

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

A G E N D A

October 24, 2019

3028 W. Grand Blvd., Suite 4-602, Detroit Michigan

735 East Michigan Avenue, Lansing, Michigan

10:00 a.m.

Roll Call:

Election of Vice Chair

Public Comments:

Remarks:

Chairperson
Executive Director

REGULAR VOTING ITEMS

- Tab A Approval of Agenda
- Tab B Minutes – September 26, 2019
- Tab C Resolution Authorizing the Michigan Department of Technology, Management and Budget to Extend Contract with Emphasys Software Inc. on Behalf of the Authority
- Tab D Resolution Authorizing Housing Development Grant to Habitat for Humanity of Michigan for Down Payment Assistance Program and Priority Home Repair Program
- Tab E Resolution Determining Mortgage Loan Feasibility, **Northlawn Gardens Apartments, MSHDA Development No. 3861**, City of Detroit, Wayne County
- Resolution Authorizing Mortgage Loans, **Northlawn Gardens Apartments, MSHDA Development No. 3861**, City of Detroit, Wayne County

Closed Session

None.

Discussion Issues:

None.

Reports:

- Tab 1 Homeownership Production Report
- Tab 2 Hardest Hit Programs
- Tab 3 Current and Historical Homeownership Data
- Tab 4 Delegated Action Reports

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
A G E N D A
September 26, 2019

AUTHORITY MEMBERS PRESENT (Lansing):

Jeff Donofrio
Jeff Mason
Rachael Eubanks
Deb Muchmore
Jennifer Grau
Carl English
Regina Bell
Tyrone Hamilton

AUTHORITY MEMBERS ABSENT:

None

OTHERS PRESENT (Lansing/Detroit):

Gary Heidel, Acting Executive Director
Maria Ostrander, Executive
Mary Cook, Executive
Clarence L. Stone, Jr., Legal Affairs
Willard G. Moseng, Legal Affairs
Richard Norton, Legal Affairs
Diana Bitely, Legal Affairs
Lisa Ward, Legal Affairs
Jeff Sykes, Finance
Mary Townley, Homeownership
Troy Thelen, Asset Management
Chris Hall, Technical Services
John Hundt, Rental Development
Lori Fedewa, Human Resources
Lindsey Schmitt, Human Resources
Amber Martin, Human Resources
Linda Beachnau, Information Technology
Michael Witt, Rental Development
Chad Benson, Rental Development
Jess Sobel, Grants, Resources and Technical Assistance
Odessa Carson, Grants, Resources and Technical Assistance
Kelly Rose, Rental Assistance and Homeless Solutions
Katie Bach, Communications
Laurie Cummings, Office of Market Research
David Allen, Office of Market Research
Ron Farnum, Office of Attorney General
John Millhouse, Office of Attorney General
Tim Rittenhouse, CSG Advisors
Brandon Wolanski, Barclays
Jim Kiefer, Dykema
Jarrod Smith, Dykema
Kris Nied, Miller Canfield
Irem Karacal, Hawkins
Troy Villanueva, CEDAM
Donna McMillan, MHT Housing

Chairperson Jeff Donofrio opened the meeting at 10:01am. In addition to the Chair, Jeff Mason, Rachael Eubanks, Deb Muchmore, Jennifer Grau, Carl English and Tyrone Hamilton were present. Regina Bell arrived at 10:10am.

Public Comments:

Mr. Donofrio asked if there were public comments at the Lansing and Detroit offices. There being none, Mr. Donofrio stated that there were Goldenrods for Tab A (New Voting Item on the Agenda) and Tab C (Memo and Resolution Authorizing Limited Code of Ethics Waiver for Andrew Martin). He also noted that following Tab P in the Docket, there was a new voting item – Resolution Authorizing Contract to Retain Executive Search Firm to Conduct Executive Director Search.

Executive Director's Report:

Acting Executive Director Gary Heidel began his remarks by welcoming Jeff Donofrio, Director of the Department of Labor and Economic Opportunity and Board Chair, as well as Jeff Mason, President of the Michigan Strategic Fund. Mr. Heidel then gave an overview of current housing legislation at the state and federal level:

The Affordable Housing Credit Improvement Act of 2019 is pending legislation that will expand and strengthen the Low-Income Housing Tax Credit by (1) increasing Housing Credit allocations by 50 percent; (2) enacting a minimum 4% rate to provide predictability to the marketplace and increase production; (3) enabling the Housing Credit to better serve hard-to-reach communities including rural, Native American, high-poverty, and high-cost communities, as well as low-income tenants; and, (4) making the Housing Credit a more effective tool by simplifying and aligning rules. Teams from the Department of Labor and Economic Opportunity and the Authority were in Washington, DC recently to support this bill. Mr. Heidel stated that it has bipartisan support and he is optimistic that Congress will pass this legislation.

Michigan House Bill 4908 would amend Section 32 of the Authority's Act to increase the aggregate cap on outstanding Authority debt from \$3,400,000,000 to \$5,000,000,000. Representative Whitsett of the 9th District introduced the bill.

Mr. Heidel reminded those in attendance that the October Board Meeting will be in Detroit. After the meeting, there will be a bus tour of Authority-assisted and financed developments. Mr. Heidel mentioned that he recently toured several developments with the Mayor of Detroit and was proud of the Authority's accomplishments in the city.

Finally, Mr. Heidel noted that it was still unclear whether a state budget would be in place before the end of the State's fiscal year on September 30, 2019; therefore, it remains possible that there will be a statewide government shutdown as of October 1, 2019. He will continue to keep everyone posted.

Voting Issues:

Agenda (Tab A): Mr. Donofrio requested a motion to approve the agenda. Jennifer Grau moved approval of the agenda. Rachael Eubanks supported. The agenda was unanimously approved.

CONSENT AGENDA ITEMS

Tab B through H: Jennifer Grau moved approval of the consent agenda. Jeff Mason supported. The consent agenda was approved. The consent agenda included the following:

- Tab B Minutes – July 25, 2019
- Tab C Resolution Authorizing Limited Code of Ethics Waiver for Andrew Martin
- Tab D Resolution Authorizing Award of Emergency Solutions Grant Funds to the Michigan Department of Health and Human Services
- Tab E Resolution Authorizing Third Amendment to Amended and Restated Contract that Appoints and Retains Designated Holland & Knight Attorneys as Special Assistant Attorneys General
- Tab F Resolution Authorizing Professional Service Contract Extensions for Independent Contractual Housing Agents
- Tab G Resolution Authorizing Contract with University Consultants, Inc., dba Association Management Resources, to Provide Management of Conference Planning and Logistics for the Building Michigan Communities Conference
- Tab H Amended and Restated Resolution Designating Bank Accounts and Authorizing Officers as to Requisition and Investment of Funds

REGULAR & ROLL CALL VOTING ITEMS

Jeff Sykes, the Authority's Chief Financial Officer, presented both **Tab I:** Michigan State Housing Development Authority Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2019 Series B in an Amount Not to Exceed \$350,000,000, and **Tab J:** Michigan State Housing Development Authority Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2019 Series C (Federally Taxable) in an Amount Not to Exceed \$125,000,000.

Mr. Sykes was joined by Tim Rittenhouse of CSG Advisors, Brandon Wolanski of Barclays, and Jim Kiefer of Dykema. To provide some background, Mr. Sykes explained that the Series Resolutions being requested fall under the Authority's Single-Family Mortgage Revenue Bond General Resolution (the "General Resolution") that was approved in 1987. The General Resolution created parameters pursuant to which the Authority could issue debt in the future. Each time bonds are issued under this General Resolution, a Series Resolution must be crafted and presented to the Authority for approval. Mr. Sykes provided copies of a pricing book for multifamily bonds to show how the Authority has successfully marketed debt in a prior transaction. He noted that the Authority's cash flows must show it has the capacity to meet all requisite financial stresses before a deal can go forward.

Mr. Sykes noted that the 2019 Series B Bonds are approximately \$276.8 million in tax-exempt fixed rate debt. The plan is to use these bonds to issue single-family mortgages and down payment assistance loans and pay costs of issuance and a portion of the Capital Reserve Requirement.

Mr. Sykes continued by explaining that the 2019 Series C Bonds are approximately \$48.1 million in taxable fixed rate uninsured debt. These bonds will be used for single-family mortgages, home improvement loans, cost of issuance and a portion of the Capital Reserve Requirement. Mr. Sykes

noted that the home improvement loans will be funded as a result of a supplement resolution to the General Resolution approved last year. The supplemental resolution permits the Authority to issue loans that are not just first mortgage loans, as long as 51% of those who hold the Authority's outstanding debt approve the proposed amendments. It is expected that this requirement will be met by the end of this year. As such, some proceeds from the issuance of the Series C Bonds will be used to fund home improvement loans. Additionally, the loans will be insured FHA Title I loans.

Chairperson Jeff Donofrio asked what the eligibility requirements were for down payment assistance loans. Mr. Sykes deferred to Mary Townley of Homeownership, who explained that there was an income threshold requirement that depended on location. The income requirement could range from approximately \$67,500 to \$107,000. Additionally, the applicants must first obtain an Authority first mortgage loan. Mr. Donofrio then asked how many people take advantage of the down payment assistance loans. Ms. Townley responded that approximately 95-97% of the Authority's first-time home buyers use this program.

Carl English also wanted to know how the Authority would ensure that the neediest get access to home improvement loans. Mr. Sykes explained that the Authority's Homeownership Division would be working with marketing to advertise the Home Improvement Program.

In reference to home improvement loans, Ms. Regina Bell asked what type of data is captured on the back end and how does the Authority use this information. Mary Townley responded that the Authority obtains the applicants' information when they apply for the Single-Family Mortgage Program through participating lenders. Credit information is captured, as well as various demographics. This information is then analyzed for future investments.

Mr. Heidel noted that this information is also shared with the legislature as required by law.

In response to a question by Jennifer Grau, Mr. Sykes clarified that the requirement of first obtaining an Authority first mortgage loan applied only to the down payment assistance program and not home improvement loans.

Jim Kiefer of Dykema reviewed the information provided in the resolutions and confirmed they comply with all required parameters.

Assistant Attorney General John Millhouse and Director of Legal Affairs Clarence Stone both stated that the resolution in **Tab I** was in proper order for the Authority's action. Rachael Eubanks moved approval of the resolution. Tyrone Hamilton seconded.

The following Roll Call vote was taken for **Tab I: Michigan State Housing Development Authority Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2019 Series B in an Amount Not to Exceed \$350,000,000.**

Carl English – Yes	Deb Muchmore - Yes	Regina Bell - Yes
Jennifer Grau – Yes	Jeff Donofrio - Yes	Tyrone Hamilton – Yes
Rachael Eubanks - Yes	Jeff Mason - Yes	

There were 8 “yes” votes. The resolution was unanimously approved.

Next, Assistant Attorney General John Millhouse and Director of Legal Affairs Clarence Stone both stated that the resolution in **Tab J** was in proper order for the Authority's action. Rachael Eubanks moved approval of the resolution. Jeff Mason seconded.

The following Roll Call vote was taken for **Tab J: Michigan State Housing Development Authority Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2019 Series C (Federally Taxable) in an Amount Not to Exceed \$125,000,000.**

Carl English – Yes	Deb Muchmore - Yes	Regina Bell - Yes
Jennifer Grau – Yes	Jeff Donofrio - Yes	Tyrone Hamilton - Yes
Rachael Eubanks - Yes	Jeff Mason - Yes	

There were 8 “yes” votes. The resolution was unanimously approved.

Mr. Sykes proceeded with presenting **Tab K: Michigan State Housing Development Authority Second Resolution Supplementing Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2007 Series E in an Amount Not to Exceed \$135,000,000.** He was joined by Kris Nied of Miller Canfield. Mr. Sykes explained the 2007 Series E Bonds were issued as variable rate demand obligations (“VRDOs”). In order to enhance the VRDOs marketability to institutions and money market funds the Authority provides a put option. The put option gives the bondholder the ability to put the debt back to the Authority in the case of a failed remarketing. In order to offer this, the Authority must have a liquidity facility in place to buy the bonds (bank bonds) should the remarketing fail. Currently, the Authority has an agreement with the Bank of Tokyo that expires in June 2020; however, the Authority can terminate this at any time with no penalty. The Authority circulated a Request for Proposal (“RFP”) for a new liquidity facility, and the Royal Bank of Canada (“RBC”) was selected. The Authority has negotiated a Standby Bond Purchase Agreement with the RBC to begin in April 2020.

Ms. Bell asked what the Authority was looking for when considering bids and what factored into the decision to choose the RBC. Mr. Sykes responded that various types of data are considered, including price, the terms of the deal, payout times, and the interest rate if Authority bonds become bank bonds due to a failed remarketing. He also clarified that the Authority was not entering into a Swap Agreement with this request.

Ms. Eubanks noted that it is a buyers’ market and wanted to ensure that the Authority considers the full picture and not just upfront cost when considering bids. She suggested getting several bids to see how they trade in advance. Mr. Sykes assured Ms. Eubanks that he will involve her throughout this process.

Jennifer Grau asked if anyone had expressed concerns about RBC and whether the Authority could ask for additional conditions based on future bids. Ms. Eubanks noted that it was possible to renegotiate and advise them of other offers.

Kris Nied of Miller Canfield then provided a brief additional explanation of the resolution. Assistant Attorney General John Millhouse and Director of Legal Affairs Clarence Stone both stated that the resolution was in proper order for the Authority’s action. Rachael Eubanks moved approval of the resolution. Carl English seconded.

The following Roll Call vote was taken for **Tab K:**

Carl English – Yes	Deb Muchmore - Yes	Regina Bell - Yes
Jennifer Grau – Yes	Jeff Donofrio - Yes	Tyrone Hamilton - Yes
Rachael Eubanks - Yes	Jeff Mason - Yes	

There were 8 “yes” votes. The resolution was unanimously approved.

John Hundt of Rental Development presented the two resolutions in **Tab L: Resolution Authorizing Waiver of Mortgage Loan Prepayment Prohibition and Sale of Development and Determining Mortgage Loan Feasibility, Shiloh Commons, MSHDA Development No. 960-2, City of Flint, Genesee County**, and **Resolution Authorizing Mortgage Loans, Shiloh Commons, MSHDA Development No. 960-2, City of Flint, Genesee County**. Mr. Hundt explained that Shiloh Commons is a 125-unit family development constructed in 2000. The Authority’s plan is to preserve the existing development with a transaction that will allow the new owner, MHT Housing, Inc., to repay outstanding debt and extend affordability of the units. Blight elimination in the area is also being conducted with Hardest Hit funds. The total Sources and Uses is expected to be just over \$16.3 million. Donna McMillan from MHT Housing was present to support the resolutions.

Carl English moved approval of the resolutions. Jennifer Grau supported. The resolutions were approved.

Mr. Hundt also presented the resolutions under **Tab M: Resolution Authorizing Waiver of Mortgage Loan Prepayment Prohibition and Sale of Development and Determining Mortgage Loan Feasibility, Colonial Meadows, MSHDA Development No. 893-2, City of Pontiac, Oakland County**, and **Resolution Authorizing Mortgage Loan, Colonial Meadows, MSHDA Development No. 893-2, City of Pontiac, Oakland County**. Mr. Hundt explained that Colonial Meadows is an 82-unit senior development acquired by MHT Housing in 2011. By waiving the prepayment prohibition, about \$4 million in debt will be repaid to the Authority, allowing MHT Housing to invest additional money into the property. All 82 units will also allow the use of project-based vouchers. The total Sources and Uses is just over \$11.9 million.

Rachael Eubanks moved approval of the resolutions. Tyrone Hamilton supported. The resolutions were approved.

Troy Thelen of Asset Management presented **Tab N: Resolution Authorizing Transfer of Membership Interests, The Preserve at Orianna Ridge, MSHDA Development No. 1074, City of Marquette, Marquette County**. The Authority was notified in June 2019 of the owner’s intent to sell this property. The management would remain the same and the property scores a 0.5 on the Authority’s Risk Rating matrix; therefore, it is a stable development with no apparent issues for the sale.

Deb Muchmore moved approval of the resolution. Tyrone Hamilton supported. The resolution was approved.

Mr. Thelen also presented **Tab O: Resolution Authorizing Sale of Development, Pilgrim Village Apartments, MSHDA Development No. 1413 (f/k/a No. 9014), City of Detroit, Wayne County**. Mr. Thelen explained that this is an income-restricted 22-unit property that had been financed under the Authority’s Neighborhood Preservation Program with HOME funds. In November 2014, the Authority foreclosed its mortgage, and the development became real estate owned. Due to the market at that time, as well as HOME fund restrictions, the Authority decided to maintain control of the property. Once the restriction period ended and the market improved, the property was put up for sale in June 2019. The Authority received four final offers. Although the purchaser’s bid was less than the highest offer, it committed to providing the most affordable housing by keeping 11 units income-restricted. The Authority will make a profit of \$228,483.

Ms. Bell asked whether it was possible to keep more than 11 units income-restricted. Mr. Thelen responded that there were concerns that increasing the number of income-restricted units might cause economy of scales issues. Lack of economies of scale was one reason the property was initially foreclosed. He believes this was the best offer to ensure the success of the property.

Deb Muchmore moved approval of the resolution. Tyrone Hamilton supported. The resolution was approved.

Mr. Thelen then presented **Tab P: Resolution Authorizing Waiver of Mortgage Loan Prepayment Prohibition, The Depot, MSHDA Development No. 971, City of Coopersville, Ottawa County**. Mr. Thelen explained that The Depot is a 51-unit senior development. The owners are seeking permission to prepay the first mortgage loan in order to refinance the property. They will still be subject to income and rent restrictions from the original HOME loan. As a condition to the refinancing, the owner will amend and extend the Low Income Housing Tax Credit ("LIHTC") Regulatory Agreement an additional 11 years. He noted that the LIHTC Regulatory Agreement does not require typical Authority asset management since there is no financial impact on the Authority. This is as opposed to an Authority-financed loan and Regulatory Agreement where there is strict oversight to manage the Authority's financial risk.

Deb Muchmore moved approval of the resolution. Carl English supported. The resolution was approved.

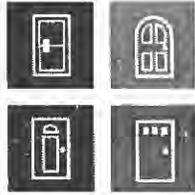
Chairperson Jeff Donofrio presented the final voting item under **Tab NEW: Resolution Authorizing Contract to Retain Executive Search Firm to Conduct Executive Director Search**. Mr. Donofrio thanked Authority members for working on the position description that was put together for the Executive Director over the past few months. He was seeking approval to hire a professional executive search firm to conduct a nationwide search for the best candidate. Ms. Bell asked if this was something the Authority has done previously. Mr. Heidel responded that search firms have been used in the past. Ms. Bell asked about the cost of previous searches; however, Mr. Heidel did not have that information.

Mr. English expressed concern with being able to recruit the best talent without a termination amount being paid for termination without cause. He asked if such a clause could be a part of the recruitment process. Ms. Eubanks responded that they want to be flexible to attract someone for the Authority's long-term goals and that such a clause like this was possible. However, the hope is that a professional search firm could advise them better on that matter.

Rachael Eubanks moved approval of the resolution. Regina Bell supported. The resolution was approved.

There being no additional remarks, Mr. Donofrio noted that the following reports were included for information: Homeownership Production Report (**Tab 1**), Hardest Hit Report (**Tab 2**), and Current and Historical Homeownership Data (**Tab 3**).

Mr. Donofrio requested a ten-minute recess. After reconvening, David Allen, Chief Marketing Officer, gave the following presentation: Statewide Housing Studies: Needs Assessment and Homeownership. He was joined by Laurie Cummings of the Authority's Office of Market Research. Ms. Cummings followed with a presentation on a study she conducted titled "Michigan Homeownership Study"; however, because the presentation did not conclude during the allotted time, Mr. Donofrio asked that it be continued at a later date. Mr. Donofrio requested a motion to adjourn. Regina Bell moved to adjourn. Deb Muchmore supported the motion, and it was unanimously approved and accepted. The meeting adjourned at 12:30pm.



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 

DATE: October 24, 2019

RE: Request to Authorize the Michigan Department of Technology, Management and Budget to Extend IT Software Contract with Emphasys Software Inc.

Recommendation:

I recommend that the Authority authorize the Michigan Department of Technology, Management and Budget ("DTMB"), on behalf of the Authority, to extend the existing contract with Emphasys Software Inc. (Contract No. 071B2200100).

This extension shall be for an additional two years ending December 21, 2022, with an optional third year ending December 31, 2023 if the option is exercised. The total value of the contract extension will not exceed \$550,000 per year, totaling \$1,650,000 over the period of the extension (if the option is exercised).

Executive Summary:

On January 26, 2011, the Authority authorized DTMB to enter into a contract with Emphasys to provide software, hosting and maintenance services for the Application On Demand (AOD) Single Family system. The approved contract amount was One Million Five Hundred Twenty-Nine Thousand Five Hundred Fifty-Four Dollars (\$1,529,554) with an annual two percent (2%) cost increase for a three-year (3) period including five (5) optional one-year extensions that were exercised by the Authority. The current contract term with exercised options will end on or about January 9, 2020 at an annual cost of approximately \$520,000.

The contract is necessary to support the business functions of the Authority's Homeownership and Finance divisions. Extending the contract ensures minimal disruption in the Authority's day-to-day business activities while providing DTMB time to conduct a competitive bid process to secure a long-term, replacement contract.

This extension of the current contract does not represent a significant change in pricing or functionality to the Authority.

Issues, Policy Considerations, and Related Actions:

None

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION

AUTHORIZING THE MICHIGAN DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET TO EXTEND CONTRACT WITH EMPHASYS SOFTWARE INC. ON BEHALF OF THE AUTHORITY

October 24, 2019

WHEREAS, the Michigan State Housing Development Authority (the "Authority") has received the Acting Executive Director's memorandum regarding the Authority's Finance and Homeownership Divisions' need for continued software, hosting and maintenance services; and

WHEREAS, the Authority, at its regularly scheduled meeting on January 26, 2011, authorized the Michigan Department of Technology, Management and Budget to enter into a contract with Emphasys Software Inc. to provide software, hosting and maintenance services for the Application On Demand (AOD) Single Family system (Contract No. 071B2200100; the "Contract") in the amount of One Million Five Hundred Twenty-Nine Thousand Five Hundred Fifty-Four Dollars (\$1,529,554) with an annual two percent (2%) cost increase for a three-year (3) period including five (5) optional one-year extensions; and

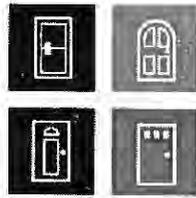
WHEREAS, the Authority exercised its options to renew the Contract which is now set to expire on or about January 9, 2020; and

WHEREAS, the Executive Director recommends that the Authority authorize the Michigan Department of Technology, Management and Budget, on behalf of the Authority, to amend Contract 071B2200100 (the "Contract") with Emphasys Software Inc., extending the Contract for two years to expire December 31, 2022, with an option to extend the Contract for a third year to expire December 31, 2023; and

WHEREAS, the recommended Contract extension shall not exceed Five Hundred Fifty Thousand Dollars (\$550,000), for a total of One Million Six Hundred Fifty Thousand Dollars (\$1,650,000) if the third-year option is exercised; and

WHEREAS, the Authority concurs in the report and recommendation of the Executive Director and hereby determines that the above-referenced services are necessary for the effective implementation of Authority programs and policies.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority that the Michigan Department of Technology, Management and Budget, on behalf of the Authority, is hereby authorized to extend Contract 071B2200100 for two years, to expire December 31, 2022, with an option to extend for a third year, to expire December 31, 2022 if so exercised, for a total cost not to exceed One Million Six Hundred Fifty Thousand Dollars (\$1,650,000).



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 *AH*
DATE: October 24, 2019
RE: Housing Development Fund Grant (Grant #TBD) to Habitat for Humanity of Michigan

Recommendation:

I recommend the Michigan State Housing Development Authority (the "Authority") adopt a resolution authorizing the issuance of a Housing Development Fund grant not to exceed One Million (\$1,000,000) to Habitat for Humanity of Michigan ("Habitat of Michigan").

Executive Summary:

Habitat of Michigan will use Housing Development Funds to provide:

- A. Up to \$12,000 in down payment assistance ("DPA") to eligible low-income households and provide reimbursement of up to \$350 for required HUD or MSHDA certified pre-purchase homebuyer education. The DPA funds are targeted to households at or below 60% area median income (AMI). There is no minimum credit score requirement. (Habitat relies on the licensed loan originator to use their underwriting criteria). DPA is the most-often reported barrier to home ownership for people with fixed and low incomes. The Habitat of Michigan DPA program helps low income and very low income households obtain mortgages they can afford, and it helps mitigate the mortgage lender's risk.

Through this grant, up to 60 income eligible households will receive assistance with DPA and closing costs. They will live in a home that exceeds the standards of local building codes and has energy efficiency ratings that meet or exceed any other builders in Michigan. The cost to operate these homes is lower than average, which in turn results in long term affordability and sustainability; accessibility features in construction also allows families to "age in place."

Over the past 10 years, Habitat of Michigan has spent nearly \$12 million in Authority grant funds, assisting over 920 families with DPA and closing costs.

- B. Funding to support the Priority Home Repair ("PHR") program to complete home rehabilitations/repairs for low income households in Michigan. This program focuses on health and safety home repairs for existing low income families (again targeted to

households with AMI of 60% or less), which supports the Authority's focus and mission to assist low and moderate income households. Eligible households must own the home and the land and have homeowner's insurance and title to the home. There is a \$7,000 limit on repairs, except when a roof is needed, then the limit is \$7,500.

The program will serve up to 25 households with \$7,000 in critical home repairs and will leverage funding for another 25 households to serve a total of 50 households in the program. Funding addresses health, security, safety and durability issues including water penetration, mold, rot, structural integrity, indoor air quality and ventilation, fire and carbon monoxide detectors to promote enhanced livability. Accessibility issues are a focus; the program enhances the owners' mobility and livability and includes electrical, plumbing and appliance repair or replacement. Energy efficiency upgrades to improve health and comfort are also eligible. The PHR grant funds will be matched by a \$200,000 grant from the Consumers Energy Foundation.

The Authority and Consumers Energy together have contributed \$900,000 to date to this program, providing 150 families with safe and healthy home improvements as well as training opportunities for all 60 Habitat of Michigan affiliates.

The budget, including leverage is as follows:

Funding from the Authority: \$1,000,000

- Down Payment Assistance and Housing Counseling: \$700,000
- Priority Home Repair funding: \$200,000
- Program Administration: \$100,000

Other funding for total program operation:

- Other PHR funds from Consumers Energy: \$200,000
- Charitable funds raised to supplement program administration: \$17,500
- In-kind, donations, volunteers: \$1,249,875

Issues, Policy Considerations, and Related Actions:

None



STATE OF MICHIGAN

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

GRETCHEN WHITMER
GOVERNOR

GARY HEIDEL
ACTING EXECUTIVE DIRECTOR

HOUSING DEVELOPMENT FUND GRANT REPORT

October 24, 2019

RECOMMENDATION:

Pursuant to Administrative Rule 125.153, it is recommended that the Michigan State Housing Development Authority ("Authority") adopt a resolution authorizing a Housing Development Fund grant in an amount not to exceed One Million Dollars (\$1,000,000) to the Habitat for Humanity of Michigan for the purposes described in this report.

DEVELOPMENT INFORMATION:

MSHDA No:	TBD
Grantee:	Habitat for Humanity of Michigan ("Habitat of Michigan")
Location of Project:	Statewide
Use of Funds:	Down Payment Assistance and Priority Home Repair Program
Number of Units:	N/A
Maximum Grant:	\$1,000,000
Contact Person(s):	Tonya Young/Tracey Barnes

SUMMARY OF PROPOSAL:

Down payment assistance ("DPA") is the most-often reported barrier to home ownership for people with fixed and low incomes to own a home. The Habitat of Michigan DPA program helps low income and very low income households obtain a mortgage they can afford, and it helps mitigate the mortgage lender's risk. The financial assistance enabled with DPA breaks down the barrier experienced by higher risk people who are blocked out of mainstream financing due to income level. DPA reduces out-of-pocket closing costs, keeping money in homebuyers' budgets to be used for other basic needs. The program enables home ownership for those who otherwise may not purchase homes, which stabilizes families and provides a platform for launching into other life endeavors. A stable family translates into a stable neighborhood and community.

Habitat of Michigan will use grant funds to provide up to \$12,000 in DPA to eligible low income households and provide reimbursement up to \$350 for required Department of Housing and Urban Development ("HUD") or Authority certified pre-purchase homebuyer education.

The DPA funds are targeted to households at or below 60% area median income ("AMI"), which fully supports MSHDA's focus and mission to assist low and moderate income households. The household must work with a Habitat of Michigan affiliate to secure a

**Housing Development Fund Grant Report
Habitat for Humanity of Michigan
MSHDA No. TBD
October 24, 2019**

mortgage for home purchase and must qualify for a home loan with a housing ratio between 22% and 30% of GMI and a total debt ratio of 43%. There is no minimum credit score requirement (Habitat relies on the licensed loan originator to use their underwriting criteria). Sales price is set at appraised value, and there is a 5-year affordability period requirement (secured by a second lien)

Through this grant, 60 income eligible households will receive assistance with DPA and closing costs. They will live in a home that exceeds the standards of local building codes and has energy efficiency ratings that meet or exceed any other homes in Michigan. The cost to operate these homes is lower than average, which in turn results in long term affordability and sustainability; accessibility features in construction also allows families to "age in place".

The DPA funds are forgivable after five years, secured through a Homebuyer Assistance Mortgage and Note. If the property is sold before the five years and there are sales proceeds, MSHDA will determine the payoff amount for the DPA.

Eligible households partnering with one of the 60 Habitat of Michigan affiliates would be able to pursue an application for the DPA funding at the time they are pursuing first mortgage financing. Habitat of Michigan affiliates must be in good standing with Habitat of Michigan International and document any DPA program specific compliance required to be eligible to utilize the program. Habitat of Michigan will develop application materials, program guidelines, and ensure proper training and education for the affiliate network as well as Habitat of Michigan homebuyers and partner organizations.

Habitat of Michigan affiliates will construct or rehabilitate houses to sell to qualified partner households during the grant period. For the construction and/or rehabilitation, Habitat of Michigan's goal is for the homes to exceed the Authority's property standards and third-party compliance reviewers will utilize the Home Energy Rating System (HERS) or Building Performance Institute (BPI) to document energy efficiency of a home.

Over the past 10 years, Habitat of Michigan has spent nearly \$12 million in Authority grant funds, assisting over 920 families with DPA and closing costs.

In addition to the DPA assistance, Habitat of Michigan will use funding to support their Priority Home Repair (PHR) program. This program focuses on health and safety home repairs for existing low-income families (again targeted to households with AMI of 60% or less), which fully supports the Authority's focus and mission to assist low and moderate income households. Eligible households must own the home and the land and have homeowner's insurance and title to the home. There is a \$7,000 limit on repairs, except when a roof is needed, then the limit is \$7,500.

The program will serve up to 25 households with \$7,000 in critical home repairs and will leverage funding for another 25 households to serve a total of 50 households in the program. Funding addresses health, security, safety and durability issues including water penetration, mold, rot, structural integrity, indoor air quality and ventilation, fire and carbon monoxide detectors to promote enhanced livability. Accessibility issues are a focus; the program enhances the owners' mobility and livability and includes electrical, plumbing and appliance repair or replacement. Energy efficiency upgrades to improve health and comfort are also eligible.

With an elderly population that wishes to age in place and a statewide housing shortage, this program is vital to keeping people safely in their homes and rehabilitating homes to meet their changing needs.

The PHR grant funds will be matched by a \$200,000 grant from the Consumers Energy Foundation.

The Authority and Consumers Energy together have contributed \$900,000 to date to the PHR program, providing 150 families with safe and healthy home improvements as well as training opportunities for all 60 Habitat of Michigan affiliates.

Habitat of Michigan staff members will also receive BPI Healthy Home Evaluator certification. These credentials will benefit affiliates statewide with expertise to better assess homes and determine the most urgent and important repair needs.

The budget, including leverage is as follows:

Funding from Authority: \$1,000,000

- o Down Payment Assistance and Housing Counseling: \$700,000
- o Priority Home Repair funding: \$200,000
- o Program Administration: \$100,000

Other funding for total program operation:

- o Other PHR funds from Consumers Energy: \$200,000
- o Charitable funds raised to supplement program administration: \$17,500
- o In-kind, donations, volunteers: \$1,249,875

ORGANIZATIONAL HISTORY:

Habitat of Michigan is the state support organization for the state's network of local Habitat for Humanity affiliates. Habitat of Michigan is a non-profit 501c (3) organization established in 1993 to provide services to the 70 local affiliates covering nearly every county in Michigan. Their mission is to eliminate poverty housing while building up communities and hope.

Habitat of Michigan is a longtime recipient of Authority resources. The Authority has awarded HOME and MSHDA funds to Habitat of Michigan to provide down payment assistance to homebuyers that purchase Habitat of Michigan homes and also to provide funding for construction-related materials and costs to assist with the Prison Build Program.

Since 1982, Habitat of Michigan has created over 5,600 affordable housing units in Michigan, partnering with over 17,900 individuals for decent affordable housing. The Authority has funded the Prison Build Program since 1993. From 2009 to date, they have completed 777 orders.

ELIGIBILITY UNDER THE ACT AND RULES:

Section 24(3) of P.A. 346 of 1966, as amended, provides that the Authority may use monies from the Housing Development Fund to make grants to local communities (as defined by the Authority's General Rules), or to private nonprofit organizations formed to provide assistance to persons and families of low and moderate income. The Rules further require that prior to the authorization of any Housing Development Fund grant, each proposal be reviewed and analyzed to determine that the application meets the requirements of the Act and Rules and is consistent with the Authority's evaluation factors. Authority staff has reviewed the application and have determined that it complies with the Act, Authority Rules and HDF Evaluation Factors as discussed below.

This proposal has been reviewed and determined to have satisfied the Authority's "Revised Priorities, Evaluation Factors, and Criteria for Allocation of Development Fund Grants" ("HDF Evaluation Factors") adopted by the Authority on January 25, 2012; the HDF Evaluations Factors include, but are not limited to, the following:

1. "Summary of Program Purpose" Section I(A)(5) – Habitat of Michigan will use grant funds to provide down payment assistance (DPA) and priority home rehabilitation/repairs to low income households in Michigan.
2. "Eligible Applicants" Section I(B) – Habitat of Michigan is a nonprofit corporation eligible under the act to receive grant assistance under this program.
3. "Eligible Activities" Section I(C)(5)(h) – Activities under this grant will be down payment assistance (DPA) and home repairs to low income households in Michigan.
4. "Eligible Costs" Section I(D)(5)(7) – Costs associated with this grant will be for down payment assistance, home repair costs, and grant administration.

SPECIAL CONDITIONS:

Prior to the disbursement of any funds authorized pursuant to this grant, the applicant must:

1. Submit Articles of Incorporation, By-laws, a Certificate of Good Standing, and an Incumbency Certificate verifying eligibility to receive a Housing Development Fund grant, all in form and substance acceptable to the Director of Legal Affairs.
2. Submit written documentation that the President and CEO of Michigan Habitat for Humanity has the authority to execute the Housing Development Fund grant agreement on behalf of the applicant.
3. Execute an agreement that includes: the projected budget; program statement; project work detail; an anti-discrimination provision effectuating Section 46 of the Act; and a provision that the funds may be recaptured in the event that they are not used for the intended purposes. The Housing Development Fund grant agreement shall be acceptable in form and substance to the Director of Legal Affairs.

DISCLOSURE

No Disclosures.

APPROVALS:

An application for a Housing Development Fund grant was submitted that included information and, where required by the Authority staff, supporting materials, and evidence with respect to all the following:

1. That the applicant is an applicant authorized by the Act to receive a Housing Development Fund grant;
2. The proposed housing or community development activities for which assistance in planning or implementation is being requested;
3. The total cost of the planned activities, the net costs to the applicant, and a schedule of the proposed uses of the requested Housing Development Fund grant and the amounts proposed to be allocated to each use; and
4. Other matters with respect to the proposal, the applicant, and other parties involved as the Authority staff and the Executive Director require.



Jess Sobel
Grants Manager
10-15-19
Date



Clarence Stone
Director of Legal Affairs
10-15-2019
Date



Gary Heidel
Acting Executive Director
10/16/19
Date

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
RESOLUTION AUTHORIZING HOUSING DEVELOPMENT FUND GRANT
TO HABITAT FOR HUMANITY OF MICHIGAN
FOR DOWN PAYMENT ASSISTANCE PROGRAM AND PRIORITY HOME REPAIR
PROGRAM

October 24, 2019

WHEREAS, Section 23 of Public Act 346 of 1966, as amended (the "Act") creates and establishes a housing development fund (the "Housing Development Fund") under the jurisdiction and control of the Michigan State Housing Development Authority (the "Authority"); and

WHEREAS, Section 24(3) of the Act provides that the Authority may use the monies held in the Housing Development Fund to make grants ("HDF Grant") to local communities, as defined by the Authority in rules promulgated under the Act, or to public or private nonprofit organizations or local governmental agencies organized to provide assistance to persons and families of low or moderate income, in any amounts as the Authority determines, not to exceed the net costs, exclusive of any federal aid or assistance, incurred by the recipient in planning for or implementing housing assistance or community or housing development; and

WHEREAS, the Authority received an application for funding from Habitat for Humanity of Michigan ("Grantee"), a non-profit organization proposing to use Authority funds for a Down Payment Assistance program and a Priority Home Repair program as described in the accompanying Acting Executive Director's memorandum and Housing Development Fund Grant Report; and

WHEREAS, Authority staff and the Acting Executive Director have reviewed the application and recommend that the Authority adopt a resolution authorizing an HDF Grant to the Grantee in accordance with the accompanying Housing Development Fund Grant Report; and

WHEREAS, the Authority concurs in the recommendation.

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

1. That the Authority hereby determines pursuant to Rule 125.153 of the Authority's General Rules that:
 - a. the Grantee is a local community as defined in Rule 125.103(c);
 - b. the Grant shall be used in planning for or implementing activities permitted in the Authority's Act; and
 - c. the Grantee is reasonably expected to be able to implement the plan outlined in its application successfully; and
 - d. the proposed activities satisfy the Authority's "Revised Priorities, Evaluation Factors and Criteria for Allocation of Housing Development Fund Grants."

2. That a Grant not to exceed One Million Dollars (\$1,000,000) is hereby authorized to be used for the purposes set forth in the accompanying Housing Development Fund Grant Report, subject to the special conditions contained therein and to the execution of a Grant Regulatory Agreement between the Authority and the Grantee, containing the following provisions:
 - a. an anti-discrimination provision effectuating Section 46 of the Act;
 - b. a provision that all actions and requirements are subject to the Act and the General Rules of the Authority;
 - c. a provision that all facilities acquired with the proceeds of the Grant shall be made subject to any liens, security interests or other security agreements and any terms, covenants and conditions regarding the use or resale of such facilities as shall be determined by the Executive Director;
 - d. a provision whereby the Authority reserves the right to pursue remedies prescribed by the Act for violations of the Grant Regulatory Agreement; and
 - e. a provision that all aspects of the Grantee's plan for the use of the Grant shall be subject to review and approval by the requisite Authority staff for the purpose of assuring conformity with Authority standards and criteria.
3. That, if an advance or a portion of the Grant for a specific purpose is not used for that purpose due to conditions that make it impossible to use as stated herein, or if the Grantee fails to use all or any portion of the Grant, any unused Grant proceeds that have been disbursed will be returned to the Authority immediately. All Grant proceeds that have not been used for approved Grant purposes on or before February 28, 2021, will be returned to the Authority's Housing Development Fund.
4. That the Executive Director may terminate or reduce the Grant at any time if (a) the Executive Director provides written notice to Authority members of the termination or reduction of the Grant and the reasons therefor and (b) on or before the 30th day after the mailing or electronic delivery of the written notice, no Authority member objects in writing to the termination or reduction of the Grant.
5. That the Executive Director, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chief Financial Officer, or any person duly appointed and acting in that capacity (each an Authorized Officer) is authorized to make such changes as he deems necessary in the provision and special conditions contained in the accompanying Housing Development Fund Grant Report to assure the administration of the Grant is in compliance with the Act and the General Rules of the Authority.



M E M O R A N D U M

TO: Authority Members
FROM: Gary Heidel, Acting Executive Director 
DATE: October 24, 2019
RE: Resolutions Determining Mortgage Loan Feasibility and Authorizing Mortgage Loans for Northlawn Gardens Apartments, Development No. 3861

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 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.

Executive Summary:

The Development was built in 1943 and is comprised of twelve (12) two-story buildings situated on 4.17 acres at 9545 – 9707 Northlawn Street in the City of Detroit. The Development was last renovated in 2002 utilizing 9% low income housing tax credits ("LIHTC"). Larc Properties, Inc. (the "Sponsor"), is requesting 4% LIHTCs, a tax-exempt mortgage, and a HOME Loan from the Authority. The City of Detroit is providing new gap funding of HOME in the amount of \$791,577. Additionally, the City of Detroit is allowing the buyer to assume an existing HOME Loan in the amount of \$2,000,000.

Of the ninety-six (96) units, ninety-four (94) are covered by a Section 8 Housing Assistance Payment ("HAP") Contract. The ninety-fifth (95th) unit will be rented to tenants whose incomes do not exceed 60% of AMI; the ninety-sixth (96th) unit will be used as a management office/manager's unit. A new regulation Section 8 HAP contract was originally awarded in 1995. The current HAP contract expires in December 2031; the sponsor will apply for a new 20-year HAP Contract which will extend beyond the end of the initial LIHTC compliance period. The new owner will assume the HAP Contract with this preservation.

Issues, Policy Considerations, and Related Actions:

Northlawn Gardens Apartments (the "Development"), a new regulation Section 8 Project Based Rental Assistance ("PBRA") development, is underwritten utilizing the Operating Cost Adjustment Factors ("OCAF") rental increase scheduled to go into effect January 1, 2020. This represents over a 2% OCAF rental increase from the current 2019 rental rates.



MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

October 24, 2019

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 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>MSHDA No.:</u>	3861
<u>Development Name:</u>	Northlawn Gardens Apartments
<u>Development Location:</u>	City of Detroit, Wayne County
<u>Sponsor:</u>	Larc Properties, Inc.
<u>Mortgagor:</u>	Northlawn Limited Dividend Housing Association LLC
<u>TE Bond Construction Loan:</u>	\$5,369,886 (52% of TDC)
<u>TE Bond Permanent Loan:</u>	\$3,108,101
<u>MSHDA HOME Loan:</u>	\$1,347,120
<u>Total Development Cost:</u>	\$10,326,703
<u>Mortgage Term:</u>	40 years for the tax-exempt bond loan and 50 years for the HOME loan
<u>Interest Rate:</u>	4.9% for the tax-exempt bond loan and 1% simple interest for the HOME loan
<u>Program:</u>	Tax-Exempt Bond and Gap Financing Programs
<u>Number of Units:</u>	96 family units of rehabilitation.
<u>Unit Configuration:</u>	95 one-bedroom, one-bathroom family units and 1 manager's unit.
<u>Builder:</u>	G. Fisher Construction Company
<u>Syndicator:</u>	Insite Capital, LLC
<u>Date Application Received:</u>	May 10, 2019
<u>HDO:</u>	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 CONSIDERATIONS AND RELATED ACTIONS:

Northlawn Gardens Apartments (the "Development"), a new regulation Section 8 Project Based Rental Assistance ("PBRA") development, is underwritten utilizing the Operating Cost Adjustment Factors ("OCAF") rental increase scheduled to go into effect January 1, 2020. This represents over a 2% OCAF rental increase from the current 2019 rental rates.

EXECUTIVE SUMMARY:

The Development was built in 1943 and is comprised of twelve (12) two-story buildings situated on 4.17 acres at 9545 – 9707 Northlawn Street in the City of Detroit. The Development was last renovated in 2002 utilizing 9% low income housing tax credits ("LIHTC"). Larc Properties, Inc. (the "Sponsor"), is requesting 4% LIHTCs, a tax-exempt mortgage, and a HOME Loan from the Authority. The City of Detroit is providing new gap funding of HOME in the amount of \$791,577. Additionally, the City of Detroit is allowing the buyer to assume an existing HOME Loan in the amount of \$2,000,000.

Of the ninety-six (96) units, ninety-four (94) are covered by a Section 8 Housing Assistance Payment ("HAP") Contract. The ninety-fifth (95th) unit will be rented to tenants whose incomes do not exceed 60% of AMI; the ninety-sixth (96th) unit will be used as a management office/manager's unit. A new regulation Section 8 HAP contract was originally awarded in 1995. The current HAP contract expires in December 2031; the sponsor will apply for a new 20-year HAP Contract which will extend beyond the end of the initial LIHTC compliance period. The new owner will assume the HAP Contract with this preservation.

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 \$5,369,886 at 4.9% interest with an 18-month term (an 18-month construction term), 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 (the "Permanent Loan") will be provided by the Authority in the amount of \$3,108,101. 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 1.2 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**.

**Mortgage Feasibility/Commitment Staff Report
Northlawn Gardens Apartments, MSHDA No. 3861
City of Detroit, Wayne County
October 24, 2019**

- A subordinate loan using HOME funds (the "HOME Loan") in the amount of \$1,347,120 will be provided at 1% simple interest with payments initially deferred. The HOME Loan will be in **Second Position**.
- The City of Detroit will provide a loan of HOME Funds in the amount of \$791,577. This loan will be in **Third Position**. It will require annual payments of \$2,500 and will be repayable upon sale or refinancing. See Special Condition No. 2.
- The City of Detroit will allow the mortgagor to assume an existing HOME Loan in the amount of \$2,000,000. This loan will be in **Fourth Position**. It will be repayable upon sale or refinancing. See Special Condition No. 2.
- Equity support comes from the sale of 4% LIHTC in the estimated amount of \$2,700,089.
- The HAP contract will, subject to HUD approval, be transferred 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 payments and the tax and insurance payments during the construction period in the amount of \$379,816.
- 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.
- A reserve in the amount of \$136,074 is required by the equity investor for an additional operating assurance reserve. 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. 3.

Scope of Rehabilitation:

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

- Replace or repair walkways

- Repair and resurface parking areas
- Replace site lighting
- Replace roofs, gutters, and downspouts
- Repair masonry work
- Replace windows
- Replace some unit entry doors
- Replace some kitchen flooring
- Replace some kitchen cabinets and countertops including sinks and disposals
- Replace some bathroom vanities
- Replace some appliances
- Replaces some furnaces
- Paint some units

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") AMI, with the exception of when income averaging test is met. 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 the existing tenants.

Site Selection:

The site meets the Authority's Site Selection Criteria. It is in a largely residential neighborhood and has a Walk Score of 49.

Market Evaluation:

Marketing has approved the project as proposed.

Valuation of the Property:

An appraisal dated May 8, 2019 estimates the value at \$4,700,000.

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 ten percent (10%) of the Mortgagor's equity, or any other amount approved by HUD, but not to exceed twelve percent (12%). Following expiration of the HAP Contract, the Mortgagor's rate of return shall not exceed twenty-five (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 ninety-six (96) units of this proposal are as follows:

- a. Twenty-four (24) units have been designated as Low-HOME units and during the Period of Affordability required under the HOME program (15 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. Ninety-four (94) units (94 one-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. Ninety-five (95) units (95 one-bedroom units) must be available for occupancy by households whose incomes do not exceed up to 60% of area median income based upon the MTSP limits, adjusted for family size as determined by HUD, 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. One (1) unit (1 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

**Mortgage Feasibility/Commitment Staff Report
Northlawn Gardens Apartments, MSHDA No. 3861
City of Detroit, Wayne County
October 24, 2019**

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 ninety-six (96) 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-four (24) Low-HOME units may not exceed the "Low-HOME Rent Limit" for the unit 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 ninety-four (94) HAP-assisted units (94 one-bedroom units) (the "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 ninety-five (95) units (95 one-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.
- d. One (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.

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 or the maximum allowed per median income, whichever is less. 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.

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 four months' of estimated Development operating expenses (estimated to

be \$272,286). 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. Operating Deficit Reserve:

At Initial Closing, the Mortgagor must establish an operating deficit reserve ("ODR") with the Authority in the initial amount of \$687,300. 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 ODR.

In the event that 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 Authority's 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 \$738 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.

9. One Month's Gross Rent Potential:

At Initial Closing, the Mortgagor shall deposit an amount equal to one month's gross rent potential (\$70,680) 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/MRF Loan. The HOME Loan/MRF 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/MRF 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/MRF Loan will be made from not less than 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/MRF Loan shall be due in full. If the HOME Loan/MRF 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/MRF Loan is paid in full, sale of the Development or the date that is 50 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. 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.

13. 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.

14. 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.

15. 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.

16. Davis-Bacon and Cross-cutting Federal Requirements:

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.

17. 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).

18. 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.

19. 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 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 ALTA survey certified to the 2016 minimum standards, 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.

20. 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.

21. Designation of Authority Funds:

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

22. 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

23. 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.

24. 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.

25. 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.

26. 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.

27. 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 required under the Mortgage Loan Regulatory Agreement.

28. HAP Extension:

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

29. 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.

30. 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.

31. 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.

32. 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. Local HOME Loans:

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the City of Detroit's HOME Loans 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 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.

3. Syndicator Reserve:

The Mortgagor shall fund a syndicator held reserve ("Syndicator Reserve") with a one-time deposit in the amount of \$136,074 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 operating cost shortfalls.

DEVELOPMENT TEAM AND SITE INFORMATION

I. **MORTGAGOR:** Northlawn Limited Dividend Housing Association LLC

II. **GUARANTOR(S):**

A. **Guarantor #1:**

Name: Larc Properties, Inc.
Address: 26711 Northwestern Highway, Suite 250
Southfield, MI 48033

III. DEVELOPMENT TEAM ANALYSIS:

A. Sponsor:

Name: Larc Properties, Inc.
Address: 26711 Northwestern Highway, Suite 250
Southfield, MI 48033

Individuals Assigned: Laurence S. Tisdale
Telephone: 248-304-2000
Fax: 248-304-2020
E-mail: ltisdale@larcgrp.com

1. **Experience:** The Sponsor has experience working on Authority-financed developments.
2. **Interest in the Mortgagor and Members:** Laurence S. Tisdale (to be named General Partner) 0.01%

Investor entity to be formed by Chemical Bank 99.9%

B. Architect:

Name: Schneider + Smith Architects
Address: 833 South Center Street
Royal Oak, MI 48067

Individual Assigned: Jim Schneider
Telephone: 248-398-0605
Fax:
E-Mail: jim@schneidersmith.com

1. **Experience:** Architect has previous experience with Authority-financed developments.
2. **Architect's License:** License number 1301038876, exp. 10/31/2019.

C. Attorney:

Name: Seyburn Kahn, P.C.
Address: 2000 Town Center, Suite 1500
Southfield, MI 48075

Individual Assigned: Mark Cohn
Telephone: 248-353-7620
Fax: 248-353-3727
E-Mail: Mcohn@seyburn.com

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

D. Builder:

Name: G. Fisher Construction Company
Address: 31313 Northwestern Highway, Suite 206
Farmington Hills, MI 48334

Individual Assigned: Glen Fisher
Telephone: 248-855-3500
Fax: 248-855-2420
E-mail: glen@gfisherconst.com

1. **Experience:** The firm has previous experience in constructing Authority-financed developments.
2. **State Licensing Board Registration:** License number 2102076330, with an expiration date of 05/31/2020.

E. Management and Marketing Agent:

Name: Elite Property Management, LLC
Address: 16250 Northland Drive, Suite 301
Southfield, MI 48075

Individual Assigned: Henry Hagood
Telephone: 248-228-1340

E-mail: Hhagood@elitem-m.com

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

F. Development Team Recommendation: The development is acceptable.

IV. SITE DATA:

A. Land Control/Purchase Price:
Purchase Agreement

B. Site Location:
9545 Northlawn Street, on the west-northwest side of the City of Detroit

C. Size of Site:
4.17 +/- acres

D. Density:
Appropriate for use

E. Physical Description:

1. **Present Use:** Multi-family residential

2. Existing Structures: Twelve 2-story residential buildings

3. Relocation Requirements: None

F. Zoning:
R-3 (Low Density Residential)

G. Contiguous Land Use:

1. North: Commercial
2. South: Commercial and single-family residential
3. East: Commercial
4. West: Single-family residential

H. Tax Information:
PILOT awarded by the City of Detroit

I. Utilities:
Gas: Constellation
Electric: DTE Energy
Water & Sewer: City of Detroit

J. Community Facilities:

1. Shopping:
Glenn's Markets is approximately 2 blocks southwest of the site and a Party Plus Market is located 2 blocks northwest of the site.
2. Recreation:
The site is located approximately 6 – 7 miles from downtown Detroit.
3. Public Transportation:
A bus stop is located at the corner of W. Chicago and Oakman Boulevard less than a block south of the site.
4. Road Systems:
South and west of I-96; West Grand River Avenue, a primary thoroughfare is located less than ½ mile to the north.
5. Medical Services and other Nearby Amenities:
Detroit Community Health Connection hospital is approximately 2 ½ miles southeast of the site.
6. Description of Surrounding Neighborhood:
Single-family and commercial.
7. Local Community Expenditures Apparent:
None.
8. Indication of Local Support:
The City has made an award from its HOME Program and the property has a PILOT.

V. ENVIRONMENTAL FACTORS:

A Phase I Environmental Site Assessment was submitted to the Authority.

VI. DESIGN AND COSTING STATUS:

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 must be approved by the Authority's Equal Employment Opportunity Officer 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:

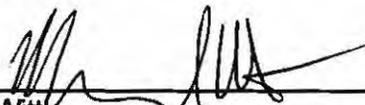
A. Mortgage Loan Commitment:	October 2019
B. Initial Closing and Disbursement:	December 2019
C. Construction Completion:	June 2021
D. Cut-Off Date:	December 2021

XII. ATTACHMENTS:

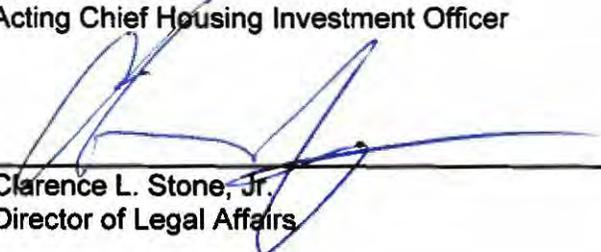
A. Development Proforma

Mortgage Feasibility/Commitment Staff Report
Northlawn Gardens Apartments, MSHDA No. 3861
City of Detroit, Wayne County
October 24, 2019

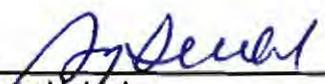
APPROVALS:



Michael Witt
Acting Chief Housing Investment Officer
10-15-19
Date



Clarence L. Stone, Jr.
Director of Legal Affairs
10-15-2019
Date



Gary Hejdel
Acting Executive Director
10/16/19
Date

Instructions

Income Limits for	Wayne County (Effective April 3, 2018)					
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	14,910	17,040	19,170	21,270	22,980	24,690
40% of area median	19,880	22,720	25,580	28,360	30,640	32,920
50% of area median	24,850	28,400	31,950	35,450	38,300	41,150
60% of area median	29,820	34,080	38,340	42,540	45,960	49,380

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	Current	% 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
										Section 8 Contract Rent												
50% Family A																						
Area Median Income Units Occupancy																						
A	24	Apartment	1	1.0	600	744	50	794	214,272	729	25.3%	25.0%	14,400	25.3%	14,400	Low HOME	665	HOME Rent	(129)	-19.40%	59.8%	\$1.24
60% Family A & B																						
Area Median Income Units Occupancy																						
A	70	Apartment	1	1.0	600	744	50	784	624,960	729	73.7%	72.9%	42,000	73.7%	42,000		759	95% of TC Ren	(35)	-4.81%	59.8%	\$1.24
B	1	Apartment	1	1.0	600	744	50	794	6,928	0	1.1%	1.0%	600	1.1%	600		759	95% of TC Ren	(35)	-4.61%	59.8%	\$1.24
Mgrs	1	Apartment	1	1.0					633,688	1,458	74.7%	74.0%	42,600	74.7%	42,600							
									0	1,458	0.0%	0.0%	0	0.0%	0							
													57,000			57,000						
Total Units																						
									Gross Rent Potential		848,160		HOME Units SF/Total Units SF		25.3%							
									Average Monthly Rent		736		# HOME Units/# Total Units		25.0%							
									Gross Square Footage		57,000											

Utility Allowances

Tenant-Paid Tenant-Paid Tenant-Paid Owner-Paid Owner-Paid

Annual Non-Rental Income	
Misc. and Interest	4,175
Laundry	
Carports	
Other:	
Other:	4,175

A
B
C
D
E
F
G
H

	Electricity	A/C	Gas	Water/ Sewer	Other	Total	Uwende
A						0	50
B						0	50
C						0	50
D						0	
E						0	
F						0	
G						0	
H						0	

	Annual	Monthly
Total Income		
Rental Income	848,160	70,680
Non-Rental Income	4,175	348
Total Project Revenue	852,335	71,028

Development Northlawn Gardens Apartments
 Financing Tax Exempt
 MSHDA No. 3861
 Step Commitment
 Date 10/24/2019
 Type Preservation - Subsidized

Mortgage Assumptions:
 Debt Coverage Ratio 1.2
 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
Annual Rental Income	8,835	848,160
Annual Non-Rental Income	43	4,175
Total Project Revenue	8,878	852,335

Total Development Expenses

Vacancy Loss	3.00% of annual rent potential	265	25,445
Management Fee	527 per unit per year	527	50,592
Administration		1,732	166,284
Project-paid Fuel		644	61,868
Common Electricity		128	12,274
Water and Sewer		813	78,000
Operating and Maintenance		1,439	138,185
Real Estate Taxes		0	
Payment in Lieu of Taxes (PILOT)	4.00% Applied to: All Units	279	26,823
Insurance		247	23,705
Replacement Reserve	300 per unit per year	300	28,800
Other: Security		260	25,000
Other: City of Detroit Payment		26	2,500

Initial Inflation Factor	Beginning in Year	Future Inflation Factor
1.0%	6	2.0%
1.0%	6	2.0%
Future Vacancy		
	6	3.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	6	3.0%
4.0%	6	3.0%
5.0%	6	5.0%
3.0%	1	3.0%
5.0%	1	5.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%
0.0%	1	0.0%

	% of Revenue	Per Unit	Total
Total Expenses	75.03%	6,661	639,476
Base Net Operating Income		2,217	212,859
Part A Mortgage Payment	20.81%	1,848	177,383
Part A Mortgage		32,376	3,108,101
Non MSHDA Financing Mortgage Payment		0	
Non MSHDA Financing Type:		0	
Base Project Cash Flow (excludes ODR)	4.16%	370	35,477

Override

Instructions

TOTAL DEVELOPMENT COSTS

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Acquisition					
Land	2,813	270,000	100%	0	0
Existing Buildings	25,313	2,430,000	100%	2,430,000	0
Other: Assumption of Local HOME	20,833	2,000,000	100%	2,000,000	0
Subtotal	48,958	4,700,000			
Construction/Rehabilitation					
Off Site Improvements	0	0	100%	0	0
On-site Improvements	553	53,048	100%	53,048	0
Landscaping and Irrigation	0	0	100%	0	0
Structures	19,447	1,866,952	100%	1,866,952	0
Community Building and/or Maintenance Facility	0	0	100%	0	0
Construction not in Tax Credit basis (i.e. Carports and Commercial Space)	0	0	0%	0	0
General Requirements % of Contract 8.00%	1,200	115,200	100%	115,200	115,200
Builder Overhead % of Contract 2.00%	424	40,704	100%	40,704	40,704
Builder Profit % of Contract 6.00%	1,297	124,554	100%	124,554	124,554
Permits, Bond Premium, Tap Fees, Cost Cert.	700	67,200	100%	67,200	67,200
Other:	0	0	100%	0	0
Subtotal	23,621	2,267,668			
15% of acquisition and \$15,000/unit test:		met			
Professional Fees					
Design Architect Fees	459	44,100	100%	44,100	44,100
Supervisory Architect Fees	153	14,700	100%	14,700	14,700
Engineering/Survey	152	14,800	100%	14,600	14,600
Other: "Inspecting Architect"	687	65,921	100%	65,921	65,921
Subtotal	1,451	139,321			
Interim Construction Costs					
Property & Casualty Insurance	370	35,568	20%	7,112	7,112
Construction Loan Interest	3,167	304,024	20%	60,805	60,805
Title Work	625	60,000	100%	60,000	0
Legal Fees (in Tax Credit Basis)	346	33,250	100%	33,250	0
Construction Taxes	419	40,234	20%	8,047	8,047
Other:	0	0	100%	0	0
Subtotal	4,928	473,066			
Permanent Financing					
Loan Commitment Fee to MSHDA	2%	1,399	134,340	0	0
Other:	0	0	0	0	0
Subtotal	1,399	134,340			
Other Costs (In Basis)					
Application Fee	21	2,000	100%	2,000	2,000
Market Study	68	6,500	100%	6,500	6,500
Environmental Studies	292	28,000	100%	28,000	28,000
Cost Certification	146	14,000	100%	14,000	14,000
Equipment and Furnishings	500	48,000	100%	48,000	0
Temporary Tenant Relocation	500	48,000	100%	48,000	48,000
Construction Contingency	1,181	113,385	100%	113,385	113,385
Appraisal and C.N.A.	136	13,050	100%	13,050	13,050
Other:	0	0	100%	0	0
Subtotal	2,843	272,936			
Other Costs (NOT In Basis)					
Start-up and Organization	104	10,000	0%	0	0
Tax Credit Fees (based on 2017 QAP)	20,502	20,491	0%	0	0
Compliance Monitoring Fee (based on 2017 QAP)	475	45,600	0%	0	0
Marketing Expense	0	0	0%	0	0
Syndication Legal Fees	0	0	0%	0	0
Rent Up Allowance	0	0	0%	0	0
Other: Legal	643	61,750	0%	0	0
Subtotal	1,436	137,841			

Summary of Acquisition Price		As of	??? Need Date
Attributed to Land	270,000	1st Mortgage Balance	1,100,000
Attributed to Existing Structure:	2,430,000	Subordinate Mortgage(s)	2,000,000
Other: Assumption of Local HK	2,000,000	Subordinate Mortgage(s)	
Fixed Price to Seller	4,700,000	Subordinate Mortgage(s)	
Premium/(Deficit) vs Existing Debt			1,800,000

Appraised Value		Value As of:	May 8, 2019
"As Is" value as determined by appraisal:			4,700,000
Plus 5% of Appraised Value:			0
LESS Fixed Price to the Seller			4,700,000
Surplus/(Gap):			0

Construction Loan Term	
Construction Contract	18 Months
Holding Period (50% Test)	6
Construction Loan Period	24

Project Reserves

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Operating Assurance Reserv	4.0 months	2,836	272,286	0	0
Replacement Reserve	Funded in Cas Required	738	70,839	0	0
Operating Deficit Reserve		7,159	687,300	0	0
Rent Subsidy Reserve		0	0	0	0
Syndicator Held Reserve		1,417	136,074	0	0
Rent Lag Escrow		0	0	0	0
Tax and Insurance Escrows		0	0	0	0
Other:		0	0	0	0
Subtotal	12,151	1,166,499			

Miscellaneous

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Deposit to Development Operating Account (1MGRF Required)	736	70,880	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	736	70,880			

Total Acquisition Costs	48,958	4,700,000
Total Construction Hard Costs	23,621	2,267,668
Total Non-Construction ("Soft") Costs	24,945	2,394,682

Developer Overhead and Fee

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Maximum	964,364	964,364	100%	964,364	964,364
7.5% of Acquisition/Project Reserves					
15% of All Other Development Costs					
Subtotal	10,045	964,364			

Total Development Cost

Total Development Cost	107,670	10,326,703			
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TOTAL DEVELOPMENT SOURCES

	% of TDC	Per Unit	Total	# of Units	Gap to Hard Debt Ratio
MSHDA Permanent Mortgage	30.10%	32,376	3,108,101		
Conventional/Other Mortgage	0.00%	0	0		
Equity Contribution from Tax Credit Syndication	28.15%	28,126	2,700,089		
MSHDA NSP Funds	0.00%	0	0	0.00	43%
MSHDA HOME or Housing Trust Funds	13.05%	14,033	1,347,120	24.00	
Mortgage Resource Funds	0.00%	0	0		
Other MSHDA:	0.00%	0	0		
Local HOME	7.67%	8,246	791,577		
Income from Operations	3.68%	3,956	379,616		
Other Equity	0.00%	0	0		
Transferred Reserves:	0.00%	0	0		
Other	0.00%	0	0		
Other: Detroit Assumed HOME	19.37%	20,833	2,000,000		
Deferred Developer Fee	0.00%	0	0		
Total Permanent Sources			10,326,703		

Sources Equal Uses?

Surplus/(Gap)	Balanced	144654.534
	0	

MSHDA Construction Loan

MSHDA Construction Loan	52.00%	55,936	5,369,886
Construction Loan Rate	4.900%		
Repaid from equity prior to final closing			2,261,786

Eligible Basis for LIHTC/TCAP

	Value of LIHTC/TCAP
Acquisition	4,565,000
Construction	4,782,038
Acquisition Credit %	3.21%
Rehab/New Const Credit %	3.21%
Qualified Percentage	100.00%
QCT/DDA Basis Boost	130%
Historic?	No

Initial Owner's Equity Calculation

Equity Contribution from Tax Credit Syndication	2,700,089
Brownfield Equity	
Historic Tax Credit Equity	
General Partner Capital Contributions	
Other Equity Sources	
New Owner's Equity	2,700,089

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

Cash Flow Projections

Development Northlawn Gardens Apartments

Financing Tax Exempt
MSHDA No. 3661

Step Commitment
Date 10/24/2019
Type Preservation - Subsidized

	Initial Inflation	Starting in Yr	Future Inflation	1	2	3	4	5	6	7	8	9	10
Income													
Annual Rental Income	1.0%	8	2.0%	848,160	856,642	865,208	873,860	882,599	900,251	918,256	936,621	955,353	974,460
Annual Non-Rental Income	1.0%	8	2.0%	4,175	4,217	4,259	4,302	4,345	4,431	4,520	4,610	4,703	4,797
Total Project Revenue				852,335	860,859	869,467	878,162	886,943	904,682	922,776	941,231	960,056	979,257
Expenses													
Vacancy Loss	3.0%	8	3.0%	25,445	25,699	25,956	26,216	26,478	27,008	27,548	28,099	28,661	29,234
Management Fee	3.0%	1	3.0%	50,592	52,110	53,673	55,283	56,942	58,650	60,409	62,222	64,088	66,011
Administration	3.0%	1	3.0%	166,284	171,273	176,411	181,703	187,154	192,769	198,552	204,508	210,644	216,963
Project-paid Fuel	3.0%	8	3.0%	61,868	63,724	65,636	67,605	69,633	71,722	73,874	76,090	78,373	80,724
Common Electricity	4.0%	6	3.0%	12,274	12,765	13,276	13,807	14,359	14,930	15,523	16,138	16,764	17,411
Water and Sewer	5.0%	6	5.0%	78,000	81,900	85,995	90,295	94,809	99,550	104,527	109,754	115,242	121,004
Operating and Maintenance	3.0%	1	3.0%	138,185	142,331	146,600	150,998	155,528	160,194	165,000	169,950	175,049	180,300
Real Estate Taxes	5.0%	1	5.0%	0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)				26,823	26,902	26,974	27,038	27,093	27,487	27,883	28,280	28,677	29,074
Insurance	3.0%	1	3.0%	23,705	24,416	25,149	25,903	26,680	27,481	28,305	29,154	30,029	30,930
Replacement Reserve	3.0%	1	3.0%	28,800	29,664	30,554	31,471	32,415	33,387	34,389	35,420	36,483	37,577
Other Security	3.0%	1	3.0%	25,000	25,750	26,523	27,318	28,136	28,982	29,851	30,747	31,669	32,619
Other	0.0%	1	0.0%	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Subtotal: Operating Expenses				639,476	659,033	679,248	700,138	721,729	744,519	768,071	792,414	817,574	843,582
Debt Service													
Debt Service Part A				177,383	177,383	177,383	177,383	177,383	177,383	177,383	177,383	177,383	177,383
Debt Service Conventional/Other Financing				0	0	0	0	0	0	0	0	0	0
Total Expenses				816,858	836,416	856,628	877,519	899,112	921,902	945,454	969,796	994,957	1,020,964
Cash Flow(Deficit)				35,477	24,442	12,839	643	(12,168)	(17,220)	(22,678)	(28,565)	(34,901)	(41,707)
Cash Flow Per Unit				370	255	134	7	(127)	(179)	(236)	(298)	(364)	(434)
Debt Coverage Ratio on Part A Loan				1.20	1.14	1.07	1.00	0.93	0.90	0.87	0.84	0.80	0.76
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 Balance	Initial Deposit 667,300
Total Annual Draw to achieve 1.0 DCR	0
Total Annual Deposit to achieve Maintained DCR	(0)
Total 1.0 DCR and Maintained DCR	(0)
Interest	20,619
Ending Balance at Maintained DCR	707,919
Maintained Cash Flow Per Unit	370
Maintained Debt Coverage Ratio on Part A Loan	1.20
Maintained Debt Coverage Ratio on Conventional/Other	N/A
Standard ODR	346,022
Non-standard ODR	341,278

Operating Assurance Reserve Analysis

Required in Year	1
Initial Balance	Initial Deposit 272,286
Interest Income	8,169
Ending Balance	280,455

Deferred Developer Fee Analysis

Initial Balance	0
Dev Fee Paid	0
Ending Balance	0

Mortgage Resource Fund Loan

Interest Rate on Subordinate Financing	3%
Principal Amount of all MSHDA Soft Funds	Initial Balance 0
Current Yr Int	0
Accrued Int	0
Subtotal	% of Cash Flow
Annual Payment Due	50%
Year End Balance	0

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
NORTHLAWN GARDENS APARTMENTS, MSHDA DEVELOPMENT NO. 3861
CITY OF DETROIT, WAYNE COUNTY

October 24, 2019

WHEREAS, Northlawn Apartments Limited Dividend Housing Association Limited Partnership (the "Seller") is the owner of a development for low and moderate income persons located in the City of Detroit, Wayne County, Michigan, known as Northlawn Gardens Apartments, MSHDA Development No. 3861 (the "housing project"); and

WHEREAS, the housing project receives federal project-based rental assistance under the Section 8 program; and

WHEREAS, Larc Properties, Inc. (the "Applicant") desires to purchase and rehabilitate the housing project for an estimated total development cost of Ten Million Three Hundred Twenty-Six Thousand Seven Hundred Three Dollars (\$10,326,703); and

WHEREAS, the Applicant has filed an Application for Mortgage Loan Feasibility with the Authority for a new tax exempt mortgage loan in the maximum amount of Five Million Three Hundred Sixty-Nine Thousand Eight Hundred Eighty-Six Dollars (\$5,369,886) (hereinafter referred to as the "Application") to finance the acquisition and rehabilitation of the housing project, as described in the attached Mortgage Loan Feasibility/Commitment Staff Report dated October 24, 2019 (the "Staff Report"); and

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, a housing association to be formed by the Applicant (the "Mortgagor") 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 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 Six Million Nine Hundred Sixty-One Thousand Five Hundred Ten Dollars (\$6,961,510).

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 Staff Report 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 housing 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 Mortgagor.

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 Staff Report, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

**RESOLUTION AUTHORIZING MORTGAGE LOANS
NORTHLAWN GARDENS APARTMENTS, MSHDA DEVELOPMENT NO. 3861
CITY OF DETROIT, WAYNE COUNTY**

October 24, 2019

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 Larc Properties, Inc. (the "Applicant") for a mortgage loan in the amount of Five Million Three Hundred Sixty-Nine Thousand Eight Hundred Eighty-Six Dollars (\$5,369,886) (the "Mortgage Loan") for the acquisition, rehabilitation and permanent financing of a multi-family housing project having an estimated total development cost of Ten Million Three Hundred Twenty-Six Thousand Seven Hundred Three Dollars (\$10,326,703), to be known as Northlawn Gardens Apartments (the "housing project"), located in the City of Detroit, Wayne County, Michigan, and to be owned by Northlawn Limited Dividend Housing Association LLC (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a mortgage loan under the HOME Investment Partnerships Program ("HOME") using HOME funds in the estimated amount of One Million Three Hundred Forty-Seven Thousand One Hundred Twenty Dollars (\$1,347,120) (the "HOME Loan"); 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 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 the Mortgage Loan commitment hereinafter authorized to be issued to the Applicant and the Mortgagor.

2. 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 a commitment for a Mortgage Loan for the acquisition and rehabilitation financing of the proposed housing project in an amount not to exceed Five Million Three Hundred Sixty-Nine Thousand Eight Hundred Eighty-Six Dollars (\$5,369,886), and permanent financing in an amount not to exceed Three Million One Hundred Eight Thousand One Hundred One Dollars (\$3,108,101), and to have a term of forty (40) years after amortization of principal commences. The Mortgage Loan will 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 Six Million Nine Hundred Sixty-One Thousand Five Hundred Ten Dollars (\$6,961,510).

3. This 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 housing 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 Mortgage Loan Commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded. Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment. Any Authorized Officer is also hereby authorized to substitute alternate funding

sources for or adjust the amounts of any of the subordinate loans described above, provided the total subordinate funding that is authorized herein does not increase.

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 loans 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 ten percent (10%) of the Mortgagor's equity, as determined by the Authority, unless a higher rate of return is allowed and approved by HUD, but not to exceed twelve percent (12%).
- (b) Following the expiration or termination of the Housing Assistance Payments Contract or any other federal subsidy, the rate of return shall be 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.



SEPTEMBER 2019

Helping Michigan's Hardest-Hit Homeowners

HARDEST HIT PROGRAMS				
	# OF HOUSEHOLDS THIS MONTH	# OF CUMULATIVE HOUSEHOLDS 2010-CURRENT	MONEY SPENT THIS MONTH	CUMULATIVE MONEY SPENT 2010-CURRENT
MORTGAGE & TAX ASSISTANCE	74	38,378	\$384,920.13	\$299,611,757
BLIGHT ELIMINATION	434	19,426	\$8,688,622.22	\$308,275,781
Step Forward DPA	1	1,491	\$14,950.00	\$22,192,428

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
www.stepforwardmichigan.org



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

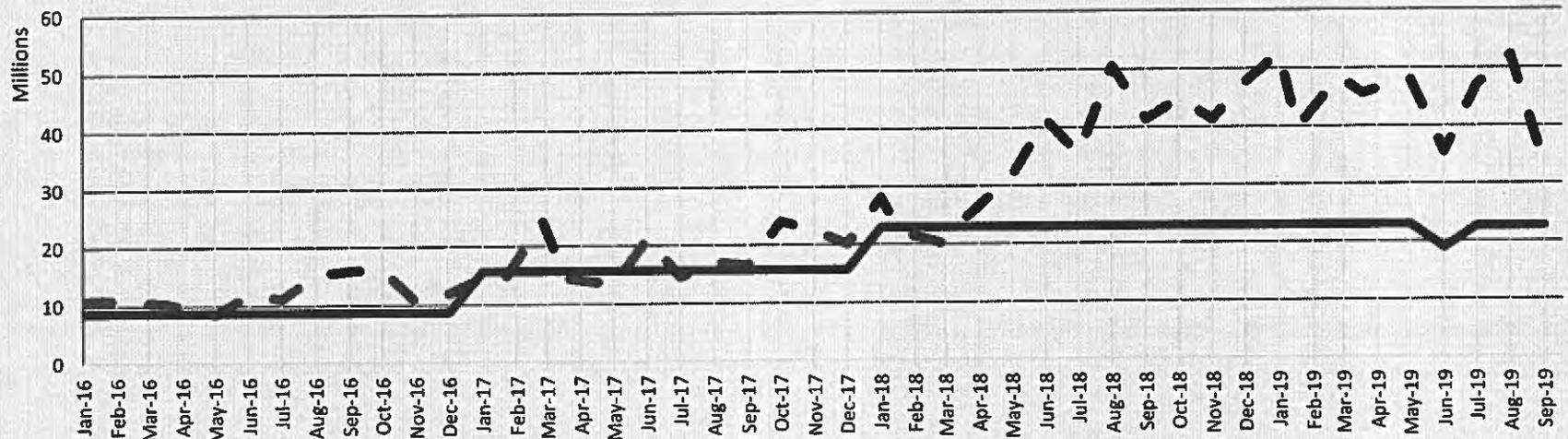
SEPTEMBER 2019



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

GOAL PURCHASED



Delegated Action Reports

Homeownership



M E M O R A N D U M

TO: Authority Members
FROM: Gary Heidel, Acting Executive Director 
DATE: October 24, 2019
RE: Homeownership Division Summary of Delegated Actions
for the Period July 1, 2019 to October 30, 2019

From time to time, the Authority has delegated certain actions to the Executive Director. Typically, the delegated actions include a reporting requirement. The following is a listing of the delegated actions activity undertaken by the Homeownership Division during the first quarter of 2019. If activity is indicated, a report on that delegated action is attached.

I. Loan Activity

A. Moderate Rehabilitation Loans	No Activity
B. Mortgage Loan Increases	No Activity
C. Mortgage Loans for MI HOME and CSH	No Activity
D. Small Size and High Security Loans	No Activity
E. Development Fund Loans Under \$250,000	No Activity
F. Pre-Development Loans	No Activity
G. HOME Funds for MSHDA-Financed Project	No Activity
H. Asset Management	No Activity
I. Homeless Initiatives	No Activity
J. Neighborhood Stabilization Program (NSP) Loans	No Activity
K. Waiver of Prepayment Prohibition	No Activity

II. Professional Services Contracts

A. Contracts Under \$25,000	No Activity
B. Homeownership Counseling	See attached
C. Technical Assistance Contracts	No Activity
D. Environmental Consulting Contracts	No Activity

III. Work-out for 80/20 Developments No Activity

IV. Grant Activity

A. Application for State or Federal Funds	No Activity
B. HOME Grants	No Activity
C. CDBG Grants	No Activity
D. Development Fund Grants Under \$250,000	No Activity
E. Homeless Initiatives	No Activity
F. Neighborhood Stabilization Program (NSP) Grants	No Activity

	G. HUD Housing Counseling Grant	see attached
V.	<u>Michigan Affordable Housing Fund Activity</u>	No Activity
VI.	<u>Disposition of Bankruptcy Lien Stripping Cases</u>	No Activity
VII.	<u>Acceptance and Approval of HUD Housing Choice Vouchers (HCV)</u>	No Activity

REPORT ON DELEGATED ACTIONS

For the period July 1, 2019 to October 30, 2019

Date: October 24, 2019

DELEGATED ACTION

HUD Housing Counseling Grant

On October 10, 2018 the Michigan State Housing Development Authority (MSHDA) (Grantee) was awarded a grant of \$650,000.00 to conduct a housing counseling program on behalf of the Department of Housing and Urban Development (HUD). This award was the largest in the department's history and is used in accordance with HUD's FY2017-FY2019 Comprehensive Housing Counseling Grant Program. It is projected that a total of 3,650 Michigan households will be served through these awarded funds.

ACTIVITY

The Grantee (MSHDA) was selected to distribute and monitor the HUD funds to MSHDA approved sub-grantees chosen by the Housing Education Program within MSHDA. *See *attached list of sub-grantee agencies and awards*.

MSHDA utilizes FY18 HUD Housing Counseling Grant funds to support the following services:

INDIVIDUAL COUNSELING SERVICES

Agencies in MSHDA's network provide counselor-to-client assistance that addresses unique financial circumstances or housing issues and focuses on ways of overcoming specific obstacles to achieving a housing goal. One-on-one counseling services are provided for the following topics:

- **Rental Counseling:** Housing Counselors offer a customized rental counseling session which aids clients in addressing immediate rental crisis counseling as well as long term planning for successful and sustainable rental housing. Counselors work with their clients to analyze finances, understand the lease and application process as well as offering guidance and assistance with Fair Housing violations and Landlord Tenant Laws in Michigan.
- **Pre-Purchase Counseling:** Pre-Purchase Counseling is individual housing counseling services performed by a Certified Housing Counselor. While the sessions are customized for the individual client, the main purpose is to assist clients in making decisions related to:
 - Individual and household income verification and calculation
 - Review and analyze their consumer credit report
 - Analyze household budgets & spending habits
 - Assess mortgage readiness & affordability
 - Create customized debt reduction and spending/savings plans

- **Mortgage Delinquency and Default Resolution (Foreclosure Counseling):** Housing Counselors assist homeowners who are facing a financial crisis through mortgage or tax foreclosure. Counselors address reasons of default; ways to maximize income and reduce expenses; advising owners on key players in the mortgage marketplace; help owners navigate through loss-mitigation options; legal information about Michigan foreclosure laws and timelines; assist in effectively communicating with lenders and servicer; and offer information on homeowner and lender rights and obligations found in loan documents.

GROUP EDUCATION WORKSHOPS

MSHDA HEP agencies also conduct education workshops. These are formal classes with established curriculum and instructional goals provided in a group or classroom setting, covering topics applicable to groups of people. Educational workshops must comply with all HUD policies and guidelines. Below are brief descriptions of the workshop topics.

- **Homebuyer Education:** Homebuyer Education is designed to help individuals think critically about the benefits and risks of homeownership, understand how to select affordable homes and appropriate mortgage products, and build the financial knowledge, resources, and behaviors needed for sustainable homeownership and long-term financial health. Topics taught during this 4-6-hour class includes:
 - Assessing readiness to buy
 - Affordability, credit & budgeting
 - Mortgages & DPA programs
 - Loan processing & Fees
 - Partner roles including realtor, title, loan and escrow agents
 - The mortgage closing process
 - Fair Housing & Consumer Protection Laws
- **Financial Literacy Workshop:** Today's consumer is seeking financial security—searching for real-time information on how to maneuver the maze of financial products and services, establish or rebuild credit, reduce debt and save for the future. Certified Housing Counselors equip clients in reaching their potential. This course addresses the fundamental components of consumer financial literacy through nine core content modules including:
 - Mastering money management
 - Developing spending plans
 - Improving credit & savings
 - Student loan debt
 - Fair Housing & Fair Lending
 - Banking basics
 - Debt reduction
 - Consumer protection laws
 - Insurance
- **Rental Housing Education:** Through group education, Housing Counselors offer training on Rental Education which equips current and future tenants to be successful. Course participants learn how to avoid discrimination and address tenant/landlord issues such as deposits, procedures for handling health and safety repairs, tenant remedies and eviction-related issues. Participants also learn about how credit scores come into play, understand the lease contract and tips for the right place to call home.

REPORT ON DELEGATED ACTIONS

For the period July 1, 2019 to October 30, 2019

Date: October 24, 2019

DELEGATED ACTION

Housing Education Program (HEP)

On **June 27th, 2019** the Authority approved the continuation of MSHDA's Housing Education Program by approving the budgeted amount of \$600,000 for the fiscal year 2019/2020 and delegating to authorize signatories for the Homeownership Division the authority to enter into or renew existing contracts.

ACTIVITY

A listing of all contract expenditures during the reporting period is attached.

The purpose of the Michigan State Housing Development Authority's (MSHDA or Authority) Housing Education Program (HEP) is to facilitate education for clients seeking to purchase or retain a home. MSHDA's Housing Education Program ("HEP") partners with agencies to ensure that every Michigan citizen has access to accurate, non-biased assistance to help make informed choices about housing and homeownership. Through our partner agencies, MSHDA's HEP services are provided to all 83 Michigan counties at little to no cost to the consumer; they are offered in a variety of formats to maximize accessibility.

Services include Homebuyer Education, Pre-Purchase Individual services, Financial Capability services, Rental services, Homeless services and Foreclosure services.

Agencies that receive funds through this opportunity will provide assistance to first-time and repeat homebuyers by providing education on the many facets of the home purchase process to clients seeking to purchase their home with the intent of utilizing a MSHDA mortgage product.

Additionally, the agency may provide assistance to current homeowners or renters who are in need of foreclosure counseling, rental counseling and other related housing counseling.

MSHDA Housing Education Program (HEP) Counseling Agency Contracts FY 2019/20 - 7.1.19 to 6.30.20	EIN #	Contract Amount
Abayomi Community Dev. Corp.	38-3407865	\$10,000.00
Amandla Community Dev. Corp	38-3195198	\$10,000.00
Bay Area Housing, Inc.	38-3130001	\$27,000.00
Blue Water Community Action	38-2284121	\$15,000.00
Capital Area Community Partnership	38-2926892	\$40,000.00
Center For Financial Health	20-3360802	\$40,000.00
Channel Housing Ministries, Inc./D.B.A. Oceana's Home Partnership	38-2950406	\$10,000.00
City of Grand Haven	38-6004687	\$30,000.00
Community Action Agency - Jackson	38-1803599	\$20,000.00
Community Action House	23-7120670	\$27,000.00
Community Housing Network	38-3372734	\$40,000.00
Genesee County Habitat	38-2899387	\$10,000.00
Habitat for Humanity Michigan	38-3142455	\$11,000.00
Habitat of Monroe County	38-3243925	\$20,000.00
HOME of Mackinac County	38-3330709	\$35,000.00
Home Repair Services	38-2263817	\$15,000.00
Jewish Vocational Service	38-1358013	\$10,000.00
Kalamazoo Neighborhood Housing Services, Inc.	38-2391442	\$10,000.00
Mid Michigan Community Action Agency, Inc.	38-2056236	\$9,000.00
Monroe County Opportunity Program	38-1813239	\$15,000.00
MSU Extension	38-6005984	\$15,000.00
National Faith	38-3302761	\$10,000.00
NCCS - Center for Nonprofit Housing	38-3164047	\$7,000.00
Neighborhood Legal Services of Michigan	38-1818068	\$10,000.00
New Hope CD Nonprofit Hsg Corp	38-2975829	\$10,000.00
Northeast Michigan Community Service Agency, Inc.	38-1873461	\$27,000.00
Northern Homes Community Development Corporation	38-3395829	\$15,000.00
Northwest Michigan Community Action Agency	38-2027389	\$27,000.00
Oakland County	38-6004876	\$10,000.00
Oakland Livingston Human Service Agency	38-1785665	\$20,000.00
Southwest Economic Solutions	38-2324335	\$25,000.00
Southwest Michigan Community Action Agency	38-2415106	\$8,000.00
Wayne Metropolitan Community Action Agency	38-1976979	\$27,000.00
Total		\$615,000.00

MSHDA Housing Education Program (HEP) FY18 HUD Housing Counseling Grant Contracts Term: 10/01/2017 to 09/30/2019	HUD #	Grant Amount Awarded
Abayomi Community Development Corporation	80790	\$ 20,000.00
Amandla Community Development Corporation	90190	\$ 15,000.00
Blue Water Community Action Agency	90191	\$ 45,000.00
Capital Area Housing Partnership	80388	\$ 15,000.00
City of Grand Haven	80303	\$ 15,000.00
Community Action House	83674	\$ 30,000.00
Community Housing Network	90165	\$ 25,000.00
H.O.M.E. of Mackinac County	83952	\$ 25,000.00
Habitat for Humanity of Monroe County	90462	\$ 15,000.00
Home Repair Services of Kent County	82456	\$ 25,000.00
Inner City Christian Federation	82212	\$ 35,000.00
Mid Michigan CAA	83675	\$ 15,000.00
Monroe County Opportunity Program	80317	\$ 30,000.00
Michigan State University Extension Office	81939	\$ 45,000.00
NCCS Center for Nonprofit Housing	82432	\$ 10,000.00
Neighborhood Legal Services of Michigan	80318	\$ 20,000.00
Northeast Michigan Community Service Agency, Inc.	84034	\$ 30,000.00
New Hope CD Nonprofit Hsg Corp	84947	\$ 15,000.00
Northern Homes Community Development Corporation	84025	\$ 30,000.00
Channel Housing Ministries, Inc./D.B.A. Oceana's Home Partnership	82052	\$ 10,000.00
Southwest Economic Solutions	90078	\$ 40,000.00
Southwest Michigan CAA	81228	\$ 10,000.00
U-SNAP-BAC	90467	\$ 20,000.00
Wayne Metropolitan Community Action Agency	83686	\$ 45,000.00
	TOTAL:	\$ 585,000.00

Delegated Action Report

Rental Assistance and Homeless Solutions



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 *GH*

DATE: October 24, 2019

RE: Rental Assistance and Homeless Solutions Summary of Delegated Actions for the Period July 1, 2019 to September 30, 2019

From time to time, the Authority has delegated certain actions to the Executive Director. Typically, the delegated actions include a reporting requirement. The following is a listing of the delegated actions activity undertaken by the Rental Assistance and Homeless Solutions Division during the third quarter of 2019. If activity is indicated, a report on that delegated action is attached.

I. Loan Activity

A. Moderate Rehabilitation Loans	No Activity
B. Mortgage Loan Increases	No Activity
C. Mortgage Loans for MI HOME and CSH	No Activity
D. Small Size and High Security Loans	No Activity
E. Development Fund Loans Under \$250,000	No Activity
F. Pre-Development Loans	No Activity
G. HOME Funds for MSHDA-Financed Project	No Activity
H. Asset Management	No Activity
I. Homeless Initiatives	No Activity
J. Neighborhood Stabilization Program (NSP) Loans	No Activity
K. Waiver of Prepayment Prohibition	No Activity

II. Professional Services Contracts

A. Contracts Under \$25,000	No Activity
B. Homeownership Counseling	No Activity
C. Technical Assistance Contracts	No Activity
D. Environmental Consulting Contracts	No Activity

III. Work-out for 80/20 Developments No Activity

IV. Grant Activity

A. Application for State or Federal Funds	See Attached Report
B. HOME Grants	No Activity
C. CDBG Grants	No Activity
D. Development Fund Grants Under \$250,000	No Activity

	E. Homeless Initiatives	No Activity
	F. Neighborhood Stabilization Program (NSP) Grants	No Activity
V.	<u>Michigan Affordable Housing Fund Activity</u>	No Activity
VI.	<u>Disposition of Bankruptcy Lien Stripping Cases</u>	No Activity
VII.	<u>Acceptance and Approval of HUD Housing Choice Vouchers (HCV)</u>	See Attached Report

Application for State or Federal Funds

**Rental Assistance and Homeless Solutions
For the period July 1, 2019 – September 30, 2019**

Grant Activity

Application for State or Federal Funds

On September 27, 2019, the Rental Assistance and Homeless Solutions Division, applied to HUD for the following Grants:

- **Renewal of the Michigan Statewide Homeless Management Information System (HMIS) Grant. This is a "renewal project" that supports operation and maintenance of Michigan's Statewide HMIS. Funding is used to pay for staffing needed to manage and operate the HMIS, user training and technical support for Balance of State communities, and data support for Michigan's Campaign to End Homelessness. HUD's total funding obligation for this project is \$802,700.**
- **Renewal of the Homeless Management Information System (HMIS) Grant for Department of Health and Human Services (DHHS). This is a "renewal project" that provides HMIS support for DHHS permanent housing, Projects to Assist in the Transition from Homelessness (PATH), and Housing Opportunities for People with Aids (HOPWA) programs. HUD's total funding obligation for this project is \$136,764.**
- **Renewal of the Continuum of Care (CoC) Planning Grant. This is a "renewal project" that provides funding to complete the annual Point-in-Time count and Housing Inventory Chart for the Balance of State CoCs; train local planning bodies, grantees and Housing Assessment and Resource Agencies; conduct annual compliance monitoring; and travel stipends for CoC stakeholders. HUD's total funding obligation for this project is \$270,469.**
- **Renewal of the Coordinated Entry Grant. The MI Balance of State Continuum of Care (BOSCOC) has had Centralized/Coordinated Intake in-place since the HEARTH Act became law. These grant funds will strengthen and expand Coordinated Entry Systems. The MI BOSCOC applies for and oversees 32 Local Planning Bodies (LPB). These funds will be used to strengthen the effectiveness of the LPBs existing Coordinated Entry Systems. The physical location of Coordinated Entry within each LPB in MI is referred to as the Housing Assessment and Resource Agencies (HARAs). If awarded, the MI BOSCOC will sub-grant these funds to the HARA's for allowable grant activities, such as: annual assessments, case management, housing search, outreach services, and transportation, and all populations of people living in poverty and homelessness must be served. HUD's total funding obligation for this project is \$588,776.**

Acceptance and Approval of HUD Housing Choice Vouchers
 July 1, 2019 to September 30, 2019

Projected Revenue over (under) Expenditures	Annualized Vouchers	Estimated Cost Per voucher	Annual Housing Assistance Payments	Housing Agent Expense	MS90DA* Operating Expense	Administrative and Special Fees Earned
Lamar County						
Charitable Cooperative / A.R. - 88 vouchers	11066	557	588,191	27,456	55,922	83,378
Revenue:			\$ 588,192			\$ 83,378
Expenses:			\$ 588,191	\$ 27,456	\$ 55,922	\$ 83,378
Revenue over (under) expenditures			\$ -			\$ -
Total Revenue:			\$ 588,192			\$ 83,378
Total Expenses:			\$ 588,191	\$ 27,456	\$ 55,922	\$ 83,378

MS90DA Operating Expenses: Administrative fees earned are utilized to fund this project and any accrued reserves are utilized by the Housing Choice Voucher Program.

Delegated Action Report

Rental Development



M E M O R A N D U M

TO: Authority Members
FROM: Gary Heidel, Acting Executive Director 
DATE: October 24, 2019
RE: Rental Development Summary of Delegated Actions
for the Period July 1, 2019 to September 30, 2019

From time to time, the Authority has delegated certain actions to the Executive Director. Typically the delegated actions include a reporting requirement. The following is a listing of the delegated actions activity undertaken by the Rental Development Division during the second quarter of 2019. If activity is indicated, a report on that delegated action is attached.

I. Loan Activity

A. Moderate Rehabilitation Loans	No Activity
B. Mortgage Loan Increases	See attached report
C. Mortgage Loans for MI HOME and CSH	No Activity
D. Small Size and High Security Loans	No Activity
E. Development Fund Loans Under \$250,000	No Activity
F. Pre-Development Loans	No Activity
G. HOME Funds for MSHDA-Financed Project	No Activity
H. Asset Management	No Activity
I. Homeless Initiatives	No Activity
J. Neighborhood Stabilization Program (NSP) Loans	No Activity
K. Waiver of Prepayment Prohibition	No Activity

II. Professional Services Contracts

A. Contracts Under \$25,000	No Activity
B. Homeownership Counseling	No Activity
C. Technical Assistance Contracts	No Activity
D. Environmental Consulting Contracts	No Activity

III. Work-out for 80/20 Developments No Activity

IV. Grant Activity

A. Application for State or Federal Funds	No Activity
B. HOME Grants	No Activity
C. CDBG Grants	No Activity
D. Development Fund Grants Under \$250,000	No Activity
E. Homeless Initiatives	No Activity

	F. Neighborhood Stabilization Program (NSP) Grants	No Activity
V.	<u>Michigan Affordable Housing Fund Activity</u>	No Activity
VI.	<u>Disposition of Bankruptcy Lien Stripping Cases</u>	No Activity
VII.	<u>Acceptance and Approval of HUD Housing Choice Vouchers (HCV)</u>	No Activity

REPORT ON DELEGATED ACTIONS

July 1, 2019 – September 30, 2019

Date: October 24, 2019

DELEGATED ACTION:

Rental Development: Mortgage Loan Increase

Activities:

- 1. Marsh Ridge III:** The Authority agreed to increase its total loan by \$152,123 in order to pay for some line item increases. We were able to pay for the line item increases and reduce our gap funding loan due to a recent decrease in our Tax-Exempt Bond interest rate from 5.25% to 4.90%. Applying this rate increased our Tax-Exempt first mortgage loan by \$353,558 and reduced our MRF gap loan by \$201,435. The MRF is a limited gap funding resource and reducing it by this action will allow us to use it in other future transactions.
- 2. Apartments at 28 West:** The Authority agreed to increase its total loan by \$234,871 in order to pay for some line item increases, due to a change in equity providers. We were able to pay for the line item increases and reduce our gap funding loan due to a recent decrease in our Tax-Exempt Bond interest rate from 5.25% to 4.90%. Applying this rate increased our Tax-Exempt first mortgage loan by \$790,016 and reduced our gap funding total of HOME and Mortgage Resource Funds (MRF) by \$555,145. The HOME and MRFs are limited gap funding resource and reducing them by this action will allow us to use it in other future transactions.
- 3. University Meadows:** The Authority agreed to increase its total loan by \$168,128 primarily driven by a decrease in the LIHTC equity, as a result of an error in calculating the appraised value. To increase the loan, the Authority reduced the debt coverage ratio from 1.5 to 1.38, which is still greater than our standard 1.2, so the Authority is not adversely affected by this change.