must establish a replacement reserve fund ("Replacement Reserve") with an initial deposit in an amount of $1,272 per unit. The Mortgagor must agree to make annual deposits to the Replacement Reserve, beginning on the Mortgage Cut-Off Date, at a minimum of $300 per unit for the first year of operation, payable in monthly installments, with deposits in subsequent years to be the greater of (i) the prior year's deposit, increased by 3%, or (ii) a percentage of the Development's projected annual rental income or gross rent potential ("GRP") for the year using the percentage obtained by dividing the first year's deposit by the first year's GRP shown on the operating proforma for the Development attached hereto. The annual deposit to the Replacement Reserve may also be increased to any higher amount that is determined to be necessary by the Authority, based on a CNA and the Authority's Replacement Reserve policies. The Authority may update any CNA or obtain a new CNA every five years, or upon any frequency, as determined necessary by the Authority.

8. **One Month's Gross Rent Potential:**

At Initial Closing, the Mortgagor shall deposit an amount equal to one month's gross rent potential ($60,400) into the Development's operating account.

9. **Authority Subordinate Loan(s):**

At Initial Closing, the Mortgagor must enter into agreements relating to the permanent HTF Loan. The HTF Loan will be secured by a subordinate mortgage and will bear simple interest at 1% with a 50-year term. No payments on the HTF Loan will be required until the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee, or (b) the 13th year following the commencement of amortization of the Mortgage Loan. Interest will continue to accrue on the HTF loan until it is paid in full.

At the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee or (b) the 13th year following the date that Mortgage Loan amortization commences, in lieu of repayment of the HTF Loan, payments of fifty percent (50%) of any surplus cash available for distribution shall be deposited into an HTF Subsidy Reserve and will be used to repay the HTF Loan periodically, if the amount of funds accumulated in the reserve warrant it, or at the end of the loan term, or otherwise used to assist the development if needed. If reserve funds are used toward loan repayment, they shall be applied first to accrued interest, then to current interest and principal and shall continue until the sale of the Development or refinancing of the Mortgage Loan, at which time the HTF Loan shall be due in full. If the HTF Loan is still outstanding, then following repayment of the Mortgage Loan and continuing on the first day of every month thereafter, the Mortgagor shall make monthly payments of principal and interest equal to the monthly payments that were required on the Mortgage Loan on the first day of every month until the HTF Loan is paid in full, sale of the Development or the date that is 50 years from date of Initial Closing, whichever occurs first. There is no prohibition on prepayment of the HTF Loan.

10. <u>Architectural Plans and Specifications; Contractor's Qualification Statement:</u>

Prior to Mortgage Loan Commitment, the architect must submit architectural drawings and specifications that address all design review comments, acceptable to the Authority's Chief Architect and the Director of Development.

Prior to Mortgage Loan Commitment, the general contractor must submit AIA Document A305 as required by the Authority's Chief Architect.

11. <u>Owner/Architect Agreement</u>:

Prior to Mortgage Loan Commitment, the Mortgagor must provide the Authority with an executed Owner Architect Agreement acceptable in form and substance to the Director of Legal Affairs.

12. <u>Trade Payment Breakdown:</u>

Prior to Mortgage Loan Commitment, the general contractor must submit a signed Trade Payment Breakdown acceptable to the Authority's Design and Construction Manager.

13. <u>Section 3 Requirements:</u>

Prior to Mortgage Loan Commitment, the general contractor must agree to comply with all federal Section 3 hiring requirements. The general contractor must provide the contractor's "Section 3 Hiring Plan" which must be reviewed and found acceptable to the Authority's Section 3 Compliance Officer. In addition, the general contractor must agree to adhere to follow-up reporting requirements as established by the Authority.

14. <u>Equal Opportunity and Fair Housing:</u>

Prior to Mortgage Loan Commitment, the management and marketing agent's Affirmative Fair Housing Marketing Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer for Fair Housing Requirements.

In addition, prior to Mortgage Loan Commitment, the general contractor's Equal Employment Opportunity Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer.

15. <u>Davis-Bacon and Cross-cutting Federal Requirements:</u>

At Initial Closing, the general contractor must agree to comply with all federal prevailing wage requirements, the requirements of the Davis-Bacon and Related Acts, and other applicable federal regulations as required under the terms of the HOME Program, and the Housing Choice Voucher Program.

16. Cost Certification:

The contractor's cost certification must be submitted within 90 days following the completion of construction, and the Mortgagor's cost certification must be submitted within 90 days following the Mortgage Cut-off Date. For LIHTC, the owner is obligated to submit cost certifications applicable to itself and the contractor prior to issuance of IRS form 8609 (see LIHTC Program Cost Certification Guidelines).

17. Environmental Review and Indemnification:

Prior to Mortgage Loan Commitment, the Mortgagor must address any outstanding environmental issues, in form and substance acceptable to the Authority's Environmental Review Officer.

At Initial Closing, the Mortgagor must enter an agreement to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of any violation of environmental laws. The indemnification agreement must be acceptable to the Director of Legal Affairs.

18. Title Insurance Commitment and Survey:

Prior to Mortgage Loan Commitment, the Mortgagor must provide an updated title insurance commitment, including zoning, pending disbursement, comprehensive, survey and such other endorsements as deemed necessary by the Authority's Director of Legal Affairs. The updated title commitment must contain only exceptions to the insurance acceptable to the Authority's Director of Legal Affairs.

Additionally, prior to Mortgage Loan Commitment, the Mortgagor must provide a surveyor's certificate of facts together with an ALTA survey certified to the 2016 minimum standards, and that appropriately reflects all easements, rights of way, and other issues noted on the title insurance commitment. All documents must be acceptable to the Director of Legal Affairs.

19. Organizational Documents/Equity Pay-In Schedule:

Prior to Mortgage Loan Commitment, the Mortgagor must submit a substantially final form syndication partnership agreement, including an equity pay-in schedule, that is acceptable in form and substance to the Director of Development and Director of Legal Affairs.

At or prior to Initial Closing, the final, executed syndication partnership agreement must become effective and the initial installment of equity must be paid in an amount approved by the Director of Development.

20. Designation of Authority Funds:

The Authority reserves the express right, in its sole discretion, to substitute alternate subordinate funding sources.

21. Management & Marketing:

Prior to Mortgage Loan Commitment, the management and marketing agent must submit the following documents, which must be found acceptable to the Director of Asset Management:

a. Management Agreement
b. Marketing Addendum
c. Marketing/Construction Transition Plan

22. Guaranties:

At Initial Closing, the Sponsor, General Partner, and any entity receiving a developer fee in connection with the Development must deliver certain guaranties. The required guaranties include a guaranty of HTF recapture liability, an operating deficit guaranty and a performance completion guaranty. The required guaranties, the terms thereof and the parties who shall be required to deliver the guaranty must be determined and approved by the Authority's Director of Development.

23. Financial Statements:

Prior to Mortgage Loan Commitment, financial statements for the Sponsor, the guarantor(s) and the general contractor must be reviewed and found acceptable by the Authority's Chief Financial Officer.

If prior to Initial Closing the financial statements that were approved by the Authority become more than six months old, the Sponsor, the guarantor(s) and/or the general contractor must provide the Authority with updated financial statements meeting Authority requirements upon request.

24. Future Contributions:

To ensure the Authority is contributing the least amount of funding necessary to achieve project feasibility, any decrease in Development costs or future contributions not included in the Development proforma may, at the Authority's discretion, be utilized to reduce, in equal proportions, any deferred developer fee and Authority soft funds.

25. Ownership of Development Reserves:

At the Initial Closing, the Mortgagor must enter into an agreement confirming the Authority's ultimate ownership of excess cash reserves, escrows and accounts as may exist at the time the Authority's mortgage loans are paid off or the Development is sold or refinanced. However, the Authority's claim to these funds shall be subject to any lawful claim to such funds by HUD. This agreement must be acceptable to the Authority's Director of Legal Affairs.

26. HUD Subsidy Layering Review:

Prior to Initial Closing, the subsidy layering review must be performed by Authority staff and must be submitted to HUD for approval. The subsidy layering approval is subject to review and approval by the Authority's Director of Development.

27. **Application for Disbursement:**

Prior to Initial Closing, the Mortgagor must submit an "Application for Disbursement" along with supporting documentation, which must be found acceptable to the Authority's Director of Development.

28. **Uniform Relocation Act Compliance:**

If the Development is occupied at Initial Closing and any occupants of the Development will be displaced and/or relocated as a result of the rehabilitation of the Development, then the Mortgagor and/or the Sponsor shall ensure compliance with all requirements of the Uniform Relocation Act and implementing regulations as set forth in 24 CFR Part 42 and 49 CFR Part 24, as well as 24 CFR §570.606. Such compliance shall be at the Mortgagor's or Sponsor's sole cost and expense. Prior to Final Closing, the Mortgagor must submit documentation that it has complied with all requirements of the Uniform Relocation Act. This documentation must be found acceptable by the Authority's Director of Development.

Special Conditions:

1. **Legal Requirements:**

The Mortgagor and/or Sponsor must submit documentation acceptable to the Authority's Director of Legal Affairs for the items listed below:

- Prior to Initial Closing, the Michigan Attorney General's Office must complete its review of the transaction and provide the Director of Legal Affairs its recommendation.
- Any other documentation as required by the Director of Legal Affairs, including acceptable evidence of insurance, permits, licenses, zoning approvals, utility availability, payment and performance bonds and other closing requirements.

2. **PILOT Obtained Post-Commitment:**

The Development is currently subject to ad valorem property taxes; however, the Mortgagor has applied for a PILOT. The Development has been underwritten with a 4% PILOT based on an indication of support from the municipality. Before loan commitment, a PILOT resolution, acceptable in language, form and substance to the Authority's Director of Legal Affairs must be provided. If the Development does not obtain a PILOT as describe above, the Development must be re-underwritten and if feasible, presented to the Board. If the Development obtains a PILOT representing a lower PILOT payment amount, any savings generated by the PILOT may be applied, at the sole discretion of an Authorized Officer of the Authority, to reduce one or all of the Authority's subordinate loans or be applied against any other obligation that the Mortgagor owes the Authority with any remainder deposited in the Development's Operating Reserve Cash account.

3. **Federal Historic Tax Credits:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit evidence of fulfillment of all conditions to the Historic Preservation Certification Application – Part 2 as described in the conditional approval letter dated May 16, 2019 from the United States Department of Interior. Upon construction completion, the Mortgagor must submit Part III approval from the United States Department of Interior. These documents must be acceptable in form and substance to the Authority's Director of Legal Affairs.

4. **Local HOME Loan:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the City of Detroit's HOME Loan and a funding schedule acceptable to the Authority's Director of Legal Affairs and Director of Development. An intercreditor and subordination agreement between the City of Detroit and the Authority must also be in substantially final form and acceptable to the Director of Legal Affairs.

At or prior to Initial Closing, the final, executed City of Detroit's HOME Loan documents must become effective and initial funding of the loan must be made in an amount approved by the Director of Development.

DEVELOPMENT TEAM AND SITE INFORMATION

I. MORTGAGOR: Marwood Marston 2020 Limited Dividend Housing Association LLC

II. GUARANTOR(S):

A. Guarantor #1:

Name: Develop Detroit
Address: 1452 Randolph Street
Suite 300
Detroit, MI 48226

III. DEVELOPMENT TEAM ANALYSIS:

A. Sponsor:

Name: Develop Detroit
Address: 1452 Randolph Street
Suite 300
Detroit, MI 48226

Individuals Assigned: Michael Appel
Telephone: 313-960-7700
E-mail: Michael@developdetroit.org

1. **Experience**: The Sponsor has experience working on Authority-financed developments.

2. **Interest in the Mortgagor and Members**: 99.9% Insite Capital entity as the Limited Partner, .01% Dev Detroit Marwood LLC as the general partner

B. Architect:

Name: Shelter Design Studio, LLC
Address: 104 West Fourth Street
Suite 203
Royal Oak, MI 48067

Individual Assigned: Stephen George Pariseau
Telephone: 248-629-7153
E-Mail: lpappas@fsparch.com

1. **Experience**: Architect has previous experience with Authority-financed developments.

2. **Architect's License**: License number 1301060682, exp. 10/31/2020.

C. Attorney:

Name: Dykema Gossett PLLC
Address: 201 Townsend
Suite 900
Lansing, MI 48933

Individual Assigned: Rochelle Lento
Telephone: 313-568-5322
E-Mail: RLento@dykema.com

1. **Experience**: This firm has experience in closing Authority-financed developments.

D. Builder:

Name: O'Brien Construction Company Inc. DBA O'Brien Waterford Construction Company, Inc.
Address: 966 Livernois Road
Troy, MI 48083

Individual Assigned: Timothy Ward O'Brien
Telephone: 248-334-2470
E-mail: Tobrien@obriencc.com

1. **Experience**: The firm has previous experience in constructing Authority-financed developments.

2. **State Licensing Board Registration**: License number 2102195384, with an expiration date of 5/31/2023.

E. **Management and Marketing Agent:**

Name:	KMG Prestige
Address:	102 South Main Mt Pleasant, MI 48858
Individual Assigned:	Karen Mead
Telephone:	989-772-3261
E-mail:	kmead@kmgprestige.com

1. **Experience:** This firm has significant experience managing Authority-financed developments.

F. **Development Team Recommendation:** Go

IV. SITE DATA:

A. Land Control/Purchase Price:
$2,138,234

B. Site Location:
53 Marston Street, Detroit, MI

C. Size of Site:
Approximately 1 acre

D. Density:
Deemed appropriate

E. Physical Description:

1. Present Use: 53-unit apartment building and vacant space

2. Existing Structures: 1 building

3. Relocation Requirements: No

F. Zoning:
Multifamily

G. Contiguous Land Use:

1. North: Residential

2. South: Residential

3. East: Church/Parking lot

4. West: Residential

H. Tax Information:
Current

I. Utilities: DTE energy

J. Community Facilities:

1. Shopping:
There are 2 grocery stores within 2 miles of the site (King Cole Foods and Family Foods). There are a multitude of shops/restaurants and other commercial entities along Woodward.

2. Recreation:
City of Detroit parks, Mort Harris Recreation and Fitness Center and other venues.

3. Public Transportation:
The Qline is 8/10ths of a mile from Marwood.

4. Road Systems:
Site is located between Woodward and John R Street just west of I-75.

5. Medical Services and other Nearby Amenities:
There are several major hospitals and clinics nearby including Henry Ford Medical and Health centers.

6. Description of Surrounding Neighborhood:
The neighborhood suffered from long term blight and there are still some structures near the sight in need of demolition or rehabilitation. In the early 1900's this area was a vibrant middle-class neighborhood.

7. Local Community Expenditures Apparent:
The completion of the Q line and recent resurface of Woodward Avenue.

8. Indication of Local Support:
City of Detroit is providing 25 section 8 vouchers and a $1,760,000 Home Loan.

V. ENVIRONMENTAL FACTORS:

A Phase I Environmental Site Assessment was submitted to the Authority and has been reviewed by the Authority's Environmental Manager.

VI. DESIGN AND COSTING STATUS:

Architectural plans and specifications consistent with the scope of work have been reviewed by the Chief Architect. A response to all design review comments and the submission of corrected and final plans and specifications must be made prior to initial closing.

This proposal will satisfy the State of Michigan barrier-free requirements, the Authority's policy regarding accessibility and non-discrimination for the disabled, the Fair Housing Amendments Act of 1988, and the HOME requirements for barrier-free vision and hearing designed units. Construction documents must be acceptable to the Authority's Chief Architect.

VII. MARKET SUMMARY:

The Market study has been reviewed by the Authority's Chief Market Analyst and found to be acceptable. The Authority's Chief Market Analyst has reviewed and approved the unit mix, rental structure, and unit amenities.

VIII. EQUAL OPPORTUNITY AND FAIR HOUSING:

The contractor's Equal Employment Opportunity Plan is currently being reviewed and must be approved by the Authority's Design and Construction Manager prior to initial closing. The management and marketing agent's Affirmative Fair Housing Marketing Plan has been approved.

IX. MANAGEMENT AND MARKETING:

The management/marketing agent has submitted application level management and marketing information, to be approved prior to initial closing by the Authority's Director of Asset Management.

X. FINANCIAL STATEMENTS:

The sponsor's/guarantor's and the builder's financial statements have been submitted and are to be approved prior to initial closing by the Authority's Director of Rental Development.

XI. DEVELOPMENT SCHEDULING:

A. Mortgage Loan Commitment:	September 2020
B. Initial Closing and Disbursement:	January 2021
C. Construction Completion:	January 2022
D. Cut-Off Date:	June 2022

XII. ATTACHMENTS:

A. Development Proforma

APPROVALS:

Chad Benson Digitally signed by Chad Benson
Date: 2020.08.19 13:59:43 -04'00'

08/19/2020_

Chad Benson
Acting Director of Development

Date

Clarence L. Stone, Jr. Digitally signed by Clarence L. Stone, Jr.
Date: 2020.08.19 14:51:10 -04'00'

8/19/2020

Clarence L. Stone, Jr.
Director of Legal Affairs

Date

Gary Heidel Digitally signed by Gary Heidel
Date: 2020.08.20 09:25:09 -04'00'

08/20/2020

Gary Heidel
Acting Executive Director

Date

Development	Marwood
Financing	Tax Exempt
MSHDA No.	3793
Step	Commitment
Date	08/27/2020
Type	Acquisition/Rehab

Mortgage Assumptions:

Debt Coverage Ratio	1.15	
Mortgage Interest Rate	4.900%	
Pay Rate	4.900%	
Mortgage Term	40	years
Income from Operations	Yes	

Instructions

Total Development Income Potential			Per Unit	Total	Initial Inflation Factor	Beginning in Year	Future Inflation Factor
Annual Rental Income			10,208	724,800	1.0%	6	2.0%
Annual Non-Rental Income			340	24,125	1.0%	6	2.0%
Total Project Revenue			10,548	748,925			
Total Development Expenses							
						Future Vacancy	
Vacancy Loss	8.00%	of annual rent potential	817	57,984		6	8.0%
Management Fee	534	per unit per year	534	37,914	3.0%	1	3.0%
Administration			1,170	83,070	3.0%	1	3.0%
Project-paid Fuel			176	12,500	3.0%	6	3.0%
Common Electricity			245	17,400	4.0%	6	3.0%
Water and Sewer			519	36,870	5.0%	6	5.0%
Operating and Maintenance			1,236	87,756	3.0%	1	3.0%
Real Estate Taxes			0		5.0%	1	5.0%
Payment in Lieu of Taxes (PILOT)	4.00%	Applied to: All Units	338	24,002			
Insurance			535	38,000	3.0%	1	3.0%
Replacement Reserve	300	per unit per year	300	21,300	3.0%	1	3.0%
Other:			0		3.0%	1	3.0%
Other:			0		3.0%	1	3.0%

	% of Revenue	Per Unit	Total	
Total Expenses	55.65%	5,870	**416,796**	
Base Net Operating Income		4,678	332,129	Override
Part A Mortgage Payment	38.56%	4,068	288,808	
Part A Mortgage		**71,275**	**5,060,495**	
Non MSHDA Financing Mortgage Payment		0		
Non MSHDA Financing Type:		**0**		
Base Project Cash Flow (excludes ODR)	5.78%	610	43,321	

Development Marwood
Financing Tax Exempt
MSHDA No. 3793
Step Commitment
Date 08/27/2020
Type Acquisition/Rehab

Instructions

TOTAL DEVELOPMENT COSTS		Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Acquisition						
Land		961	68,243	0%	0	0
Existing Buildings		28,873	2,050,000	100%	2,050,000	0
Other: Cost of initial lease and DLBA Closing		282	20,000	0%	0	0
	Subtotal	**30,116**	**2,138,243**			
Construction/Rehabilitation						
Off Site Improvements		1,854	131,644	100%	131,644	0
On-site Improvements		7,152	507,803	100%	507,803	0
Landscaping and Irrigation		1,988	141,127	100%	141,127	141,127
Structures		108,363	7,693,770	100%	7,693,770	7,693,770
Community Building and/or Maintenance Facility		0		100%	0	0
Construction not in Tax Credit basis (i.e.Carports and Commercial Space		0		0%	0	0
General Requirements	% of Contract 6.00% **Within Range**	7,201	511,243	100%	511,243	511,243
Builder Overhead	% of Contract 2.00% **Within Range**	2,544	180,639	100%	180,639	180,639
Builder Profit	% of Contract 6.00% **Within Range**	7,785	552,756	100%	552,756	552,756
Permits, Bond Premium, Tap Fees, Cost Cert.		3,028	215,016	100%	215,016	215,016
Other: Site Security		653	46,370	100%	46,370	46,370
	Subtotal	**140,569**	**9,980,368**			
	15% of acquisition and $15,000/unit test:		**met**			
Professional Fees						
Design Architect Fees		5,286	375,336	100%	375,336	375,336
Supervisory Architect Fees		1,322	93,834	100%	93,834	93,834
Engineering/Survey		704	50,000	100%	50,000	50,000
Legal Fees		1,549	110,000	100%	110,000	110,000
	Subtotal	**8,862**	**629,170**			
Interim Construction Costs						
Property & Causalty Insurance		408	28,990	100%	28,990	28,990
Construction Loan Interest	Override	4,692	333,154	67%	222,103	222,103
Title Work		704	50,000	100%	50,000	0
Construction Taxes		986	70,000	100%	70,000	70,000
Other: Acquisition/bridge loan interest		2,655	188,500	100%	188,500	188,500
	Subtotal	**9,446**	**670,644**			
Permanent Financing						
Loan Commitment Fee to MSHDA	2%	3,384	240,288	0%	0	0
Other:		0		0%	0	0
	Subtotal	**3,384**	**240,288**			
Other Costs (In Basis)						
Application Fee		28	2,000	100%	2,000	2,000
Market Study		85	6,000	100%	6,000	6,000
Environmental Studies		261	18,500	100%	18,500	18,500
Cost Certification		282	20,000	100%	20,000	20,000
Equipment and Furnishings		986	70,000	100%	70,000	0
Temporary Tenant Relocation		1,866	132,500	100%	132,500	132,500
Construction Contingency		9,557	678,539	100%	678,539	678,539
Appraisal and C.N.A.		138	9,795	100%	9,795	9,795
Other: Remediation related to basements/bad fill		563	40,000	100%	40,000	40,000
	Subtotal	**13,765**	**977,334**			
Other Costs (NOT In Basis)						
Start-up and Organization		0	0	0%	0	0
Tax Credit Fees (based on 2017 QAP)	33,998 **Within Range**	477	33,846	0%	0	0
Compliance Monitoring Fee (based on 2017 QAP)		475	33,725	0%	0	0
Marketing Expense		451	32,000	0%	0	0
Syndication Legal Fees		634	45,000	0%	0	0
Rent Up Allowance	6.0 months	2,183	154,983	0%	0	0
Other:		0		0%	0	0
	Subtotal	**4,219**	**299,554**			

		Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Project Reserves						
Operating Assurance Reserv 4.0 months	Funded in Cas	3,313	235,201	0%	0	0
Replacement Reserve	Required	1,272	90,334	0%	0	0
Operating Deficit Reserve	Not Required	0	0	0%	0	0
Rent Subsidy Reserve		0	0	0%	0	0
Syndicator Held Reserve		0	0	0%	0	0
Rent Lag Escrow		0	0	0%	0	0
Tax and Insurance Escrows		0	0	0%	0	0
Other:		0		0%	0	0
Other:		0		0%	0	0
	Subtotal	**4,585**	**325,535**			
Miscellaneous						
Deposit to Development Operating Account (1MGR	Required	851	60,400	0%	0	0
Other (Not in Basis):		0	0	0%	0	0
Other (In Basis):		0	0	100%	0	0
Other (In Basis):		0	0	100%	0	0
	Subtotal	**851**	**60,400**			
Total Acquisition Costs		**30,116**	**2,138,243**			
Total Construction Hard Costs		**140,569**	**9,980,368**			
Total Non-Construction ("Soft") Costs		**45,112**	**3,202,925**			
Developer Overhead and Fee						
Maximum 2,111,947		**29,746**	**2,111,947**	100%	2,111,947	2,111,947
7.5% of Acquisition/Project Reserves	Override		**5% Attribution Test**		**LIHTC Basis**	**Historic Basis**
15% of All Other Development Costs			**met**			
Total Development Cost		**245,542**	**17,433,483**		**16,308,411**	**13,498,964**

TOTAL DEVELOPMENT SOURCES		% of TDC	Per Unit	Total
MSHDA Permanent Mortgage		29.03%	71,275	5,060,495
Conventional/Other Mortgage		0.00%	0	0
Equity Contribution from Tax Credit Syndication		29.00%	71,203	5,055,445
MSHDA NSP Funds		0.00%	0	
MSHDA Housing Trust Funds		16.92%	41,535	2,948,980
Mortgage Resource Funds		0.00%	0	
Detroit HOME		10.10%	24,789	1,760,000
Local HOME		0.00%	0	
Income from Operations		2.28%	5,608	398,147
Other Equity	Historic Tax Credits	6.79%	16,678	1,184,148
Transferred Reserves:		0.00%	0	0
Other:	AHP Grant (not awarded)	0.00%	0	0
Other:		0.00%	0	
Deferred Developer Fee		5.89%	14,454	1,026,268
Total Permanent Sources				**17,433,483**

	Gap to Hard Debt
# of Units	**Ratio**
0.00	93%
25.00	

Deferred Dev Fee
48.59%

Sources Equal Uses?	**Balanced**
Surplus/(Gap)	**0**

MSHDA Construction Loan	52.00%	127,682	**9,065,411**
Construction Loan Rate	4.900%		
Repaid from equity prior to final closing			**4,004,916**

Eligible Basis for LIHTC/TCAP		**Value of LIHTC/TCAP**		
Acquisition	2,155,912	Acquisition	66,402	
Construction	14,888,518	Construction	458,566	Override
Acquisition Credit %	3.08%	Total Yr Credit	524,968	
Rehab/New Const Credit %	3.08%	Equity Price	$0.9650	
Qualified Percentage	100.00%	Equity Effective Price	$0.9100	Override
QCT/DDA Basis Boost	130%	Equity Contribution	5,065,439	5,055,445
Historic?	Yes			

Existing Reserve Analysi	
DCE Interest:	
Insurance:	
Taxes:	
Rep. Reserve:	
ORC:	
DCE Principal:	
Other:	

Summary of Acquisition Price		As of	
Attributed to Land	68,243	1st Mortgage Balance	1,760,000
Attributed to Existing Structure	2,050,000	Subordinate Mortgage(s)	500,000
Other: Cost of initial lease and	20,000	Subordinate Mortgage(s)	
Fixed Price to Seller	2,138,243	Subordinate Mortgage(s)	
		Premium/(Deficit) vs Existing Debt	**(121,757)**

Construction Loan Term	Months
Construction Contract	12
Rent-up Allowance	6
Construction Loan Period	18

Appraised Value	Value As of: October 31, 2018
"Encumbered As-Is" value as determined by appraisal:	2,750,000
Plus 5% of Appraised Value:	0
LESS Fixed Price to the Seller:	2,138,243
Surplus/(Gap) **Within Range**	**611,757**

Override

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	5,055,445
Brownfield Equity	
Historic Tax Credit Equity	1,606,745
General Partner Capital Contributions	
Other Equity Sources	
New Owner's Equity	**6,662,190**

Development Marwood
Financing Tax Exempt
MSHDA No. 3793
Step Commitment
Date 08/27/2020
Type Acquisition/Rehab

Instructions

Income Limits for	Wayne County			(Effective April 24, 2019)		
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	16,050	18,330	20,610	22,890	24,750	26,580
40% of area median	21,400	24,440	27,480	30,520	33,000	35,440
50% of area median	26,750	30,550	34,350	38,150	41,250	44,300
60% of area median	32,100	36,660	41,220	45,780	49,500	53,160

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	Current Section 8 Contract Rent	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense	Rent Limited By	Differential: Under/ (over)	Differential %	Effective AMI%	Contract Rent/Sq. Foot
30%	Area Median Income Units																					
Yes	Other Project Based Voucher Units																					
Family	Occupancy						DHC Utility Allow 110% of FY2020 FMR															
A	3	Apartment	0	1.0	314	620	82	702	22,320		3.1%	4.2%	942	2.1%	942	HTF	401	TC Rent	(301)	-75.06%	52.5%	$1.97
C	4	Apartment	1	1.0	474	734	106	840	35,232		4.9%	5.6%	1,896	4.3%	1,896	HTF	429	TC Rent	(411)	-95.80%	58.6%	$1.55
D	6	Apartment	1	1.0	535	734	106	840	52,848		7.3%	8.5%	3,210	7.3%	3,210	HTF	429	TC Rent	(411)	-95.80%	58.6%	$1.37
E	5	Apartment	1	1.0	550	734	106	840	44,040		6.1%	7.0%	2,750	6.2%	2,750	HTF	429	TC Rent	(411)	-95.80%	58.6%	$1.33
F	2	Apartment	2	1.0	645	944	130	1,074	22,656		3.1%	2.8%	1,290	2.9%	1,290	HTF	515	TC Rent	(559)	-108.54%	62.5%	$1.46
G	2	Apartment	2	2.0	1,053	939	135	1,074	22,536		3.1%	2.8%	2,106	4.8%	2,106	HTF	515	TC Rent	(559)	-108.54%	62.5%	$0.89
H	2	Townhome	2	2.5	1,230	939	135	1,074	22,536		3.1%	2.8%	2,460	5.6%	2,460	HTF	515	TC Rent	(559)	-108.54%	62.5%	$0.76
I	1	Apartment	1	1.0	643	734	106	840	8,808		1.2%	1.4%	643	1.5%	643	HTF	429	TC Rent	(411)	-95.80%	58.6%	$1.14
J	0	Apartment	1	1.0	716	734	106	840	0		0.0%	0.0%	0	0.0%	0		429	TC Rent	(411)	-95.80%	58.6%	$1.03
									230,976	0	31.9%	35.2%	15,297	34.6%	15,297							
50%	Area Median Income Units																					
Family	Occupancy																					
A	1	Apartment	0	1.0	314	598	70	668	7,176	0	1.0%	1.4%	314	0.7%	314		668	TC Rent	0	0.00%	49.9%	$1.90
B	1	Apartment	0	1.0	349	598	70	668	7,176	0	1.0%	1.4%	349	0.8%	349		668	TC Rent	0	0.00%	49.9%	$1.71
C	1	Apartment	1	1.0	474	638	78	716	7,656	0	1.1%	1.4%	474	1.1%	474		716	TC Rent	0	0.00%	50.0%	$1.35
D	2	Apartment	1	1.0	535	638	78	716	15,312	0	2.1%	2.8%	1,070	2.4%	1,070		716	TC Rent	0	0.00%	50.0%	$1.19
E	2	Apartment	1	1.0	550	638	78	716	15,312	0	2.1%	2.8%	1,100	2.5%	1,100		716	TC Rent	0	0.00%	50.0%	$1.16
F	2	Apartment	2	1.0	645	761	97	858	18,264	0	2.5%	2.8%	1,290	2.9%	1,290		858	TC Rent	0	0.00%	50.0%	$1.18
G	1	Apartment	2	2.0	1,053	761	97	858	9,132	0	1.3%	1.4%	1,053	2.4%	1,053		858	TC Rent	0	0.00%	50.0%	$0.72
H	1	Townhome	2	2.5	1,230	737	121	858	8,844	0	1.2%	1.4%	1,230	2.8%	1,230		858	TC Rent	0	0.00%	50.0%	$0.60
I	0	Apartment	1	1.0	643	638	78	716	0	0	0.0%	0.0%	0	0.0%	0		716	TC Rent	0	0.00%	50.0%	$0.99
J	1	Apartment	1	1.0	716	638	78	716	7,656	0	1.1%	1.4%	716	1.6%	716		716	TC Rent	0	0.00%	50.0%	$0.89
									96,528	0	13.3%	16.9%	7,596	17.2%	7,596							
80%	Area Median Income Units																					
Family	Occupancy																					
A	4	Apartment	0	1.0	314	620	70	690	29,760	0	4.1%	5.6%	1,256	2.8%	1,256		1,070	TC Rent	380	35.51%	51.6%	$1.97
B	1	Apartment	0	1.0	349	620	70	690	7,440	0	1.0%	1.4%	349	0.8%	349		1,070	TC Rent	380	35.51%	51.6%	$1.78
C	3	Apartment	1	1.0	474	853	78	931	30,708	0	4.2%	4.2%	1,422	3.2%	1,422		1,146	TC Rent	215	18.76%	65.0%	$1.80
D	7	Apartment	1	1.0	535	963	78	1,041	80,892	0	11.2%	9.9%	3,745	8.5%	3,745		1,146	TC Rent	105	9.16%	72.7%	$1.80
E	9	Apartment	1	1.0	550	990	78	1,068	106,920	0	14.8%	12.7%	4,950	11.2%	4,950		1,146	TC Rent	78	6.81%	74.6%	$1.80
F	1	Apartment	2	1.0	645	1,097	97	1,194	13,164	0	1.8%	1.4%	645	1.5%	645		1,374	TC Rent	180	13.10%	69.5%	$1.70
G	3	Apartment	2	2.0	1,053	1,277	97	1,374	45,972	0	6.3%	4.2%	3,159	7.1%	3,159		1,374	TC Rent	0	0.00%	80.0%	$1.21
H	3	Townhome	2	2.5	1,230	1,253	121	1,374	45,108	0	6.2%	4.2%	3,690	8.4%	3,690		1,374	TC Rent	0	0.00%	80.0%	$1.02
I	1	Apartment	1	1.0	643	975	78	1,053	11,700	0	1.6%	1.4%	643	1.5%	643		1,146	TC Rent	93	8.12%	73.5%	$1.52
J	2	Apartment	1	1.0	716	1,068	78	1,146	25,632	0	3.5%	2.8%	1,432	3.2%	1,432		1,146	TC Rent	0	0.00%	80.0%	$1.49
									397,296	0	54.8%	47.9%	21,291	48.2%	21,291							
Mgrs									0	0	0.0%	0.0%	0	0.0%	0							
													44,184		**44,184**							

Total Units 71
Income Average 57.32%
Set Aside 100.00%

Gross Rent Potential	**724,800**
Average Monthly Rent	**851**
Gross Square Footage	**44,184**

HOME Units SF/Total Units SF	0.0%	**Out of Range**
# HOME Units/# Total Units	0.0%	**Out of Range**

Utility Allowances

	Tenant-Paid	Tenant-Paid	Tenant-Paid	Owner-Paid			
	Electricity	A/C	Gas	Water/ Sewer	Other	Total	Overide
A	37		33			70	
B	37		33			70	
C	41		37			78	
D	41		37			78	
E	41		37			78	
F	54		43			97	
G	54		43			97	
H	62		59			121	

Annual Non-Rental Income

Misc. and Interest	8,000
Laundry	5,325
Carports	10,800
Other: Surface parking at church lot	0
Other:	
	24,125

A

1

Total Income	Annual	Monthly
Rental Income	724,800	60,400
Non-Rental Income	24,125	2,010
Total Project Revenue	748,925	62,410

Cash Flow Projections

Development Marwood
Financing Tax Exempt
MSHDA No. 3793
Step Commitment
Date 08/27/2020
Type Acquisition/Rehab

Years 1–10

	Initial	Starting in	Future	1	2	3	4	5	6	7	8	9	10
Income													
Annual Rental Income	1.0%	6	2.0%	724,800	732,048	739,368	746,762	754,230	769,314	784,701	800,395	816,403	832,731
Annual Non-Rental Income	1.0%	6	2.0%	24,125	24,366	24,610	24,856	25,105	25,607	26,119	26,641	27,174	27,717
Total Project Revenue				**748,925**	**756,414**	**763,978**	**771,618**	**779,334**	**794,921**	**810,819**	**827,036**	**843,577**	**860,448**
Expenses													
Vacancy Loss	8.0%	6	8.0%	57,984	58,564	59,149	59,741	60,338	61,545	62,776	64,032	65,312	66,618
Management Fee	3.0%	1	3.0%	37,914	39,051	40,223	41,430	42,673	43,953	45,271	46,629	48,028	49,469
Administration	3.0%	1	3.0%	83,070	85,562	88,129	90,773	93,496	96,301	99,190	102,166	105,231	108,388
Project-paid Fuel	3.0%	6	3.0%	12,500	12,875	13,261	13,659	14,069	14,491	14,926	15,373	15,835	16,310
Common Electricity	4.0%	6	3.0%	17,400	18,096	18,820	19,573	20,356	20,966	21,595	22,243	22,910	23,598
Water and Sewer	5.0%	6	5.0%	36,870	38,714	40,649	42,682	44,816	47,057	49,409	51,880	54,474	57,197
Operating and Maintenance	3.0%	1	3.0%	87,756	90,389	93,100	95,893	98,770	101,733	104,785	107,929	111,167	114,502
Real Estate Taxes	5.0%	1	5.0%	0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)				24,002	24,152	24,300	24,444	24,586	25,010	25,440	25,875	26,315	26,760
Insurance	3.0%	1	3.0%	38,000	39,140	40,314	41,524	42,769	44,052	45,374	46,735	48,137	49,581
Replacement Reserve	3.0%	1	3.0%	21,300	21,939	22,597	23,275	23,973	24,693	25,433	26,196	26,982	27,792
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses				416,796	428,482	440,543	452,993	465,846	479,801	494,200	509,058	524,391	540,215
Debt Service													
Debt Service Part A				288,808	288,808	288,808	288,808	288,808	288,808	288,808	288,808	288,808	288,808
Debt Service Conventional/Other Financing				0	0	0	0	0	0	0	0	0	0
Total Expenses				**705,604**	**717,289**	**729,351**	**741,801**	**754,654**	**768,609**	**783,008**	**797,866**	**813,199**	**829,023**
Cash Flow/(Deficit)				**43,321**	**39,125**	**34,627**	**29,817**	**24,680**	**26,312**	**27,812**	**29,170**	**30,378**	**31,425**
Cash Flow Per Unit				610	551	488	420	348	371	392	411	428	443
Debt Coverage Ratio on Part A Loan				1.15	1.14	1.12	1.10	1.09	1.09	1.10	1.10	1.11	1.11
Debt Coverage Ratio on Conventional/Other Financing				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Years 11–20

	11	12	13	14	15	16	17	18	19	20
Income										
Annual Rental Income	849,385	866,373	883,700	901,374	919,402	937,790	956,546	975,677	995,190	1,015,094
Annual Non-Rental Income	28,272	28,837	29,414	30,002	30,602	31,214	31,839	32,475	33,125	33,787
Total Project Revenue	**877,657**	**895,210**	**913,114**	**931,377**	**950,004**	**969,004**	**988,384**	**1,008,152**	**1,028,315**	**1,048,881**
Expenses										
Vacancy Loss	67,951	69,310	70,696	72,110	73,552	75,023	76,524	78,054	79,615	81,208
Management Fee	50,953	52,482	54,056	55,678	57,348	59,069	60,841	62,666	64,546	66,482
Administration	111,639	114,988	118,438	121,991	125,651	129,420	133,303	137,302	141,421	145,664
Project-paid Fuel	16,799	17,303	17,822	18,357	18,907	19,475	20,059	20,661	21,280	21,919
Common Electricity	24,306	25,035	25,786	26,559	27,356	28,177	29,022	29,893	30,790	31,713
Water and Sewer	60,057	63,060	66,213	69,524	73,000	76,650	80,483	84,507	88,732	93,169
Operating and Maintenance	117,937	121,475	125,119	128,873	132,739	136,721	140,823	145,047	149,399	153,881
Real Estate Taxes	0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)	27,211	27,667	28,127	28,593	29,063	29,539	30,018	30,502	30,991	31,483
Insurance	51,069	52,601	54,179	55,804	57,478	59,203	60,979	62,808	64,692	66,633
Replacement Reserve	28,625	29,484	30,369	31,280	32,218	33,185	34,180	35,206	36,262	37,350
Other:	0	0	0	0	0	0	0	0	0	0
Other:	0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses	556,547	573,404	590,805	608,769	627,314	646,461	666,231	686,646	707,728	729,501
Debt Service										
Debt Service Part A	288,808	288,808	288,808	288,808	288,808	288,808	288,808	288,808	288,808	288,808
Debt Service Conventional/Other Financing	0	0	0	0	0	0	0	0	0	0
Total Expenses	**845,355**	**862,212**	**879,613**	**897,577**	**916,122**	**935,269**	**955,039**	**975,454**	**996,536**	**1,018,309**
Cash Flow/(Deficit)	**32,302**	**32,998**	**33,501**	**33,800**	**33,883**	**33,735**	**33,345**	**32,698**	**31,779**	**30,572**
Cash Flow Per Unit	455	465	472	476	477	475	470	461	448	431
Debt Coverage Ratio on Part A Loan	1.11	1.11	1.12	1.12	1.12	1.12	1.12	1.11	1.11	1.11
Debt Coverage Ratio on Conventional/Other Financing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Interest Rate on Reserves 3%

Average Cash Flow as % of Net Income

Operating Deficit Reserve (ODR) Analysis

Maintained Debt Coverage Ratio (Hard Debt) 1.00
Maintained Operating Reserve (No Hard Debt) 250
Initial Deposit 0

	1	2	3	4	5	6	7	8	9	10
Initial Balance	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR	0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR	0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR	0	0	0	0	0	0	0	0	0	0
Maintained Cash Flow Per Unit	610	551	488	420	348	371	392	411	428	443
Maintained Debt Coverage Ratio on Part A Loan	1.15	1.14	1.12	1.10	1.09	1.09	1.10	1.10	1.11	1.11
Maintained Debt Coverage Ratio on Conventional/Other	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	11	12	13	14	15	16	17	18	19	20
Initial Balance	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR	0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR	0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR	0	0	0	0	0	0	0	0	0	0
Maintained Cash Flow Per Unit	455	465	472	476	477	475	470	461	448	431
Maintained Debt Coverage Ratio on Part A Loan	1.11	1.11	1.12	1.12	1.12	1.12	1.12	1.11	1.11	1.11
Maintained Debt Coverage Ratio on Conventional/Other	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Standard ODR 0
Non-standard ODR 0

Operating Assurance Reserve Analysis

235,201
Required in Year: 1
Initital Deposit **235,201**

	1	2	3	4	5	6	7	8	9	10
Initial Balance	235,201	242,257	249,525	257,011	264,721	272,663	280,843	289,268	297,946	306,884
Interest Income	7,056	7,268	7,486	7,710	7,942	8,180	8,425	8,678	8,938	9,207
Ending Balance	242,257	249,525	257,011	264,721	272,663	280,843	289,268	297,946	306,884	316,091

	11	12	13	14	15	16	17	18	19	20
Initial Balance	316,091	325,574	335,341	345,401	355,763	366,436	377,429	388,752	400,414	412,427
Interest Income	9,483	9,767	10,060	10,362	10,673	10,993	11,323	11,663	12,012	12,373
Ending Balance	325,574	335,341	345,401	355,763	366,436	377,429	388,752	400,414	412,427	424,800

Deferred Developer Fee Analysis

	1	2	3	4	5	6	7	8	9	10
Initial Balance	1,026,268	982,946	943,822	909,194	879,377	854,697	828,384	800,573	771,403	741,025
Dev Fee Paid	43,321	39,125	34,627	29,817	24,680	26,312	27,812	29,170	30,378	31,425
Ending Balance (Repaid in ye #N/A)	982,946	943,822	909,194	879,377	854,697	828,384	800,573	771,403	741,025	709,600

	11	12	13	14	15	16	17	18	19	20
Initial Balance	709,600	677,298	644,300	610,799	576,998	543,116	509,380	476,035	443,337	411,558
Dev Fee Paid	32,302	32,998	33,501	33,800	33,883	33,735	33,345	32,698	31,779	30,572
Ending Balance (Repaid in ye #N/A)	677,298	644,300	610,799	576,998	543,116	509,380	476,035	443,337	411,558	380,986

Mortgage Resource Fund Loan

Principal Amount / Interest Rate on MSHDA Soft Funds 3%
Initial Balance 0
% of Cash Flow **50%**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Initial Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Current Yr Int	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Int	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Payment Due	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Year End Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
MARWOOD APARTMENTS, MSHDA DEVELOPMENT NO. 3793
CITY OF DETROIT, WAYNE COUNTY

August 27, 2020

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (the "Act"), to make mortgage loans to qualified non-profit housing corporations, consumer housing cooperatives and limited dividend housing corporations and associations; and

WHEREAS, an Application for Mortgage Loan Feasibility has been filed with the Authority by Develop Detroit (the "Applicant") for a multifamily housing project to be located in the City of Detroit, Wayne County, Michigan, having an estimated total development cost of Seventeen Million Four Hundred Thirty-Three Thousand Four Hundred Eighty-Three Dollars ($17,433,483), a total estimated maximum mortgage loan amount of Nine Million Sixty-Five Thousand Four Hundred Eleven Dollars ($9,065,411); and

WHEREAS, a housing association to be formed by the Applicant may become eligible to receive a mortgage loan from the Authority under the provisions of the Act and the Authority's General Rules; and

WHEREAS, the Acting Executive Director has forwarded to the Authority his analysis of the Application and his recommendations with respect thereto; and

WHEREAS, the Authority has considered the Application in the light of the Authority's project mortgage loan feasibility evaluation factors.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The following determinations be and they hereby are made:

    a. The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located, thereby enhancing the viability of such housing.

    b. The Applicant is reasonably expected to be able to achieve successful completion of the proposed housing project.

    c. The proposed housing project will meet a social need in the area in which it is to be located.

    d. A mortgage loan, or a mortgage loan not made by the Authority that is a federally-aided mortgage, can reasonably be anticipated to be obtained to provide financing for the proposed housing project.

e. The proposed housing project is a feasible housing project.

f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Nine Million Seventy-Nine Thousand Seven Hundred Sixteen Dollars ($9,079,716).

2. The proposed housing project be and it is hereby determined to be feasible for a mortgage loan on the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Report of the Authority Staff presented to the meeting, subject to any and all applicable determinations and evaluations issued or made with respect to the proposed housing project by other governmental agencies or instrumentalities or other entities concerning the effects of the proposed housing project on the environment as evaluated pursuant to the federal National Environmental Policy Act of 1969, as amended, and the regulations issued pursuant thereto as set forth in 24 CFR Part 58.

3. The determination of feasibility is based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this feasibility determination resolution may, at the option of the Executive Director, the Chief Housing Investment Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chief Financial Officer, the Deputy Director of Finance or any person duly authorized to act in any of the foregoing capacities (each an "Authorized Officer"), be immediately rescinded.

4. Neither this determination of feasibility nor the execution prior to closing of any documents requested to facilitate processing of a proposed mortgage loan to be used in connection therewith constitutes a promise or covenant by the Authority that it will make a Mortgage Loan to the Applicant.

5. This determination of Mortgage Loan Feasibility is conditioned upon the availability of financing to the Authority. The Authority does not covenant that funds are or will be available for the financing of the subject proposed housing development.

6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated August 27, 2020, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MORTGAGE LOAN
MARWOOD APARTMENTS, MSHDA DEVELOPMENT NO. 3793
CIT OF DETROIT, WAYNE COUNTY

August 27, 2020

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized, under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (hereinafter referred to as the "Act"), to make mortgage loans to qualified nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations and associations and certain qualified individuals; and

WHEREAS, an application (the "Application") has been filed with the Authority by Develop Detroit (the "Applicant") for a construction mortgage loan in the amount of Nine Million Sixty-Five Thousand Four Hundred Eleven Dollars ($9,065,411), and a permanent mortgage loan in the amount of Five Million Sixty Thousand Four Hundred Ninety-Five Dollars ($5,060,495), for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Seventeen Million Four Hundred Thirty-Three Thousand Four Hundred Eighty-Three Dollars ($17,433,483), to be known as Marwood Apartments, located in the City of Detroit, Wayne County, Michigan, and to be owned by Marwood Marston 2020 Limited Dividend Housing Association LLC (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a Housing Trust Fund loan in the estimated amount of Two Million Nine Hundred Forty-Eight Thousand Nine Hundred Eighty Dollars ($2,948,980) (the "HTF Loan") and

WHEREAS, the Acting Executive Director has forwarded to the Authority his analysis of the Application and his recommendation with respect thereto; and

WHEREAS, the Authority has reviewed the Application and the recommendation of the Acting Executive Director and, on the basis of the Application and recommendation, has made determinations that:

(a) The Mortgagor is an eligible applicant;

(b) The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located thereby enhancing the viability of such housing;

(c) The Applicant and the Mortgagor are reasonably expected to be able to achieve successful completion of the proposed housing project;

(d) The proposed housing project will meet a social need in the area in which it is to be located;

(e) The proposed housing project may reasonably be expected to be marketed successfully;

(f) All elements of the proposed housing project have been established in a manner consistent with the Authority's evaluation factors, except as otherwise provided herein;

(g) The construction or rehabilitation will be undertaken in an economical manner and it will not be of elaborate design or materials; and

(h) In light of the estimated total project cost of the proposed housing project, the amount of the mortgage loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation on the ratio of mortgage loan amount to estimated total project cost.

WHEREAS, the Authority has considered the Application in the light of the criteria established for the determination of priorities pursuant to General Rule 125.145 and hereby determines that the proposed housing project is consistent therewith; and

WHEREAS, Sections 83 and 93 of the Act provide that the Authority shall determine a reasonable and proper rate of return to limited dividend housing corporations and associations on their investment in Authority-financed housing projects.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Application be and it hereby is approved, subject to the terms and conditions of this Resolution, the Act, the General Rules of the Authority, and of the Mortgage Loan Commitment hereinafter authorized to be issued to the Applicant and the Mortgagor.

2. A construction and permanent mortgage loan (the "Mortgage Loan") be and it hereby is authorized and the Executive Director, the Chief Housing Investment Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chief Financial Officer, the Deputy Director of Finance or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction financing of the proposed housing project in an amount not to exceed Nine Million Sixty-Five Thousand Four Hundred Eleven Dollars ($9,065,411), and permanent financing in an amount not to exceed Five Million Sixty Thousand Four Hundred Ninety-Five Dollars ($5,060,495), and to have a term of forty (40) years after amortization of principal commences and to bear interest at a rate of four and 90/100 percent (4.9%) per annum. The amount of proceeds of tax-exempt bonds issued or to be issued and allocated to the financing of this housing project shall not exceed Nine Million Seventy-Nine Thousand Seven Hundred Sixteen Dollars ($9,079,716). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

3. The mortgage loan commitment resolution and issuance of the Mortgage Loan Commitment are based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by

the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this mortgage loan commitment resolution together with the commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded.

4. Notwithstanding passage of this resolution or execution of any documents in anticipation of the closing of the proposed mortgage loan, no contractual rights to receive the mortgage loan authorized herein shall arise unless and until an Authorized Officer shall have issued a Mortgage Loan Commitment and the Applicant shall have agreed in writing within fifteen days after receipt thereof, to the terms and conditions contained therein.

5. The proposed housing project be and it hereby is granted a priority with respect to proceeds from the sale of Authority securities which are determined by the Executive Director to be available for financing the construction and permanent loans of the proposed housing project. Availability of funds is subject to the Authority's ability to sell bonds at a rate or rates of interest and at a sufficient length of maturity so as not to render the permanent financing of the development unfeasible.

6. In accordance with Section 93(b) of the Act, the maximum reasonable and proper rate of return on the investment of the Mortgagor in the housing project be and it hereby is determined to be twelve percent (12%) per annum initially. Following the payment in full of the HTF Loan, the Mortgagor's rate of return may be increased by one percent (1%) annually until a cap of twenty-five percent (25%) is reached.

7. The Authority hereby waives its Multifamily Direct Lending Parameter: VI Underwriting Terms, E(1) LIHTC/Tax-Exempt Bond or Taxable Bond Rent Restrictions: to permit underwritten rents equal to 100% of the maximum allowable rent rather than 95% of the maximum allowable rent.

8. The Authority hereby waives Section VI.I.2 of the Multifamily Direct Lending Parameters adopted on June 28, 2017, requiring approval by the City of Detroit of a payment in lieu of taxes for the Development prior to the adoption of this resolution.

9. The Mortgage Loan shall be subject to, and the Commitment shall contain, the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated August 27, 2020, which conditions are hereby incorporated by reference as if fully set forth herein.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Gary Heidel, Acting Executive Director *Gary Heidel*

DATE: August 27, 2020

RE: Village at LaFranier Woods, Development No. 3806

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions 1) determining Mortgage Loan Feasibility as to the following proposal, 2) authorizing tax-exempt bond and Mortgage Resource Fund ("MRF") mortgage loans in the amounts set forth in this report, and 3) authorizing the Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

PROJECT SUMMARY:

MSHDA No:	3806
Development Name:	Village at LaFranier Woods
Development Location:	Garfield Township, Grand Traverse County
Sponsor:	R W Properties I L.L.C.
Mortgagor:	LaFranier Woods Limited Dividend Housing Association Limited Partnership
Number of Units:	59 Affordable, 55 Market Rate, and 1 Manager Unit
Occupancy Rate:	N/A New Construction
Total Development Cost:	$25,898,271
TE Bond Construction and Permanent Loan:	$16,266,426
MSHDA Gap Funds:	$2,075,000 HOME Loan and $2,600,000 MRF Loan
Other Funds:	$3,619,697 LIHTC Equity; $184,875 Income from Operations; $419,340 Sponsor Loan;

$732,933 Deferred Developer Fee

EXECUTIVE SUMMARY:

The Village at LaFranier Woods is a proposed new-construction, 115-unit, mixed-income senior congregate development to be located at 2242 LaFranier Road, a 7.96 acre parcel in the Charter Township of Garfield, Grand Traverse County, Michigan (the "Development"). The Village at LaFranier Woods will consist of 1 three-story, elevatored, garden-style building containing 41 one-bedroom and 18 two-bedroom affordable units, 6 one-bedroom and 49 two-bedroom market-rate units, and 1 manager's unit. Twenty-three of the market rate units will have premium finishes and are noted as deluxe units.

Community amenities include elevator, controlled entry with intercom, security lighting, central and private dining rooms, exercise room, library/computer center, mini-movie theater, game room, laundry room, beauty/barber shop, medical clinic space, and scheduled bus transportation. Additional amenities, that are available for a fee, include: guest suite ($60 per night); dinner ($9); housekeeping ($20 for 1 bedroom; $30 for 2 bedroom); laundry and linen service ($9 per load of laundry; $9 per load of linen); handyman services ($25 per hour, with a 1/2 hour minimum); carport parking ($30 per month); detached garage parking ($50 per month); and extra storage ($10 per month).

In-unit amenities include frost-free refrigerator, self-cleaning oven, dishwasher (2 bedroom units only), garbage disposal, and microwave. Other features include senior-"friendly" hardware, walk-in closet, internet hook-up, central air conditioning, patios or balconies, and mini-blinds. Deluxe market-rate units will have upgraded finishes and equipment including carpet/flooring, appliances, cabinetry, plumbing fixtures, granite countertops, and in-unit washers and dryers.

Future plans call for two more phases: phase two will be independent seniors and phase three will be an assisted living facility. The proposed phase-one project, "The Village at LaFranier Woods", has direct access from a public road.

The sponsor is in good standing with the Authority, and I am recommending Board approval for the following reasons:

- The Development will provide new, mixed-income, senior housing with additional services in a rural area.
- Authority financing of this Development presents minimal risk due to the strength of operations of similar developments and the sponsor's track record.
- A new earning asset will be added to the Authority's portfolio.

ADVANCING THE AUTHORITY'S MISSION:

- New affordable units will offer needed housing to low- and moderate-income seniors.
- The Development's affordability period will be up to 50 years for all units.

MUNICIPAL SUPPORT:

- Garfield Township has authorized and approved an approximate annual 3.6% payment in lieu of taxes ("PILOT") and municipal services agreement for the Development. Additionally, Garfield Township has issued a decision order approving the Development as a Planned Unit Development.

COMMUNITY SUPPORT:

- Feedback from staff, past and present residents of other comparable developments, and the larger community have influenced plans for this new Development.
- The sponsor has conducted outreach to community organizations including Father Fred Foundation, Women's Resource Center, Disability Network, the Traverse City Housing Commission, the local senior center, churches, Habitat for Humanity, and others.

RESIDENT IMPACT:

- No residents will be displaced as this is new construction.
- Residents will benefit from planned activities, van transportation, and will have the option of prepared meals, housekeeping, and linen service.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

The Village at LaFranier Woods is to be built on a parcel of land, which will be divided from a larger parcel and the land division has not yet been accomplished. The land division application required that the Development receive Planned Unit Development ("PUD") approval. The Development has obtained PUD approval, but the PUD requires an amendment to identify the new parcels. The PUD amendment and the land division application are being completed in tandem, and the sponsor has represented that the municipality is supportive and will provide evidence of this support. The final unconditional approval of the land division is a special condition required before the Authority will issue its loan commitment.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

FEASIBILITY/COMMITMENT STAFF REPORT

August 27, 2020

Recommendation:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions 1) determining Mortgage Loan Feasibility as to the following proposal, 2) authorizing tax-exempt bond and Mortgage Resource Fund ("MRF") mortgage loans in the amounts set forth in this report, and 3) authorizing the Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

MSHDA No.:	3806
Development Name:	Village at LaFranier Woods
Development Location:	Garfield Township, Grand Traverse County
Sponsors:	R W Properties I L.L.C.
Mortgagor:	LaFranier Woods Limited Dividend Housing Association Limited Partnership
Total Development Cost:	$25,898,271
TE Mortgage Amount:	$16,266,426 (62.81%)
MSHDA MRF Loan:	$2,600,000
MSHDA HOME Loan:	$2,075,000
Mortgage Term:	40 years for the tax-exempt bond loan ("TE Loan"), 50 Years for the MRF and HOME Loans
Interest Rate:	4.9% for TE Loan, 3.0% simple interest for the MRF Loan, and 1.0% simple interest for the HOME Loan
Program:	Tax-Exempt Bond and Round 10 of the Gap Financing Program Notice of Funding Availability ("NOFA")
Number of Units:	115 Senior Units
Unit Configuration:	47 one-bedroom, one bath apartments, 46 two-bedroom, 1 1/2 bath apartments, 21 two-bedroom two-bath apartments, and 1 manager's unit in 1 three-story building.
Builder:	Reenders, Inc.
Syndicator:	Cinnaire
Application Received:	May 2019
HDO:	JT Johnston

Issuance of the Authority's Mortgage Loan Commitment is subject to fulfillment of all Authority processing and review requirements and obtaining all necessary staff approvals as required by the Authority's underwriting standards.

ISSUES, POLICY CONSIDERATION AND RELATED ACTIONS:

The Village at LaFranier Woods is to be built on a parcel of land which will be split from a larger parcel and the land division has not yet been accomplished. The land division application required that the Development receive Planned Unit Development ("PUD") approval. The Development has obtained PUD approval, but the PUD requires an amendment to identify the new parcels. The PUD amendment and the land division application are being completed in tandem, and the sponsor has represented that the municipality is supportive and will provide evidence of this support. The final unconditional approval of the land division is a special condition required before the Authority will issue its loan commitment.

<u>EXECUTIVE SUMMARY:</u>

The Village at LaFranier Woods is a proposed new-construction, 115-unit, mixed-income senior congregate development to be located at 2242 LaFranier Road, an 8.03 acre parcel, north of W. Hammond Road, in the Charter Township of Garfield, Grand Traverse County, Michigan (the "Development"). The Village at LaFranier Woods will consist of 1 three-story elevatored garden style building containing 41 one-bedroom- and 18 two-bedroom affordable units, 6 one-bedroom and 49 two-bedroom market rate units, and 1 manager's unit. 23 of the market rate units will have premium finishes and as such are noted as deluxe units.

Community amenities include elevator, controlled entry with intercom, security lighting, central and private dining rooms, exercise room, library/computer center, mini-movie theater, game room, laundry room, beauty/barber shop, medical clinic space, and scheduled bus transportation. Additional amenities, that are available for a fee, include: guest suite ($60 per night); dinner ($9); housekeeping ($20 for 1 bedroom; $30 for 2 bedroom); laundry and linen service ($9 per load of laundry; $9 per load of linen); handyman services ($25 per hour with a 1/2 hour minimum); carport parking ($30 per month); detached garage parking ($50 per month); extra storage ($10 per month).

In-unit amenities include frost-free refrigerator, self-cleaning oven, dishwashers (2-bedroom units only), garbage disposal, and microwave. Other features include senior-"friendly" hardware, walk-in closet, internet hook-up, central air conditioning, patios or balconies, and mini-blinds. Deluxe market-rate units will have upgraded finishes and equipment including carpet/flooring, appliances, cabinetry, plumbing fixtures, solid surface countertops, and in-unit washers and dryers.

Future plans call for two more phases; phase two will be independent seniors and phase three will be an assisted living facility. The proposed phase-one project, "The Village at LaFranier Woods", has direct access from a public road.

The Village at LaFranier Woods is being proposed under the Round 10 Gap Financing Program NOFA. The sponsor requests that the Authority provide a Tax-Exempt Bond Loan, a Mortgage Resource Fund Loan and a HOME Loan to the Development. Equity support comes from the syndication of the 4% Low Income Housing Tax Credits ("LIHTC").

Structure of the Transaction and Funding:

There are several elements to this transaction that are common to new construction transactions:

- A tax-exempt bond construction and permanent mortgage loan will be provided by the Authority (the "Mortgage Loan"). The Mortgage Loan will be in the amount of $16,266,426 at 4.90% interest with 23-monthly interest only payments required under the construction loan (a 14-month construction term and a 9-month rent-up period). The permanent financing date will commence on the first day of the month following the month in which the 23-month construction loan term expires or such later date as determined by an Authorized Officer of the Authority (the "Permanent Financing Date").

- The permanent tax-exempt bond loan is based upon the current rents, less vacancy loss, payments to reserves and escrows, operating costs based on historical data unless modified by project improvements and construction and soft costs at levels appropriate for this specific transaction. The permanent loan includes a 1.15 debt service coverage ratio, an annual interest rate of 4.90%, with a fully amortizing term of 40 years commencing on the Permanent Financing Date. The Mortgage Loan will be funded on the Permanent Financing Date and will be in **First Position**.

- A subordinate loan using Authority mortgage resource funds (the "Mortgage Resource Fund Loan") in the amount of $2,600,000 will be provided at 3% simple interest with payments initially deferred. The Mortgage Resource Fund Loan will be in **Second Position**.

- A subordinate loan using HOME funds (the "HOME Loan") in the amount of $2,075,000 will be provided at 1% simple interest with payments initially deferred. The HOME Loan will be in **Third Position**.

- Equity support comes from an investment related to the 4% LIHTC in the estimated amount of $3,619,697.

- The Sponsor is providing a loan in the amount of $419,340. See Special Condition No. 6.

- The sponsor has agreed to defer $732,933 in Developer Fees to help fill the remaining funding gap.

- An operating assurance reserve will be required in the amount identified in the attached proforma. The reserve will be capitalized at closing in an amount which, along with accumulated interest, is expected to meet the Development's unanticipated operating needs. This reserve will be held by the Authority.

- A 9-month rent-up allowance in the amount identified in the attached proforma will be required to support interest payments between construction completion and the Mortgage Cut-Off Date, as determined by the Authority.

- Income from, operations will be used as a source funding to make interest only payments and the tax and insurance payments during the absorption period in the amount of $184,875.

- A syndicator reserve in the amount of $227,416 is required by the equity investor for operating costs. This reserve will be held and controlled pursuant to the terms of the Mortgagor's Amended and Restated Limited Partnership Agreement. See Special Condition No. 5.

SITE SELECTION:

The project's site is acceptable, as there is direct access off LaFranier Road and other residential developments are in proximity to the site.

MARKET EVALUATION:

Marketing staff have reviewed and approved the market study.

Valuation of the Property:

An appraisal dated April 25, 2019, provides a value of $650,000 for this vacant 7.96-acre parcel.

CONDITIONS:

At or prior to (i) issuance of the Authority's mortgage loan commitment ("Mortgage Loan Commitment"), (ii) the initial Mortgage Loan Closing (the "Initial Closing"), or (iii) such other date as may be specified herein, the new Mortgagor, and other members of the Development team, where appropriate, must satisfy each of the following conditions by entering into a written agreement or providing documentation acceptable to the Authority:

Standard Conditions:

1. **Limitation for Return on Equity:**

   For each year of the Development's operation, beginning in the year in which the Mortgage Cut-Off Date occurs, payments are limited to twelve percent (12%) of the Mortgagor's equity. For purposes of distributions, the Mortgagor's equity will be the sum of (i) the LIHTC equity; (ii) the brownfield tax credit equity; (iii) the historic tax credit equity; (iv) general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority (estimated to be a total of $3,619,697). All such payments shall be referred to as "Limited Dividend Payments". The Mortgagor's return shall be fully cumulative. Limited Dividend Payments shall be capped at 12% per annum, until the MRF Loan and the HOME Loan have been repaid. Thereafter, Limited Dividend Payments may increase 1% per annum until a cap of 25% per annum is reached.

2. **Income Limits:**

   The income limitations for 115 units of this proposal are as follows:

   a. 3 units have been designated as Low-HOME units (1 one-bedroom unit and 2 two-bedroom, 1 1/2 bath units), and during the Period of Affordability required under the HOME program (20 years) must be available for occupancy by households whose incomes do not exceed 50% of the HOME published area median income, adjusted for family size as determined by HUD.

b. 8 units have been designated as High-HOME units (4 one-bedroom units and 4 two-bedroom, 1 1/2 bath units), and during the Period of Affordability required under the HOME program (20 years) must be available for occupancy by households whose incomes do not exceed 60% of the HOME published area median income, adjusted for family size as determined by HUD.

c. 59 units (41 one-bedroom, one-bath units and 18 two-bedroom, 1 1/2 bath units) must be available for occupancy by households whose incomes do not exceed 60% of area median income based upon the MTSP limits, adjusted for family size as determined by HUD, until the latest of (i) the expiration of the LIHTC “Extended Use Period” as defined in the Development’s LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

d. 55 units (6 one-bedroom units and 49 two-bedroom units) are market-rate and may be rented without regard to income.

e. 1 unit (a one-bedroom unit) will be used as a manager’s unit. If this unit is later converted to rental use, it must be available for occupancy by households whose incomes do not exceed 60% of area median income based upon the MTSP limits, adjusted for family size as determined by HUD.

To the extent units within the Development are subject to multiple sets of income limits, the most restrictive income limit will apply so long as the applicable term of affordability continues.

The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size.

3. <u>Limitations on Rental Rates</u>:

The Total Housing Expense (contract rent plus tenant-paid utilities) for 115 units are subject to the following limitations:

a) During the Period of Affordability required under the HOME program (20 years), the Total Housing Expense for the 3 Low-HOME units (1 one-bedroom unit and 2 two-bedroom units) may not exceed the “Low-HOME Rent Limit” for the unit established and published annually by HUD.

b) During the Period of Affordability required under the HOME program (20 years), the Total Housing Expense for the 8 High-HOME units (4 one-bedroom units and 4 two-bedroom units) may not exceed the “High-HOME Rent Limit” established and published annually by HUD.

c) For 59 units (41 one-bedroom units and 18 two-bedroom units), the Total Housing Expense may not exceed one-twelfth ($1/12^{th}$) of 30% of the MTSP 60% income limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. These restrictions will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

d) 55 units (6 one-bedroom units and 49 two-bedroom units) are market-rate and there shall be no limit on the rents charged for these units.

e) 1 unit (1 one-bedroom unit) will be used as a manager's unit. If this unit is later converted to rental use, the Total Housing Expense will be limited to one twelfth (1/12th) of 30% of the MTSP 60% income limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom.

To the extent units within the Development are subject to multiple sets of rent limits, the most restrictive rent limit will apply so long as the applicable term of affordability continues.

While rental increases for these units may be permitted from time to time as HUD publishes updated median income limits, the Mortgagor must further agree that rental increases for targeted units will be limited to not more than 5% for any resident household during any 12-month period.

For the initial lease term of the first household occupying each rent restricted unit in the Development may not exceed 105% of the rent approved in this Mortgage Loan Feasibility/Commitment Staff Report or the maximum allowed per median income, whichever is less. Exceptions to the foregoing limitations may be granted by the Authority's Director of Asset Management to pay for extraordinary increases in operating expenses (exclusive of Limited Dividend Payments) or to enable the owner to amortize a Mortgage Loan increase to fund cost overruns pursuant to the Authority's policy on Mortgage Loan increases. Rents on vacated units may be increased to the maximum level permissible by the applicable programs. Rents and utility allowances must be approved annually.

4. <u>Covenant Running with the Land</u>:

The Mortgagor must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the obligations issued or to be issued to finance the Mortgage Loan. This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is 15 years after the date on which 50% of the residential units in the Development are occupied, the first day on which no bonds are outstanding with respect to the project, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations. Additionally, if LIHTC is awarded to the Development, the Mortgagor must agree to subject the property to the extended low income use commitment required by Section 42 of the Internal Revenue Code.

5. **Restriction on Prepayment and Subsequent Use:**

The Mortgage Loan is eligible for prepayment after the expiration of 15 years after the commencement of amortization. The Mortgagor must provide the Authority with at least 60 days' notice prior to any such prepayment.

In the event of a prepayment, however, the Mortgagor must pay a prepayment fee equal to the sum of:

a. 1% of the balance being prepaid;
b. Any bond call premium, prepayment or swap penalty, or any other cost that the Authority incurs to prepay the bonds or notes that were used to fund the Mortgage Loan; and
c. Any loss of debt service spread between the Mortgage Loan and the bonds used to finance the loan from the date of the prepayment through the end of the 20th year of amortization.

Once the Mortgagor has been approved for the early prepayment of the underlying loan, it must sign an agreement with the Authority stating it is responsible for the cost of terminating the swap. The Mortgagor can then choose the timing of the termination and participate in the transaction with the swap counterparty. The swap counterparty will quote the cost of terminating the swap and the Mortgagor will have the ability to execute the transaction or cancel at its sole discretion. If the Mortgagor chooses not to terminate the swap, it will forfeit the right to prepay the Mortgage Loan.

Subordinate loans are eligible to prepay at any time upon 60 days prior written notice to the Authority, but prepayment may not extinguish federal affordability and compliance requirements.

6. **Operating Assurance Reserve:**

At Initial Closing, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to four months' estimated Development operating expenses (estimated to be $624,450). The OAR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority in accordance with the Authority's written policy on the use of the Operating Assurance Reserve, as amended from time to time. The OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. **Replacement Reserve:**

The Mortgagor must agree to establish a replacement reserve fund ("Replacement Reserve") by making annual deposits to the Replacement Reserve, beginning on the Mortgage Cut-Off Date, at a minimum of $275 per unit for the first year of operation, payable in monthly installments, with deposits in subsequent years to be the greater of (i) the prior year's deposit, increased by 3%, or (ii) a percentage of the Development's projected annual rental income or gross rent potential ("GRP") for the year using the percentage obtained by dividing the first year's deposit by the first year's GRP shown on the operating proforma for the Development attached hereto. The annual deposit to the Replacement Reserve may also be increased to any higher amount that is determined to be necessary by the Authority, based on a CNA and the Authority's Replacement Reserve policies. The Authority may update any CNA or obtain a new CNA every five years, or upon any frequency, as determined necessary by the Authority.

8. <u>Authority Subordinate Loan(s):</u>

At Initial Closing, the Mortgagor must enter into agreements relating to the Mortgage Resource Fund Loan and the HOME Loan. The Mortgage Resource Fund Loan will bear simple interest at 3%, and the HOME Loan will bear simple interest at 1%, and will each be secured by subordinate mortgages with 50-year terms. No loan payments will be required on either the Mortgage Resource Fund Loan or the HOME Loan so long as any deferred developer fees remain unpaid, not to exceed twelve years. Interest will continue to accrue on each loan until paid in full.

At the earlier of the year in which the developer fee has been paid in full or the 13th year following the date that Mortgage Loan amortization commences, repayment of the Mortgage Resource Fund Loan and the HOME Loan will commence according to the following:

- So long as both of the Mortgage Loan and the Mortgage Resource Fund Loan remain outstanding, then repayment of the Mortgage Resource Fund Loan will be made from fifty percent (50%) of any surplus cash available for distribution ("Surplus Funds"), applied first to accrued interest, then to current interest and principal, and no payments will be required on the HOME Loan.

- If the Mortgage Resource Fund Loan is repaid in full while the Mortgage Loan remains outstanding, then upon repayment of the Mortgage Resource Fund Loan, repayment of the HOME Loan will commence and be made from fifty percent (50%) of Surplus Funds, applied first to accrued interest, then to current interest and principal.

- Upon payment in full of the Mortgage Loan, if both the Mortgage Resource Fund Loan and the HOME Loan remain outstanding, then the outstanding balance of the Mortgage Resource Fund Loan, including accrued interest, will become the new first mortgage loan and will begin amortization with monthly payments equal to the payments made under the original Mortgage Loan. At this time, payments on the HOME Loan will commence and be made from fifty percent (50%) of Surplus Funds, applied first to accrued interest, then to current interest and principal.

- Upon payment in full of both the Mortgage Loan and the Mortgage Resource Fund Loan, the outstanding balance of the HOME Loan, including accrued interest, will become the new first mortgage loan and will begin amortization with monthly payments equal to the payments made under the original Mortgage Loan.

- The entire principal balance and any accrued interest of the Mortgage Resource Fund Loan and the HOME Loan will be due and payable after 50 years.

Notwithstanding the foregoing, in the event of any sale or refinance of the Development, the Mortgage Resource Fund Loan and the HOME Loan will be due and payable at that time.

9. Architectural Plans and Specifications; Contractor's Qualification Statement:

Prior to Mortgage Loan Commitment, the architect must submit architectural drawings and specifications that address all design review comments, acceptable to the Authority's Chief Architect and the Chief Housing Investment Officer.

Prior to Mortgage Loan Commitment, the general contractor must submit AIA Document A305 as required by the Authority's Chief Architect.

10. Owner/Architect Agreement:

Prior to Mortgage Loan Commitment, the Mortgagor must provide the Authority with an executed Owner Architect Agreement acceptable in form and substance to the Director of Legal Affairs.

11. Trade Payment Breakdown:

Prior to Mortgage Loan Commitment, the general contractor must submit a signed Trade Payment Breakdown acceptable to the Authority's Manager of Construction Costing.

12. Section 3 Requirements:

Prior to Mortgage Loan Commitment, the general contractor must agree to comply with all federal Section 3 hiring requirements. The general contractor must provide the contractor's "Section 3 Hiring Plan" which must be reviewed and found acceptable to the Authority's Section 3 Compliance Officer. In addition, the general contractor must agree to adhere to follow-up reporting requirements as established by the Authority.

13. Equal Opportunity and Fair Housing:

Prior to Mortgage Loan Commitment, the management and marketing agent's Affirmative Fair Housing Marketing Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer for Fair Housing Requirements.

In addition, prior to Mortgage Loan Commitment, the general contractor's Equal Employment Opportunity Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer.

14. Cost Certification:

The contractor's cost certification must be submitted within 90 days following the completion of construction, and the Mortgagor's cost certification must be submitted within 90 days following the Mortgage Cut-off Date. For LIHTC, the owner is obligated to submit cost certifications applicable to itself and the contractor prior to issuance of IRS form 8609 (see LIHTC Program Cost Certification Guidelines).

15. Environmental Review and Indemnification:

Prior to Mortgage Loan Commitment, the Mortgagor must address any outstanding environmental issues, in form and substance acceptable to the Authority's Environmental Review Officer.

At Initial Closing, the Mortgagor must enter an agreement to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of any violation of environmental laws. The indemnification agreement must be acceptable to the Director of Legal Affairs.

16. Title Insurance Commitment and Survey:

Prior to Mortgage Loan Commitment, the Mortgagor must provide an updated title insurance commitment, including zoning, pending disbursements, comprehensive, survey, land division act (if applicable) and such other endorsements as deemed necessary by the Authority's Director of Legal Affairs. The updated title commitment must contain only exceptions to the insurance acceptable to the Authority's Director of Legal Affairs.

Additionally, prior to Mortgage Loan Commitment, the Mortgagor must provide an updated survey, together with surveyor's certificate of facts that is certified and appropriately reflects all easements, rights of way, and other issues noted on the title insurance commitment. All documents must be acceptable to the Director of Legal Affairs.

17. Organizational Documents/Equity Pay-In Schedule:

Prior to Mortgage Loan Commitment, the Mortgagor must submit a substantially final form syndication partnership agreement, including an equity pay-in schedule, that is acceptable in form and substance to the Chief Housing Investment Officer and Director of Legal Affairs.

At or prior to Initial Closing, the final, executed syndication partnership agreement must become effective and the initial installment of equity must be paid in an amount approved by the Chief Housing Investment Officer and Director of Development.

18. Designation of Authority Funds:

The Authority reserves the express right, in its sole discretion, to substitute alternate subordinate funding sources.

19. Management & Marketing:

Prior to Mortgage Loan Commitment, the management and marketing agent must submit the following documents, which must be found acceptable to the Director of Asset Management:

a) Management Agreement
b) Marketing Addendum

20. Guaranties:

At Initial Closing, the Sponsors, General Partner, and any entity receiving a developer fee in connection with the Development must deliver certain guaranties. The required guaranties include a guaranty of HOME recapture liability, an operating deficit guaranty and a performance completion guaranty. The required guaranties, the terms thereof and the parties who shall be required to deliver the guaranty must be determined and approved by the Authority's Chief Housing Investment Officer and Director of Development.

21. Financial Statements:

Prior to Mortgage Loan Commitment, financial statements for the Sponsor, the guarantor(s) and the general contractor must be reviewed and found acceptable by the Authority's Director of Finance.

If prior to Initial Closing the financial statements that were approved by the Authority become more than six months old, the Sponsor, the guarantor(s) and/or the general contractor must provide the Authority with updated financial statements meeting Authority requirements upon request.

22. Future Contributions:

To ensure the Authority is contributing the least amount of funding necessary to achieve project feasibility, any decrease in Development costs or future contributions not included in the Development proforma may, at the Authority's discretion, be utilized to reduce, in equal proportions, any deferred developer fee and Authority soft funds.

23. Ownership of Development Reserves:

At the Initial Closing, the Mortgagor must enter into an agreement confirming the Authority's ultimate ownership of excess cash reserves, escrows and accounts as may exist at the time the Authority's mortgage loans are paid off or the Development is sold or refinanced. This agreement must be acceptable to the Authority's Director of Legal Affairs.

24. HUD Authority to Use Grant Funds:

Prior to Mortgage Loan Commitment, the Authority must receive the HUD Authority to Use Grant Funds (HUD 7015.16) in connection with the proposed HOME Loan from the Authority or confirmation that the Development is categorically excluded from NEPA review.

25. <u>HUD Subsidy Layering Review:</u>

Prior to Initial Closing, the subsidy layering review must be performed by Authority staff and must be submitted to HUD for approval. The subsidy layering approval is subject to review and approval by the Authority's Chief Housing Investment Officer and director of Development.

26. <u>Application for Disbursement:</u>

Prior to Initial Closing, the Mortgagor must submit an "Application for Disbursement" along with supporting documentation, which must be found acceptable to the Authority's Chief Housing Investment Officer and Director of Development.

Special Conditions:

1. <u>Legal Requirements:</u>

The Mortgagor and/or Sponsor must submit documentation acceptable to the Authority's Director of Legal Affairs for the items listed below:

- Prior to Mortgage Loan Commitment, the applicable land division must be completed, and the Mortgagor must provide to the Authority the final, unconditional approval issued by the municipality.
- Prior to Mortgage Loan Commitment, the amendment to the Planned Unit Development must be completed, and the Mortgagor must provide to the Authority the final, unconditional approval issued by the municipality.
- Prior to Initial Closing, the Michigan Attorney General's Office must complete its review of the transaction and provide the Director of Legal Affairs its recommendation.
- Any other documentation as required by the Director of Legal Affairs, including but not limited to, acceptable evidence of insurance, permits, licenses, zoning approvals, utility availability, payment and performance bonds, construction agreements, and other standard closing requirements.

2. <u>Congregate Services:</u>

Prior to Initial Closing, the sponsor must agree in writing to provide congregate services as described in the management and marketing plans for the tenants for the life of the Mortgage Loan. The services must include, at the option of the tenant, one meal per day, light housekeeping, laundry services, and handyman services. The cost of these services must be paid from other than Mortgage Loan proceeds, development rental income, and residual receipts.

3. <u>Van Transportation:</u>

The Mortgagor will enter into an agreement with the Authority to provide regular van transportation for the residents of the Development for the purposes of grocery and other shopping, and for recreational outings, at no charge to the tenants. The times, frequency and destination of the outing for which van transportation will be established by the Mortgagor, subject to the approval of the Authority's Director of Asset Management, whose approval will not be unreasonably withheld. The van transportation shall be in addition to Spec-Tran or any other service provided by the local public transportation system or its equivalent. The cost of providing van transportation services may be paid from development operating funds, residual receipts, or mortgage loan proceeds, to the extent available. If however there are not sufficient funds from these sources, Mortgagor shall pay the cost of providing the van transportation services from the Mortgagor's own funds.

4. **Excess Rent-Up Allowance:**

Prior to final closing, any unused funds allocated for the Rent-up Allowance will be used to reduce the amount of the Authority's Mortgage Resource Fund Loan.

5. **Syndicator Reserve:**

The Mortgagor shall fund a syndicator held reserve ("Syndicator Reserve") with a one-time deposit in the amount of $227,416 paid from equity proceeds according to the terms of the Mortgagor's limited partnership agreement. The Syndicator Reserve shall be controlled by the syndicator. The purpose of this reserve will be to fund additional operating costs.

6. **Sponsor Loan:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the Sponsor loan acceptable to the Authority's Director of Legal Affairs and Director of Development. The Sponsor loan must:

a) not be secured by a lien on the Development or any of the Development's property, funds or assets of any kind;
b) be payable solely from approved Limited Dividend payments, and not from other development funds;
c) be expressly subordinate to all Authority mortgage loans; and
d) have a loan term exceeding the term of all Authority mortgage loans.

At or prior to Initial Closing, the final, executed Sponsor loan documents must become effective and initial funding of the loan must be made in an amount approved by the Director of Development.

DEVELOPMENT TEAM AND SITE INFORMATION

I. MORTGAGOR:

LaFranier Woods Limited Dividend Housing Association Limited Partnership

II. GUARANTOR(S):

A. Guarantor #1:

Name: R W Properties I, L.L.C.
Address: 950 Taylor Avenue
Grand Haven, Michigan 49417

B. Guarantor #2:

Name: Shirley Woodruff
Address: 950 Taylor
Grand Haven, Michigan 49417

C. Guarantor #3:

Name: Dennis Reenders
Address: 950 Taylor
Grand Haven, Michigan 49417

D. Guarantor #4:

Name: Scott Reenders
Address: 950 Taylor
Grand Haven, Michigan 49417

III. DEVELOPMENT TEAM ANALYSIS:

A. Sponsor:
Name: R W Properties I, L.L.C.
Address: 950 Taylor Avenue
Grand Haven, Michigan 49417

Individual Assigned: Shirley Woodruff
Telephone: (616) 842-2425
Fax: (616) 842-8939
E-mail: swoodruff@reendersinc.com

1. Experience:
The sponsor has prior experience with Authority-financed developments.

2. Interest in the Mortgagor and Members:
LaFranier Woods Limited Dividend Housing Association Limited Partnership

Members: General Partners:

R W Properties I, L.L.C.	5.00%
Gen Four Properties I, LLC	4.00%
Gen Four Properties II, LLC	4.00%
Gen Four Properties III, LLC	4.00%
Gen Four Properties IV, LLC	4.00%
Gen Four Properties V, LLC	4.00%

Limited Partners: R W Properties I, L.L.C. 75.00%

B. Architect:

Name: Progressive Associates, Inc.
Address: 838 West Long Lake Rd., Suite 250
Bloomfield Hills, Michigan 48302

Individual Assigned: Daniel Tosch
Telephone: (248) 540-5940
Fax #: (248) 540-4820
E-mail: pai@progressiveassociates.com

1. **Experience:**
   This firm has experience designing Authority-financed developments.

2. **Architect's License:**
   License #: 1301018780, exp. 10/31/2020

C. Attorney:

Name: Loomis, Ewert, Parsley, Davis & Gotting,
A Professional Corporation
Address: 124 W. Allegan Avenue, Suite 700
Lansing, Michigan 48933
Individual Assigned: Ted Rozeboom
Telephone: (517) 482-2400
Fax: (517) 482-8502
E-Mail: trozeboom@loomislaw.com

1. **Experience:**
   This firm has experience closing Authority-financed developments.

D. Builder:

Name: Reenders, Inc.
Address: 950 Taylor Avenue
Grand Haven, Michigan 49417

Individual Assigned: Dennis H. Reenders
Telephone: (616) 842-2425
Fax: (616) 842-8939
E-Mail: dreenders@reendersinc.com

1. **Experience:**
The firm has prior experience in constructing Authority-financed developments.

2. **State Licensing Board Registration:**
License No. 2102095836 exp. 05/31/2023, Dennis Howard Reenders, Qualifying Officer

E. **Management and Marketing Agent:**

Name:	Heritage Property Management, Inc.
Address:	950 Taylor Avenue Grand Haven, Michigan 49417
Individual Assigned:	Scott Reenders
Telephone:	(616) 846-4700
Fax:	(616) 842-8939
E-Mail:	sreenders@reendersinc.com

1. **Experience:**
Agent has prior experience in managing Authority-financed developments.

IV. SITE DATA:

A. **Land Control/Purchase Price:**
A Purchase Agreement, dated January 31, 2019, between Louis G. LaFranier Trust and Marvel R. LaFranier Trust ("Seller") and R W Properties I, L.L.C. ("Buyer") to purchase a portion of parcel #28-05-023-041-00, as shown as Parcel "A" on Exhibit A for $875,000. The expiration date is November 30, 2019, unless otherwise agreed to in writing. A Fourth Amendment to Purchase Agreement, dated January 31, 2019, between Dixie Roethlisberger, as Trustee of the Louis G. LaFranier Trust and the Marvel R. LaFranier Trust ("Seller") and R W Properties I, L.L.C. ("Buyer") to extend the expiration date of the Zoning Contingency Period to November 30, 2020, with the Seller agreeing to proceed to closing no later than 15 days after the close of the Zoning Contingency Period (i.e.: December 15, 2020).

B. **Site Location:**
The property is located on the east side of LaFranier Road, with Airport Road South to the north and W. Hammond Road to the south.

C. **Size of Site:**
8.03 acres

D. **Zoning:** High Density Residential through an approved PUD.

E. **Density:** Appropriate with PUD approval.

F. Physical Description:

1. Present Use: Vacant land
2. Existing Structures: None
3. Relocation Requirements: None
4. Contiguous Land Uses:

North: Vacant land, Grand Traverse County Health Department, and single- and multi-family residential
South: Vacant land
East: Single- and multi-family residential
West: LaFranier Road, multi-family residential, and vacant land

G. Utilities:

1. Water and Sanitary Sewer: Grand Traverse County

2. Storm Sewer: Grand Traverse County

3. Electricity: Traverse City Light & Power

4. Gas: DTE Energy

H. Taxes:

The sponsor has received a new 3.6% Payment in Lieu of Taxes ("PILOT") from the Charter Township of Garfield, with an annual Municipal Services Agreement fee of $27,400.

I. **Community Facilities**:

1. Shopping:

A Walmart Supercenter is located 2.8 miles northwest of the site, Garfield Village Shopping Center is 2.5 miles to the north, and a Meijer is 1.8 miles to the northwest. Downtown Traverse City is located approximately 4.3 miles north of the site and offers numerous restaurants, banks, and various retail and commercial establishments.

2. Recreation:

Traverse City and surrounding areas offer an array of recreational opportunities with County parks available along Grand Traverse Bay as well as in Traverse City along with the County Civic Center, Northwestern Michigan College, and museums.

3. Public Transportation:

The Grand Traverse County Commission on Aging offers the COAST Bus free for clients. The Cherry Capital Airport is 2.6 miles northeast of the site.

4. Road Systems:

The site is located on LaFranier Road approximately 1 mile south of West South Airport. Highway 31 is located less than 4 miles west of the site.

5. Medical Services and other Nearby Amenities:

Munson Healthcare hospital is approximately 5.1 miles northwest of the site. Grand Traverse County Health Department is less than ½ mile north of the site on LaFranier Road.

6. Description of Surrounding Neighborhood:

The surrounding community is rural and there are multi-family developments along LaFranier Road.

7. Local Community Expenditures Apparent:

None.

8. Indication of Local Support:

Sponsor indicates that the development will seek a 3.6% PILOT from Charter Township of Garfield, with an annual Municipal Services Agreement fee of $27,400.

V. ENVIRONMENTAL FACTORS:

The Phase II Environmental Site Assessment and NEPA will be reviewed.

VI. DESIGN AND COSTING STATUS:

Upon submission all architectural plans and specifications consistent with the scope of work will be reviewed by the Chief Architect. A response to all design review comments and the submission of corrected and final plans and specifications must be made prior to initial closing.

This proposal will satisfy the State of Michigan barrier-free requirements, the Authority's policy regarding accessibility and non-discrimination for the disabled, the Fair Housing Amendments Act of 1988, and the HOME requirements for barrier-free vision and hearing designed units. Construction documents must be acceptable to the Authority's Chief Architect.

VII. MARKET SUMMARY:

The Market study has been reviewed by the Authority's Chief Market Analyst and found to be acceptable. The Authority's Chief Market Analyst has reviewed and approved the unit mix, rental structure, and unit amenities.

VIII. EQUAL OPPORTUNITY AND FAIR HOUSING:

The contractor's Equal Employment Opportunity Plan is currently being reviewed, and it must be approved by the Authority's Equal Employment Opportunity Officer. The management and marketing agent's Affirmative Fair Housing Marketing Plan has been approved.

IX. MANAGEMENT AND MARKETING:

The management/marketing agent must submit commitment level management and marketing information, and it needs to be approved by the Authority's Director of Asset Management.

X. FINANCIAL STATEMENTS:

Financial statements have been submitted.

XI. DEVELOPMENT SCHEDULING:

A. Mortgage Loan Commitment:	August 2020
B. Initial Closing and Disbursement:	November 2020
C. Construction Completion:	January 2022
D. Cut-Off Date:	October 2022

XII. ATTACHMENTS:

Development Proforma

APPROVALS:

Chad Benson Digitally signed by Chad Benson
Date: 2020.08.19
14:02:43 -04'00'

08/19/2020

Chad Benson
Acting Director of Development

Date

Clarence L. Stone, Jr. Digitally signed by Clarence L. Stone, Jr.
Date: 2020.08.19
14:52:29 -04'00'

8/19/2020

Clarence L. Stone, Jr.
Director of Legal Affairs

Date

Gary Heidel Digitally signed by Gary Heidel
Date: 2020.08.20
09:25:56 -04'00'

08/19/2020

Gary Heidel
Acting Executive Director

Date

Development	Village at LaFranier Woods
Financing	Tax Exempt
MSHDA No.	3806
Step	Commitment
Date	08/27/2020
Type	New Construction

Mortgage Assumptions:

Debt Coverage Ratio	1.15	
Mortgage Interest Rate	4.900%	
Pay Rate	4.900%	
Mortgage Term	40	years
Income from Operations	No	

Instructions

Total Development Income Potential				Per Unit	Total	Initial Inflation Factor	Beginning in Year	Future Inflation Factor
Annual Rental Income				16,969	1,951,440	1.0%	6	2.0%
Annual Non-Rental Income				532	61,160	1.0%	6	2.0%
Total Project Revenue				17,501	2,012,600			
Total Development Expenses								
							Future Vacancy	
Vacancy Loss	5.00%	of annual rent potential		848	97,572		6	5.0%
Management Fee	534	per unit per year		534	61,410	3.0%	1	3.0%
Administration				3,043	350,000	3.0%	1	3.0%
Project-paid Fuel				100	11,500	3.0%	6	3.0%
Common Electricity				270	31,000	4.0%	6	3.0%
Water and Sewer				395	45,425	5.0%	6	5.0%
Operating and Maintenance				1,787	205,500	3.0%	1	3.0%
Real Estate Taxes				0		5.0%	1	5.0%
Payment in Lieu of Taxes (PILOT)	3.60%	Applied to:	All Units	553	63,574			
Insurance				174	20,000	3.0%	1	3.0%
Replacement Reserve	275	per unit per year		275	31,625	3.0%	1	3.0%
Other: Municipal Services Agreement				238	27,400	2.5%	1	3.0%
Other:				0		3.0%	1	3.0%

	% of Revenue	Per Unit	Total	
Total Expenses	46.95%	**8,217**	**945,006**	
Base Net Operating Income		9,283	1,067,594	Override
Part A Mortgage Payment	46.13%	8,073	928,343	
Part A Mortgage		**141,447**	**16,266,426**	
Non MSHDA Financing Mortgage Payment		0		
Non MSHDA Financing Type:		**0**		
Base Project Cash Flow (excludes ODR)	6.92%	1,211	139,251	

Development Village at LaFranier Woods
Financing Tax Exempt
MSHDA No. 3806
Step Commitment
Date 08/27/2020
Type New Construction

Instructions

TOTAL DEVELOPMENT COSTS

		Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Acquisition						
Land		4,348	500,000	0%	0	0
Existing Buildings		0		100%	0	0
Other:		0		0%	0	0
	Subtotal	**4,348**	**500,000**			
Construction/Rehabilitation						
Off Site Improvements		0		100%	0	0
On-site Improvements		9,389	1,079,771	100%	1,079,771	0
Landscaping and Irrigation		3,875	445,620	100%	445,620	445,620
Structures		115,568	13,290,282	100%	13,290,282	13,290,282
Community Building and/or Maintenance Facility		913	105,000	100%	105,000	105,000
Construction not in Tax Credit basis (i.e. Carports and Commercial Space		12,174	1,400,000	0%	0	0
General Requirements % of Contract 6.00%	Within Range	8,672	997,239	100%	997,239	997,239
Builder Overhead % of Contract 2.00%	Within Range	3,064	352,357	100%	352,357	352,357
Builder Profit % of Contract 6.00%	Within Range	9,376	1,078,215	100%	1,078,215	1,078,215
Permits, Bond Premium, Tap Fees, Cost Cert.		4,702	540,687	100%	540,687	540,687
Other: Removal of Arsenic Tainted Soil		2,609	300,000	100%	300,000	300,000
	Subtotal	**170,341**	**19,589,170**			
	15% of acquisition and $15,000/unit test		**met**			
Professional Fees						
Design Architect Fees		1,922	221,000	100%	221,000	221,000
Supervisory Architect Fees		209	24,000	100%	24,000	24,000
Engineering/Survey		304	35,000	100%	35,000	35,000
Other: Soil Borings		65	7,500	100%	7,500	7,500
	Subtotal	**2,500**	**287,500**			
Interim Construction Costs						
Property & Causalty Insurance		583	67,000	100%	67,000	67,000
Construction Loan Interest	Override 313681	2,728	313,681	61%	190,936	190,936
Title Work		348	40,000	100%	40,000	0
Legal Fees (in Tax Credit Basis)		348	40,000	100%	40,000	0
Construction Taxes		278	32,000	100%	32,000	32,000
Other: Zoning, etc.		667	76,650	100%	76,650	76,650
	Subtotal	**4,951**	**569,331**			
Permanent Financing						
Loan Commitment Fee to MSHDA	2%	3,642	418,829	0%	0	0
Other:		0		0%	0	0
	Subtotal	**3,642**	**418,829**			
Other Costs (In Basis)						
Application Fee		39	4,500	100%	4,500	4,500
Market Study		57	6,500	100%	6,500	6,500
Environmental Studies		196	22,500	100%	22,500	22,500
Cost Certification		87	10,000	100%	10,000	10,000
Equipment and Furnishings		4,661	536,000	100%	536,000	0
Temporary Tenant Relocation		0		100%	0	0
Construction Contingency		0		100%	0	0
Appraisal and C.N.A.		17	1,942	100%	1,942	1,942
Other: Van/Bus		721	82,909	100%	82,909	82,909
	Subtotal	**5,777**	**664,351**			
Other Costs (NOT In Basis)						
Start-up and Organization		87	10,000	0%	0	0
Tax Credit Fees (based on 2017 QAP) 26,252	Within Range	228	26,252	0%	0	0
Compliance Monitoring Fee (based on 2017 QAP)		248	28,500	0%	0	0
Marketing Expense		1,626	187,000	0%	0	0
Syndication Legal Fees		43	5,000	0%	0	0
Rent Up Allowance 9.0 months		5,743	660,472	0%	0	0
		0		0%	0	0
	Subtotal	**7,976**	**917,224**			

Summary of Acquisition Price		As of	
Attributed to Land	500,000	1st Mortgage Balance	
Attributed to Existing Structure	0	Subordinate Mortgage(s)	
Other:	0	Subordinate Mortgage(s)	
Fixed Price to Seller	500,000	Subordinate Mortgage(s)	
		Premium/(Deficit) vs Existing Debt	**500,000**

Construction Loan Term	Months
Construction Contract	14
Holding Period (50% Test)	
Rent Up Allowance	9
Construction Loan Period	23

Appraised Value	Value As of: April 25, 2019	Override
"Encumbered As-Is" value as determined by appraisal:	650,000	
Plus 5% of Appraised Value:	0	
LESS Fixed Price to the Seller:	500,000	
Surplus/(Gap) Within Range	**150,000**	

			Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Project Reserves							
Operating Assurance Reserv	4.0 months	Funded in Cas	5,430	624,450	0%	0	0
Replacement Reserve		Not Required	0	0	0%	0	0
Operating Deficit Reserve			0	0	0%	0	0
Rent Subsidy Reserve			0	0	0%	0	0
Syndicator Held Reserve			1,978	227,416	0%	0	0
Rent Lag Escrow			0	0	0%	0	0
Tax and Insurance Escrows			0	0	0%	0	0
Other:			0		0%	0	0
Other:			0		0%	0	0
		Subtotal	**7,408**	**851,866**			
Miscellaneous							
Deposit to Development Operating Account(1MGRP		Not Required	0	0	0%	0	0
Other (Not in Basis):			0	0	0%	0	0
Other (In Basis):			0	0	100%	0	0
Other (In Basis):			0	0	100%	0	0
		Subtotal	**0**	**0**			
Total Acquisition Costs			**4,348**	**500,000**			
Total Construction Hard Costs			**170,341**	**19,589,170**			
Total Non-Construction ("Soft") Costs			**32,253**	**3,709,101**			
Developer Overhead and Fee							
Maximum 3,468,351			**18,261**	**2,100,000**	100%	2,100,000	2,100,000
7.5% of Acquisition/Project Reserves		Override	**5% Attribution Test**				
15% of All Other Development Costs		2,100,000		met		**LIHTC Basis**	**Historic Basis**
Total Development Cost			**225,202**	**25,898,271**		**21,687,608**	**19,991,837**

TOTAL DEVELOPMENT SOURCES		% of TDC			
MSHDA Permanent Mortgage		62.81%	141,447	16,266,426	
Conventional/Other Mortgage		0.00%	0	0	
Equity Contribution from Tax Credit Syndication		13.98%	31,476	3,619,697	
MSHDA NSP Funds		0.00%	0		
MSHDA HOME or Housing Trust Funds		8.01%	18,043	2,075,000	
Mortgage Resource Funds		10.04%	22,609	2,600,000	
Other MSHDA:		0.00%	0		
Local HOME		0.00%	0		
Income from Operations		0.71%	1,608	184,875	
Other Equity		0.00%	0		
Transferred Reserves:		0.00%	0	0	
Other:		0.00%	0		
Other:	Sponsor Loan	1.62%	3,646	419,340	
Deferred Developer Fee		2.83%	6,373	732,933	
Total Permanent Sources				**25,898,271**	

# of Units	Gap to Hard Debt Ratio
0.00	29%
11.00	

Deferred Dev Fee
34.90%

Sources Equal Uses?	**Balanced**
Surplus/(Gap)	**0**

MSHDA Construction Loan		**0.00%**	**0**
Construction Loan Rate	4.900%		
Repaid from equity prior to final closing			**0**

Eligible Basis for LIHTC/TCAP		**Value of LIHTC/TCAP**		
Acquisition	0	Acquisition	0	
Construction 12,821,654		Construction	393,625	Override
Acquisition Credit %	3.07%	Total Yr Credit	393,625	395,859
Rehab/New Const Credit %	3.07%	Equity Price	$0.9145	
Qualified Percentage	45.48%	Equity Effective Price	$0.9145	Override
QCT/DDA Basis Boost	130%	Equity Contribution	3,619,769	3,619,697
Historic?	No			

Existing Reserve Analysi	
DCE Interest:	
Insurance:	
Taxes:	
Rep. Reserve:	
ORC:	
DCE Principal:	
Other:	

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	3,619,697
Brownfield Equity	
Historic Tax Credit Equity	
General Partner Capital Contributions	
Other Equity Sources	
New Owner's Equity	**3,619,697**

Development	Village at LaFranier W oods
Financing	Tax Exempt
MSHDA No.	3806
Step	Commitment
Date	08/27/2020
Type	New Construction

Instructions

Income Limits for	Grand Traverse County			(Effective April 24,2019)		
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	16,290	18,600	20,940	23,250	25,110	26,970
40% of area median	21,720	24,800	27,920	31,000	33,480	35,960
50% of area median	27,150	31,000	34,900	38,750	41,850	44,950
60% of area median	32,580	37,200	41,880	46,500	50,220	53,940

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	Current Section 8 Contract Rent	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense	Rent Limited By	Differential: Under/ (over)	Differential %	Effective AMI%	Contract Rent/Sq. Foot
60% 50% Senior	Area Median Income Units Tenant AMI Restriction (if different from rent restriction) Occupancy																					
A	1	Apartment	1	1.0	685	706	53	759	8,472		0.4%	0.9%	685	0.7%	685	Low HOME	759	HOME Rent	0	0.00%	50.0%	$1.03
C	2	Apartment	2	1.5	937	855	56	911	20,520		1.1%	1.7%	1,874	1.9%	1,874	Low HOME	911	HOME Rent	0	0.00%	50.0%	$0.91
									28,992	0	1.5%	2.6%	2,559	2.6%	2,559							
60% Senior	Area Median Income Units Occupancy																					
A	4	Apartment	1	1.0	685	735	53	788	35,280	0	1.8%	3.5%	2,740	2.8%	2,740	High HOME	788	HOME Rent	0	0.00%	51.9%	$1.07
C	4	Apartment	2	1.5	937	855	56	911	41,040	0	2.1%	3.5%	3,748	3.8%	3,748	High HOME	911	HOME Rent	0	0.00%	50.0%	$0.91
									76,320	0	3.9%	7.0%	6,488	6.6%	6,488							
60% Senior	Area Median Income Units Occupancy																					
A	36	Apartment	1	1.0	685	857	53	910	370,224	0	19.0%	31.3%	24,660	24.9%	24,660		910	TC Rent	0	0.00%	60.0%	$1.25
C	12	Apartment	2	1.5	937	1,036	56	1,092	149,184	0	7.6%	10.4%	11,244	11.4%	11,244		1,092	TC Rent	0	0.00%	60.0%	$1.11
									519,408	0	26.6%	41.7%	35,904	36.3%	35,904							
Market Senior	Rate Units Occupancy																					
A	5	Apartment	1	1.0	685	1,430	53	1,483	85,800	0	4.4%	4.3%	3,425	3.5%	0		N/A	N/A	N/A	N/A	97.7%	$2.09
B	1	Apartment	1	1.0	794	1,550	53	1,603	18,600	0	1.0%	0.9%	794	0.8%	0		N/A	N/A	N/A	N/A	105.6%	$1.95
C	11	Apartment	2	1.5	937	1,865	56	1,921	246,180	0	12.6%	9.6%	10,307	10.4%	0		N/A	N/A	N/A	N/A	105.5%	$1.99
D	7	Apartment	2	2.0	937	1,980	56	2,036	166,320	0	8.5%	6.1%	6,559	6.6%	0		N/A	N/A	N/A	N/A	111.8%	$2.11
E	4	Apartment	2	1.5	1,106	2,065	56	2,121	99,120	0	5.1%	3.5%	4,424	4.5%	0		N/A	N/A	N/A	N/A	116.4%	$1.87
F	4	Apartment	2	2.0	983	1,925	56	1,981	92,400	0	4.7%	3.5%	3,932	4.0%	0		N/A	N/A	N/A	N/A	108.8%	$1.96
									708,420	0	36.3%	27.8%	29,441	29.8%	0							
Market Senior	Rate Units Occupancy	***Deluxe Units***																				
C	8	Apartment	2	1.5	937	2,010	56	2,066	192,960	0	9.9%	7.0%	7,496	7.6%	0		N/A	N/A	N/A	N/A	113.4%	$2.15
D	5	Apartment	2	2.0	937	2,170	56	2,226	130,200	0	6.7%	4.3%	4,685	4.7%	0		N/A	N/A	N/A	N/A	122.2%	$2.32
E	5	Apartment	2	1.5	1,106	2,325	56	2,381	139,500	0	7.1%	4.3%	5,530	5.6%	0		N/A	N/A	N/A	N/A	130.7%	$2.10
F	1	Apartment	2	2.0	1,260	2,525	56	2,581	30,300	0	1.6%	0.9%	1,260	1.3%	0		N/A	N/A	N/A	N/A	141.7%	$2.00
G	2	Apartment	2	2.0	1,361	2,600	56	2,656	62,400	0	3.2%	1.7%	2,722	2.8%	0		N/A	N/A	N/A	N/A	145.8%	$1.91
H	1	Apartment	2	2.0	1,548	2,775	56	2,831	33,300	0	1.7%	0.9%	1,548	1.6%	0		N/A	N/A	N/A	N/A	155.4%	$1.79
I	1	Apartment	2	2.0	1,211	2,470	56	2,526	29,640	0	1.5%	0.9%	1,211	1.2%	0		N/A	N/A	N/A N/A 138.7% $2.04			
									618,300	0	31.7%	20.0%	24,452	24.7%	0							
Mgrs	1	Apartment	1	1.0					0	0	0.0%	0.0%	0	0.0%	0							
													98,844		**44,951**							

Total Units	**115**
Income Average	59.00%
Set Aside	52.17%

Gross Rent Potential	**1,951,440**
Average Monthly Rent	**1,414**
Gross Square Footage	**98,844**

HOME Units SF/Total Units SF	9.2%	**Within Range**
# HOME Units/# Total Units	9.6%	**Within Range**

0.454767108

Annual Non-Rental Income

Misc. and Interest
Laundry
Carports 35 @ $30
Garages 24 @ $50
Guest Ste., Strg.,Handyman, Salon

61,160

Utility Allowances

	Tenant-Paid Electricity	Tenant-Paid A/C	Tenant-Paid Gas	Owner-Paid W ater/ Sewer	Owner-Paid Other	Total	Overide
A						0	53
B						0	53
C						0	56
D							
E						0	56
F							
G						0	56
H							

Total Income	**Annual**	**Monthly**
Rental Income	1,951,440	162,620
Non-Rental Income	61,160	5,097
Total Project Revenue	2,012,600	167,717

Cash Flow Projections

Development Village at LaFranier Woods
Financing Tax Exempt
MSHDA No. 3806
Step Commitment
Date 08/27/2020
Type New Construction

	Initial	Starting in	Future		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Income																								
Annual Rental Income	1.0%	6	2.0%		1,951,440	1,970,954	1,990,664	2,010,571	2,030,676	2,071,290	2,112,716	2,154,970	2,198,069	2,242,031	2,286,871	2,332,609	2,379,261	2,426,846	2,475,383	2,524,891	2,575,389	2,626,896	2,679,434	2,733,023
Annual Non-Rental Income	1.0%	6	2.0%		61,160	61,772	62,389	63,013	63,643	64,916	66,215	67,539	68,890	70,267	71,673	73,106	74,568	76,060	77,581	79,132	80,715	82,329	83,976	85,656
Total Project Revenue					**2,012,600**	**2,032,726**	**2,053,053**	**2,073,584**	**2,094,320**	**2,136,206**	**2,178,930**	**2,222,509**	**2,266,959**	**2,312,298**	**2,358,544**	**2,405,715**	**2,453,829**	**2,502,906**	**2,552,964**	**2,604,023**	**2,656,104**	**2,709,226**	**2,763,410**	**2,818,678**
Expenses																								
Vacancy Loss	5.0%	6	5.0%		97,572	98,548	99,533	100,529	101,534	103,564	105,636	107,748	109,903	112,102	114,344	116,630	118,963	121,342	123,769	126,245	128,769	131,345	133,972	136,651
Management Fee	3.0%	1	3.0%		61,410	63,252	65,150	67,104	69,117	71,191	73,327	75,527	77,792	80,126	82,530	85,006	87,556	90,183	92,888	95,675	98,545	101,501	104,546	107,683
Administration	3.0%	1	3.0%		350,000	360,500	371,315	382,454	393,928	405,746	417,918	430,456	443,370	456,671	470,371	484,482	499,016	513,987	529,406	545,289	561,647	578,497	595,852	613,727
Project-paid Fuel	3.0%	6	3.0%		11,500	11,845	12,200	12,566	12,943	13,332	13,732	14,144	14,568	15,005	15,455	15,919	16,396	16,888	17,395	17,917	18,454	19,008	19,578	20,165
Common Electricity	4.0%	6	3.0%		31,000	32,240	33,530	34,871	36,266	37,354	38,474	39,628	40,817	42,042	43,303	44,602	45,940	47,318	48,738	50,200	51,706	53,257	54,855	56,501
Water and Sewer	5.0%	6	5.0%		45,425	47,696	50,081	52,585	55,214	57,975	60,874	63,918	67,113	70,469	73,993	77,692	81,577	85,656	89,938	94,435	99,157	104,115	109,321	114,787
Operating and Maintenance	3.0%	1	3.0%		205,500	211,665	218,015	224,555	231,292	238,231	245,378	252,739	260,321	268,131	276,175	284,460	292,994	301,784	310,837	320,162	329,767	339,660	349,850	360,345
Real Estate Taxes	5.0%	1	5.0%		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)					63,574	64,103	64,632	65,161	65,690	66,926	68,184	69,463	70,764	72,087	73,432	74,800	76,190	77,603	79,040	80,499	81,983	83,490	85,022	86,577
Insurance	3.0%	1	3.0%		20,000	20,600	21,218	21,855	22,510	23,185	23,881	24,597	25,335	26,095	26,878	27,685	28,515	29,371	30,252	31,159	32,094	33,057	34,049	35,070
Replacement Reserve	3.0%	1	3.0%		31,625	32,574	33,551	34,557	35,594	36,662	37,762	38,895	40,062	41,263	42,501	43,776	45,090	46,442	47,836	49,271	50,749	52,271	53,839	55,455
Other: Municipal Services Agreement	2.5%	1	3.0%		27,400	28,222	29,069	29,941	30,839	31,764	32,717	33,699	34,710	35,751	36,823	37,928	39,066	40,238	41,445	42,688	43,969	45,288	46,647	48,046
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses					945,006	971,245	998,293	1,026,178	1,054,928	1,085,931	1,117,882	1,150,813	1,184,756	1,219,742	1,255,805	1,292,980	1,331,303	1,370,812	1,411,544	1,453,540	1,496,841	1,541,489	1,587,530	1,635,007
Debt Service																								
Debt Service Part A					928,343	928,343	928,343	928,343	928,343	928,343	928,343	928,343	928,343	928,343	928,343	928,343	928,343	928,343	928,343	928,343	928,343	928,343	928,343	928,343
Debt Service Conventional/Other Financing					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenses					**1,873,349**	**1,899,587**	**1,926,636**	**1,954,521**	**1,983,271**	**2,014,273**	**2,046,225**	**2,079,156**	**2,113,098**	**2,148,084**	**2,184,147**	**2,221,322**	**2,259,646**	**2,299,154**	**2,339,887**	**2,381,883**	**2,425,184**	**2,469,832**	**2,515,872**	**2,563,350**
Cash Flow/(Deficit)				1026910	**139,251**	**133,139**	**126,417**	**119,063**	**111,049**	**121,933**	**132,705**	**143,353**	**153,861**	**164,214**	**174,397**	**184,393**	**194,184**	**203,752**	**213,077**	**222,141**	**230,920**	**239,394**	**247,538**	**255,329**
Cash Flow Per Unit					1,211	1,158	1,099	1,035	966	1,060	1,154	1,247	1,338	1,428	1,516	1,603	1,689	1,772	1,853	1,932	2,008	2,082	2,153	2,220
Debt Coverage Ratio on Part A Loan					1.15	1.14	1.14	1.13	1.12	1.13	1.14	1.15	1.17	1.18	1.19	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.28
Debt Coverage Ratio on Conventional/Other Financing					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Interest Rate on Reserves 3% — Average Cash Flow as % of Net Income

Operating Deficit Reserve (ODR) Analaysis

					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Maintained Debt Coverage Ratio (Hard Debt)	1.00																							
Maintained Operating Reserve (No Hard Debt)	250			Initial Deposit																				
Initial Balance				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR					(0)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR					(0)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR					**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Maintained Cash Flow Per Unit					1,211	1,158	1,099	1,035	966	1,060	1,154	1,247	1,338	1,428	1,516	1,603	1,689	1,772	1,853	1,932	2,008	2,082	2,153	2,220
Maintained Debt Coverage Ratio on Part A Loan					1.15	1.14	1.14	1.13	1.12	1.13	1.14	1.15	1.17	1.18	1.19	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.28
Maintained Debt Coverage Ratio on Conventional/Other					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR				0																				
Non-standard ODR				0																				

Operating Assurance Reserve Analysis

					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Required in Year: 1				624,450																				
Initial Balance				Initital Deposit **624,450**	624,450	643,183	662,479	682,353	702,823	723,908	745,625	767,994	791,034	814,765	839,208	864,384	890,316	917,025	944,536	97[illegible],872	1,002,058	1,032,12[illegible]	1,063,084	1 094,976
Interest Income					18,733	19,295	19,874	20,471	21,085	21,717	22,369	23,040	23,731	24,443	25,176	25,932	26,709	27,511	28,336	29,186	30,062	30,964	31,893	32,849
Ending Balance					643,183	662,479	682,353	702,823	723,908	745,625	767,994	791,034	814,765	839,208	864,384	890,316	917,025	944,536	972,872	1,002,058	1,032,120	1,063,084	1,094,976	1,127,825

Deferred Developer Fee Analysis

					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Initial Balance					732,933	593,682	460,543	334,125	215,063	104,014	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dev Fee Paid					139,251	133,139	126,417	119,063	111,049	104,014	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	Repaid in ye 0				593,682	460,543	334,125	215,063	104,014	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Interest Rate on Subordinate Funds / Principal Amount of MSHDA Soft Funds	3%			Initial Balance 2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
Current Yr Int					78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000
Accrued Int					0	78,000	156,000	234,000	312,000	390,000	459,040	470,688	477,011	478,081	473,974	464,776	450,580	431,488	407,612	379,073	346,003	308,543	266,846	221,077
Subtotal				% of Cash Flow	2,678,000	2,756,000	2,834,000	2,912,000	2,990,000	3,068,000	3,137,040	3,148,688	3,155,011	3,156,081	3,151,974	3,142,776	3,128,580	3,109,488	3,085,612	3,057,073	3,024,003	2,986,543	2,944,846	2,899,077
Annual Payment Due				**50%**	0	0	0	0	0	8,960	66,353	71,676	76,930	82,107	87,198	92,196	97,092	101,876	106,539	111,070	115,460	119,697	123,769	127,664
Year End Balance					2,678,000	2,756,000	2,834,000	2,912,000	2,990,000	3,059,040	3,070,688	3,077,011	3,078,081	3,073,974	3,064,776	3,050,580	3,031,488	3,007,612	2,979,073	2,946,003	2,908,543	2,866,846	2,821,077	2,771,413

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
VILLAGE AT LAFRANIER WOODS, MSHDA DEVELOPMENT NO. 3806
GARFIELD TOWNSHIP, GRAND TRAVERSE COUNTY

August 27, 2020

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (the "Act"), to make mortgage loans to qualified non-profit housing corporations, consumer housing cooperatives and limited dividend housing corporations and associations; and

WHEREAS, an Application for Mortgage Loan Feasibility has been filed with the Authority by R W Properties I L.L.C. (the "Applicant") for a senior congregate housing project to be located in Garfield Township, Grand Traverse County, Michigan, having an estimated total development cost of Twenty-Five Million Eight Hundred Ninety-Eight Thousand Two Hundred Seventy-One Dollars ($25,898,271), a total estimated maximum mortgage loan amount of Sixteen Million Two Hundred Sixty-Six Thousand Four Hundred Twenty-Six Dollars ($16,266,426) and a Mortgage Resource Fund loan in the amount of Two Million Six Hundred Thousand Dollars ($2,600,000) (hereinafter referred to as the "Application"); and

WHEREAS, a housing association to be formed by the Applicant may become eligible to receive a mortgage loan from the Authority under the provisions of the Act and the Authority's General Rules; and

WHEREAS, the Acting Executive Director has forwarded to the Authority his analysis of the Application and his recommendations with respect thereto; and

WHEREAS, the Authority has considered the Application in the light of the Authority's project mortgage loan feasibility evaluation factors.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The following determinations be and they hereby are made:

    a. The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located, thereby enhancing the viability of such housing.

    b. The Applicant is reasonably expected to be able to achieve successful completion of the proposed housing project.

    c. The proposed housing project will meet a social need in the area in which it is to be located.

d. A mortgage loan, or a mortgage loan not made by the Authority that is a federally-aided mortgage, can reasonably be anticipated to be obtained to provide financing for the proposed housing project.

e. The proposed housing project is a feasible housing project.

f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Eighteen Million Nine Hundred Ninety-Six Thousand Seven Hundred Thirty Dollars ($18,996,730).

2. The proposed housing project be and it is hereby determined to be feasible for a mortgage loan on the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Report of the Authority Staff presented to the meeting, subject to any and all applicable determinations and evaluations issued or made with respect to the proposed housing project by other governmental agencies or instrumentalities or other entities concerning the effects of the proposed housing project on the environment as evaluated pursuant to the federal National Environmental Policy Act of 1969, as amended, and the regulations issued pursuant thereto as set forth in 24 CFR Part 58.

3. The determination of feasibility is based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this feasibility determination resolution may, at the option of the Executive Director, the Chief Housing Investment Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chief Financial Officer, the Deputy Director of Finance or any person duly authorized to act in any of the foregoing capacities (each an "Authorized Officer"), be immediately rescinded.

4. Neither this determination of feasibility nor the execution prior to closing of any documents requested to facilitate processing of a proposed mortgage loan to be used in connection therewith constitutes a promise or covenant by the Authority that it will make a Mortgage Loan to the Applicant.

5. This determination of Mortgage Loan Feasibility is conditioned upon the availability of financing to the Authority. The Authority does not covenant that funds are or will be available for the financing of the subject proposed housing development.

6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated August 27, 2020, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MORTGAGE LOAN
VILLAGE AT LAFRANIER WOODS, MSHDA DEVELOPMENT NO. 3806
GARFIELD TOWNSHIP, GRAND TRAVERSE COUNTY

August 27, 2020

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized, under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (hereinafter referred to as the "Act"), to make mortgage loans to qualified nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations and associations and certain qualified individuals; and

WHEREAS, an application (the "Application") has been filed with the Authority by R W Properties I L.L.C. (the "Applicant") for a construction and permanent mortgage loan in the amount of Sixteen Million Two Hundred Sixty-Six Thousand For Hundred Twenty-Six Dollars ($16,266,426) for the construction and permanent financing of a senior congregate housing project having an estimated total development cost of Twenty-Five Million Eight Hundred Ninety-Eight Thousand Two Hundred Seventy-One Dollars ($25,898,271), to be known as Village at LaFranier Woods, located in Garfield Township, Grand Traverse County, Michigan, and to be owned by LaFranier Woods Limited Dividend Housing Association Limited Partnership (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a Mortgage Resource Fund loan in the estimated amount of Two Million Six Hundred Thousand Dollars ($2,600,000) (the "Mortgage Resource Fund Loan") and a mortgage loan under the HOME Investment Partnerships Program using HOME funds in the estimated amount of Two Million Seventy-Five Thousand Dollars ($2,075,000) (the "HOME Loan"); and

WHEREAS, the Acting Executive Director has forwarded to the Authority his analysis of the Application and his recommendation with respect thereto; and

WHEREAS, the Authority has reviewed the Application and the recommendation of the Acting Executive Director and, on the basis of the Application and recommendation, has made determinations that:

(a) The Mortgagor is an eligible applicant;

(b) The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located thereby enhancing the viability of such housing;

(c) The Applicant and the Mortgagor are reasonably expected to be able to achieve successful completion of the proposed housing project;

(d) The proposed housing project will meet a social need in the area in which it is to be located;

(e) The proposed housing project may reasonably be expected to be marketed successfully;

(f) All elements of the proposed housing project have been established in a manner consistent with the Authority's evaluation factors, except as otherwise provided herein;

(g) The construction or rehabilitation will be undertaken in an economical manner and it will not be of elaborate design or materials; and

(h) In light of the estimated total project cost of the proposed housing project, the amount of the mortgage loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation on the ratio of mortgage loan amount to estimated total project cost.

WHEREAS, the Authority has considered the Application in the light of the criteria established for the determination of priorities pursuant to General Rule 125.145 and hereby determines that the proposed housing project is consistent therewith; and

WHEREAS, Sections 83 and 93 of the Act provide that the Authority shall determine a reasonable and proper rate of return to limited dividend housing corporations and associations on their investment in Authority-financed housing projects.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Application be and it hereby is approved, subject to the terms and conditions of this Resolution, the Act, the General Rules of the Authority, and of the Mortgage Loan Commitment hereinafter authorized to be issued to the Applicant and the Mortgagor.

2. A construction and permanent mortgage loan (the "Mortgage Loan") be and it hereby is authorized and the Executive Director, the Chief Housing Investment Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chief Financial Officer, the Deputy Director of Finance or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction and permanent financing of the proposed housing project in an amount not to exceed Sixteen Million Two Hundred Sixty-Six Thousand Four Hundred Twenty-Six Dollars ($16,266,426) and to have a term of Forty (40) years after amortization of principal commences and to bear interest at a rate of Four and 90/100 percent (4.9%) per annum. The amount of proceeds of tax-exempt bonds issued or to be issued and allocated to the financing of this housing project shall not exceed Eighteen Million Nine Hundred Ninety-Six Thousand Seven Hundred Thirty Dollars ($18,996,730). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

3. The Mortgage Resource Fund Loan be and it hereby is authorized and an Authorized Officer is hereby authorized to issue to the Applicant and the Mortgagor a commitment for a Mortgage Resource Fund Loan (together with the commitment for the Mortgage Loan, the "Mortgage Loan Commitment") in the estimated amount of Two Million Six Hundred Thousand

Dollars ($2,600,000), and to have a term not to exceed fifty (50) years and to bear interest at a rate of three percent (3%) per annum.

4. The mortgage loan commitment resolution and issuance of the Mortgage Loan Commitment are based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this mortgage loan commitment resolution together with the commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded.

5. Notwithstanding passage of this resolution or execution of any documents in anticipation of the closing of the proposed mortgage loan, no contractual rights to receive the mortgage loan authorized herein shall arise unless and until an Authorized Officer shall have issued a Mortgage Loan Commitment and the Applicant shall have agreed in writing within fifteen days after receipt thereof, to the terms and conditions contained therein.

6. The proposed housing project be and it hereby is granted a priority with respect to proceeds from the sale of Authority securities which are determined by the Executive Director to be available for financing the construction and permanent loans of the proposed housing project. Availability of funds is subject to the Authority's ability to sell bonds at a rate or rates of interest and at a sufficient length of maturity so as not to render the permanent financing of the development unfeasible.

7. In accordance with Section 93(b) of the Act, the maximum reasonable and proper rate of return on the investment of the Mortgagor in the housing project be and it hereby is determined to be twelve percent (12%) per annum initially. Following the payment in full of the Mortgage Resource Fund Loan and the HOME Loan, the Mortgagor's rate of return may be increased by one percent (1%) annually until a cap of twenty-five percent (25%) is reached.

8. The Mortgage Loan shall be subject to, and the Commitment shall contain, the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated August 27, 2020, which conditions are hereby incorporated by reference as if fully set forth herein.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Gary Heidel, Acting Executive Director *Gary Heidel*

DATE: August 27, 2020

RE: Westchester Village South, Development No. 3788

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt a resolution that approves a $1,704,641 increase in the construction mortgage loan, a $633,953 increase in the permanent mortgage loan and a $35,629 increase in the mortgage resource fund loan ("MRF") for Westchester Village South as set forth in the attached proforma.

PROJECT SUMMARY:

MSHDA No:	3788
Development Name:	Westchester Village South
Development Location:	City of Saginaw/Saginaw Township, Saginaw County, Michigan
Sponsor:	Saginaw Westchester Village, Inc.
Mortgagor:	Westchester Village South Limited Dividend Housing Association Limited Partnership
Number of Units:	149 affordable senior units; 1 manager's unit
Occupancy Rate:	97%
Total Development Cost:	$17,807,973
TE Bond Construction Loan:	$9,260,146
TE Bond Permanent Loan:	$6,140,865
MSHDA Gap Funds:	$790,000 HOME; $861,258 MRF
Other Funds:	
• Sponsor Loans:	$3,532,709
• Deferred Developer Fee:	$871,732

EXECUTIVE SUMMARY:

Westchester Village South Apartments (the "Development") operated under Section 202 of the National Housing Act and was refinanced by a Mercy Loan Fund loan concurrent with the closing of two Authority financed properties – Westchester North and Westchester East – in January 2018. All were previously encumbered under one prior Federal Housing Administration insured loan. The Development consists of elderly 150 units originally built in 1970. The unit mix consists of both efficiency and one-bedroom units with two different layouts for each, for a total of four-unit types on the property.

On June 27, 2018, the Authority determined feasibility and authorized commitments for a tax-exempt construction mortgage loan in the amount of $7,555,505, a permanent tax-exempt mortgage loan in the amount of $5,506,912 and a $825,629 preservation mortgage loan, now known as a MRF loan. Following the 2018 loan commitments, the sponsor encountered protracted environmental issues that required soil remediation causing delays and unanticipated expenses. Syndication issues lead to further delays.

The sponsor is now ready and able to proceed provided additional funding is available to cover the increases in construction and related expenses. The details and related effects of the proposed loan changes are set forth in the attached proforma. The loan changes also include extending the term of the construction and permanent loan from 35 to 40 years.

The Authority's Mortgage Loan Increase Policy dated August 23, 2006 (the "Loan Increase Policy") is intended to recognize the need for mortgage loan increases prior to final closing for unanticipated delays in the start of construction, unforeseen underground or environmental conditions or other factors affecting feasibility.

I am recommending Board approval of the proposed loan increases for the following reasons:

- The increased expenses to be covered are due to the type of unexpected conditions and delays that the Loan Increase Policy is intended to address.
- All units will be refurbished to meet the physical needs of the Development.
- Financing the Development results in a new earning asset for the Authority.
- The Development provides housing for low-income seniors.

ADVANCING THE AUTHORITY'S MISSION:

- Westchester Village South is a 100% affordable development including nearly half of the tenants receiving Section 8 assistance.
- The Development needs an extensive rehabilitation to continue providing safe and efficient units for all residents.

MUNICIPAL SUPPORT:

- The Development is exempt from paying property taxes under MCL 211.7d. It qualifies for exemption because it is owned by a limited dividend housing association and serves a senior population.

COMMUNITY IMPACT:

- The Development's affordability will be extended for up to 50 years for all units.

RESIDENT IMPACT:

- The planned rehabilitation will not result in displacement or rent increase for the current tenants.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

Based on the Authority's Mortgage Loan Increase Policy dated August 23, 2006, Authority approval is required for all loan increases greater than 5% of the original mortgage loan amounts or $500,000. The proposed loan increases for Westchester Village South are greater than 5% or $500,000 and meet the requirements for Authority approved loan increases.

Development	Westchester Village South
Financing	Tax Exempt
MSHDA No.	3788
Step	Modification
Date	08/27/2020
Type	Acquisition/Rehab

150	Total Tenant Units
149	TC Units
1	Manager Unit(s)

Mortgage Assumptions:

Debt Coverage Ratio	1.2	
Mortgage Interest Rate	4.950%	
Pay Rate	4.950%	
Mortgage Term	40	years
Income from Operations	Yes	

Total Development Income Potential			% of Revenue	Mortgage Mod Per Unit	Mortgage Mod Total		Board Approved Per Unit	Board Approved Total	Difference Mod vs. Board	Initial Inflation Factor	Beginning in Year	Future Inflation Factor
Annual Rental Income				7,233	1,085,004		6,839	1,025,904	59,100	1.0%	6	2.0%
Annual Non-Rental Income				31	4,672		31	4,672	0	1.0%	6	2.0%
Total Project Revenue				7,265	1,089,676		6,871	1,030,576	59,100			
Total Development Expenses												
											Future Vacancy	
Vacancy Loss	5.00%	of annual rent potential		362	54,250		342	51,295	2,955		6	5.0%
Management Fee	534	per unit per year		534	80,100		515	77,250	2,850	3.0%	1	3.0%
Administration				944	141,543		640	96,021	45,522	3.0%	1	3.0%
Project-paid Fuel				326	48,842		362	54,337	-5,495	3.0%	6	3.0%
Common Electricity				417	62,500		400	59,944	2,556	4.0%	6	3.0%
Water and Sewer				316	47,358		280	42,060	5,298	5.0%	6	5.0%
Operating and Maintenance				980	147,017		1,020	152,973	-5,956	3.0%	1	3.0%
Real Estate Taxes				0	0		0	0	0	5.0%	1	5.0%
Payment in Lieu of Taxes (PILOT)	0.00%	Applied to: All Units		0	0		0	0	0			
Insurance				264	39,591		360	54,006	-14,415	3.0%	1	3.0%
Replacement Reserve	300	per unit per year		300	45,000		300	45,000	0	3.0%	1	3.0%
Other:				0	0		0	0	0	3.0%	1	3.0%
Other:				0	0		0	0	0	3.0%	1	3.0%
Total Expenses			61.14%	**4,441**	**666,201**		**4,219**	**632,886**	33,315			
Base Net Operating Income				2,823	423,475	Override	2,651	397,690	25,785			
Part A Mortgage Payment			32.39%	2,353	352,896		2,209	331,408	21,488			
Part A Mortgage				**40,939**	**6,140,865**		**36,713**	**5,506,912**	633,952			
Non MSHDA Financing Mortgage Payment				0	0			0	0			
Non MSHDA Financing Type:				**0**	**0**			**0**	0			
Base Project Cash Flow (excludes ODR)			6.48%	471	70,579		442	66,282	4,298			

Development	Westchester Village South
Financing	Tax Exempt
MSHDA No.	3788
Step	Modification
Date	08/27/2020
Type	Acquisition/Rehab

Income Limits for	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
Saginaw County (Effective April 24,2019)						
30% of area median	13,380	15,270	17,190	19,080	20,610	22,140
40% of area median	17,840	20,360	22,920	25,440	27,480	29,520
50% of area median	22,300	25,450	28,650	31,800	34,350	36,900
60% of area median	26,760	30,540	34,380	38,160	41,220	44,280

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	Current Section 8 Contract Rent	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense	Rent Limited By	Differential: Under/ (over)
60%	Area Median Income Units																		
60%	Tenant AMI Restriction (if different from rent restriction)																		
Senior	Occupancy																		
A	8	Apartment	0	1.0	450	650	0	650	62,400	461	5.8%	5.3%	3,600	4.2%	3,600	0	669	TC Rent	19
B	12	Apartment	0	1.0	450	650	0	650	93,600	495	8.6%	8.0%	5,400	6.2%	5,400	0	669	TC Rent	19
C	21	Apartment	1	1.0	592	745	0	745	187,740	567	17.3%	14.0%	12,432	14.4%	12,432	0	716	TC Rent	(29)
D	18	Apartment	1	2.0	900	840	0	840	181,440	848	16.7%	12.0%	16,200	18.7%	16,200	0	716	TC Rent	(124)
									525,180	2,371	48.4%	39.3%	37,632	43.5%	37,632				
60%	Area Median Income Units																		
60%	Tenant AMI Restriction (if different from rent restriction)																		
0%	MSHDA Project Based Voucher Units																		
Senior	Occupancy																		
E	8	Apartment	0	1.0	450	424	0	424	40,704	0	3.8%	5.3%	3,600	4.2%	3,600	0	669	TC Rent	245
F	33	Apartment	0	1.0	450	424	0	424	167,904	0	15.5%	22.0%	14,850	17.2%	14,850	0	669	TC Rent	245
G	33	Apartment	1	1.0	592	551	0	551	218,196	0	20.1%	22.0%	19,536	22.6%	19,536	0	716	TC Rent	165
H	5	Apartment	1	2.0	900	635	0	635	38,100	0	3.5%	3.3%	4,500	5.2%	4,500	0	716	TC Rent	81
I	0	0	0	0.0	0	0	0	0	0	0	0.0%	0.0%	0	0.0%	0	0	N/A	N/A	N/A
J	0	0	0	0.0	0	0	0	0	0	0	0.0%	0.0%	0	0.0%	0	0	N/A	N/A	N/A
									464,904	0	42.8%	52.7%	42,486	49.1%	42,486				
60%	Area Median Income Units																		
60%	Tenant AMI Restriction (if different from rent restriction)																		
Senior	Occupancy																		
A	2	Apartment	0	1.0	450	650	0	650	15,600	0	1.4%	1.3%	900	1.0%	900	Low HOME	513	TC Rent	(137)
B	3	Apartment	0	1.0	450	650	0	650	23,400	0	2.2%	2.0%	1,350	1.6%	1,350	Low HOME	513	TC Rent	(137)
C	4	Apartment	1	1.0	592	745	0	745	35,760	0	3.3%	2.7%	2,368	2.7%	2,368	Low HOME	596	TC Rent	(149)
D	2	Apartment	1	2.0	900	840	0	840	20,160	0	1.9%	1.3%	1,800	2.1%	1,800	Low HOME	596	TC Rent	(244)
Mgrs	1		1	1.0					0	0	0.0%	0.0%	0	0.0%	0				
													86,536		**86,536**				

Total Revenue Units	**150**
Manager Units	**1**
Income Aveaging	60%
Set Aside	99%

Gross Rent Potential	**1,085,004**
Average Monthly Rent	**603**
Gross Square Footage	**86,536**

HOME Units SF/Total Units SF	7.4%	**Within Range**
# HOME Units/# Total Units	7.3%	**Within Range**

Utility Allowances

	Electricity	A/C	Gas	Water/ Sewer	Other	Total	Overide
	Owner-Paid	Owner-Paid	Owner-Paid	Owner-Paid			
A	0	0	0	0	0	0	
B	0	0	0	0	0	0	
C	0	0	0	0	0	0	
D	0	0	0	0	0	0	
E	0	0	0	0	0	0	
F	0	0	0	0	0	0	
G	0	0	0	0	0	0	
H	0	0	0	0	0	0	

Non-Rental Income

Misc. and Interest	0
Laundry	4,672
Carports	0
Other:	0
Other:	0
	4,672

Total Income	**Annual**	**Monthly**
Rental Income	1,085,004	90417
Non-Rental Income	4,672	389.3333333
Total Project Revenue	1,089,676	90806.33333

Development Westchester Village South
Financing Tax Exempt
MSHDA No. 3788
Step Modification
Date 08/27/2020
Type Acquisition/Rehab

TOTAL DEVELOPMENT COSTS

		Mortgage Mod Per Unit	Mortgage Mod Total	Included in Tax Credit Basis	Board Approved Per Unit	Board Approved Total	Included in Tax Credit Basis	Difference Mod vs. Board
Acquisition								
Land		867	130.000	0	700	105.000	0	25.000
Existing Buildings		35.133	5.270.000	4.620.688	27.300	4.095.000	3.603.600	1.175.000
Other:		0	0	0	0	0	0	0
	Subtotal	**36.000**	**5.400.000**		**28.000**	**4.200.000**		**1.200.000**
Construction/Rehabilitation								
Off Site Improvements		0	0	0	0	0	0	0
On-site Improvements		1,053	157,905	157,905	1,053	157,905	157,905	0
Landscaping and Irrigation		2,670	400,494	400,494	0	0	0	400,494
Structures		35,972	5,395,862	5,395,862	26,858	4,028,636	4,028,636	1,367,226
Community Building and/or Maintenance Facility		0	0	0	0	0	0	0
Construction not in Tax Credit basis (i.e.Carports)		0	0	0	0	0	0	0
General Requirements % of Contract 6.00%	**Within Range**	2.382	357.256	357.256	1.675	251.192	251.192	106.064
Builder Overhead % of Contract 2.00%	**Within Range**	842	126.230	126.230	592	88.755	88.755	37.476
Builder Profit % of Contract 6.00%	**Within Range**	2.575	386.265	386.265	1.811	271.589	271.589	114.676
Bond Premium, Permits, Cost Cert.		599	89.920	89.920	599	89.920	89.920	0
Other:		0	0	0	0	0	0	0
	Subtotal	**46.093**	**6.913.931**		**32.587**	**4.887.997**		**2.025.936**
		15%/$15,000 test:	met		**15%/$15,000 test:**	met		
Professional Fees								
Design Architect Fees		233	35,000	35,000	233	35,000	35,000	0
Supervisory Architect Fees		59	8,800	8,800	59	8,800	8,800	0
Engineering/Survey		267	40,000	40,000	267	40,000	40,000	0
Legal Fees		667	100,000	0	0	0	0	100,000
	Subtotal	**1,225**	**183,800**		**559**	**83,800**		**100,000**
Interim Construction Costs								
Property and Causality Insurance		433	65.000	65.000	332	49.858	49.858	15.142
Construction Loan Interest	483.576	3.224	483.576	337.693	2.716	407.355	224.045	76.221
Title Work		593	88.961	80.065	433	65.000	42.250	23.961
Construction Taxes		0		0	667	100.000	100.000	(100.000)
Other:		0	0	0	0	0	0	0
	Subtotal	**4.250**	**637.537**		**4.148**	**622.213**		**15.324**
Permanent Financing								
Loan Commitment Fee to MSHDA	2%	1,455	218,228	0	1,228	184,135	0	34,093
Other:		0	0	0	0	0	0	0
	Subtotal	**1,455**	**218,228**		**1,228**	**184,135**		**34,093**
Other Costs (In Basis)								
Application Fee		13	2.000	2.000	13	2.000	2.000	0
Market Study		27	4.000	4.000	27	4.000	4.000	0
Environmental Studies		767	115.000	115.000	5.291	793.700	793.700	(678.700)
Cost Certification		167	25.000	25.000	167	25.000	25.000	0
Equipment and Furnishings		500	75.000	56.250	500	75.000	75.000	0
Temporary Tenant Relocation		667	100.000	75.000	667	100.000	100.000	0
Construction Contingency		4.609	691.393	691.393	3.259	488.800	488.800	202.593
Appraisal and C.N.A.		105	15.700	15.700	105	15.700	15.700	0
Other: Rent Comp Study		60	9.000	9.000	60	9.000	9.000	0
	Subtotal	**6.914**	**1.037.093**		**10.088**	**1.513.200**		**(476.107)**
Other Costs (NOT In Basis)								
Start-Up and Organization		42	6.292	0	42	6.292	0	0
Tax Credit Fees (based on 2017 QAP) 31.985	**Within Range**	213	31.985	0	173	25.990	0	5.995
Compliance Monitoring Fee (based on 2017 QAP)		475	71.250	0	472	70.775	0	475
Marketing Expense		0	0	0	0	0	0	0
Syndication Legal Fees		400	60.000	0	400	60.000	0	0
Rent Up Allowance 0.0 months		0	0	0	0	0	0	0
Other:		0	0	0	0	0	0	0
	Subtotal	**1.130**	**169.527**		**1.087**	**163.057**		**6.470**

Summary of Acquisition Price		As of	07/01/20
Attributed to Land	130.000	1st Mortgage Balance	1.867.291
Attributed to Existing Structure	########	Subordinate Mortgage(s)	0
Other:	0	Subordinate Mortgage(s)	0
Fixed Price to Seller	########	Subordinate Mortgage(s)	0
		Premium/(Deficit) vs Existing Debt	3.532.709

Construction Loan Term	Months
Construction Contract	12
Holding Period (50% Test)	3
Construction Loan Period	15

Appraised Value		Valuse As of:	04/23/19
"Encumbered As-Is" value as determined by appraisal:			5.400.000
Plus 5% of Appraised Value:			0
LESS Fixed Price to the Seller:			5.400.000
Surplus/(Gap		**Within Range**	**0**

Override

		Mortgage Mod Per Unit	Mortgage Mod Total	Included in Tax Credit Basis	Board Approved Per Unit	Board Approved Total	Included in Tax Credit Basis	Difference Mod vs. Board	4 Month OAR
Project Reserves									
Operating Assurance Reser 4.0 months	Funded in Cas	2.094	314.027	0	1.890	283.567	0	30.460	339.699
Replacement Reserve	Required	3.068	460.215	0	3.068	460.215	0	0	
Operating Deficit Reserve	Less than GR	0	0	0	0	0	0	0	
Rent Subsidy Reserve		0	0	0	0	0	0	0	
Syndicator Held Reserve		0	0	0	0	0	0	0	
Rent Lag Escrow		0	0	0	0	0	0	0	
Tax and Insurance Escrows		0	0	0	0	0	0	0	
Rent Subsidy Reserve		3,625	543,718	0	3,625	543,718	0	0	
Other:		0	0	0	0	0	0	0	
	Subtotal	**8,786**	**1,317,960**		**8,583**	**1,287,500**		**30,460**	
Miscellaneous									
Deposit to Development Operating Account (1MGRP)		584	87.592	0	570	85.492	0	2.100	
Other (Not in Basis):		0	0	0	0	0	0	0	
Other (In Basis):		0	0	0	0	0	0	0	
Other (In Basis):		0	0	0	0	0	0	0	
	Subtotal	**584**	**87.592**		**570**	**85.492**		**2.100**	
Total Acquisition Costs		**36,000**	**5,400,000**		**28,000**	**4,200,000**		**1,200,000**	
Total Construction Hard Costs		**46,093**	**6,913,931**		**32,587**	**4,887,997**		**2,025,935**	
Total Non-Construction ("Soft") Costs		**24,345**	**3,651,737**		**26,263**	**3,939,397**		**(287,660)**	

Developer Overhead and Fee

Maximum 1,842,305		**12,282**	**1,842,305**	1,842,305	**10,016**	**1,502,423**	1,502,423	**339,882**
7.5% of Acquisition/Project Reserves	Override	**5% Attribution Test**						
15% of All Other Development Costs			met	**LIHTC Basis**			**LIHTC Basis**	
Total Development Cost		**118.720**	**17.807.973**	**#########**	**96.865**	**14.529.817**	**12.007.173**	**3.278.156**

Aggregate Basis	**Board Approved Aggregate Basis**	Difference Mod vx Board
15.066.825	**12.112.173**	2.954.652

TOTAL DEVELOPMENT SOURCES	% of TDC	Mortgage Mod Per Unit	Mortgage Mod Total		Board Approved Per Unit	Board Approved Total		Difference Mod vs. Board
MSHDA Permanent Mortgage	34.48%	40.939	6.140.865		36.713	5.506.912		633.953
Conventional/Other Mortgage	0.00%	0	0		0	0		0
Equity Contribution from Tax Credit Syndication	25.11%	29,810	4,471,489	**# of Units**	23,708	3,556,250	**# of Units**	915,239
MSHDA NSP Funds	0.00%	0	0	0.00	0	0	0.00	0
MSHDA HOME or Housing Trust Funds	4.44%	5,267	790,000	11.00	5,504	825,629		(35,629)
Mortgage Resource Funds	4.84%	5,742	861,258		5,504	825,629		35,629
Other MSHD.	0.00%	0	0		0	0		0
Local HOME	0.00%	0	0		0	0		0
Income from Operations	2.75%	3.271	490.608		2.542	381.266		109.342
Other Equity	0.00%	0	0		0	0		0
Transferred Reserves:	3.65%	4.329	649.312		3.068	460.215		189.097
Other: Seller's Note	19.84%	23.551	3.532.709	**Deferred**	15.133	2.270.000	**Deferred**	1.262.709
Other:	0.00%	0	0	**Dev Fee**	0	0	**Dev Fee**	0
Deferred Developer Fee	4.90%	5.812	871.732	47.32%	4.693	703.916	46.85%	167.816
Total Permanent Sources			**17.807.973**			**14.529.817**		**3.278.156**

Gap to Hard Debt Ratio	**Home Subsidy Limit**	**HOME Unit Mix**
27%	14,850	1 0 Bedroom, 1 Bath, 450 Sq Ft Apartment
		1 0 Bedroom, 1 Bath, 450 Sq Ft Apartment
		2 1 Bedroom, 1 Bath, 592 Sq Ft Apartment
		1 1 Bedroom, 2 Bath, 900 Sq Ft Apartment
		1 0 Bedroom, 1 Bath, 450 Sq Ft Apartment
		2 0 Bedroom, 1 Bath, 450 Sq Ft Apartment
		2 1 Bedroom, 1 Bath, 592 Sq Ft Apartment
		1 1 Bedroom, 2 Bath, 900 Sq Ft Apartment

Sources Equal Uses?			**Balanced**		**Balanced**	
Surplus/(Gap)			**0**		**0**	**0**

MSHDA Construction Loan	**52.00%**	**61,734**	**9,260,146**	**50,370**	**7,555,505**	**1,704,641**
Construction Loan Rate 4.950%					**2,048,593**	
Repaid from equity prior to final closing			**3,119,281**			

Eligible Basis for LIHTC/TCAP			**Value of LIHTC/TCAP**		
Acquisition	4.890.688		Acquisition	160.904	
Construction	10.046.137		Construction	330.518	Override
Acquisition Credit %		3.29%	Total Yr Credit	491.422	
Rehab/New Const Credit %		3.29%	Equity Price	$0.9100	
Qualified Percentage		100.00%	Equity Effective Price	$0.9100	Override
QCT/DDA Basis Boost		100%	Equity Contribution	########	
Historic?		0			

Existing Reserve Analysis			
DCE Intere	0	Current Owner's Reserves:	0
Insurance:	0	Reserves Transferred in to Pro	649.312
Taxes:	0	Tax/Ins Escrows transferred to	0
Rep. Rese	649.312		
ORC:	0		
DCE Princ	0		
Other:	0		

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	4.471.489
Brownfield Equity	
Historic Tax Credit Equity	
General Partner Capitla Contributions	
Other Equity Sources	
New Owner's Equity	4.471.489

MODIFIED Cash Flow Projections

Development Westchester Village South
Financing Tax Exempt
MSHDA No. 3788
Step Modification
Date 08/27/2020
Type Acquisition/Rehab

	Initial Inflator	Starting in Yr	Future Inflator		0	1	2	3	4	5	6	7	8	9
					1	2	3	4	5	6	7	8	9	10
Income														
Annual Rental Income	1.0%	6	####		1,085,004	1,095,854	1,106,813	1,117,881	1,129,060	1,151,641	1,174,674	1,198,167	1,222,130	1,246,573
Annual Non-Rental Income	1.0%	6	####		4,672	4,719	4,766	4,814	4,862	4,959	5,058	5,159	5,262	5,368
Total Project Revenue					**1,089,676**	**1,100,573**	**1,111,578**	**1,122,694**	**1,133,921**	**1,156,600**	**1,179,732**	**1,203,326**	**1,227,393**	**1,251,941**
Expenses														
Vacancy Loss	5.0%	6	####		54,250	54,793	55,341	55,894	56,453	57,582	58,734	59,908	61,107	62,329
Management Fee	3.0%	1	####		80,100	82,503	84,978	87,527	90,153	92,858	95,644	98,513	101,468	104,512
Administration	3.0%	1	####		141,543	145,789	150,163	154,668	159,308	164,087	169,010	174,080	179,302	184,682
Project-paid Fuel	3.0%	6	####		48,842	50,307	51,816	53,371	54,972	56,621	58,320	60,069	61,872	63,728
Common Electricity	4.0%	6	####		62,500	65,000	67,600	70,304	73,116	75,310	77,569	79,896	82,293	84,762
Water and Sewer	5.0%	6	####		47,358	49,726	52,212	54,823	57,564	60,442	63,464	66,637	69,969	73,468
Operating and Maintenance	3.0%	1	####		147,017	151,428	155,970	160,649	165,469	170,433	175,546	180,812	186,237	191,824
Real Estate Taxes	5.0%	1	####		0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)					0	0	0	0	0	0	0	0	0	0
Insurance	3.0%	1	####		39,591	40,779	42,002	43,262	44,560	45,897	47,274	48,692	50,153	51,657
Replacement Reserve	3.0%	1	####		45,000	46,350	47,741	49,173	50,648	52,167	53,732	55,344	57,005	58,715
Other:	3.0%	1	####		0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	####		0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses					666,201	686,674	707,823	729,671	752,243	775,397	799,292	823,953	849,405	875,676
Debt Service														
Debt Service Part A					352,896	352,896	352,896	352,896	352,896	352,896	352,896	352,896	352,896	352,896
Debt Service Conventional/Other Financing					0	0	0	0	0	0	0	0	0	0
Total Expenses					**1,019,097**	**1,039,570**	**1,060,719**	**1,082,567**	**1,105,139**	**1,128,293**	**1,152,188**	**1,176,849**	**1,202,301**	**1,228,571**
Cash Flow/(Deficit)					**70,579**	**61,003**	**50,860**	**40,127**	**28,782**	**28,307**	**27,544**	**26,478**	**25,092**	**23,369**
Cash Flow Per Unit					471	407	339	268	192	189	184	177	167	156
Debt Coverage Ratio on Part A Loan					1.20	1.17	1.14	1.11	1.08	1.08	1.08	1.08	1.07	1.07
Debt Coverage Ratio on Conventional/Other Financing					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Rate on Reserves	3%													
Operating Deficit Reserve (ODR) Analaysis														
Maintained Debt Coverage Ratio (Hard Debt)	1.00													
Maintained Operating Reserve (No Hard Debt)	250			Initial Deposit										
Initial Balance				**18,166**	18,166	18,711	19,272	19,851	20,446	21,059	21,691	22,342	23,012	23,703
Total Annual Draw to achieve 1.0 DCR					0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR					(0)	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR					(0)	0	0	0	0	0	0	0	0	0
Interest					545	561	578	596	613	632	651	670	690	711
Ending Balance at Maintained DCR					18,711	19,272	19,851	20,446	21,059	21,691	22,342	23,012	23,703	24,414
Maintained Cash Flow Per Unit					471	407	339	268	192	189	184	177	167	156
Maintained Debt Coverage Ratio on Part A Loan					1.20	1.17	1.14	1.11	1.08	1.08	1.08	1.08	1.07	1.07
Maintained Debt Coverage Ratio on Conventional/Other					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR				**0**										
Non-standard ODR				**18,166**										
Operating Assurance Reserve Analysis				339,699										
Required in Year:	1			Initital Deposit										
Initial Balance				**339,699**	339,699	349,890	360,387	371,198	382,334	393,804	405,618	417,787	430,320	443,230
Interest Income					10,191	10,497	10,812	11,136	11,470	11,814	12,169	12,534	12,910	13,297
Ending Balance					349,890	360,387	371,198	382,334	393,804	405,618	417,787	430,320	443,230	456,527
Deferred Developer Fee Analysis														
Initial Balance					871,732	801,153	740,151	689,291	649,164	620,381	592,075	564,531	538,053	512,961
Dev Fee Paid					70,579	61,003	50,860	40,127	28,782	28,307	27,544	26,478	25,092	23,369
Ending Balance	Repaid	#N/A			801,153	740,151	689,291	649,164	620,381	592,075	564,531	538,053	512,961	489,592
Mortgage Resource Fund Loan														
Interest Rate on Subordinate Financing	3%			Initial Balance										
Principal Amount of all MSHDA Soft Funds				**861,258**	861,258	861,258	861,258	861,258	861,258	861,258	861,258	861,258	861,258	861,258
Current Yr Int					25,838	25,838	25,838	25,838	25,838	25,838	25,838	25,838	25,838	25,838
Accrued Int					0	25,838	51,675	77,513	103,351	129,189	155,026	180,864	206,702	232,540
Subtotal				% of Cash Flow	887,096	912,933	938,771	964,609	990,447	1,016,284	1,042,122	1,067,960	1,093,798	1,119,635
Annual Payment Due				**50%**	0	0	0	0	0	0	0	0	0	0
Year End Balance					887,096	912,933	938,771	964,609	990,447	1,016,284	1,042,122	1,067,960	1,093,798	1,119,635

	10	11	12	13	14	15	16	17	18	19
	11	12	13	14	15	16	17	18	19	20
Income										
Annual Rental Income	1,271,504	1,296,934	1,322,873	1,349,331	1,376,317	1,403,844	1,431,920	1,460,559	1,489,770	1,519,565
Annual Non-Rental Income	5,475	5,585	5,696	5,810	5,926	6,045	6,166	6,289	6,415	6,543
Total Project Revenue	**1,276,979**	**1,302,519**	**1,328,569**	**1,355,141**	**1,382,244**	**1,409,889**	**1,438,086**	**1,466,848**	**1,496,185**	**1,526,109**
Expenses										
Vacancy Loss	63,575	64,847	66,144	67,467	68,816	70,192	71,596	73,028	74,489	75,978
Management Fee	107,648	110,877	114,203	117,630	121,158	124,793	128,537	132,393	136,365	140,456
Administration	190,222	195,929	201,806	207,861	214,096	220,519	227,135	233,949	240,967	248,197
Project-paid Fuel	65,640	67,609	69,637	71,726	73,878	76,094	78,377	80,728	83,150	85,645
Common Electricity	87,305	89,924	92,621	95,400	98,262	101,210	104,246	107,374	110,595	113,913
Water and Sewer	77,141	80,998	85,048	89,301	93,766	98,454	103,377	108,545	113,973	119,671
Operating and Maintenance	197,579	203,506	209,611	215,899	222,376	229,048	235,919	242,997	250,287	257,795
Real Estate Taxes	0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)	0	0	0	0	0	0	0	0	0	0
Insurance	53,207	54,803	56,447	58,141	59,885	61,681	63,532	65,438	67,401	69,423
Replacement Reserve	60,476	62,291	64,159	66,084	68,067	70,109	72,212	74,378	76,609	78,908
Other:	0	0	0	0	0	0	0	0	0	0
Other:	0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses	902,792	930,783	959,678	989,508	1,020,304	1,052,100	1,084,931	1,118,830	1,153,836	1,189,985
Debt Service										
Debt Service Part A	352,896	352,896	352,896	352,896	352,896	352,896	352,896	352,896	352,896	352,896
Debt Service Conventional/Other Financing	0	0	0	0	0	0	0	0	0	0
Total Expenses	**1,255,688**	**1,283,678**	**1,312,573**	**1,342,403**	**1,373,200**	**1,404,996**	**1,437,826**	**1,471,726**	**1,506,731**	**1,542,881**
Cash Flow/(Deficit)	**21,292**	**18,841**	**15,996**	**12,738**	**9,044**	**4,892**	**260**	**(4,878)**	**(10,546)**	**(16,772)**
Cash Flow Per Unit	142	126	107	85	60	33	2	(33)	(70)	(112)
Debt Coverage Ratio on Part A Loan	1.06	1.05	1.05	1.04	1.03	1.01	1.00	0.99	0.97	0.95
Debt Coverage Ratio on Conventional/Other Financing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Operating Deficit Reserve (ODR) Analaysis										
Initial Balance	24,414	25,146	25,900	26,677	27,478	28,302	29,151	30,026	26,049	16,284
Total Annual Draw to achieve 1.0 DCR	0	0	0	0	0	0	0	(4,878)	(10,546)	(16,772)
Total Annual Deposit to achieve Maintained DCR	0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR	0	0	0	0	0	0	0	(4,878)	(10,546)	(16,772)
Interest	732	754	777	800	824	849	875	901	781	489
Ending Balance at Maintained DCR	25,146	25,900	26,677	27,478	28,302	29,151	30,026	26,049	16,284	**(0)**
Maintained Cash Flow Per Unit	142	126	107	85	60	33	2	0	0	0
Maintained Debt Coverage Ratio on Part A Loan	1.06	1.05	1.05	1.04	1.03	1.01	1.00	1.00	1.00	1.00
Maintained Debt Coverage Ratio on Conventional/Other	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Operating Assurance Reserve Analysis										
Initial Balance	456,527	470,223	484,329	498,859	513,825	529,240	545,117	561,471	578,315	595,664
Interest Income	13,696	14,107	14,530	14,966	15,415	15,877	16,354	16,844	17,349	17,870
Ending Balance	470,223	484,329	498,859	513,825	529,240	545,117	561,471	578,315	595,664	613,534
Deferred Developer Fee Analysis										
Initial Balance	489,592	468,300	449,459	433,463	420,726	411,682	406,790	406,530	406,530	406,530
Dev Fee Paid	21,292	18,841	15,996	12,738	9,044	4,892	260	FALSE	FALSE	FALSE
Ending Balance	468,300	449,459	433,463	420,726	411,682	406,790	406,530	406,530	406,530	406,530
Mortgage Resource Fund Loan										
Principal Amount of all MSHDA Soft Funds	861,258	861,258	861,258	861,258	861,258	861,258	861,258	861,258	861,258	861,258
Current Yr Int	25,838	25,838	25,838	25,838	25,838	25,838	25,838	25,838	25,838	25,838
Accrued Int	258,377	284,215	310,053	335,891	361,728	387,566	413,404	439,242	465,079	490,917
Subtotal	1,145,473	1,171,311	1,197,149	1,222,986	1,248,824	1,274,662	1,300,500	1,326,337	1,352,175	1,378,013
Annual Payment Due	0	0	0	0	0	0	0	0	0	0
Year End Balance	1,145,473	1,171,311	1,197,149	1,222,986	1,248,824	1,274,662	1,300,500	1,326,337	1,352,175	1,378,013

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MODIFICATIONS TO MORTGAGE LOANS FOR WESTCHESTER VILLAGE SOUTH, MSHDA DEVELOPMENT NO. 3788 CITY OF SAGINAW/SAGINAW TOWNSHIP, SAGINAW COUNTY

August 27, 2020

WHEREAS, on June 27, 2018, the Michigan State Housing Development Authority (the “Authority”) authorized a construction and permanent mortgage loan (the "Mortgage Loan") a preservation mortgage loan (the “Preservation Mortgage Loan”) and a HOME mortgage loan (the “HOME Loan”) (collectively the Mortgage Loans”) for the acquisition and rehabilitation of Westchester Village South, MSHDA No. 3788 (the "Development"); and

WHEREAS, the Sponsor of the Development has requested that the Authority make certain modifications to the Mortgage Loans to help enable it to successfully acquire and rehabilitate the Development; and

WHEREAS, by its Resolution dated August 23, 2006 the members adopted a Mortgage Loan Increase Policy providing that “without Board action, mortgage loan increases are limited to a maximum of 5% of the original mortgage loan amount or $500,000, whichever is less”; and

WHEREAS, in the accompanying Memorandum, the Acting Executive Director has recommended increases to the Mortgage Loans that exceed 5% of the Mortgage Loan amount or $500,000; and

WHEREAS, the Memorandum also recommends extending the term of the construction and permanent tax-exempt bond loan from 35 to 40 years; and

WHEREAS, the Authority concurs in the recommendation of the Acting Executive Director.

NOW THEREFORE, the Michigan State Housing Development Authority resolves as follows:

1. The Authority hereby approves the modification of the Mortgage Loans, pursuant and subject to terms and conditions set forth in the Memorandum dated August 27, 2020 and the proforma attached thereto and incorporated herein.

2. The Executive Director, the Director of Legal Affairs, the Chief Financial Officer, or any person duly appointed and acting in such capacity (each, an Authorized Officer of the Authority), is hereby granted the authority to authorize the Mortgage Loans as set forth in the Memorandum.

3. The Executive Director or any person duly appointed and acting in such capacity, is hereby authorized to modify or waive any such of the terms and conditions of the Memorandum as may be deemed necessary to effectuate the ability of the Sponsor to acquire and rehabilitate the Development in a manner that is satisfactory to the Authority.

MSHDA

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Gary Heidel, Acting Executive Director Gary Heidel

DATE: August 27, 2020

RE: Resolution Authorizing a Renewal of Professional Services Contract with Perich + Partners, Ltd. to Perform Advertising and Public Relations Services

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RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority ("Authority") adopt a resolution for a 1-year renewal of the Authority's professional services contract with Perich + Partners, Ltd. for advertising and public relations services for a not-to-exceed contract increase amount of $900,000. This service has been preauthorized by the Civil Service Commission; therefore, additional Civil Service approval is not required.

CONTRACT SUMMARY:

Name of Contractor: Perich + Partners, Ltd.
Amount of Contract: $900,000 for extension
Length of Contract: Three (3) years commencing on or about October 1, 2016 and expiring on or about September 30, 2019
Extension Options: The contract allows for two (2) one-year extensions, with 2020-2021 being the final extension of the current contract
Request for Proposal Date: July 14, 2016
Number of Bids Received: 8
MSHDA Division Requesting the Contract: Communications/Executive

EXECUTIVE SUMMARY:

Perich + Partners, Ltd. ("Contractor") is a full-service advertising and public relations agency with more than 25 years of experience. The Contractor provides the Authority with services related to media/advertising account(s) management, planning, strategy, creative development, digital, public relations, social media, sponsorship assessment, media planning, media buying, and tracking return on investment in order to accomplish the Authority's marketing and communications objectives.

The contract benefits the Authority by helping to tell the Authority's story in an engaging and compelling way. The contract benefits the public by explaining the Authority's purpose, mission, and programs. The firm extends the Authority's Outreach through services such as strategic planning, media planning and buying, creative development, public relations, social media and more.

Adoption of this renewal would ensure continuation of marketing and public relations support for the Authority over the next year. The Authority is unable to perform the Contractor's services inhouse because it lacks the staffing and equipment to perform these services.

The Contractor has been performing well for the Authority. Communication flows well, they are very responsive to the Authority's requests for alterations and they produce quality work. The Contractor has met all milestones and deliverables. The performance metrics include satisfactory work product, invoices, and timely delivery. Work product and invoices are being received on a timely basis. There have been no issues with productivity or with the working relationship with the Contractor. Finally, there is no foreseeable risk arising from approving a 1-year renewal of the contract for advertising and public relations services and approving a not-to-exceed contract increase amount of $900,000. if the proposed one-year extension and budget increase of $900,000 are approved, the total budget over the amended term of the Contract with the Contractor will total $7,845,000.

ADVANCING THE AUTHORITY'S MISSION:

This contract continues to support the telling and broadcasting of the Authority's efforts across Michigan. It fulfills the guiding principle of placing people first by facilitating the exchange of information as marketing messages are delivered across the Authority's digital communications channels. This work highlights a wide variety in the diversity between individuals helped and communities served. Partner collaboration is strengthened by this service as it highlights the efforts of some of our partners (e.g. Habitat for Humanity, Communities First and others).

COMMUNITY IMPACT:

The contract provides greater awareness of the Authority's mission and availability to help.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

None.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING THE EXTENSION OF PROFESSIONAL SERVICES CONTRACT WITH PERICH + PARTNERS, LTD.

August 27, 2020

WHEREAS, the Michigan State Housing Development Authority (the "Authority") has received the report of the Acting Executive Director regarding the one year extension of the professional services contract to perform advertising and public relations services to enhance state and local promotion efforts, and to assist in performing functions that extend the Authority's marketing capabilities; and

WHEREAS, on September 14, 2016, the Authority approved a professional services contract ("Contract") with Perich + Partners, Ltd. aka Perich Advertising + Design for a term beginning on or about October 1, 2017 and ending September 30, 2019 for an amount not to exceed $6,045,000; and

WHEREAS, on July 25, 2019 the Authority approved an additional one-year extension to the Contract with an additional increase in the Contract budget not to exceed $900,000; and

WHEREAS, the current proposal extends the Contract until on or about September 20, 2021 for a not-to-exceed budget amount of $900,000; and

WHEREAS, if the proposed one-year extension and budget increase of $900,000 are approved, the total budget over the amended term of the Contract with Perich + Partners, Ltd. will total $7,845,000; and

WHEREAS, these services are pre-authorized by the Civil Service Commission; and

WHEREAS, the Authority concurs in the report and recommendation of the Acting Executive Director.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority, that the Executive Director, the Director of Legal Affairs, the Chief Financial Officer, or any person duly acting in such capacity (each, an "Authorized Officer"), or any of them, is hereby authorized to enter an amendment to the professional services contract with Perich + Partners, Ltd. to (a) extend the term of the professional services contract for a period beginning on or about September 30, 2020 and ending September 30, 2021 and (b) increase the maximum contract amount of the professional services contract by an amount not to exceed Nine Hundred Thousand Dollars ($900,000), as described above and in the accompanying memorandum.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Gary Heidel, Acting Executive Director Gary Heidel

DATE: August 27, 2020

RE: Request to Ratify Existing DTMB IT Software Contract and Authorize Contract Extension with Agate Software

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RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt a resolution (1) ratifying the current Michigan Department of Technology Management and Budget ("DTMB") enterprise contract benefitting the Authority (DTMB Contract 071B1300072 with Agate Software); and (2) on behalf of the Authority, extend the existing contract with Agate Software. The extension shall be for one year with an optional second year to expire on or about September 30, 2022. The total value of the contract extension will not exceed $1,300,000.

CONTRACT SUMMARY:

Name of Contractor: Agate Software
Amount of Contract: $1,300,000 for extension
Length of Contract: 1 year
Extension Options: Two 1-year options (2nd year option would expire on 9/30/2022)
Request for Proposal Date: N/A
Number of Bids Received: N/A
MSHDA Division Requesting the Contract: Technical Support Services

EXECUTIVE SUMMARY:

In 2010, the Authority entered into a state-wide (i.e., enterprise) DTMB contract with Agate Software to provide software, hosting, and maintenance for the MATT Grant Management System ("System"). This System supports business functions for the Housing Initiatives, Homeownership, Finance and Rental Assistance and Homeless Solutions divisions.

This contract, originally approved by the State of Michigan Administrative Board, was for a 5-year term, including five one-year options that were ultimately exercised. Set to expire in September 2020, DTMB requires additional time to complete a competitive bidding process to procure a future service provider. Accordingly, DTMB has negotiated an additional five one-year options to renew the existing contract and has recommended that the Authority extend its existing contract with Agate Software to ensure continuation of services. To date, the Authority's total expenditures throughout the term of the contract has been approximately Five Million Five Hundred Fifty-Two Thousand Dollars ($5,552,000).

Additional contract expenditures were anticipated and previously approved by the Authority when it approved its annual budget at its regularly scheduled meeting on June 25, 2020.

The Authority will discontinue outdated modules associated with the contract and consequently reduce software costs during the extension period. This will not alter software functionality.

ADVANCING THE AUTHORITY'S MISSION:

Approval of this action will enable staff to continue uninterrupted service to customers and effectively manage multiple active grants which support the Authority's mission, including its legal mandates to provide affordable housing, critical to protecting the health, safety and welfare of Michigan residents. Moreover, the extension will provide budgetary savings negating the need for the Authority to conduct its own competitive bid process at this time.

COMMUNITY IMPACT:

Loss of existing services will preclude the Authority from fulfilling its community development and housing initiatives.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

None.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION RATIFYING AND AUTHORIZING

EXTENSION OF ENTERPRISE CONTRACT WITH AGATE SOFTWARE

August 27, 2020

WHEREAS, the Authority has maintained since 2010 a statewide enterprise contract with Agate Software through the Michigan Department of Technology, Management and Budget ("DTMB"), previously approved by the State Administrative Board, to provide the Authority with software, hosting, and maintenance services relating to the MATT Grant Management System ("System"); and

WHEREAS, the System supports business functions for the Housing Initiatives, Homeownership, Finance and Rental Assistance and Homeless Solutions divisions; and

WHEREAS, the Authority relies on and has continued need of the System to support the Authority's business functions for the Housing Initiatives, Homeownership, Finance and Rental Assistance and Homeless Solutions divisions in order to support the Authority's legal mandate to provide affordable housing, critical to protecting the health, safety and welfare of Michigan residents; and

WHEREAS, the DTMB contract with Agate Software will expire on or about September 30, 2020; and

WHEREAS, DTMB has launched a competitive bidding process, expected to require several years to secure a new vendor to provide similar services under a future contract; and

WHEREAS, the Acting Executive Director has recommended that the Authority ratify and amend the existing contract to continue providing software, hosting, and maintenance services for an additional year, with an option to extend for a second year, in an amount not to exceed $1,300,000; and

WHEREAS, the recommended action will provide budgetary savings negating the need for the Authority to conduct its own competitive bid process; and

WHEREAS, the Authority concurs in the recommendation of the Acting Executive Director.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority that the current DTMB contract with Agate Software is ratified and an extension to the contract for one-year, with an option for a second extension for an additional year, in the amount not to exceed $1,300,000, is hereby authorized.

MSHDA Mod Program Update as of 8/17/2020

MSHDA Mod's primary objective is to enhance opportunities for economic development by providing new affordable single-family housing in areas where there is a housing shortage for moderate income households. The MSHDA Mod Program facilitates and encourages the construction of housing units at an attainable price point (below $200,000).

The pilot program has provided funding to ten communities, to build and sell one modular home. Each community is funded with a $196,000 repayable loan.

To date:

- Eighty-three percent (83%) of the program's available funding has been disbursed.
- Eighty percent (80%) of the communities have drawn funds to date.
- One hundred percent (100%) of program participants have secured site selection.
- Seventy percent (70%) of the communities' models have been delivered to the site.
- Thirty percent (30%) of program participants have sold their completed model.
- Three (3) households are enjoying their new home, benefitting eleven (11) occupants.

Through analysis of the pilot program, it is determined that the following modifications are needed:

- The program will be expanded to not only include MSHDA Modular Homes but also to facilitate the use of Modified Technology products that result in a sustainable product.
- The program will not utilize an ongoing open-ended selection process but instead, participants will be selected from a statewide competitive funding round process.
- Encouragement of multiple grantees selecting one vendor to pursue a bulk purchase discount.
- Modify the income limit restrictions on the purchaser from 120% AMI HUD limits to the limits utilized within MSHDA currently to maintain consistency across MSHDA programs.
- Encourage the selection of units at a smaller square footage of 1000+ and keep amenities at the basic level to promote sales price affordability.
- Due to the pandemic, there is a need to change the 1:3 ratio of homes constructed, to one unit constructed and sold at a time, to alleviate local risk of incurring unforeseen holding costs.
- Leveraging is not required for purposes of the initial construction of a home. However, we do encourage partnerships and collaboration at the local level.

Bethany Housing (Muskegon) – Sold for $158,000

Big Rapids Housing Commission – Sold for $176,400

City of Coldwater – Sold for $209,000

City of Beaverton – Listed for $189,000

Habitat for Humanity of Northeast Michigan (Harrisville) – Listed for $161,000

Kalamazoo Neighborhood Housing Services (KNHS) – Listed for $140,000

Approvals
Short Term Mortgage Relief

Dev #	Development Name	Location	# Units	Family/Elderly	Date of Request	Approval Date	Terms of Relief
1071	Deer Creek	Sturgis	40	Family	3/27/2020	4/9/2020	3 Month Principle Deferral
899	Baldwin House	Birmingham	131	Elderly	4/9/2020	4/13/2020	3 Month Principle Deferral
1016	American House North	Flint	126	Elderly	4/9/2020	4/13/2020	6 Month Principle and Escrow Deferral
1043	Belleview Place I	Ionia	48	Family	4/20/2020	5/1/2020	6 Month Principle Deferral
3003	Belleview Place II	Ionia	48	Family	4/20/2020	5/1/2020	6 Month Principle Deferral
923	Manchester Place I	Detroit	144	Family	4/27/2020	5/11/2020	3 Month Principle Deferral
973	Manchester Place II	Detroit	56	Family	4/27/2020	5/11/2020	3 Month Principle Deferral
1410	Carriage Town Square	Flint	30	Family	5/18/2020	5/20/2020	6 Month Principle and RR Deferral

Helping Michigan's Hardest-Hit Homeowners

JULY 2020

HARDEST HIT PROGRAMS	# OF HOUSEHOLDS THIS MONTH	# OF CUMULATIVE HOUSEHOLDS 2010-CURRENT	MONEY SPENT THIS MONTH	CUMULATIVE MONEY SPENT 2010-CURRENT
MORTGAGE & TAX ASSISTANCE	48	38,939	$224,936.36	$303,869,657.42
BLIGHT ELIMINATION	138	23,074	$2,911,587.57	$378,741,144.60
Step Forward DPA	2	1,951	$30,000.00	$28,873,742.74

Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA)
Step Forward Michigan
PO Box 30632 ● Lansing, MI 48909-8132
Phone (866) 946-7432 ● Fax (517) 636-6170
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MSHDA™ MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Step Forward Michigan program is offered by the Michigan Homeowner Assistance Nonprofit Housing Corporation in collaboration with the Michigan State Housing Development Authority.

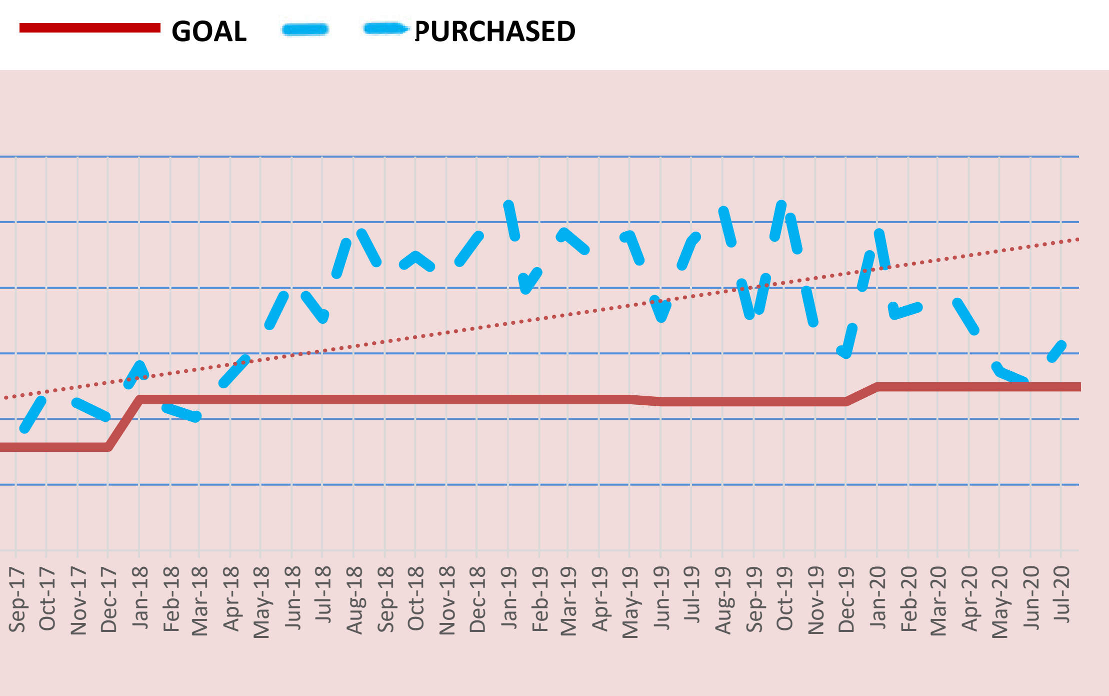
CURRENT AND HISTORICAL HOMEOWNERSHIP DATA

JULY 2020

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

MSHDA's Homeownership Division delivers responsive homeownership products, education and technical assistance that empower our customers and strengthen and sustain Michigan communities. We work with our partners to provide creative solutions that maximize existing resources and preserve homeownership opportunities for future generations.

SINGLE FAMILY MORTGAGES



Monthly Homeownership Production Report: JULY 2020

Print on Legal-Size paper

MI HOME Loan Programs

Series /Date	Month	RESERVATIONS		APPLICATIONS RECEIVED		COMMITMENTS BEGINNING		COMMITMENTS ISSUED	
031	Jul-20	0	$ -	0	$0.00	0	$0.00	0	$0.00
6/26/2014 07-26-17	Jun-20	0	$ -	0	$0.00	0	$0.00	0	$0.00
057	Jul-20	0	$ -	0	$0.00	3	$392,641.00	0	$0.00
4/15/2019	Jun-20	0	-	0	$0.00	8	$1,049,887.00	0	$0.00
058	Jul-20	0	$ -	43	$4,872,408.00	243	$28,197,065.00	37	$4,205,294.00
11/1/2019	Jun-20	0	-	162	$1,965,675.00	291	$33,893,640.00	160	$19,089,542.00
059	Jul-20	439	$ 53,171,657.00	387	$47,515,017.00	106	$13,489,686.00	253	$30,927,419.00
5/1/2020	Jun-20	509	62,439,776.00	162	$19,865,356.00	2	$172,320.00	108	$13,862,236.00
TOTAL	Jul-20	439	$53,171,657.00	430	$52,387,425.00	352	$42,079,392.00	290	$35,132,713.00

Series /Date	Month	Cancellations Reinstatements Net		Transfers IN or Adjustment		Transfers OUT or Adjustment		COMMITMENTS ENDING		PURCHASED #1		PURCHASED-DPA	
031	Jul-20	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
6/26/2014 07-26-17	Jun-20	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
057	Jul-20	-1	-$166,920.00	0	$0.00	0	$0.00	2	$225,721.00	0	$0.00	0	$0.00
4/15/2019	Jun-20	0	$0.00	0	$0.00	-5	-$657,246.00	3	$392,641.00	0	$0.00	0	$0.00
058	Jul-20	-3	-$373,872.00	0	$0.00	0	$1,031.00	103	$11,341,725.00	174	$20,687,793.00	165	$1,104,205.00
11/1/2019	Jun-20	-6	-$789,451.00	5	$657,246.00	0	$0.00	243	$28,197,065.00	207	$24,653,912.00	190	$1,258,429.00
059	Jul-20	1	$86,406.00	0	$0.00	0	$0.00	273	$33,951,061.00	87	$10,552,450.00	85	$574,566.00
5/1/2020	Jun-20	0	$0.00	0	$0.00	0	$0.00	106	$13,489,686.00	4	$544,870.00	4	$26,212.00
TOTAL	Jul-20	-3	-$454,386.00	0	$0.00	0	$1,031.00	378	$45,518,507.00	261	$31,240,243.00	250	$1,678,771.00

#	PURCHASED Prior Total	PURCHASED NEW Total	1st + DPA TO DATE	NEWEST ALLOCATED
031	$ 21,918,601.00	$ 21,918,601.00	$ 23,092,639.00	$ 10,000,000.00
101	$ 1,174,038.00	$ 1,174,038.00	remaining:	$ (13,092,639.00)
057	$ 298,889,758.00	$ 298,889,758.00	$ 308,182,920.00	$ 300,000,000.00
157	$ 9,293,162.00	$9,293,162.00	remaining:	$ (8,182,920.00)
058	$ 148,232,932.00	$ 168,920,725.00	$ 170,898,651.00	$ 225,000,000.00
158	$ 873,721.00	$ 1,977,926.00	remaining:	$ 54,101,349.00
059	$ 544,870.00	$ 11,097,320.00	$ 11,698,098.00	$ 300,000,000.00
159	$ 26,212.00	$ 600,778.00	remaining:	$ 288,301,902.00

STEP FORWARD DPA Program

#255 Series /Date	Month	RESERVATIONS		Cancel/Rejects		Deleted		Total In Process		APPLICATIONS RECEIVED		COMMITMENTS ISSUED		PURCHASED-DPA FUNDED	
9/16/2019-R2	Jul-20	0	$ -	0	$ -	0	$ -	7	$ 150,000.00	0	$ -	0	$ -	2	$ 30,000.00
9/24/2018	Jun-20	0	$ -	0	$ -	0	$ -	7	$ 150,000.00	1	$ 15,000.00	1	$ 15,000.00	7	$ 104,529.00

458	$ 6,817,950.78	Previous Total
460	$ 6,847,950.78	Round 2 Total
1491	$ 22,192,427.77	Round 1 Total
1951	$ 29,040,378.55	GRAND Total

MI HOME FLEX Loan Program (MBS)

Series /Date	Month	RESERVATIONS		APPLICATIONS RECEIVED		COMMITMENTS BEGINNING		COMMITMENTS ISSUED		COMMITMENT Cancellations Reinstatements Net		COMMITMENT & PURCHASE IN/DEcrease Net		COMMITMENTS ENDING		PURCHASED #1		PURCHASED-DPA	
900	Jul-20	24	$ 2,834,162.00	22	$2,697,672.00	39	$4,049,394.00	18	$2,146,088.00	0	$0.00	0	$0.00	38	$4,402,119.00	19	$1,793,363.00	16	$96,857.00
11/14/2013	Jun-20	22	$ 2,464,774.00	16	$1,848,643.00	37	$3,789,673.00	14	$1,586,584.00	-1	-$194,000.00	0	-$2,447.00	39	$4,049,394.00	11	$1,130,416.00	11	$70,889.00

MCC		RESERVATIONS		APPS RECEIVED		COMMITMENTS		CERTIFICATES	
212 MCC	Jul-20	55	$ 7,828,472.00	33	$ 4,825,695.00	33	$ 4,912,492.00	27	$ 4,117,906.00
9/18/2019	Jun-20	46	$ 6,760,814.00	16	$ 2,509,311.00	23	$ 3,169,036.00	12	$ 1,555,303.00

PIP Loans	Applications		Commitments		Purchased	
July-20	2	$ 15,167.00	0	$ -	1	$ 7,087.00
June-20	1	$ 6,500.00	0	$ -	0	$ -

2020 Board Calendar

January	
Voting Items	
1	
2	
3	

February	
Voting Items	
1	
2	
3	

March	
Voting Items	
1	Liquidity Facility
2	
3	
Discussion Items	
1	Strategic Plan: Mission/Vision
2	Bond Cap Legislation
3	Public Housing Plan

April	
Voting Items	
1	Public Housing Plan
2	
3	
Discussion Items	
1	Quarterly Financials
2	Single Family Bond Deal
3	
4	
5	

May	
Voting Items	
1	Single Family Bond Deal
2	
3	
Discussion Items	
1	2020-21 Budget
2	Short Term Relief Policy
3	
4	

June	
Voting Items	
1	2020-21 Budget
2	
3	
Discussion Items	
1	Quarterly Financials
2	
3	
4	

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July	
Voting Items	
1	Pass-Through Program
2	
3	
Discussion Items	
1	
2	
3	
4	

August	
Voting Items	
1	
2	
3	
Discussion Items	
1	Multifamily Bond Deal
2	
3	
4	

September	
Voting Items	
1	Multifamily Bond Deal
2	Workforce Attainable Modular Homes Program (MSHDA Mod)
3	
Discussion Items	
1	Single Family Bond Deal
2	Amendments to Direct Lending Loan Parameters
3	
4	

October	
Voting Items	
1	Single Family Bond Deal
2	Amendments to Direct Lending Loan Parameters
3	
Discussion Items	
1	Approval of Board Meeting Schedule for 2021
2	
3	
4	

November	
Voting Items	
1	Approval of Board Meeting Schedule for 2021
2	
3	
Discussion Items	
1	Audited Year-End 6/30/2020 Financials
2	
3	
4	

December	
Voting Items	
1	
2	
3	
Discussion Items	
1	
2	
3	
4	

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