MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

A G E N D A
December 12, 2019
735 East Michigan Avenue, Lansing, Michigan
3028 W. Grand Blvd., Suite 4-602, Detroit Michigan
10:00 a.m.

Roll Call:

Public Comments:

Remarks:

Chairperson
Executive Director

Voting Issues:

Tab A Approval of Agenda

CONSENT AGENDA ITEMS

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

Tab B Minutes – October 24, 2019

Tab C Resolution Authorizing 2020 Authority Meeting Schedule

Tab D Resolution Authorizing Transfer of Partnership Interests, Carriage Town Square Apartments, MSHDA Development No. 1410, City of Flint, Genesee County

Tab E Resolution Authorizing Partial Settlement, Payment to Plaintiff, and Execution of Documents for Partial Settlement, Release and Waiver of Claims in ADR Consultants, LLC v Michigan Land Bank and Michigan State Housing Development Authority

REGULAR VOTING ITEMS

Tab F Resolution Determining Mortgage Loan Feasibility**, Eastern Elementary, MSHDA Development No. 3881**, City of Grand Rapids, Kent County

Resolution Authorizing Mortgage Loans, **Eastern Elementary, MSHDA Development No. 3881**, City of Grand Rapids, Kent County

Tab G Resolution Approving Single Family Loan Subservicing Professional Services Contract Extension

Tab H Resolution Authorizing Contract Extensions for Inspection Services with HCS Michigan Inc. (f/k/a Housing Compliance Specialists) and The Inspection Group, Inc.

Closed Session:

None.

Discussion Issues:

None.

Reports:

Tab 1 Financial Reports
Financial Summary
Audited Financial Report

Tab 2 Hardest Hit Report

Tab 3 Current and Historical Homeownership Data

Tab 4 Homeownership Production Report

Michigan State Housing Development Authority
Minutes of Authority Meeting
October 24, 2019

AUTHORITY MEMBERS PRESENT (Detroit):

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

AUTHORITY MEMBERS ABSENT:

Tyrone Hamilton

OTHERS PRESENT (Lansing/Detroit):

Gary Heidel, Acting Executive Director
Maria Ostrander, Executive
Mary Cook, Executive
Clarence Stone, Legal Affairs
Willard G. Moseng, Legal Affairs
Lisa Ward, Legal Affairs
Mary Townley, Homeownership
John Hundt, Rental Development
Mike Witt, Rental Development
Jeff Sykes, Finance
Kelly Rose, Rental Assistance and Homeless Solutions
Linda Beachnau, Information Technology
David Allen, Office of Market Research
Laurie Cummings, Office of Market Research
Jess Soebel, Grants, Resources and Technical Assistance
Troy Thelen, Asset Management
Misty Elliott, Communications
Ron Farnum, Office of Attorney General
Burney Johnson, Deputy Director
Chad Benson, Rental Development
Jonathan Hilliker, Executive
Paulette Smith, Rental Assistance and Homeless Solutions
Sherry Hicks, Office Services
Geoffrey Ehnis-Clark, Legal Affairs
Corrie Schmidt-Parker, Legal Affairs
I-Sha Reeves, City of Detroit
Hafsa Khan, City of Detroit
Kelly Vickers, City of Detroit
Anna Shires, City of Detroit
Donald Rencher, City of Detroit
Susan Corbin, Department of Labor and Economic Opportunity
Sandy Pearson, Habitat for Humanity
Bevertone Anyogna, CEDAM
Emily Reyst, CEDAM
Jeffrey Grant Barker

Chairperson Jeff Donofrio opened the meeting at 10:00 a.m.

Election of Vice Chair:

Chairperson Donofrio opened the floor to nominations for the position of Vice Chair. Regina Bell nominated Rachael Eubanks. Ms. Eubanks accepted the nomination, and the Board voted unanimously to elect her as Vice Chair.

Public Comments:

Mr. Donofrio asked if there were public comments at the Lansing and Detroit offices. Sandy Pearson from Habitat for Humanity ("Habitat") spoke from the Lansing office. She announced that Habitat selected Acting Executive Director Gary Heidel as its Public Official of the Year. Ms. Pearson noted that he will be honored at a ceremony on November 5, 2019.

There being no additional public comments, Mr. Donofrio stated he needed to leave the meeting early. He provided an update on the search for a permanent Executive Director. He noted that the request for proposals had been submitted. The search is being conducted nationally; internal candidates are also encouraged to apply.

Executive Director's Report:

Mr. Heidel welcomed Board members to the Authority's Detroit office. He recognized Detroit staff members in attendance, Burney Johnson, Deputy Director, and Sherry Hicks, Office Manager. He also noted that two former Authority staff members were in attendance: Donald Rencher, Director of Housing and Revitalization with the City of Detroit, and Kelly Vickers, Associate Director of Housing Underwriting with the City of Detroit.

Mr. Heidel reported that several Authority staff members attended the National Council of State Housing Agencies ("NCSHA") Annual Conference and Showplace in Boston. This meeting was an opportunity for executive directors and staff to talk about housing needs at both the federal and state levels. Mr. Heidel stated that it was a good meeting but challenges remain in many areas, such as down payment assistance, financing of single-family loans, and federal tax credit programs. Mr. Heidel then announced that Congressman John Moolenaar of Midland has agreed to be an additional cosponsor of The Affordable Housing Credit Improvement Act of 2019. Currently, nine members of the Michigan delegation are cosponsors of this legislation. A majority of Michigan's delegation are in support of the bill. Legislative staff, including Mark Garcia with the Authority and Jennifer Bowman with the Department of Labor and Economic Opportunity, continue to work with the Michigan delegation in support of this legislation.

At 10:10 a.m., Mr. Donofrio turned the meeting over to Vice Chair Rachael Eubanks and left the meeting.

In a continuation of the Executive Director's Report, Laurie Cummings of the Office of Market Research gave a ten-minute presentation on the report "Michigan Homeownership Study". She noted that a research firm was hired to assist with this project. Several areas of concern were discussed. For example, there will be a need for additional affordable housing options for the senior population. The number of senior citizens is increasing, which will require additional accessibility and assisted living options. Seniors staying in their homes longer can also result in a shortage of housing inventory for new buyers. Following the presentation, Mary Townley of

Homeownership provided an overview of some next possible steps. She explained that the next job is to break apart the strategies discussed in the study and look at the recommendations. The goal is to provide a clear strategy to address growing housing needs in Michigan. Committees of internal and external stakeholders have been formed to review this further. She will keep the Board apprised of their findings. A full list of the groups involved in these discussions can be found at Michigan.gov/HousingResearch.

Regina Bell asked whether the Michigan Homeownership Study provided a breakdown of recommendations within the larger categories listed in the report. Ms. Cummings responded that there is a summary for each issue with potential strategies laid out. Ms. Bell further inquired whether the intent is to include those most impacted as part of the solution. Ms. Cummings noted that staff are just getting started and forming committees; staff expects to involve more groups. Ms. Bell then asked whether the study looked at best practices from other states in similar positions. Ms. Cummings responded that the research firm examined and used best practices from other states as part of its recommendations.

Jennifer Grau encouraged those reviewing the study to consider health as a factor when it comes to housing issues. Jeff Mason asked if the study compared Michigan to other surrounding states. Ms. Cummings responded that there was not a direct comparison to other states due to resources and time. Most of the comparison focused different regions within Michigan. Mr. Heidel stated that as the Authority looks at housing in its strategic planning, there will be a comparison to benchmarks with other states. Jennifer Grau asked if that concerned the nature of housing stock. Mr. Heidel responded yes.

Mr. Heidel also mentioned that as part of strategic planning, the Authority is starting to look at the percentage of homeownership among people of color. Currently the Authority provides about 37% of its mortgages to people of color; however, there are lots of challenges in this area within private lending. He noted that all of this relates back to the Homeownership Study. He also mentioned that the role of philanthropy has not been included in the discussion on housing needs and needs to be addressed going forward.

Regina Bell noted it is important to ensure that those close to the ground are involved to obtain qualitative as well as quantitative data.

Voting Issues

Since there was no Consent Agenda, the Board proceeded to the regular voting items.

REGULAR VOTING ITEMS

Tab A - Approval of Agenda. Jeff Mason moved approval of the agenda. Jennifer Grau supported. The agenda was approved.

Tab B - **Minutes** – September 25, 2019**.** Deb Muchmore moved approval of the Minutes. Jennifer Grau supported. The Minutes were approved.

Tab C - Resolution Authorizing the Michigan Department of Technology, Management and Budget to Extend Contract with Emphasys Software Inc. on Behalf of the Authority. Linda Beachnau of Information Technology requested the Authority to authorize the Michigan Department of Technology Management and Budget ("DTMB") to extend the existing contract with Emphasys Software Inc. for an additional two years ending December 31, 2022, with an optional third year ending December 31, 2023. The total value of the contract extension would not exceed $550,000 per year, totaling $1,650,000 over the period of the extension (if the option is exercised).

Rachael Eubanks asked if Ms. Beachnau expects a competitive bidding process in the future when seeking a long-term solution. Ms. Beachnau responded that any future bids would be part of a transparent process based on business needs. Ms. Eubanks asked if the present request is a short-term solution to meet current needs while longer term solutions are still being evaluated. Ms. Beachnau responded yes.

Regina Bell asked if it is possible to get a list of all the Authority contracts that have been extended. Mr. Heidel responded affirmatively.

Jeff Mason moved approval of the resolution. Regina Bell supported. The resolution was approved.

Tab D - Resolution Authorizing Housing Development Grant to Habitat for Humanity of Michigan for Down Payment Assistance Program. Jess Sobel of Grants, Resources and Technical Assistance asked the Authority to authorize a Housing Development Fund grant not to exceed One Million ($1,000,000) to Habitat for Humanity of Michigan.

Carl English wanted to know the previous funding amounts awarded to Habitat for Humanity. Mr. Sobel responded that $1 million has been granted for the last few years; however, the amount has fluctuated over time. Regina Bell asked if there was a geographic location where these loans have been issued. Mr. Sobel responded that he did not have that data but the services Habitat provides are statewide. She wanted to know if more specific information on location was available; the response was yes. Ms. Bell then asked if all Habitat affiliates were in good standing. Mr. Sobel responded that as far as he knew, they were. Ms. Sandy Pearson of Habitat for Humanity was present in the Lansing office and responded that not all affiliates are in good standing; however, they must be in good standing to qualify for the grant. Ms. Bell asked why an affiliate might not be in good standing. Ms. Pearson noted that the answer could vary but those organizations are typically in more rural areas with less capacity. She also stated that Habitat does issue an annual report that specifies where all the funds are used.

Jeff Mason noted that this is a valuable program but wondered if there might be another way to get more value than the 60 households mentioned in the Grant Report. Mr. Sobel responded that MSHDA staff reevaluate grants every year to see how much was used previously in order to best allocate funds. Mr. Heidel commented that the Authority has other programs that best target needs in different areas. For example, the Single Family and Home Improvement loan programs focus on other areas of need. David Allen from the Office of Market Research explained that low levels of homeownership are often caused by a lack of resources; the Authority does its best to meet demand but there is always room for improvement. Mr. Heidel noted that Michigan has always been a big homeownership state, but the numbers have dropped in the last several years. The purpose of the Homeownership Study presented earlier is to look at causes other than the lack of resources, including local regulations and bank lending.

Ms. Pearson also mentioned that another factor to consider when discussing homeownership is the lack of educational opportunities for families. Habitat for Humanity currently provides education for about 500 households a year. Ms. Pearson finds that over the course of a year, education can change the financial trajectory of individuals. As a result, the number of people who own a home or obtain more stable rental housing can increase.

Jennifer Grau moved approval of the resolution. Deb Muchmore supported. The resolution was approved.

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. Mr. John Hundt of Rental Development presented these requests. Mr. Hundt stated that this was a straightforward transaction with a total Sources and Uses of about $10.3 million. There were no questions.

Carl English moved approval of the resolutions. Regina Bell supported. The resolutions were approved.

Before adjourning, Mr. Heidel mentioned that there would be a bus tour following the meeting and he acknowledged the hard work of Authority staff in arranging the tour. Mary Cook of Executive provided a brief overview of the bus tour.

There being no additional remarks, Ms. Eubanks 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)**, Delegated Action Reports **(Tab 4).**

Rachael Eubanks requested a motion to adjourn. Jeff Mason moved to adjourn. Regina Bell supported the motion, and it was unanimously approved and accepted. The meeting adjourned at 10:55 a.m.

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: December 12, 2019

RE: 2020 Authority Meeting Schedule

Recommendation:

I recommend that the Michigan State Housing Development Authority ("Authority") approve the attached 2020 Authority Meeting Schedule and authorize the Executive Director or the Director of Legal Affairs, or anyone acting in either capacity, to cancel or reschedule meetings or schedule special meetings for the Authority.

Executive Summary:

Authority staff prepared the attached meeting schedule to ensure regular, monthly meetings that accommodate the schedules of Authority staff and Authority members. Calendars for affordable housing conferences were also reviewed to limit scheduling conflicts. The meetings will continue to take place at the Authority's Lansing office and the Detroit office through video-conferencing.

Each meeting is scheduled for Thursday. The starting time for meetings will remain at 10 a.m.

Issues, Policy Considerations, and Related Actions:

None.

NOTICE OF SCHEDULE OF REGULAR MEETINGS OF THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY TO BE HELD DURING THE CALENDAR YEAR COMMENCING JANUARY 1, 2020 AND ENDING DECEMBER 31, 2020

TO ALL PERSONS INTERESTED IN THE MEETINGS OF THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

PLEASE TAKE NOTICE that the Michigan State Housing Development Authority, 735 East Michigan Avenue, P.O. Box 30044, Lansing, Michigan 48909, telephone number (517) 335-9850, will hold regular meetings at the following dates, times, and places during the calendar year commencing January 1, 2020, and ending December 31, 2020:

2020 MEETING DATES

January 23	May 21	September 24
February 27	June 25	October 22
March 26	July 23	November 19
April 23	August 27	December 17

TIME

10:00 a.m.

LOCATIONS FOR ALL MEETING DATES

Board Room, 4th Floor
735 East Michigan Avenue
Lansing, Michigan

Board Room, 4-602
3028 West Grand Blvd.
Detroit, Michigan

Video Streaming at Each Location

Proposed minutes of said meetings will be available for public inspection during regular business hours at 735 East Michigan Avenue, 4th Floor, Lansing, Michigan, not more than eight business days after said meetings; and approved minutes of said meetings will be available for public inspection during regular business hours at the same location not more than five business days after the meeting at which they are approved.

This notice is given in compliance with Act No. 267 of the Public Acts of Michigan 1976, as amended.

Gary Heidel
Acting Executive Director

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING 2020 AUTHORITY MEETING SCHEDULE

December 12, 2019

WHEREAS, the Michigan State Housing Development Authority ("Authority") is a public body subject to the Open Meetings Act, 1976 PA 267, MCL 15.261 through 15.275; and

WHEREAS, the Open Meetings Act requires public bodies to set the dates, times and places of a public body's regular meetings for the coming year; and

WHEREAS, the Acting Executive Director has recommended a 2020 meeting schedule for the Authority as explained in his memorandum and set forth in the proposed meeting schedule, both of which are attached hereto; and

WHEREAS, the Authority concurs in the recommendation of the Acting Executive Director.

NOW THEREFORE, Be It Resolved by the Michigan State Housing Development Authority that the 2020 meeting schedule, attached hereto and discussed in the accompanying memorandum from the Acting Executive Director, is hereby approved, and the Executive Director and the Director of Legal Affairs, or anyone acting in any such capacity, and each individually, are hereby authorized to cancel or reschedule the regular meetings or schedule a special meeting of the Authority.

MSHDA

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Gary Heidel, Acting Executive Director

DATE: December 12, 2019

RE: Carriage Town Square Apartments, MSHDA No. 1410

Recommendation:

I recommend the Michigan State Housing Development Authority (the "Authority") approve a transfer of 100% of the general and limited partnership interests of Carriage Town Limited Dividend Housing Association Limited Partnership (the "Partnership") to PK Companies, LLC (51%) and Metro Housing Partnership (49%) respectively. The Partnership is the owner of Carriage Town Square Apartments, MSHDA No. 1410.

Executive Summary:

Carriage Town Square Apartments is a 30-unit family development (the "Development") located in the City of Flint. The Development is comprised of three (3) two-story walkup style buildings with twelve (12) one-bedroom units and eighteen (18) two-bedroom units. The Development was originally constructed in 1995 under the Authority's Neighborhood Preservation Program ("NPP") with HOME Equity, Low Income Housing Tax Credits, and Tax-Exempt Bond. The Development is in good physical condition overall as evidenced by the most recent physical inspection.

On September 13, 2019, the Authority received notification that the current general partner and limited partner of Carriage Town Square intend to sell their collective interests to PK Companies, LLC (51%) and Metro Housing Partnership (49%) for a sale price of $200.

PK Housing has been involved in various aspects of the housing industry since its formation in 1981, including property management, development, and construction. PK Housing owns and manages several other Authority financed developments including Country Village, Deer Creek and Willow Grove Townhouses and the properties are in good standing.

Metro Housing Partnership is a Community Development Financial Institution located in Flint. Founded in 1992, Metro Housing Partnership serves as a housing and community development intermediary in the City of Flint. Piper Realty will remain the management agent for the Development, and the ownership transition is not expected to have an effect on the Development.

The NPP and HOME mortgage loans are current with respective balances of $153,165 and $738,435.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

ACTION REPORT

DATE:	December 12, 2019
ASSET MANAGER:	Justin Wieber
MSHDA #:	1410
DEVELOPMENT NAME:	Carriage Town Square Apartments
LOCATION:	421 Water Street, Flint, MI 48502
CUT-OFF DATE:	January 30, 1995
ASSIGNED ATTORNEY:	Kara Hart-Negrich
MANAGEMENT AGENT:	Piper Realty
MANAGING GENERAL PARTNER (S):	Community Development Properties, Inc.
TAX CREDIT SYNDICATOR:	Community Capital Development Corporation

RECOMMENDATION:

I recommend approval of a transfer of 100% of the general and limited partnership interests of Carriage Town Square Apartments.

I. BACKGROUND:

Carriage Town Square is a 30-unit family development located in the City of Flint. The development is comprised of three (3) two-story walkup style buildings with twelve (12) one-bedroom units and eighteen (18) two-bedroom units. The Development was originally constructed in 1995 under the Authority's Neighborhood Preservation Program with HOME Equity, Low Income Housing Tax Credits, and Tax-Exempt Bond. There is no leasing office at the site, but Piper manages the adjacent property and utilizes that development's leasing office for both developments. The Development is in good physical condition overall as evidenced by the most recent physical inspection.

On September 13, 2019, the Authority received notification that the current general partner and limited partner of Carriage Town Square intend to sell their collective interests to PK Companies, LLC (51%) and Metro Housing Partnership (49%) for a sale price of $200.

PK Companies, LLC is an affiliate of PK Housing. The primary principal of PK Housing is Ronald "Pete" Potterpin. PK Housing has been involved in various aspects of the housing industry since its formation in 1981, including property management, development, and construction. PK Housing owns and manages several other Authority financed developments including Country Village, Deer Creek and Willow Grove Townhouses.

Metro Housing Partnership is a Community Development Financial Institution located in Flint. Founded in 1992, Metro Housing Partnership serves as the housing and community development intermediary in the City of Flint and Genesee County with a focus on providing technical and financial resources, creating public and private partnerships, leading to the creation of stable neighborhoods and communities.

The proposed new ownership intends for Piper Realty to remain as the management agent for the Development, and operations are expected to remain the same after the ownership transfer.

Carriage Town Square Apartments previously went through an ownership change in 2012. At that time the original limited partner National Equity Fund 1992 LP left the partnership and Community Development Corporation acquired 99% limited partnership interest. The partnership never informed the Authority of this change in ownership. As a result, the Authority was unaware of the change. This transaction would have been classified under Section IV.C of the Procedures and Requirements for Transfers Involving Authority-Financed Developments (the "Authority Resale Policy"), which requires a fee of $2,000 for the review and approval of the transaction. This fee was never paid to the Authority. Therefore, as a condition of approval for the current change of ownership, the $2,000 fee will be required to be paid to the Authority, in addition to the $10,000 fee required for approval of the current transaction.

II. CURRENT FINANCIAL CONDITION

A. The Development currently has 0 vacant units (0%) with an economic vacancy of 0.09%.
B. Liquidity has declined from $37,432 in August 2018 to ($6,677) in August 2019.
C. The Development currently has $3,754 in receivables, of which $1,861 (49.5%) are over 30 days.
D. The Development currently has $32,658 in payables, of which $0 (0%) are over 60 days.

III. SUMMARY OF PROPOSAL:

A. In accordance with Section IV.A of the Procedures and Requirements for Transfers Involving Authority-Financed Developments (the "Authority Resale Policy"), adopted by the Authority on June 27, 2007, this transaction requires review and approval by the Asset Review Committee and the Authority.
B. Under the proposal, Community Development Properties, Inc. will sell its (1%) general partner interest to PK Companies, LLC (0.51%) and Metro Housing Partnership (0.49%) for the purchase price of $100.
C. Additionally, Community Capital Development Corporation will sell its (99%) limited partnership interest to PK Companies, LLC (50.49%) and Metro Housing Partnership (48.51%) for the purchase price of $100.
D. Authority staff has reviewed the proposed transfer for compliance with State and Federal rules and regulations, along with reviewing mortgage servicing statements, Monthly Income and Expenditure Reports, the Annual Certified Audit, the Annual Physical Inspection and the Capital Needs Assessment, if any. No issues have been identified.
E. The proposed principals have submitted financials to the Authority for review and approval.
F. Piper Realty will remain the management agent for the Development, and the ownership transition is not expected to have an effect on the operations of the Development.
G. Section IV.A(3) of the Authority Resale Policy states that a fee of $10,000 will be charged for the review and authorization of the proposed transfer. The $1,000 deposit has not yet been received.
H. The applicants have met all other requirements of the Authority Resale Policy.

I. Authority staff has verified that no open conditions exist for either the owner or the agent.

IV. CURRENT DEVELOPMENT STATUS:

Program Type:	NPP / LIHTC / HOME
Original Mortgage Amount:	$527,507
Current Mortgage Balance:	$153,165
Payment Status:	Current
Current Interest Rate:	4.75%
Mortgage Prepayment Eligibility Date:	15 years from 50% occupancy
Original HOME Mortgage Amount:	$857,954
Current HOME Mortgage Balance:	$738,435
HOME Affordability End Date:	January 1, 2016
LIHTC Initial Compliance End Date:	December 31, 2009
LIHTC Ext. Use Comp. End Date:	December 31, 2024

Vacancy: 0 Units are Vacant or 0.0%
Economic Vacancy 0.09%

Reserve and Escrow Balances as of October 16, 2019:

Replacement Reserve:	$	54,169
ORC:	$	10

Financial Status:

Liquidity:	$	(6,677)
One Month's Rent Potential:	$	14,800

Prior Authority Action:

- None

V. RENT SCHEDULES:

Bedroom	# Units	# Units Vacant	Current Rents	Utility Allowance
1 BR - 20%	2	0	$162	$68
1 BR - 60%	10	0	$512	$68
2 BR - 20%	4	0	$190	$86
2 BR - 60%	14	0	$614	$86
TOTAL	**30**	**0**		

VI. CHANGES IN PARTNERSHIP ENTITY:

Current:		**Proposed:**	
Carriage Town Limited Dividend Housing Association Limited Partnership		Carriage Town Limited Dividend Housing Association Limited Partnership	
General Partners		**General Partners**	
Community Development Properties, Inc.	1.00%	PK Companies, LLC	0.51%
		Metro Housing Partnership	0.49%
Limited Partners		**Limited Partners**	
Community Capital Development Corporation	99.00%	PK Companies, LLC	50.49%
		Metro Housing Partnership	48.51%

VII. SPECIAL CONDITIONS AND/OR REQUIREMENTS:

A. The Mortgagor must enter into modifications of its organizational documents, and current loan documents and any additional documents deemed necessary by the Director of Legal Affairs to effectuate the terms and conditions outlined in this report.

B. Organizational and authorizing documents of the selling and purchasing general partners, as well as attorney opinions regarding the transfers, must be satisfactory to the Director of Legal Affairs.

C. The ownership transfer cannot take place until the balance of the $10,000 fee has been paid.

D. The ownership transfer cannot take place until the $2,000 fee associated with the ownership transfer from 2012 has been paid.

APPROVED:

12-3-19

Troy Thelen
Acting Director of Asset Management
Date

12-3-2019

Kelly Rose
Chief Housing Solutions Officer
Date

12-3-2019

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

12/4/19

Gary Heidel
Acting Executive Director
Date

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING TRANSFER OF PARTNERSHIP INTERESTS
CARRIAGE TOWN SQUARE APARTMENTS, MSHDA DEVELOPMENT NO. 1410
CITY OF FLINT, GENESEE COUNTY

December 12, 2019

WHEREAS, the Michigan State Housing Development Authority (the "Authority") made a mortgage loan (the "Mortgage Loan") to Carriage Town Limited Dividend Housing Association Limited Partnership (the "Mortgagor") for the acquisition and construction or rehabilitation of Carriage Town Square Apartments, MSHDA Development No. 1410 (the “Development”); and

WHEREAS, the Mortgagor has requested the approval of the Authority for the transfer of 100% of the general and limited partnership interests in the Mortgagor; and

WHEREAS, pursuant to Section IV.A. of the Authority's policy entitled "Procedures and Requirements for Transfers Involving Authority-Financed Developments" adopted on June 27, 2007 (the "Sale Policy"), such transfers require a full review by staff and the approval of the Authority; and

WHEREAS, Authority staff have reviewed the proposed transfer and determined that the requirements of the Sale Policy have been met; and

WHEREAS, the Acting Executive Director has recommended that the Authority approve the transfer of the general and limited partnership interests in the Mortgagor in accordance with the terms and conditions set forth in the accompanying Action Report; and

WHEREAS, the Authority concurs in the recommendation of the Acting Executive Director.

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

1. The Authority hereby approves the transfer of the general and limited partnership interests in the Mortgagor in accordance with the requirements of Section IV.A. of the Sale Policy, subject to the conditions set forth in the accompanying Action Report.

2. The Executive Director, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chief Financial Officer or any person duly acting in such capacity (each, an "Authorized Officer"), is each hereby authorized to take any further action or waive any condition that, in the discretion of the Authorized Officer, is necessary to effectuate the proposal as set forth in the Action Report.

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: December 12, 2019

RE: ADR Consultants, LLC v Michigan Land Bank and Michigan State Housing Development Authority--Partial Settlement on the Complaint, Approval to Pay Plaintiff, and Authorization to Execute Documents for Partial Settlement, Release and Waiver of Claims

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Recommendation:

I recommend that the Michigan State Housing Development Authority (the "Authority") authorize and approve the following in connection with ADR Consultants, LLC v Michigan Land Bank and Michigan State Housing Development Authority:

1. Settlement of claims related to property inspections for the State of Michigan Land Bank Authority ("MLB"), which will resolve one of the three remaining issues in the case;
2. Payment by the MLB to the plaintiff, ADR Consultants, LLC ("ADR"); and
3. Authorization to execute a settlement agreement related to the property inspection claim, release agreement and waiver of claims and any other documents requested by the Office of Attorney General to settle the claim described in the privileged memorandum and herein.

The proposed partial settlement does not require any payments by the Authority.

Executive Summary:

The settlement concerns a claim regarding property inspections that ADR performed for the MLB. The details of the settlement are set forth in a privileged memorandum from the Department of Attorney General to Authority members. The most important details of the partial settlement for the Authority are (a) the Authority will make no payments and (b) the entire property inspection claim will be settled, which will leave two claims in the lawsuit. The Authority's participation in the settlement is required because the Authority is a co-defendant in the litigation.

Issues, Policy Considerations, and Related Actions:

If any Authority members have questions or would like an update on the status of litigation, a motion to go into closed session will be needed.

PRIVELAGED MEMO

TO BE PROVIDED TO BOARD MEMBERS SEPARATELY

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING PARTIAL SETTLEMENT, PAYMENT TO PLAINTIFF, AND EXECUTION OF DOCUMENTS FOR PARTIAL SETTLEMENT, RELEASE AND WAIVER OF CLAIMS IN ADR CONSULTANTS, LLC V MICHIGAN LAND BANK AND MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

December 12, 2019

WHEREAS, the State of Michigan Land Bank Authority ("MLB") has conducted blight removal programs; and

WHEREAS, in conjunction with the blight removal programs, the MLB contracted with ADR Consultants, LLC ("ADR") in 2012 to provide specific services related to the blight removal programs; and

WHEREAS, the MLB terminated the contract with ADR in 2015; and

WHEREAS, ADR filed a lawsuit against the MLB and the Michigan State Housing Development Authority (the "Authority") in an action called ADR Consultants, LLC v Michigan Land Bank and Michigan State Housing Development Authority ("ADR Lawsuit"); and

WHEREAS, prior to the MLB's termination of its contract with ADR, ADR performed) property inspections for the MLB; and

WHEREAS, for the reasons set forth in its confidential and privileged memorandum, the Department of Attorney General recommends that the Authority (a) settle the claims in the lawsuit arising from property inspections by ADR, (b) authorize payment by the MLB to ADR for settlement of the inspection claims, and (c) execute documents effecting a partial settlement, release and waiver of claims in accordance with the terms of the confidential and privileged memorandum; and

WHEREAS, the Acting Executive Director recommends the acceptance of the Department of Attorney General's recommendations as described in the attached Acting Executive Director's memorandum and the privileged and confidential memorandum from the Department of Attorney General to Authority members; and

WHEREAS, the Authority concurs in that recommendation.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority that the Executive Director or the Director of Legal Affairs, or anyone acting in such capacity, and each individually, are hereby authorized to enter into such documents or agreements and take such actions on behalf of the Authority as are necessary to settle partially the ADR Lawsuit, enable payment to ADR Consultants, LLC by the State of Michigan Land Bank Authority, and execute documents effecting the partial settlement, release and waiver of claims and any other documents recommended by the Department of Attorney General to settle and dismiss the claims in the ADR Complaint related to property inspections, pursuant to the terms of the Department of Attorney General's confidential and privileged memorandum and the attached Acting Executive Director's memorandum.

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: December 12, 2019

RE: Resolutions Determining Mortgage Loan Feasibility and Authorizing Mortgage Loans for Eastern Elementary Apartments, Development No. 3881

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 and Mortgage Resource Fund ("MRF") mortgage loans in the amounts set forth in the staff report, 3) authorize a waiver of the direct lending parameters concerning gap loan terms, surplus cash flow split and surplus cash flow repayment and 4) authorize the Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

EXECUTIVE SUMMARY:

Built in 1929, Eastern Elementary School was open to neighboring children, but specifically served students with varying physical disabilities from around the city. The building was designed with young survivors of Polio in mind; 3 of the 4 floors were accessible without using stairs or elevators because of a steep grade change in the surrounding terrain. Additionally, Eastern Elementary was the very first school in Grand Rapids with bus services, giving children with disabilities transportation to and from the campus. Later, the school operated simply as a community public school until it closed in 2008.

After the school closed, the building was sold to a developer interested in creating market-rate condos. When those plans fell through, Inner City Christian Federation was able to purchase the building in 2015.

Inner City Christian Federation and ICCF Nonprofit Housing Corporation plan to redevelop this brownfield site into a mixed-use building offering affordable and workforce housing as well as commercial space. A total of fifty residential units are planned with twenty-four units affordable to tenants with incomes between 61% and 120% Area Median Income ("AMI"); the other 26 units will be affordable to tenants at 40%, 50% and 60% AMI. Development amenities include elevator service, on-site management, exercise room, community room, security lighting, intercom, bicycle parking, and surface parking.

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

This development is the second project in the workforce/attainable housing pilot. The sponsors, Inner City Christian Federation and ICCF Nonprofit Housing Corporation are requesting a tax-exempt bond loan, MRF Loan and a HOME Loan.

Eastern Elementary Apartments is underwritten at a lower, blended interest rate of 3.74% on the tax-exempt bond mortgage because $2,050,000 in bonds will be purchased directly by the Michigan Strategic Fund. The Michigan Strategic Fund will also make a soft gap loan of $1.5 million. In the event the development closes before the bond sale, the Authority will require the bond purchaser to place the bond purchase funds in a separate account to ensure funding is available at the time of the bond sale. The Sponsors have also garnered local support from the City of Grand Rapids in the form of brownfield and community development block grant funding. The development also has obtained a payment in lieu of taxes ordinance for the affordable units.

The first floor of Eastern Elementary will contain approximately 2,000 square feet of commercial space. The Sponsors intend to enter into a 20-year lease agreement with a local nonprofit; however, because there is not a signed lease, the Authority did not include commercial income in its unwritten projections. At Initial Closing, an agreement will be entered into to ensure any commercial revenue received will be considered income from operations and support the repayment of the Authority gap financing loans. The Authority loan documents will also contain a provision that the commercial uses must be compatible with and beneficial to residential use.

The Sponsors have elected to utilize the Average Income Test for Low-Income Housing Tax Credit. The Average Income Test is permanently established as a third minimum set-aside election for Low Income Housing Tax Credit developments and became available in March 2018. This election allows developments to target units to households with rent and income up to 80% of area median income ("AMI") as long as the average AMI level of the affordable units in the project is 60% AMI or less. For this proposal, there are 9 units at 80% of AMI that will be offset by 6 units targeted to 40% AMI, 7 units targeted to 50% AMI and 13 units to 60% AMI tenants. The average income for all affordable units is 59.71%. There will also be 15 market rate units.

The development will require a waiver of certain Authority Multifamily Direct Lending Parameters concerning the term of the Gap Funding Loans affordability period (Section II. B. 1(h)) to allow for a 40-year term. The 40-year term matches the Michigan Strategic Fund soft loan term.

In addition, a repayment term and time period waiver for the Gap Funding Loans (Section II B. 2(f)) is necessary based on cash flow projections paying deferred developer fee in year 14 and to allow for a split of the surplus cash based on the pro rata split of the gap funding between the Authority and the Michigan Strategic Fund. The cash flow split waiver is limited to the tax-exempt bond work force housing initiative that utilizes a private placement below market rate bond purchase and soft loan.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

December 12, 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 and Mortgage Resource Fund ("MRF") mortgage loans in the amounts set forth in this report, 3) authorize a waiver of the direct lending parameters concerning gap loan terms and surplus cash flow split and surplus cash flow repayment and 4) authorize the Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

MSHDA No.:	3881
Development Name:	Eastern Elementary Apartments
Development Location:	City of Grand Rapids, Kent County
Sponsors:	ICCF Nonprofit Housing Corporation and Inner City Christian Federation
Mortgagor:	Eastern Elementary Limited Dividend Housing Association Limited Partnership
TE Bond Construction Loan:	$7,530,224 (52% of TDC)
TE Bond Permanent Loan:	$3,450,959
MSHDA MRF Loan:	$1,128,382
MSHDA HOME Loan:	$1,947,367
Total Development Cost:	$14,481,200
Mortgage Term:	40 years for the tax-exempt bond loan, 40 years for the MRF and HOME Loans
Interest Rate:	3.74% for the tax-exempt bond loan, 3% simple interest for the MRF Loan and 1% for the HOME Loan
Program:	Tax-Exempt Bond and Workforce/Attainable Housing Pilot Initiative
Number of Units:	50 family units of adaptive reuse
Unit Configuration:	10 efficiencies, 29 one-bedroom, 10 two-bedroom and 1 three-bedroom apartments contained in a four-story historic building
Builder:	Wolverine Building Group
Syndicator:	Insite Capital
Date Application Received:	March 2019
HDO:	Charles J. Smith

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

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

This development is the second project in the workforce/attainable housing pilot. This pilot is an initiative to finance developments with challenging cost structures to meet middle-income, workforce housing needs and/or historic preservation capital costs. In conjunction with this initiative, the Authority seeks to increase housing production by not only maximizing its current resources and its existing programs, but also by finding new finance-source partners. One of those potential partners, Michigan Strategic Fund ("MSF") in cooperation with the Michigan Economic Development Corporation ("MEDC"), currently provides grants and loans to market-rate mixed-use development (e.g., commercial on the first floor and residential on the others).

The Authority has set aside nearly $12 million in multifamily assets that could be used to assist gap financing for housing projects aimed at serving workforce needs and historic rehabilitation housing under this initiative. With this financing program, the quantity of housing developed could increase dramatically while providing cost savings.

The sponsors, Inner City Christian Federation and ICCF Nonprofit Housing Corporation are requesting a tax-exempt bond loan, MRF Loan and a HOME Loan in support of this workforce/attainable housing initiative.

Eastern Elementary Apartments is underwritten at a lower, blended interest rate of 3.74% on the tax-exempt bond mortgage because $2,050,000 in bonds will be purchased directly by the MSF, who will also make a soft gap loan of $1.5 million. In the event the development closes before the bond sale, the Authority will require the bond purchaser to place the bond purchase funds in a separate account to ensure funding is available at the time of the bond sale The Sponsors have also garnered local support from the City of Grand Rapids in the form of brownfield and community development block grant ("CDBG") funding. The development also has obtained a payment in lieu of taxes ordinance for the affordable units.

The first floor of Eastern Elementary will contain approximately 2,000 square feet of commercial space. The Sponsor intends to enter into a 20-year lease agreement with a local nonprofit; however, because there is not a signed lease, the Authority did not include commercial income in its underwriting projections. At Initial Closing, an agreement will be entered into that will state that any commercial revenue received will be considered income from operations and support the repayment of the Authority gap financing loans. The Authority loan documents will also contain a provision that the commercial uses must be compatible with and beneficial to residential use. See Special Condition No. 3.

The Sponsor has elected to utilize the "Average Income Test for Low-Income Housing Tax Credit." The Average Income Test is permanently established as a third minimum set-aside election for Low Income Housing Tax Credit ("LIHTC") developments and became available in March 2018. This election allows developments to target units to households with rent and income up to 80% of area median income ("AMI") as long as the average AMI level of the affordable units in the project is 60% AMI or less. For this proposal there are 9 units at 80% AMI that will be offset by 6 units targeted to 40% AMI, 7 units targeted to 50% and 13 units to 60% AMI tenants. Income averaging for all affordable units is 59.71%. There are also 15 market rate units.

The Development will require a waiver of certain Authority Multifamily Direct Lending Parameters concerning the term of the Gap Funding Loan affordability period (Section II. B. 1(h)) to allow for a 40-year term. The 40-year term matches the MSF soft loan term.

In addition, a repayment term waiver and time period waiver for the MRF Fund (Section II B. 2(f)) is necessary based on cash flow projections completing deferred developer fee in year 14 and to allow for a split of the surplus cash based on the pro rata split of the gap funding between the Authority and MSF. This amends Standard Condition 8 and is more fully described in Special Condition 7. The cash flow split waiver is limited to the tax-exempt bond work force housing initiative that utilizes a private placement below market rate bond purchase and soft loan.

EXECUTIVE SUMMARY:

Built in 1929, Eastern Elementary School was open to neighboring children, but specifically served students with varying physical disabilities from around the city. The building was designed with young survivors of Polio in mind; 3 of the 4 floors are accessible without using stairs or elevators thanks to a steep grade change in the surrounding terrain. Additionally, Eastern Elementary was the very first school in Grand Rapids with bus services, giving children with disabilities transportation to and from the campus. Later, the school operated simply as a community public school until it closed in 2008.

After the school closed, the building was sold to a developer interested in creating market-rate condos. When those plans fell through, Inner City Christian Federation was able to purchase the building in 2015.

Inner City Christian Federation and ICCF Nonprofit Housing Corporation plan to redevelop this Brownfield site into a mixed-use building offering affordable and workforce housing as well as commercial space. A total of fifty residential units are planned with twenty-four units affordable to tenants with incomes between 61% and 120% AMI; the other 26 units will be affordable to tenants at 40%, 50% and 60% AMI. Development amenities include elevator service, on-site management, exercise room, community room, security lighting, intercom, bicycle parking, and surface parking.

Structure of the Transaction and Funding:

There are several elements to this transaction that are common to adaptive reuse 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 $7,530,224 at 3.74% interest with a 16-month term (a 13-month construction term and a 3-month rent-up period), which will be used to bridge an extended equity pay-in period. Interest-only payments will be required under the construction loan. The amount by which the construction loan exceeds the permanent loan will be due on the first day of the month following the month in which the 16-month construction loan term expires or such later date determined by an Authorized Officer of the Authority (the "Permanent Financing Date").

  A permanent loan will be provided by the Authority in the amount of $3,450,959. The permanent loan is based upon the current rents, less vacancy loss, payments to reserves and escrows, operating costs based on historical data unless modified by project improvements and construction and soft costs at levels appropriate for this specific transaction. The permanent loan includes a 1.15 debt service coverage ratio, an annual interest rate of 3.74%, with a fully amortizing term of 40 years commencing on the Permanent Financing Date. The Mortgage Loan will be funded on the Permanent Financing Date and will be in First Position.

- A subordinate loan using an Authority MRF Loan (the "MRF Loan") in the amount of $1,128,382 will be provided at 3% simple interest with payments initially deferred. The MRF Loan will be in **Second Position**.

- A subordinate loan using HOME funds (the "HOME Loan") in the amount of $1,947,367 will be provided at 1% simple interest with payments initially deferred. The HOME Loan will be in **Third Position**.

- A subordinate loan from the Michigan Strategic Fund in the amount of $1,500,000 will be provided. The MSF Loan will be in **Fourth Position**.

- Inner City Christian Federation is providing a Seller Note in the amount of $575,000. See Special Condition No. 5.

- Equity support comes from an investment related to the 4% LIHTC in the estimate amount of $2,015,077.

- Federal Historic Tax Credits have been requested and additional equity support will come from an investment related to these credits. See Special Condition No. 2.

- Brownfield and CDBG Funding of $1,315,000 have been awarded to the sponsors of the development. These funds will be coming in as a source to the project by way of sponsor loans.

- The Sponsor has agreed to defer $320,000 of the developer fee to help fill the remaining funding gap.

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

- A replacement 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 help meet the Development's future replacement needs. This reserve will be held by the Authority.

- There is potential that the development could derive commercial income from office space that is planned for the first -floor area. The Authority reserves the right to approve any potential tenant that may lease out the office space. Any commercial income the development receives must be reported as development income on the monthly MIE reports that are required to be submitted to the Asset Management Division. See Special Condition No.3.

- An $83,040 Efficiency Unit reserve will be established to fund future shortfalls that may occur due to anticipated high turnover and short duration tenancies. This reserve will be capitalized at closing and will be held by the Authority. See Special Condition No. 4.

Scope of Rehabilitation:

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

Eastern Elementary Apartments is an adaptive reuse proposal of a historic structure and much of the construction scope is aligned with maintaining the historic integrity of the building. The units will have all new appliances including in-unit washers and dryers, and the efficiency units will feature Murphy Beds.

Site Selection:

The site meets the Authority's site selection guidelines. The building is located in the center of a residential neighborhood.

Market Evaluation:

The Chief Market analyst has approved this proposal but is requiring in-unit washers and dryers because this amenity is standard in the Grand Rapids market.

Valuation of the Property:

An appraisal dated 9/27/19 estimates the value at $1,540,000.

CONDITIONS:

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

Standard Conditions:

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

   For each year of the Development's operation, beginning in the year in which the Mortgage Cut-Off Date occurs, payments are limited to twelve percent (12%) of the Mortgagor's equity. For purposes of distributions, the Mortgagor's equity will be the sum of (i) the LIHTC equity; (ii) the brownfield tax credit equity; (iii) the historic tax credit equity; (iv) general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority (estimated to be a total of $4,161,452). All such payments shall be referred to as "Limited Dividend Payments". The Mortgagor's return shall be fully cumulative. Limited Dividend Payments shall be capped at 12% per annum, until the MRF Loan and the HOME Loan have been repaid. Thereafter, Limited Dividend Payments may increase 1% per annum until a cap of 25% per annum is reached.

2. **Income Limits:**

   The income limitations for Fifty (50) units of this proposal are as follows:

a. Three (3) 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. These HOME designated units will be fixed in place for the duration of the compliance period.

b. Eight (8) units have been designated as High-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 60% of the HOME published area median income, adjusted for family size as determined by HUD. These HOME designated units will be fixed in place for the duration of the compliance period.

c. Thirteen (13) units (one (1) efficiency, nine (9) one-bedroom units and three (3) two-bedroom apartments) must be available for occupancy by households whose incomes do not exceed up to 60% of area median income based upon the Multifamily Tax Subsidy Project ("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. Six (6) of the units (two (2) efficiency, three (3) one-bedroom and one (1) two-bedroom apartments) must be available for occupancy by households whose incomes do not exceed up to 40% of AMI based upon the Multifamily Tax Subsidy Project ("MTSP") limits, adjusted for family size as determined by HUD, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

e. Seven (7) of the units (one (1) efficiency, four (4) one-bedroom and two (2) two-bedroom apartments) must be available for occupancy by households whose incomes do not exceed up to 50% of AMI based upon the Multifamily Tax Subsidy Project ("MTSP") limits, adjusted for family size as determined by HUD, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

f. Nine (9) of the units (two (2) efficiency, five (5) one-bedroom and two (2) two-bedroom apartments) must be available for occupancy by households whose incomes do not exceed up to 80% of AMI based upon the Multifamily Tax Subsidy Project ("MTSP") limits, adjusted for family size as determined by HUD, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

g. Fifteen (15) units (4 efficiencies, 8 one-bedroom units, 2 two-bedroom units and 1 three-bedroom unit) are market rate and may be rented without regard to income.

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

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

3. **Limitations on Rental Rates:**

The Total Housing Expense (contract rent plus tenant-paid utilities) for Fifty (50) 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 3 Low-HOME units may not exceed the "Low-HOME Rent Limit" for the unit established and published annually by HUD.

b. During the Period of Affordability required under the HOME program (15 years), the Total Housing Expense for the 8 High-HOME units may not exceed the "High-HOME Rent Limit" established and published annually by HUD.

c. The Total Housing Expense for thirteen (13) units (one (1) efficiency unit, nine (9) one-bedroom units, and three (3) two-bedroom units), may not exceed one-twelfth (1/12th) of 30% of the MTSP 60% of area median income adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

d. The Total Housing Expense for six (6) units (two (2) efficiency units, three (3) one-bedroom units, and one (1) two-bedroom unit), may not exceed one-twelfth (1/12th) of 30% of the MTSP 40% of area median income adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

e. The Total Housing Expense for seven (7) units (one (1) efficiency unit, four (4) one-bedroom units, and two (2) two-bedroom units), may not exceed one-twelfth (1/12th) of 30% of the MTSP 50% of area median income adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

f. The Total Housing Expense for nine (9) units (two (2) efficiency units, five (5) one-bedroom units, and two (2) two-bedroom units), may not exceed up to one-twelfth ($1/12^{th}$) of 30% of the MTSP 80% income limit as long as the average AMI level of the affordable units in the project is 60% AMI or less, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

g. Fifteen (15) units (four (4) Efficiency units, eight (8) one-bedroom units, two (2) two-bedroom units, and one (1) three-bedroom unit) may not exceed one-twelfth (1/12th) of 30% of MTSP income limits up to 120% AMI without regard to tenant paid utilities. However, the Authority, by its Director of Asset Management and in his sole discretion, may adjust the rent limitation upon request of the Mortgagor.

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

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

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

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

4. 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. <u>Restriction on Prepayment and Subsequent Use</u>:

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

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

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

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

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

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

At Initial Closing, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to 4 months' of estimated Development operating expenses (estimated to be $155,026). The OAR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority in accordance with the Authority's written policy on the use of the Operating Assurance Reserve, as amended from time to time. The OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. <u>Replacement Reserve:</u>

The Mortgagor must agree to establish a replacement reserve fund ("Replacement Reserve") with an initial deposit in an amount of $700 per unit and by making annual deposits to the Replacement Reserve, beginning on the Mortgage Cut-Off Date, at a minimum of $350 per unit for the first year of operation, payable in monthly installments, with deposits in subsequent years to be the greater of (i) the prior year's deposit, increased by 3%, or (ii) a percentage of the Development's projected annual rental income or gross rent potential ("GRP") for the year using the percentage obtained by dividing the first year's deposit by the first year's GRP shown on the operating proforma for the Development attached hereto. The annual deposit to the Replacement Reserve may also be increased to any higher amount that is determined to be necessary by the Authority, based on a CNA and the Authority's Replacement Reserve policies. The Authority may update any CNA or obtain a new CNA every five years, or upon any frequency, as determined necessary by the Authority.

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

At Initial Closing, the Mortgagor must enter into written agreements relating to the MRF Loan and the HOME Loan. The MRF Loan and the HOME Loan will each be secured by a subordinate mortgage. The HOME Loan will bear simple interest at 1% with a 40-year term, and the MRF Loan will bear simple interest at 3% with a 40-year term. No loan payments will be required on either the MRF Loan or the HOME Loan 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 14^{th} 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 14^{th} year following the date that Mortgage Loan amortization commences, repayment of the MRF Loan and the HOME Loan will commence according to the following:

- So long as both of the Mortgage Loan and the MRF Loan remain outstanding, then repayment of the MRF Loan will be made from not less than sixty-seven percent (67%) of fifty percent (50%) of any surplus cash available for distribution ("Surplus Funds"), applied first to accrued interest, then to current interest and principal, and no payments will be required on the HOME Loan.

- If the MRF Loan is repaid in full while the Mortgage Loan remains outstanding, then upon repayment of the MRF Loan, repayment of the HOME Loan will commence and be made from not less than sixty-seven percent (67%) of fifty percent (50%) of Surplus Funds, applied first to accrued interest, then to current interest and principal.

- Upon payment in full of the Mortgage Loan, if both the MRF Loan and the HOME Loan remain outstanding, then the outstanding balance of the MRF Loan, including accrued interest, will become the new first mortgage loan and will begin amortization with monthly payments equal to the payments made under the original Mortgage Loan. At this time, payments on the HOME Loan will commence and be made from not less than sixty-seven percent (67%) of fifty percent (50%) of Surplus Funds, applied first to accrued interest, then to current interest and principal.

- Upon payment in full of both the Mortgage Loan and the MRF Loan, the outstanding balance of the HOME Loan, including accrued interest, will become the new first mortgage loan and will begin amortization with monthly payments equal to the payments made under the original Mortgage Loan.

- The entire principal balance and any accrued interest of the MRF Loan and the HOME Loan will be due and payable after 40 years.

Notwithstanding the foregoing, in the event of any sale or refinance of the Development, the MRF Loan and the HOME Loan will be due and payable at that time.

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

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

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

10. Owner/Architect Agreement:

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

11. Trade Payment Breakdown:

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

12. Section 3 Requirements:

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

13. Equal Opportunity and Fair Housing:

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

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

14. Cost Certification:

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

15. Environmental Review and Indemnification:

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

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

16. Title Insurance Commitment and Survey:

Prior to Mortgage Loan Commitment, the Mortgagor must provide an updated title insurance commitment, including zoning, pending disbursements, comprehensive, survey 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.

17. Organizational Documents/Equity Pay-In Schedule:

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

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

18. Designation of Authority Funds:

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

19. Management & Marketing:

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

a. Management Agreement
b. Marketing Addendum

20. Guaranties:

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

21. 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.

22. Future Contributions:

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

23. Ownership of Development Reserves:

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

24. HUD Authority to Use Grant Funds:

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

25. HUD Subsidy Layering Review:

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

26. Application for Disbursement:

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

27. Disbursement Through Title:

Prior to Initial Mortgage Loan Closing the general contractor must agree that all funds disbursed for the construction of the development will be disbursed directly through a title insurance company to subcontractors and suppliers. The agreement must be acceptable to the Authority's Director of Legal Affairs.

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. Federal Historic Tax Credits:

Prior to Mortgage Loan Commitment, the Mortgagor must submit evidence of fulfillment of all conditions to the Historic Preservation Certification Application – Part 2 as described in the conditional approval letter dated April 19, 2019 from the United States Department of Interior. Following construction completion, the Mortgagor must submit an application requesting Part III approval from the United States Department of Interior. These documents must be acceptable in form and substance to the Authority's Director of Legal Affairs.

3. Control of Commercial Space:

Prior to Mortgage Loan Commitment, the Mortgagor must enter into an agreement for the control of commercial space located within the project. The agreement must provide, at a minimum: 1) any commercial income that is derived from leasing any commercial space must be retained in the development's operating account and reported to Asset Management on a monthly basis via the Monthly Income and Expenditure Report that is required by that Division, and 2) the commercial income is to be considered income from operations and maintained in the same manner as residential income.

The amounts to be paid must be comparable to commercial lease rates for similar properties in the City of Grand Rapids as determined by the Authority's Director of

Development. The agreement and any assignments or modifications thereto must be acceptable in form and substance to the Authority's Director of Legal Affairs.

Any commercial tenant that is selected to lease the commercial space included on the first floor must be approved by the Authority. Once a potential commercial tenant has been identified by the Development's management company, a request for approval of the commercial tenant must be submitted to the Director of Asset Management.

4. <u>Efficiency Unit Reserve:</u>

At Initial Closing, the Mortgagor must establish an Efficiency Unit Reserve with a deposit of $83,040. The Efficiency Unit Reserve shall be held and controlled by the Authority and will be invested and reinvested by the Authority's Office of Finance. Interest earned on this reserve, if any, shall become part of this reserve and shall be treated and distributed in the same way. This reserve is intended to cover anticipated shortfalls in development income due to the expected higher vacancy rate and shorter tenancy that is anticipated for the Efficiency Units. These funds are not to be used for general operating shortfalls. The Mortgagor may draw funds out of the Efficiency Unit Reserve on a quarterly basis up to the total of any operating income above eight percent (8%) vacancy not received by the efficiency units. All draws must include data specifying the units and amount being drawn. All draws from the Efficiency Unit Reserve must be approved by the Director of Asset Management. If funds are drawn down during any calendar year, the initial balance ($83,040) must be restored via surplus cash or owner contributions.

This reserve will be held for a term of 5 years. After the 5-year holding period any remaining balance of the Efficiency Unit Reserve, including all interest that has accumulated, may, in the Authority's discretion, be applied to fund any other underfunded escrows or against past due obligations that the Mortgagor owes the Authority. The balance of any monies released will be deposited into the Development's ORC Account.

5. <u>Seller Note:</u>

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

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

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

6. Sponsor Loan:

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

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

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

7. Intercreditor Agreement and MSF Loan:

Prior to Mortgage Loan Commitment, the Mortgagor must submit MSF's executed loan commitment, MSF Board memo identifying source(s) of funds, pay-in schedule and substantially final documents evidencing the soft loan, which must be acceptable to the Authority's Director of Legal Affairs. There must also be an intercreditor agreement with the following provisions: 1) cash flow split of fifty percent of surplus cash between MSF and the Authority – the Authority receiving sixty-seven percent and MSF receiving thirty-three percent of the fifty percent; the cash flow split will not begin until the time period set in Standard Condition 8; 2) in the event the Authority tax-exempt bond loan is repaid in full, the MRF loan will be paid in a monthly amount equal to the tax-exempt bond loan as described in Standard Condition 8 and the HOME loan and MSF loan will receive fifty percent of surplus cash - the Authority receiving sixty-seven percent and MSF receiving thirty-three percent of the fifty percent; 3)) in the event the Authority tax-exempt bond loan and the MRF loan if paid in full, the HOME loan will be paid in a monthly amount equal to the tax-exempt bond loan as described in Standard Condition 8 and the MSF loan will receive fifty percent of surplus cash 4) loan priority and recording listing the Authority tax-exempt bond loan in first position, the MRF loan in second position, the HOME loan in third position and the MSF soft loan in fourth position; 5) an agreement not to foreclose unless Authority also forecloses; 6) an option for the Authority to pay off the MSF soft loan; 7) an agreement to approve any Authority workout option as long as the MSF and Authority soft loans are treated pro rata; 8) a funding schedule acceptable to the Authority's Director of Legal Affairs and Director of Development; and 9) MSF will deposits its soft loan with the Authority for disbursement per the flow of funds schedule.

8. MSF Subordinate Loan:

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the MSF Loan(s) 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 MSF Loan documents must become effective and initial funding of the loan must be made per the Intercreditor Agreement in an amount approved by the Director of Development.

9. **Bond Contract to Purchase:**

Prior to Initial Closing, the Mortgagor must provide, in the Authority's sole discretion, an agreed upon form contract to purchase $2,050,000 in bonds from the proposed investor and proof the funds in a Governments of Michigan Investing Cooperatively account. Documentation, terms and agreement must be acceptable to the Chief Financial Officer, the Authority's Director of Legal Affairs, the Authority's bond counsel, and the Michigan Attorney General's Office.

DEVELOPMENT TEAM AND SITE INFORMATION

I. MORTGAGOR: Eastern Elementary Limited Dividend Housing Association Limited Partnership

II. GUARANTOR(S):

A. Guarantor #1:

Name: ICCF Nonprofit Housing Corporation
Address: 920 Cherry Street SE
Grand Rapids, MI 49506

III. DEVELOPMENT TEAM ANALYSIS:

A. Sponsor:

Name: Inner City Christian Federation and ICCF Nonprofit Housing Corporation
Address: 920 Cherry Street SE
Grand Rapids, MI 49506

Individuals Assigned: Ryan VerWys
Telephone: 616-336-9333
Fax: 616-336-9323
E-mail: rverwys@iccf.org

1. **Experience**: The Sponsor has experience working on Authority-financed developments.

2. **Interest in the Mortgagor and Members**:

Eastern Elementary GP LLC -	.01%
ICCF Nonprofit Housing Corporation -	99.99%

B. Architect:

Name:	Concept Design Studio
Address:	800 East Ellis Road, #508 Norton Shores, MI 49441
Individual Assigned:	Kevin D. Osterhart
Telephone:	231-799-4838
Fax:	231-799-4837
E-Mail:	kosterhart@conceptdesignstudio.net

1. **Experience**: Architect has been approved by the Authority's Chief Architect

2. **Architect's License**: License number 13001055513, exp. 10/31/21.

C. Attorney:

Name:	Warner Norcross + Judd
Address:	One Michigan Avenue Building 120 North Washington Square, Suite 410 Lansing, MI 48933
Individual Assigned:	Kenneth W Beall
Telephone:	517-679-7408
Fax:	517-316-8400
E-Mail:	kbeall@wnj.com

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

D. Builder:

Name:	Wolverine Building Group
Address:	4045 Barden Drive, SE Grand Rapids, MI 49512
Individual Assigned:	Aaron Jonker
Telephone:	616-949-3360
E-mail:	Ajonker@wolvgroup.com

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

2. **State Licensing Board Registration**: License number 2102199076, with an expiration date of 5/31/20.

E. Management and Marketing Agent:

Name:	Inner City Christian Federation

Address:	920 Cherry Street SE Grand Rapids, MI 49506
Individual Assigned:	Ryan VerWys
Telephone:	616-336-9333
Fax:	616-336-9323
E-mail:	rverwys@iccf.org

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

F. Consultant:

Name:	Scheuren and Associates
Address:	1006 Lantern Hill Drive East Lansing, MI 48823
Individual Assigned:	Gary Scheuren
Telephone:	517-582-5192
E-mail:	gary.scheuren@gmail.com

G. Development Team: Go

IV. SITE DATA:

A. Land Control/Purchase Price:
$1,300,000

B. Site Location:
Within the City of Grand Rapids in the Highland park neighborhood

C. Size of Site:
2.3 Acres

D. Density:
Deemed Appropriate for zoning

E. Physical Description:

1. Present Use: None
2. Existing Structures: One 4 floor schoolhouse
3. Relocation Requirements: None

F. Zoning:
Special Use Permit, Approved for Multifamily

G. Contiguous Land Use:

1. North: Residential
2. South: Residential
3. East: Residential
4. West: Residential

H. Tax Information:
3% PILOT for tax credit units and ad-valorem for market rate units

I. Utilities: Available
- Electricity – Consumers
- Fuel – DTE Energy
- Water – City of Grand Rapids

J. Community Facilities:

1. Shopping:
   The site is located 8/10 of a mile from Michigan Avenue which is a highly commercial district
2. Recreation:
   The City of Grand Rapids has a playground/park next to the site
3. Public Transportation:
   Dial – a Ride is on call. Nearest bus stop is at least ½ mile from site
4. Road Systems
   Located just North of I-196 on Malta Avenue
5. Medical Services and other Nearby Amenities:
   Spectrum Health Center is about a mile from the site as well as Kent County Health Department
6. Description of Surrounding Neighborhood:
   100% residential
7. Local Community Expenditures and Support Apparent:
   Brownfield credits, CDBG funds and 3% PILOT are being provided by the City of Grand Rapids

V. DESIGN AND COSTING STATUS:

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

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

VI. 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.

VII. 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.

VIII. 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.

IX. 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.

X. DEVELOPMENT SCHEDULING:

A. Mortgage Loan Commitment:	December 2019
B. Initial Closing and Disbursement:	February 2020
C. Construction Completion:	April 2021
D. Cut-Off Date:	July 2021

XI. ATTACHMENTS:

A. Development Proforma

APPROVALS:

12·4·19

Michael Witt
Acting Chief Housing Investment Officer

Date

12-4-2019

Clarence L. Stone, Jr.
Director of Legal Affairs

Date

12/4/19

Gary Heidel
Acting Executive Director

Date

Development	Eastern Elementary
Financing	Tax Exempt
MSHDA No.	3881
Step	Commitment
Date	12/12/2019
Type	Adaptive Reuse

Instructions

Income Limits for	Kent County			(Effective April 24,2019)		
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	16,110	18,390	20,700	22,980	24,840	26,670
40% of area median	21,480	24,520	27,600	30,640	33,120	35,560
50% of area median	26,850	30,650	34,500	38,300	41,400	44,450
60% of area median	32,220	36,780	41,400	45,960	49,680	53,340

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	Current Section 8 Contract Rent	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense	Rent Limited By	Differential: Under/ (over)	Differential %	Effective AMI%	Contract Rent/Sq. Foot
40% Family	Area Median Income Units Occupancy																					
A	2	Apartment	0	1.0	413	453	37	490	10,872		2.2%	4.0%	826	2.4%	826	Low HOME	537	TC Rent	47	8.75%	36.5%	$1.10
B	3	Apartment	1	1.0	725	484	41	525	17,424		3.6%	6.0%	2,175	6.2%	2,175		575	TC Rent	50	8.70%	36.5%	$0.67
C	1	Apartment	2	1.0	830	576	54	630	6,912		1.4%	2.0%	830	2.4%	830		690	TC Rent	60	8.70%	36.5%	$0.69
									35,208	0	7.2%	12.0%	3,831	11.0%	3,831							
50% Family	Area Median Income Units Occupancy																					
A	1	Apartment	0	1.0	413	634	37	671	7,608	0	1.6%	2.0%	413	1.2%	413		671	TC Rent	0	0.00%	50.0%	$1.54
B	4	Apartment	1	1.0	725	677	41	718	32,496	0	6.7%	8.0%	2,900	8.3%	2,900		718	TC Rent	0	0.00%	49.9%	$0.93
C	2	Apartment	2	1.0	830	808	54	862	19,392	0	4.0%	4.0%	1,660	4.8%	1,660		862	TC Rent	0	0.00%	50.0%	$0.97
									59,496	0	12.2%	14.0%	4,973	14.3%	4,973							
60% Family	Area Median Income Units Occupancy																					
A	0	Apartment	0	1.0	413	698	37	735	0	0	0.0%	0.0%	0	0.0%	0		805	TC Rent	70	8.70%	54.7%	$1.69
B	5	Apartment	1	1.0	725	746	41	787	44,760	0	9.2%	10.0%	3,625	10.4%	3,625		862	TC Rent	75	8.70%	54.7%	$1.03
C	0	Apartment	2	1.0	830	891	54	945	0	0	0.0%	0.0%	0	0.0%	0		1,035	TC Rent	90	8.70%	54.8%	$1.07
									44,760	0	9.2%	10.0%	3,625	10.4%	3,625							
80% Family	Area Median Income Units Occupancy																					
A	2	Apartment	0	1.0	413	775	37	812	18,600	0	3.8%	4.0%	826	2.4%	826		1,074	TC Rent	262	24.39%	60.5%	$1.88
B	5	Apartment	1	1.0	725	850	41	891	51,000	0	10.4%	10.0%	3,625	10.4%	3,625		1,150	TC Rent	259	22.52%	62.0%	$1.17
C	2	Apartment	2	1.0	830	975	54	1,029	23,400	0	4.8%	4.0%	1,660	4.8%	1,660		1,380	TC Rent	351	25.43%	59.7%	$1.17
									93,000	0	19.0%	18.0%	6,111	17.5%	6,111							
Market Family	Rate Units Occupancy																					
A	4	Apartment	0	1.0	413	820	37	857	39,360	0	8.1%	8.0%	1,652	4.7%	0		N/A	N/A	N/A	N/A	63.8%	$1.99
B	8	Apartment	1	1.0	725	1,075	41	1,116	103,200	0	21.1%	16.0%	5,800	16.6%	0		N/A	N/A	N/A	N/A	77.6%	$1.48
C	2	Apartment	2	1.0	830	1,275	54	1,329	30,600	0	6.3%	4.0%	1,660	4.8%	0		N/A	N/A	N/A	N/A	77.0%	$1.54
D	1	Apartment	3	2.0	1,393	1,200	67	1,267	14,400	0	2.9%	2.0%	1,393	4.0%	0		N/A	N/A	N/A	N/A	63.6%	$0.86
									187,560	0	38.4%	30.0%	10,505	30.1%	0							
60% Family	Area Median Income Units Occupancy																					
A	1	Apartment	0	1.0	413	550	37	587	6,600	0	1.4%	2.0%	413	1.2%	413	High HOME	587	HOME Rent	0	0.00%	43.7%	$1.33
B	4	Apartment	1	1.0	725	672	41	713	32,256	0	6.6%	8.0%	2,900	8.3%	2,900	High HOME	713	HOME Rent	0	0.00%	49.6%	$0.93
C	3	Apartment	2	1.0	830	824	54	878	29,664	0	6.1%	6.0%	2,490	7.1%	2,490	High HOME	878	HOME Rent	0	0.00%	50.9%	$0.99
D		Apartment	3	2.0	1,393		67	0	0	0	0.0%	0.0%	0	0.0%	0		N/A	N/A	N/A	N/A	N/A	N/A
									68,520	0	14.0%	16.0%	5,803	16.7%	5,803							
Mgrs									0	0	0.0%	0.0%	0	0.0%	0							
													34,848		**24,343**							

HOME Units SF/Total Units SF	22.9%	Within Range
# HOME Units/# Total Units	22.0%	Within Range

Total Units	50
Income Average	59.71%
Set Aside	70.00%

Gross Rent Potential	**488,544**
Average Monthly Rent	**814**
Gross Square Footage	**34,848**

Utility Allowances

	Tenant-Paid	Tenant-Paid	Owner-Paid	Owner-Paid			
	Electricity	A/C	Gas	Water/ Sewer	Other	Total	Override
A	37					37	
B	41					41	
C	54					54	
D	67					67	
E						0	
F						0	
G						0	
H						0	

Annual Non-Rental Income

Misc. and Interest	1,500
Laundry	
Carports	
Other:	0
Other:	
	1,500

0.69854798

Total Income	Annual	Monthly
Rental Income	488,544	40,712
Non-Rental Income	1,500	125
Total Project Revenue	490,044	40,837

Development	Eastern Elementary
Financing	Tax Exempt
MSHDA No.	3881
Step	Commitment
Date	12/12/2019
Type	Adaptive Reuse

Mortgage Assumptions:

Debt Coverage Ratio	1.15	
Mortgage Interest Rate	3.740%	
Pay Rate	3.740%	
Mortgage Term	40	years
Income from Operations	No	

Instructions

Total Development Income Potential			Per Unit	Total	Initial Inflation Factor	Beginning in Year	Future Inflation Factor
Annual Rental Income			9,771	488,544	1.0%	6	2.0%
Annual Non-Rental Income			30	1,500	1.0%	6	2.0%
Total Project Revenue			9,801	490,044			
Total Development Expenses							
						Future Vacancy	
Vacancy Loss	8.00%	of annual rent potential	782	39,084		6	5.0%
Management Fee	527	per unit per year	527	26,350	3.0%	1	3.0%
Administration			1,271	63,540	3.0%	1	3.0%
Project-paid Fuel			300	15,000	3.0%	6	3.0%
Common Electricity			300	15,000	4.0%	6	3.0%
Water and Sewer			300	15,000	5.0%	6	5.0%
Operating and Maintenance			1,040	52,000	3.0%	1	3.0%
Real Estate Taxes			545	27,240	3.0%	1	3.0%
Payment in Lieu of Taxes (PILOT)	3.00%	Applied to: TC Units Only	150	7,475			
Insurance			409	20,450	3.0%	1	3.0%
Replacement Reserve	350	per unit per year	350	17,500	3.0%	1	3.0%
Other:			0		3.0%	1	3.0%
Other:			0		3.0%	1	3.0%

	% of Revenue			
Total Expenses	60.94%	**5,973**	**298,639**	
Base Net Operating Income		3,828	191,405	Override
Part A Mortgage Payment	33.96%	3,329	166,439	
Part A Mortgage		**69,019**	**3,450,959**	
Non MSHDA Financing Mortgage Payment		0		
Non MSHDA Financing Type:		**0**		
Base Project Cash Flow (excludes ODR)	5.09%	499	24,966	

Development Eastern Elementary
Financing Tax Exempt
MSHDA No. 3881
Step Commitment
Date 12/12/2019
Type Adaptive Reuse

Instructions

TOTAL DEVELOPMENT COSTS

Item			Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Acquisition							
Land			4,000	200,000	0%	0	0
Existing Buildings			22,000	1,100,000	0%	0	0
Other:			0		0%	0	0
		Subtotal	**26,000**	**1,300,000**			
Construction/Rehabilitation							
Off Site Improvements			0		100%	0	0
On-site Improvements			5,523	276,167	100%	276,167	0
Landscaping and Irrigation			1,229	61,438	100%	61,438	61,438
Structures			161,360	8,068,002	100%	8,068,002	8,068,002
Community Building and/or Maintenance Facility			0		100%	0	0
Construction not in Tax Credit basis (i.e.Carports and Commercial Space)			0		0%	0	0
General Requirements	% of Contract 6.00%	**Within Range**	10,087	504,336	100%	504,336	504,336
Builder Overhead	% of Contract 1.10%	**Within Range**	1,960	98,009	100%	98,009	98,009
Builder Profit	% of Contract 4.40%	**Within Range**	7,927	396,350	100%	396,350	396,350
Permits, Bond Premium, Tap Fees, Cost Cert.			3,264	163,175	100%	163,175	163,175
Other:			0		100%	0	0
		Subtotal	**191,350**	**9,567,477**			
		15% of acquisition and $15,000/unit test:		**met**			
Professional Fees							
Design Architect Fees			5,760	288,000	100%	288,000	288,000
Supervisory Architect Fees			1,440	72,000	100%	72,000	72,000
Engineering/Survey			300	15,000	100%	15,000	15,000
Other:			0		100%	0	0
		Subtotal	**7,500**	**375,000**			
Interim Construction Costs							
Property & Causalty Insurance			1,400	70,000	100%	70,000	70,000
Construction Loan Interest	Override	**188952**	3,779	188,952	100%	188,952	188,952
Title Work			600	30,000	100%	30,000	0
Legal Fees (in Tax Credit Basis)			1,600	80,000	100%	80,000	0
Construction Taxes			420	21,000	100%	21,000	21,000
Other:			0		100%	0	0
		Subtotal	**7,799**	**389,952**			
Permanent Financing							
Loan Commitment Fee to MSHDA		2%	4,242	212,119	75%	159,089	159,089
Other:			0		0%	0	0
		Subtotal	**4,242**	**212,119**			
Other Costs (In Basis)							
Application Fee			170	8,500	100%	8,500	8,500
Market Study			120	6,000	100%	6,000	6,000
Environmental Studies			600	30,000	100%	30,000	30,000
Cost Certification			400	20,000	100%	20,000	20,000
Equipment and Furnishings			1,500	75,000	100%	75,000	0
Temporary Tenant Relocation			0		100%	0	0
Construction Contingency			19,135	956,748	100%	956,748	956,748
Appraisal and C.N.A.			170	8,500	100%	8,500	8,500
Other:			0		100%	0	0
		Subtotal	**22,095**	**1,104,748**			
Other Costs (NOT In Basis)							
Start-up and Organization			600	30,000	0%	0	0
Tax Credit Fees (based on 2017 QAP)	15,160	**Out of Range**	323	16,155	0%	0	0
Compliance Monitoring Fee (based on 2017 QAP)			333	16,625	0%	0	0
Marketing Expense			400	20,000	0%	0	0
Syndication Legal Fees			600	30,000	0%	0	0
Rent Up Allowance	3.0 months		921	46,058	0%	0	0
Other:			0		0%	0	0
		Subtotal	**3,177**	**158,838**			

Item			Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Project Reserves							
Operating Assurance Reserv	4.0 months	Funded in Cas	3,101	155,026	0%	0	0
Replacement Reserve		Required	700	35,000	0%	0	0
Operating Deficit Reserve			0	0	0%	0	0
Rent Subsidy Reserve			0	0	0%	0	0
Syndicator Held Reserve			0	0	0%	0	0
Rent Lag Escrow			0	0	0%	0	0
Tax and Insurance Escrows			0	0	0%	0	0
Other:			0	0	0%	0	0
Other: Efficiency Unit Reserve			1,661	83,040	0%	0	0
		Subtotal	**5,461**	**273,066**			
Miscellaneous							
Deposit to Development Operating Account (1MGRF		Not Required	0	0	0%	0	0
Other (Not in Basis):			0	0	0%	0	0
Other (In Basis):			0	0	100%	0	0
Other (In Basis):			0	0	100%	0	0
		Subtotal	**0**	**0**			
Total Acquisition Costs			**26,000**	**1,300,000**			
Total Construction Hard Costs			**191,350**	**9,567,477**			
Total Non-Construction ("Soft") Costs			**50,274**	**2,513,723**			
Developer Overhead and Fee							
Maximum 1,806,700			**22,000**	**1,100,000**	100%	1,100,000	1,100,000
7.5% of Acquisition/Project Reserves		Override	**5% Attribution Test**				
15% of All Other Development Costs		1,100,000		met			
						LIHTC Basis	**Historic Basis**
Total Development Cost			**289,624**	**14,481,200**		**12,696,266**	**12,235,099**

TOTAL DEVELOPMENT SOURCES

Source		% of TDC	Per Unit	Total			
MSHDA Permanent Mortgage		23.83%	69,019	3,450,959			**Gap to Hard Debt Ratio**
Conventional/Other Mortgage		0.00%	0	0		**# of Units**	
Equity Contribution from Tax Credit Syndication		13.92%	40,302	2,015,077		0.00	133%
MSHDA NSP Funds		0.00%	0			11.00	
MSHDA HOME Funds		13.45%	38,947	**1,947,367**			
Mortgage Resource Funds		7.79%	22,568	1,128,382			
Other:	MEDC	10.36%	30,000	1,500,000	33%		
Owner Contribution to fund Efficency Unit Reserve		0.57%	1,661	83,040			
Income from Operations		0.00%	0	0			
Other Equity	Historic Tax Credit Equity	14.82%	42,928	2,146,375			
Transferred Reserves:		0.00%	0	0			
Other:	Seller Note	3.97%	11,500	575,000		**Deferred Dev Fee**	
Other:	Sponsor Loan	9.08%	26,300	1,315,000		29.09%	
Deferred Developer Fee		2.21%	6,400	320,000			
Total Permanent Sources				**14,481,200**			

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

MSHDA Construction Loan		**52.00%**	**150,604**	**7,530,224**
Construction Loan Rate	3.740%			
Repaid from equity prior to final closing				**4,079,265**

Eligible Basis for LIHTC/TCAP			**Value of LIHTC/TCAP**		
Acquisition	45,406		Acquisition	1,439	
Construction	7,629,475		Construction	241,854	Override
Acquisition Credit %		3.17%	Total Yr Credit	243,294	226,413
Rehab/New Const Credit %		3.17%	Equity Price	$0.8900	
Qualified Percentage		69.85%	Equity Effective Price	$0.8901	Override
QCT/DDA Basis Boost		100%	Equity Contribution	2,014,874	2,015,077
Historic?		Yes			

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

Summary of Acquisition Price		As of	
Attributed to Land	200,000	1st Mortgage Balance	
Attributed to Existing Structure	1,100,000	Subordinate Mortgage(s)	
Other:	0	Subordinate Mortgage(s)	
Fixed Price to Seller	1,300,000	Subordinate Mortgage(s)	
		Premium/(Deficit) vs Existing Debt	**1,300,000**

Construction Loan Term	Months
Construction Contract	13
Holding Period (50% Test)	
Construction Loan Period	13

Appraised Value	Value As of:	September 27, 2019
"Encumbered As-Is" value as determined by appraisal:		1,540,000
Plus 5% of Appraised Value:		0
LESS Fixed Price to the Seller:		1,300,000
Surplus/(Gap)	**Within Range**	**240,000**

Override

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	2,015,077
Brownfield Equity	
Historic Tax Credit Equity	2,146,375
General Partner Capital Contributions	
Other Equity Sources	
New Owner's Equity	**4,161,452**

Cash Flow Projections

Development Eastern Elementary
Financing Tax Exempt
MSHDA No. 3881
Step Commitment
Date 12/12/2019
Type Adaptive Reuse

	Initial Inflator	Starting in Yr	Future Inflator		1	2	3	4	5	6	7	8	9	10
Income														
Annual Rental Income	1.0%	6	2.0%		488,544	493,429	498,364	503,347	508,381	518,548	528,919	539,498	550,288	561,294
Annual Non-Rental Income	1.0%	6	2.0%		1,500	1,515	1,530	1,545	1,561	1,592	1,624	1,656	1,690	1,723
Total Project Revenue					**490,044**	**494,944**	**499,894**	**504,893**	**509,942**	**520,141**	**530,543**	**541,154**	**551,977**	**563,017**
Expenses														
Vacancy Loss	8.0%	6	5.0%		39,084	39,474	39,869	40,268	40,670	25,927	26,446	26,975	27,514	28,065
Management Fee	3.0%	1	3.0%		26,350	27,141	27,955	28,793	29,657	30,547	31,463	32,407	33,379	34,381
Administration	3.0%	1	3.0%		63,540	65,446	67,410	69,432	71,515	73,660	75,870	78,146	80,491	82,905
Project-paid Fuel	3.0%	6	3.0%		15,000	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002	19,572
Common Electricity	4.0%	6	3.0%		15,000	15,600	16,224	16,873	17,548	18,074	18,617	19,175	19,750	20,343
Water and Sewer	5.0%	6	5.0%		15,000	15,750	16,538	17,364	18,233	19,144	20,101	21,107	22,162	23,270
Operating and Maintenance	3.0%	1	3.0%		52,000	53,560	55,167	56,822	58,526	60,282	62,091	63,953	65,872	67,848
Real Estate Taxes	3.0%	1	3.0%		27,240	28,057	28,899	29,766	30,659	31,579	32,526	33,502	34,507	35,542
Payment in Lieu of Taxes (PILOT)					7,475	7,525	7,574	7,623	7,671	8,096	8,240	8,387	8,536	8,688
Insurance	3.0%	1	3.0%		20,450	21,064	21,695	22,346	23,017	23,707	24,418	25,151	25,905	26,683
Replacement Reserve	3.0%	1	3.0%		17,500	18,025	18,566	19,123	19,696	20,287	20,896	21,523	22,168	22,834
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses					298,639	307,092	315,810	324,801	334,075	328,693	338,579	348,774	359,287	370,129
Debt Service														
Debt Service Part A					166,439	166,439	166,439	166,439	166,439	166,439	166,439	166,439	166,439	166,439
Debt Service Conventional/Other Financing					0	0	0	0	0	0	0	0	0	0
Total Expenses					**465,078**	**473,531**	**482,249**	**491,240**	**500,514**	**495,132**	**505,019**	**515,213**	**525,726**	**536,568**
Cash Flow/(Deficit)					**24,966**	**21,413**	**17,645**	**13,653**	**9,428**	**25,008**	**25,525**	**25,941**	**26,251**	**26,449**
Cash Flow Per Unit					499	428	353	273	189	500	510	519	525	529
Debt Coverage Ratio on Part A Loan					1.15	1.13	1.11	1.08	1.06	1.15	1.15	1.16	1.16	1.16
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) Analaysis														
Maintained Debt Coverage Ratio (Hard Debt)	1.00													
Maintained Operating Reserve (No Hard Debt)	250			Initial Deposit										
Initial Balance				0	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR					0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR					(0)	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR					(0)	0	0	0	0	0	0	0	0	0
Interest					0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR					**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Maintained Cash Flow Per Unit					499	428	353	273	189	500	510	519	525	529
Maintained Debt Coverage Ratio on Part A Loan					1.15	1.13	1.11	1.08	1.06	1.15	1.15	1.16	1.16	1.16
Maintained Debt Coverage Ratio on Conventional/Other					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR				0										
Non-standard ODR				0										
Operating Assurance Reserve Analysis				155,026										
Required in Year:	1			Initital Deposit										
Initial Balance				**155,026**	155,026	159,677	164,467	169,401	174,483	179,718	185,109	190,662	196,382	202,274
Interest Income					4,651	4,790	4,934	5,082	5,234	5,392	5,553	5,720	5,891	6,068
Ending Balance					159,677	164,467	169,401	174,483	179,718	185,109	190,662	196,382	202,274	208,342
Deferred Developer Fee Analysis														
Initial Balance					320,000	295,034	273,621	255,976	242,323	232,896	207,887	182,363	156,422	130,171
Dev Fee Paid					24,966	21,413	17,645	13,653	9,428	25,008	25,525	25,941	26,251	26,449
Ending Balance	Repaid in y	0			295,034	273,621	255,976	242,323	232,896	207,887	182,363	156,422	130,171	103,722
Mortgage Resource Fund Loan														
Interest Rate on Subordinate Financing	3%			Initial Balance										
Principal Amount of all MSHDA Soft Funds				**1,128,382**	1,128,382	1,128,382	1,128,382	1,128,382	1,128,382	1,128,382	1,128,382	1,128,382	1,128,382	1,128,382
Current Yr Int					33,851	33,851	33,851	33,851	33,851	33,851	33,851	33,851	33,851	33,851
Accrued Int					0	33,851	67,703	101,554	135,406	169,257	203,109	236,960	270,812	304,663
Subtotal				% of Cash Flow	1,162,233	1,196,085	1,229,936	1,263,788	1,297,639	1,331,491	1,365,342	1,399,194	1,433,045	1,466,897
Annual Payment Due				**50%**	0	0	0	0	0	0	0	0	0	0
Year End Balance					1,162,233	1,196,085	1,229,936	1,263,788	1,297,639	1,331,491	1,365,342	1,399,194	1,433,045	1,466,897

Cash Flow Projections

	Initial Inflator	Starting in Yr	Future Inflator		11	12	13	14	15	16	17	18	19	20
Income														
Annual Rental Income	1.0%	6	2.0%		572,519	583,970	595,649	607,562	619,713	632,108	644,750	657,645	670,798	684,214
Annual Non-Rental Income	1.0%	6	2.0%		1,758	1,793	1,829	1,865	1,903	1,941	1,980	2,019	2,060	2,101
Total Project Revenue					**574,277**	**585,763**	**597,478**	**609,428**	**621,616**	**634,048**	**646,729**	**659,664**	**672,857**	**686,314**
Expenses														
Vacancy Loss	8.0%	6	5.0%		28,626	29,198	29,782	30,378	30,986	31,605	32,237	32,882	33,540	34,211
Management Fee	3.0%	1	3.0%		35,412	36,475	37,569	38,696	39,857	41,052	42,284	43,553	44,859	46,205
Administration	3.0%	1	3.0%		85,392	87,954	90,593	93,311	96,110	98,993	101,963	105,022	108,173	111,418
Project-paid Fuel	3.0%	6	3.0%		20,159	20,764	21,386	22,028	22,689	23,370	24,071	24,793	25,536	26,303
Common Electricity	4.0%	6	3.0%		20,953	21,582	22,229	22,896	23,583	24,290	25,019	25,770	26,543	27,339
Water and Sewer	5.0%	6	5.0%		24,433	25,655	26,938	28,285	29,699	31,184	32,743	34,380	36,099	37,904
Operating and Maintenance	3.0%	1	3.0%		69,884	71,980	74,140	76,364	78,655	81,014	83,445	85,948	88,527	91,182
Real Estate Taxes	3.0%	1	3.0%		36,608	37,707	38,838	40,003	41,203	42,439	43,712	45,024	46,374	47,766
Payment in Lieu of Taxes (PILOT)					8,841	8,997	9,155	9,315	9,477	9,642	9,808	9,977	10,148	10,322
Insurance	3.0%	1	3.0%		27,483	28,308	29,157	30,032	30,932	31,860	32,816	33,801	34,815	35,859
Replacement Reserve	3.0%	1	3.0%		23,519	24,224	24,951	25,699	26,470	27,264	28,082	28,925	29,793	30,686
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses					381,310	392,843	404,737	417,006	429,660	442,715	456,181	470,074	484,407	499,194
Debt Service														
Debt Service Part A					166,439	166,439	166,439	166,439	166,439	166,439	166,439	166,439	166,439	166,439
Debt Service Conventional/Other Financing					0	0	0	0	0	0	0	0	0	0
Total Expenses					**547,750**	**559,282**	**571,176**	**583,445**	**596,100**	**609,154**	**622,620**	**636,513**	**650,846**	**665,633**
Cash Flow/(Deficit)					**26,528**	**26,481**	**26,302**	**25,983**	**25,516**	**24,895**	**24,109**	**23,151**	**22,012**	**20,681**
Cash Flow Per Unit					531	530	526	520	510	498	482	463	440	414
Debt Coverage Ratio on Part A Loan					1.16	1.16	1.16	1.16	1.15	1.15	1.14	1.14	1.13	1.12
Debt Coverage Ratio on Conventional/Other Financing					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Rate on Reserves	3%													
Operating Deficit Reserve (ODR) Analaysis														
Maintained Debt Coverage Ratio (Hard Debt)	1.00													
Maintained Operating Reserve (No Hard Debt)	250			Initial Deposit										
Initial Balance				0	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR					0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR					0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR					0	0	0	0	0	0	0	0	0	0
Interest					0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR					0	0	0	0	0	0	0	0	0	0
Maintained Cash Flow Per Unit					531	530	526	520	510	498	482	463	440	414
Maintained Debt Coverage Ratio on Part A Loan					1.16	1.16	1.16	1.16	1.15	1.15	1.14	1.14	1.13	1.12
Maintained Debt Coverage Ratio on Conventional/Other					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR				0										
Non-standard ODR				0										
Operating Assurance Reserve Analysis				155,026										
Required in Year:	1			Initital Deposit										
Initial Balance				155,026	208,342	214,592	221,030	227,661	234,491	241,526	248,771	256,234	263,921	271,839
Interest Income					6,250	6,438	6,631	6,830	7,035	7,246	7,463	7,687	7,918	8,155
Ending Balance					214,592	221,030	227,661	234,491	241,526	248,771	256,234	263,921	271,839	279,994
Deferred Developer Fee Analysis														
Initial Balance					103,722	77,194	50,713	24,411	0	0	0	0	0	0
Dev Fee Paid					26,528	26,481	26,302	24,411	0	0	0	0	0	0
Ending Balance / Repaid in y	0				77,194	50,713	24,411	0	0	0	0	0	0	0
Mortgage Resource Fund Loan														
Interest Rate on Subordinate Financing	3%			Initial Balance										
Principal Amount of all MSHDA Soft Funds				1,128,382	1,128,382	1,128,382	1,128,382	1,128,382	1,128,382	1,128,382	1,128,382	1,128,382	1,128,382	1,128,382
Current Yr Int					33,851	33,851	33,851	33,851	33,851	33,851	33,851	33,851	33,851	33,851
Accrued Int					338,515	372,366	406,218	440,069	473,135	494,228	515,632	537,429	559,705	582,551
Subtotal				% of Cash Flow	1,500,748	1,534,600	1,568,451	1,602,302	1,635,368	1,656,461	1,677,866	1,699,662	1,721,938	1,744,784
Annual Payment Due				50%	0	0	0	786	12,758	12,447	12,055	11,576	11,006	10,341
Year End Balance					1,500,748	1,534,600	1,568,451	1,601,517	1,622,610	1,644,014	1,665,811	1,688,087	1,710,933	1,734,444

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
EASTERN ELEMENTARY APARTMENTS, MSHDA DEVELOPMENT NO. 3881
CITY OF GRAND RAPIDS, KENT COUNTY

December 12, 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 (the "Act"), to make mortgage loans to qualified non-profit housing corporations, consumer housing cooperatives and limited dividend housing corporations and associations; and

WHEREAS, an Application for Mortgage Loan Feasibility has been filed with the Authority by ICCF Nonprofit Housing Corporation and Inner City Christian Federation (collectively, the "Applicant") for a multifamily housing project to be located in the City of Grand Rapids, Kent County, Michigan, having an estimated total development cost of Fourteen Million Four Hundred Eighty-One Thousand Two Hundred Dollars ($14,481,200), a total estimated maximum mortgage loan amount of Seven Million Five Hundred Thirty Thousand Two Hundred Twenty-Four Dollars ($7,530,224) and a Mortgage Resource Fund loan in the amount of One Million One Hundred Twenty-Eight Thousand Three Hundred Eighty-Two Dollars ($1,128,382) (hereinafter referred to as the "Application"); and

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

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

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

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

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

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

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

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

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

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

f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Eight Million Eight Hundred Eighty-Three Thousand Eight Hundred Forty-Four Dollars ($8,883,844).

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

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

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

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

6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated December 12, 2019, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MORTGAGE LOANS
EASTERN ELEMENTARY APARTMENTS, MSHDA DEVELOPMENT NO. 3881
CITY OF GRAND RAPIDS, KENT COUNTY

December 12, 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 ICCF Nonprofit Housing Corporation and Inner City Christian Federation (collectively, the "Applicant") for a construction mortgage loan in the amount of Seven Million Five Hundred Thirty Thousand Two Hundred Twenty-Four Dollars ($7,530,224), and a permanent mortgage loan in the amount of Three Million Four Hundred Fifty Thousand Nine Hundred Fifty Nine Dollars ($3,450,959), for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Fourteen Million Four Hundred Eighty-One Thousand Two Hundred Dollars ($14,481,200), to be known as Eastern Elementary Apartments, located in the City of Grand Rapids, Kent County, Michigan, and to be owned by Eastern Elementary Limited Dividend Housing Association Limited Partnership (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a Mortgage Resource Fund loan in the estimated amount of One Million One Hundred Twenty-Eight Thousand Three Hundred Eighty-Two Dollars ($1,128,382) (the "Mortgage Resource Fund Loan") and a mortgage loan under the HOME Investment Partnerships Program using HOME funds in the estimated amount of One Million Nine Hundred Forty-Seven Thousand Three Hundred Sixty-Seven Dollars ($1,947,367) (the "HOME Loan"); and

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

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

(a) The Mortgagor is an eligible applicant;

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

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

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

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

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

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

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

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

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

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

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

2. A construction and permanent mortgage loan (the "Mortgage Loan") be and it hereby is authorized and the Executive Director, the Chief Housing Investment Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chief Financial Officer, the Deputy Director of Finance or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction financing of the proposed housing project in an amount not to exceed Seven Million Five Hundred Thirty Thousand Two Hundred Twenty-Four Dollars ($7,530,224), and permanent financing in an amount not to exceed Three Million Four Hundred Fifty Thousand Nine Hundred Fifty-Nine Dollars ($3,450,959), and to have a term of forty years after amortization of principal commences and to bear interest at a rate of Three and 74/100 percent (3.74%) 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 Eight Million Eight Hundred Eighty-Three Thousand Eight Hundred Forty-Four Dollars ($8,883,844). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

3. The Mortgage Resource Fund Loan be and it hereby is authorized and an

Authorized Officer is hereby authorized to issue to the Applicant and the Mortgagor a commitment for a Mortgage Resource Fund Loan (together with the commitment for the Mortgage Loan, the "Mortgage Loan Commitment") in the estimated amount of One Million One Hundred Twenty-Eight Thousand Three Hundred Eighty-Two Dollars ($1,128,382), and to have a term not to exceed forty (40) years and to bear interest at a rate of three percent (3%) per annum.

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

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

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

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

8. The Authority’s Multifamily Direct Lending Parameters requirement in Section II B.1(h), requiring a fifty (50) year term for the Mortgage Resource Fund loan, is waived, and the Mortgage Resource Fund Loan will have a forty (40) year term.

9. The Authority’s Multifamily Direct Lending Parameters requirement in Section II B.2(f) requiring the Authority to receive fifty percent (50%) of surplus cash annually to apply to its subordinate loan is waived because of the Michigan Strategic Fund’s private placement, below-market rate bond purchase and soft loan. The Authority shall receive sixty-seven percent (67%) and the Michigan Strategic Fund shall receive thirty-three (33%) of fifty percent (50%) of surplus cash until the Permanent Loan is paid in full, under the terms described in the accompanying Mortgage Loan Feasibility/Commitment Staff Report dated December 12, 2019 (the “Staff Report”).

10. The Authority’s Multifamily Direct Lending Parameters requirement in Section II B.2(f) requiring the surplus cash flow payments beginning in the 13th year from the beginning of amortization of the first mortgage loan is waived, and surplus cash flow payments will instead begin in the 14th year from the beginning of amortization of the first mortgage loan or at the earlier

year in which the sum of all surplus cash available for distribution equals the deferred development fee.

11. The Mortgage Loan shall be subject to, and the Commitment shall contain, the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated December 12, 2019, which conditions are hereby incorporated by reference as if fully set forth herein.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Gary Heidel, Acting Executive Director

DATE: December 12, 2019

RE: Recommendation to Approve Single Family Loan Subservicing Professional Services Contract Extension

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RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt a resolution to approve a professional services contract extension with LoanCare, LLC ("LoanCare") to perform subservicing for the single family loan program. The current contract began on January 1, 2017 for a three-year term with a two-year Authority-approved extension. This memorandum requests the two-year Authority-approved extension be amended to a three-year extension.

EXECUTIVE SUMMARY:

LoanCare currently manages the Authority's 19,800 first mortgage loans with a balance of approximately $1.6 billion dollars. A request for proposals was posted in 2016 for the current contract and failed to produce a submittal by the deadline. Under a direct solicitation process and through due diligence, LoanCare was determined to be the optimal subservicing choice for the Authority.

On September 14, 2016, the Authority approved a three-year contract with a two-year extension. Upon reviewing the extension, LoanCare recently offered a three-year extension option. Based on the lack of prior submissions and ability to maintain current pricing for an additional year, it is in the best interest of the Authority to extend the current contract for three years instead of the previously approved two years. LoanCare has consistently improved its performance and management of the portfolio over the past three years. It is the intention of the Authority to submit a request for proposals for this service during the third year of the extension, if approved.

Civil Service Commission approval is not required for this contract extension.

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

None.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION APPROVING SINGLE FAMILY LOAN SUBSERVICING PROFESSIONAL SERVICES CONTRACT EXTENSION

December 12, 2019

WHEREAS, the Michigan State Housing Development Authority (the "Authority") approved a resolution to enter into a single family loan subservicing professional services contract on September 14, 2016; and

WHEREAS, the professional services contract was for a term of three years with an optional two-year extension; and

WHEREAS, LoanCare, LLC, the subservicer, has offered a three-year extension instead of a two-year extension; and

WHEREAS, the additional year extension provides further stability in servicing and maintains pricing; and

WHEREAS, the Civil Service Commission is not required to approve the Authority's Contractual Services Request with respect to this professional services contract; and

WHEREAS, the Acting Executive Director has recommended the Authority approve an amendment to the professional services contract for a three-year extension; and

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

NOW, THEREFORE, Be It Resolved by the Michigan Housing Development Authority, that the Executive Director, the Chief Compliance Officer, the Director of Legal Affairs, or anyone acting in such capacity, is each hereby authorized to enter into an amendment of the single family loan subservicing professional services contract to extend the contract for three years. The term of the extension shall commence on January 1, 2020 and expire on December 31, 2022.

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: December 12, 2019

RE: Renewal of Professional Services Contracts with HCS Michigan Inc. (f/k/a Housing Compliance Specialists) and The Inspection Group, Inc.

Recommendation:

I recommend that the Michigan State Housing Development Authority (the "Authority") authorize one-year extensions of professional services contracts with HCS Michigan Inc. and The Inspection Group, Inc., for the additional cost of $500,000 and $100,000 respectively.

These contracts were previously approved by the Authority on January 25, 2017. The contracts and the proposed amendments have been authorized by Civil Service.

Executive Summary:

The Authority's multifamily rental portfolio must be monitored for compliance with complex state and federal rules and regulations governing tenant eligibility and physical condition standards for a variety of federal and state programs. The current contractors were selected after a competitive bidding process in late 2016.

The contractors conduct tenant file audits and physical inspections in accordance with HUD, IRS and Authority requirements. Without these technical services, the Authority would be unable to perform compliance monitoring in accordance with program regulations.

HCS Michigan Inc. conducts tenant file audits and physical inspections. The professional services contract with HCS Michigan Inc. has a term of April 1, 2017 to December 31, 2019 with two one-year extensions. The annual contract amount cannot exceed $500,000; if the two one-year extensions are exercised, the total contract amount cannot exceed $2,500,000.

The Inspection Group conducts only physical inspections. The professional services contract with The Inspection Group has a term of April 1, 2017 to December 31, 2019 with two one-year extensions. The annual contract amount cannot exceed $100,000; if the two one-year extensions are exercised, the total contract amount cannot exceed $500,000.

The Authority's Office of Compliance monitors the contractors' performances by reviewing documents submitted by inspectors and agents. If questions or concerns arise after review, the Authority's Compliance Manager or Quality Assurance Specialist will perform site visits as needed.

The services rendered by HCS Michigan Inc. and The Inspection Group have been satisfactory. Authority staff are therefore recommending a one-year extension of both professional services contracts.

Issues, Policy Considerations, and Related Actions:

Failure to provide these services is a violation of IRS and HUD regulations.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING CONTRACT EXTENSIONS FOR INSPECTION SERVICES WITH HCS MICHIGAN INC. (F/K/A HOUSING COMPLIANCE SPECIALISTS) AND THE INSPECTION GROUP, INC.

December 12, 2019

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized under Public Act No. 346 of the Public Acts of 1966, as amended, to maintain a Rental Development Division; and

WHEREAS, contracts for physical inspection and audit services are essential to the operation of the Authority's Rental Development Division; and

WHEREAS, the Authority, at its regularly scheduled meeting on January 25, 2017, authorized contracts with Housing Compliance Specialists (currently known as HCS Michigan Inc.) and The Inspection Group, Inc., to provide the above-referenced services through December 2019; and

WHEREAS, there is a continuing need for the services provided to the Authority by such contractors; and

WHEREAS, in order to provide for the uninterrupted provision of such inspection and audit services, the Acting Executive Director has recommended that the Authority approve one year extensions of the current professional services contracts as described in the accompanying report, to expire on or about December 31, 2020, at an additional total cost of Five Hundred Thousand Dollars ($500,000) for the professional services contract with HCS Michigan Inc. and One Hundred Thousand Dollars ($100,000) for the professional services contract with The Inspection Group, Inc.; and

WHEREAS, the Authority concurs in the recommendation of the Acting Executive Director.

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

1. One-year extensions of the existing contracts with HCS Michigan Inc. (f/k/a Housing Compliance Specialists) and The Inspection Group, Inc., for the additional cost of $500,000 and $100,000 respectively, as described in the accompanying report dated December 12, 2019, are hereby approved and adopted.

2. The Executive Director, the Chief Financial Officer, the Director of Legal Affairs, or any person duly authorized to act in any of the foregoing capacities, is each hereby authorized to take such action to execute said contract renewals on the same terms as exist in such present contracts with Housing Compliance Specialists and The Inspection Group, Inc. in accordance with the accompanying report.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

FINANCIAL REPORT

QUARTER AND YEAR TO DATE ENDED JUNE 30, 2019

CONTENTS

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
STATEMENT OF FINANCIAL CONDITION

		JUNE 30, 2019		JUNE 30, 2018		INCREASE (DECREASE)
ASSETS:						
Loans Receivable:						
Developments under Construction	$	238,100,116	$	135,307,563	$	102,792,553
Short-Term Construction Loans		-		-		-
Completed Development Final Closed		1,248,995,327		1,271,368,171		(22,372,845)
Single-family Mortgages		1,630,861,191		1,200,913,925		429,947,266
AIS Homes		-		-		-
Home Improvement and Mod Rehab Loans		3,189,485		3,803,787		(614,301)
		3,121,146,119		2,611,393,446		509,752,673
ADD (DEDUCT): Reserve for Losses		(76,431,100)		(68,142,100)		(8,289,000)
Mortgage Discount - Single Family		(76,751)		(76,751)		-
Mortgage Discount - Multi Family		(17,843,396)		(15,065,733)		(2,777,663)
Accrued Interest Receivable		73,410,891		68,459,989		4,950,902
		3,100,205,763		2,596,568,851		503,636,912
Investments						
CD's and Investment Agreements		0		0		-
Other Short Term Investments		220,104,847		296,276,650		(76,171,803)
Long Term Investments		793,897,254		894,456,487		(100,559,233)
		1,014,002,101		1,190,733,138		(176,731,037)
Accrued Interest Receivable		4,148,603		2,895,229		1,253,374
		1,018,150,704		1,193,628,367		(175,477,663)
Cash		6,947,368		4,814,015		2,133,353
Housing Development Loans, Net of Reserve		2,202,861		2,252,002		(49,141)
Deferred Bond Issuance Costs		-		-		-
Real Estate Owned:						
Multi-family		5,627,036		25,638,375		(20,011,338)
Single-family		10,085,600		9,552,592		533,008
Other Assets		65,420,904		56,651,910		8,768,994
TOTAL ASSETS	$	4,208,640,236	$	3,889,106,112	$	319,534,124
LIABILITIES:						
Bonds Payable	$	2,777,335,000	$	2,551,045,000	$	226,290,000
ADD Capital Appreciation		-		-		-
LESS Bond Discount & Premium, Net		18,574,757		8,213,013		10,361,744
		2,795,909,757		2,559,258,013		236,651,744
Notes Payable, including Premium		47,000,000		-		47,000,000
Accrued Interest Payable: Bonds		15,020,841		12,123,629		2,897,211
Escrow Funds		481,955,093		468,067,376		13,887,717
Section 8 Subsidies Received in Advance		22,484,653		19,763,970		2,720,683
Other Liabilities		42,265,391		40,196,076		2,069,314
TOTAL LIABILITIES		3,404,635,734		3,099,409,064		305,226,670
FUND BALANCES:						
Restricted Funds		467,600,058		418,417,805		49,182,253
Unrestricted Funds		336,404,444		371,279,243		(34,874,799)
TOTAL FUND BALANCES		804,004,502		789,697,048		14,307,454
TOTAL LIABILITIES & FUND BALANCES	$	4,208,640,236	$	3,889,106,112	$	319,534,124

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENSES

	MONTH OF APRIL 30, 2019		
	ACTUAL	BUDGET	OVER (UNDER) BUDGET
INCOME:			
Interest Income:			
Mortgage Loans	$ 12,221,669	$ 11,139,000	$ 1,082,669
Investments	862,607	943,000	(80,393)
	13,084,276	12,082,000	1,002,276
Interest Expense	(7,958,476)	(6,945,000)	(1,013,476)
Net Interest Income	5,125,801	5,137,000	(11,199)
State Approp MI Housing and Comm Dev Fund	-	-	-
Multi-Family Servicing Fees	81,774	63,000	18,774
Preservation Fees	-	484,000	(484,000)
LIHTC Fees	403,454	367,000	36,454
Section 8 Existing Fees	1,396,832	1,375,000	21,832
Federal Programs Administration Fees	272,679	391,000	(118,321)
Contract Administration Fees	679,022	666,000	13,022
Gain (Loss) on Sale of Investments, Net	-	-	-
Gain (Loss) on Debt Retirement, Net	-	(25,000)	25,000
Gain (Loss) on Sale of Mortgages, Net	156,956	17,000	139,956
Miscellaneous Income	158,558	396,000	(237,442)
Federal Assistance Programs Income	49,450,054	49,450,054	-
TOTAL INCOME	57,725,129	58,321,054	(595,925)
EXPENSES:			
Operating Expenses:			
Salaries and Fringe Benefits	2,775,862	2,903,000	(127,138)
Technical Service Contracts	391,132	454,000	(62,868)
General Consultant Contracts	98,739	102,000	(3,261)
Rent, building depreciation & utilities	16,803	128,000	(111,197)
Building maint, equipment purchase & rental	22,088	88,000	(65,912)
Computer & Related Equipment Purchases	26,399	592,000	(565,601)
Charges from other State Departments	(431,892)	253,000	(684,892)
Travel	14,849	35,000	(20,151)
Telephone	19,122	20,000	(878)
Printing, Supplies, & Postage	11,851	30,000	(18,149)
Advertising and Publicity	225,223	130,000	95,223
Sec 8 Property Mgrs Fees & Expenses	796,556	716,000	80,556
Temporary Clerical Assistance	3,029	4,000	(971)
Training	4,553	9,000	(4,447)
All Other	633,034	75,000	558,034
Deferred Operating Costs	(90,000)	(135,000)	45,000
Total Operating Expenses	4,517,345	5,404,000	(886,655)
Single Family& HIP Mtg fees	945,099	519,000	426,099
Costs of Issuing, Paying Notes and Bonds	673,938	200,000	473,938
Provision for Losses on Uncoll. Mort.	498,829	390,000	108,829
Housing Development Grants	636,812	855,000	(218,188)
Michigan Housing and Community Dev Fund Grar	466,003	466,003	-
Rent Subsidy	(18,213)	60,000	(78,213)
Bond Insurance Expense	736,961	278,000	458,961
Homeownership Counseling Costs	76,025	50,000	26,025
Other	-	-	-
Federal Assistance Programs Expense	49,445,634	49,445,634	-
TOTAL EXPENSES	57,978,433	57,667,637	310,796
EXCESS (DEFICIENCY) OF INCOME OVER EXPENSES	$ (253,304)	$ 653,417	$ (906,721)

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENSES

	MONTH OF MAY 31, 2019		
	ACTUAL	BUDGET	OVER (UNDER) BUDGET
INCOME:			
Interest Income:			
Mortgage Loans	$ 12,238,010	$ 11,214,000	$ 1,024,010
Investments	1,451,695	934,000	517,695
	13,689,705	12,148,000	1,541,705
Interest Expense	(8,540,267)	(6,945,000)	(1,595,267)
Net Interest Income	5,149,438	5,203,000	(53,562)
State Approp MI Housing and Comm Dev Fund	424,300	424,300	-
Multi-Family Servicing Fees	66,329	62,000	4,329
Preservation Fees	6,209,488	483,000	5,726,488
LIHTC Fees	135,632	367,000	(231,368)
Section 8 Existing Fees	1,480,074	1,375,000	105,074
Federal Programs Administration Fees	300,445	390,000	(89,555)
Contract Administration Fees	694,222	667,000	27,222
Gain (Loss) on Sale of Investments, Net	-	-	-
Gain (Loss) on Debt Retirement, Net	-	(25,000)	25,000
Gain (Loss) on Sale of Mortgages, Net	82,608	16,000	66,608
Miscellaneous Income	330,097	395,000	(64,903)
Federal Assistance Programs Income	49,400,129	49,400,129	-
TOTAL INCOME	64,272,761	58,757,429	5,515,331
EXPENSES:			
Operating Expenses:			
Salaries and Fringe Benefits	2,936,581	3,035,000	(98,419)
Technical Service Contracts	420,341	455,000	(34,659)
General Consultant Contracts	113,510	101,000	12,510
Rent, building depreciation & utilities	90,977	128,000	(37,023)
Building maint, equipment purchase & rental	17,884	87,000	(69,116)
Computer & Related Equipment Purchases	1,216,706	592,000	624,706
Charges from other State Departments	0	252,000	(252,000)
Travel	29,814	35,000	(5,186)
Telephone	18,401	20,000	(1,599)
Printing, Supplies, & Postage	44,172	30,000	14,172
Advertising and Publicity	137,736	130,000	7,736
Sec 8 Property Mgrs Fees & Expenses	796,071	717,000	79,071
Temporary Clerical Assistance	2,419	4,000	(1,581)
Training	7,021	9,000	(1,979)
All Other	136,649	75,000	61,649
Deferred Operating Costs	-	(135,000)	135,000
Total Operating Expenses	5,968,282	5,535,000	433,282
Single Family& HIP Mtg fees	511,072	519,000	(7,928)
Costs of Issuing, Paying Notes and Bonds	159,516	200,000	(40,484)
Provision for Losses on Uncoll. Mort.	422,525	390,000	32,525
Housing Development Grants	1,570,070	855,000	715,070
Michigan Housing and Community Dev Fund Grar	424,300	424,300	-
Rent Subsidy	(331,952)	60,000	(391,952)
Bond Insurance Expense	34,359	279,000	(244,641)
Homeownership Counseling Costs	30,171	50,000	(19,829)
Other	-	-	-
Federal Assistance Programs Expense	49,716,331	49,716,331	-
TOTAL EXPENSES	58,504,675	58,028,631	476,044
EXCESS (DEFICIENCY) OF INCOME OVER EXPENSES	$ 5,768,086	$ 728,798	$ 5,039,288

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENSES

	MONTH OF JUNE 30, 2019		
	ACTUAL	BUDGET	OVER (UNDER) BUDGET
INCOME:			
Interest Income:			
Mortgage Loans	$ 11,602,580	$ 11,289,000	$ 313,580
Investments	721,450	987,000	(265,550)
	12,324,030	12,276,000	48,030
Interest Expense	(8,291,140)	(6,958,000)	(1,333,140)
Net Interest Income	4,032,890	5,318,000	(1,285,110)
State Approp MI Housing and Comm Dev Fund	-	-	-
Multi-Family Servicing Fees	59,336	63,000	(3,664)
Preservation Fees	-	483,000	(483,000)
LIHTC Fees	167,854	366,000	(198,146)
Section 8 Existing Fees	1,396,095	1,375,000	21,095
Federal Programs Administration Fees	1,571,611	390,000	1,181,611
Contract Administration Fees	713,222	667,000	46,222
Gain (Loss) on Sale of Investments, Net	(101,222)	-	(101,222)
Gain (Loss) on Debt Retirement, Net	1,792,133	(25,000)	1,817,133
Gain (Loss) on Sale of Mortgages, Net	172,164	17,000	155,164
Miscellaneous Income	281,342	396,000	(114,658)
Federal Assistance Programs Income	54,954,617	54,954,617	-
TOTAL INCOME	65,040,042	64,004,617	1,035,425
EXPENSES:			
Operating Expenses:			
Salaries and Fringe Benefits	2,583,020	2,639,000	(55,980)
Technical Service Contracts	624,036	454,000	170,036
General Consultant Contracts	79,703	101,000	(21,297)
Rent, building depreciation & utilities	76,502	128,000	(51,498)
Building maint, equipment purchase & rental	46,462	88,000	(41,538)
Computer & Related Equipment Purchases	788,604	591,000	197,604
Charges from other State Departments	329,897	253,000	76,897
Travel	36,402	35,000	1,402
Telephone	126,486	20,000	106,486
Printing, Supplies, & Postage	46,019	30,000	16,019
Advertising and Publicity	95,232	131,000	(35,768)
Sec 8 Property Mgrs Fees & Expenses	806,117	717,000	89,117
Temporary Clerical Assistance	7,780	4,000	3,780
Training	10,154	9,000	1,154
All Other	155,429	75,000	80,429
Deferred Operating Costs	-	(135,000)	135,000
Total Operating Expenses	5,811,843	5,140,000	671,843
Single Family& HIP Mtg fees	463,198	520,000	(56,802)
Costs of Issuing, Paying Notes and Bonds	201,660	200,000	1,660
Provision for Losses on Uncoll. Mort.	1,239,758	390,000	849,758
Housing Development Grants	1,549,159	856,000	693,159
Michigan Housing and Community Dev Fund Grar	9,860	9,860	-
Rent Subsidy	54,041	60,000	(5,959)
Bond Insurance Expense	740,786	278,000	462,786
Homeownership Counseling Costs	21,942	50,000	(28,058)
Other	-	-	-
Federal Assistance Programs Expense	54,631,857	54,631,857	-
TOTAL EXPENSES	64,724,104	62,135,717	2,588,387
EXCESS (DEFICIENCY) OF INCOME OVER EXPENSES	$ 315,938	$ 1,868,900	$ (1,552,962)

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENSES

	QUARTER ENDED JUNE 30			QUARTER ENDED JUNE 30, 2019		
	2019	2018	INCREASE (DECREASE)	ACTUAL	BUDGET	OVER (UNDER) BUDGET
INCOME:						
Interest Income:						
Mortgage Loans	$ 35,667,242	$ 36,871,727	$ (1,204,485)	$ 35,667,242	$ 33,642,000	$ 2,025,242
Investments	3,035,752	3,854,929	(819,177)	3,035,752	2,864,000	171,752
	38,702,994	40,726,656	(2,023,662)	38,702,994	36,506,000	2,196,994
Interest Expense	(24,789,882)	(20,591,661)	(4,198,221)	(24,789,882)	(20,848,000)	(3,941,882)
Net Interest Income	13,913,112	20,134,994	(6,221,883)	13,913,112	15,658,000	(1,744,888)
State Approp MI Housing and Comm Dev Fund	424,300	201,170	223,130	424,300	424,300	-
Multi-Family Servicing Fees	207,439	183,787	23,652	207,439	188,000	19,439
Preservation Fees	6,209,488	2,496,372	3,713,116	6,209,488	1,450,000	4,759,488
LIHTC Fees	706,940	4,396,474	(3,689,533)	706,940	1,100,000	(393,060)
Section 8 Existing Fees	4,273,001	-	4,273,001	4,273,001	4,125,000	148,001
Federal Programs Administration Fees	2,144,735	397,783	1,746,952	2,144,735	1,171,000	973,735
Contract Administration Fees	2,086,465	2,041,861	44,603	2,086,465	2,000,000	86,465
Gain (Loss) on Sale of Investments, Net	(101,222)	-	(101,222)	(101,222)	-	(101,222)
Gain (Loss) on Debt Retirement, Net	1,792,133	1,095,699	696,434	1,792,133	(75,000)	1,867,133
Gain (Loss) on Sale of Mortgages, Net	411,727	105,617	306,110	411,727	50,000	361,727
Miscellaneous Income	769,998	2,104,097	(1,334,099)	769,998	1,187,000	(417,002)
Federal Assistance Programs Income	153,804,800	142,556,041	11,248,759	153,804,800	153,804,800	-
TOTAL INCOME	186,642,915	175,713,896	10,929,019	186,642,915	181,083,100	5,559,815
EXPENSES:						
Operating Expenses:						
Salaries and Fringe Benefits	8,295,462	9,089,981	(794,520)	8,295,462	8,577,000	(281,538)
Technical Service Contracts	1,435,510	1,708,878	(273,369)	1,435,510	1,363,000	72,510
General Consultant Contracts	291,952	(257,693)	549,645	291,952	304,000	(12,048)
Rent, building depreciation & utilities	184,281	910,405	(726,124)	184,281	384,000	(199,719)
Building maint, equipment purchase & rental	86,434	472,877	(386,443)	86,434	263,000	(176,566)
Computer & Related Equipment Purchases	2,031,710	1,411,710	619,999	2,031,710	1,775,000	256,710
Charges from other State Departments	460,148	(41,871)	502,020	460,148	758,000	(297,852)
Travel	81,065	89,840	(8,776)	81,065	105,000	(23,936)
Telephone	164,009	(31,175)	195,184	164,009	60,000	104,009
Printing, Supplies, & Postage	102,041	86,704	15,337	102,041	90,000	12,041
Advertising and Publicity	458,190	646,044	(187,854)	458,190	391,000	67,190
Sec 8 Property Mgrs Fees & Expenses	2,398,744	2,204,843	193,901	2,398,744	2,150,000	248,744
Temporary Clerical Assistance	13,229	6,888	6,341	13,229	12,000	1,229
Training	21,728	50,935	(29,207)	21,728	27,000	(5,272)
All Other	362,969	1,006,451	(643,482)	362,969	225,000	137,969
Deferred Operating Costs	(90,000)	(330,000)	240,000	(90,000)	(405,000)	315,000
Total Operating Expenses	16,297,471	17,024,818	(727,348)	16,297,471	16,079,000	218,471
Single Family& HIP Mtg fees	1,919,369	1,635,018	284,351	1,919,369	1,558,000	361,369
Costs of Issuing, Paying Notes and Bonds	1,035,114	1,184,388	(149,275)	1,035,114	600,000	435,114
Provision for Losses on Uncoll. Mort.	2,161,113	(3,561,306)	5,722,418	2,161,113	1,170,000	991,113
Housing Development Grants	3,756,041	2,810,974	945,067	3,756,041	2,566,000	1,190,041
Michigan Housing and Community Dev Funds Gra	900,163	201,170	698,993	900,163	900,163	-
Rent Subsidy	(296,124)	157,343	(453,467)	(296,124)	180,000	(476,124)
Bond Insurance Expense	1,512,106	1,568,608	(56,502)	1,512,106	835,000	677,106
Homeownership Counseling Costs	128,138	208,203	(80,065)	128,138	150,000	(21,862)
Other	-	-	-	-	-	-
Federal Assistance Programs Expense	153,793,822	142,545,145	11,248,677	153,793,822	153,793,822	-
TOTAL EXPENSES	181,207,212	163,774,362	17,432,850	181,207,212	177,831,985	3,375,227
EXCESS (DEFICIENCY) OF INCOME OVER EXPENSES	$ 5,435,703	$ 11,939,535	$ (6,503,831)	$ 5,435,703	$ 3,251,115	2,184,588

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENSES

	12 MONTHS ENDED JUNE 30			12 MONTHS ENDED JUNE 30, 2019		
	2019	2018	INCREASE (DECREASE)	ACTUAL	BUDGET	OVER (UNDER) BUDGET
INCOME:						
Interest Income:						
Mortgage Loans	$ 139,629,042	$ 129,138,213	$ 10,490,829	$ 139,629,042	$ 130,418,000	$ 9,211,042
Investments	14,934,832	13,681,975	1,252,858	14,934,832	11,463,000	3,471,832
	154,563,874	142,820,188	11,743,686	154,563,874	141,881,000	12,682,874
Interest Expense	(94,289,239)	(78,253,902)	(16,035,336)	(94,289,239)	(82,460,000)	(11,829,239)
Net Interest Income	60,274,636	64,566,286	(4,291,650)	60,274,636	59,421,000	853,636
State Approp MI Housing and Comm Dev Fund	2,385,749	589,905	1,795,844	2,385,749	2,385,749	-
Multi-Family Servicing Fees	934,318	740,815	193,503	934,318	750,000	184,318
Preservation Fees	6,236,291	5,107,738	1,128,553	6,236,291	5,800,000	436,291
LIHTC Fees	4,133,657	-	4,133,657	4,133,657	4,401,000	(267,343)
Section 8 Existing Fees	17,426,775	16,985,355	441,420	17,426,775	16,500,000	926,775
Federal Programs Administration Fees	6,570,386	2,844,475	3,725,911	6,570,386	4,685,000	1,885,386
Contract Administration Fees	8,288,476	8,046,206	242,270	8,288,476	7,999,000	289,476
Gain (Loss) on Sale of Investments, Net	(99,805)	(845,801)	745,996	(99,805)	-	(99,805)
Gain (Loss) on Debt Retirement, Net	3,166,853	1,626,610	1,540,243	3,166,853	(300,000)	3,466,853
Gain (Loss) on Sale of Mortgages, Net	1,456,297	256,070	1,200,227	1,456,297	200,000	1,256,297
Miscellaneous Income	2,272,825	6,519,952	(4,247,127)	2,272,825	4,750,000	(2,477,175)
Federal Assistance Programs Income	581,212,386	559,003,343	22,209,043	581,212,386	581,212,386	-
TOTAL INCOME	694,258,843	665,440,953	28,817,891	694,258,843	687,804,135	6,454,708
EXPENSES:						
Operating Expenses:						
Salaries and Fringe Benefits	34,102,912	34,864,095	(761,184)	34,102,912	34,267,000	(164,088)
Technical Service Contracts	5,002,192	5,037,144	(34,952)	5,002,192	5,452,000	(449,808)
General Consultant Contracts	806,128	825,841	(19,713)	806,128	1,214,000	(407,872)
Rent, building depreciation & utilities	1,499,770	3,805,806	(2,306,037)	1,499,770	1,536,000	(36,230)
Building maint, equipment purchase & rental	708,373	661,428	46,945	708,373	1,051,000	(342,627)
Computer & Related Equipment Purchases	6,389,932	6,306,723	83,209	6,389,932	7,100,000	(710,068)
Charges from other State Departments	2,635,689	1,658,631	977,059	2,635,689	3,030,000	(394,311)
Travel	271,479	325,309	(53,830)	271,479	420,000	(148,521)
Telephone	352,405	167,774	184,631	352,405	240,000	112,405
Printing, Supplies, & Postage	373,254	303,248	70,006	373,254	360,000	13,254
Advertising and Publicity	1,127,419	1,674,611	(547,193)	1,127,419	1,565,000	(437,581)
Sec 8 Property Mgrs Fees & Expenses	9,513,026	9,024,140	488,887	9,513,026	8,600,000	913,026
Temporary Clerical Assistance	25,254	18,035	7,219	25,254	48,000	(22,746)
Training	81,551	111,354	(29,803)	81,551	108,000	(26,449)
All Other	1,179,194	1,589,299	(410,105)	1,179,194	900,000	279,194
Deferred Operating Costs	(1,050,000)	(1,005,000)	(45,000)	(1,050,000)	(1,620,000)	570,000
Total Operating Expenses	63,018,577	65,368,439	(2,349,862)	63,018,577	64,271,000	(1,252,423)
Single Family& HIP Mtg fees	6,191,459	6,151,489	39,969	6,191,459	6,230,000	(38,541)
Costs of Issuing, Paying Notes and Bonds	2,903,217	3,059,396	(156,179)	2,903,217	2,400,000	503,217
Provision for Losses on Uncoll. Mort.	10,592,993	77,436	10,515,557	10,592,993	4,680,000	5,912,993
Housing Development Grants	8,845,675	8,575,377	270,298	8,845,675	10,263,000	(1,417,325)
Michigan Housing and Community Dev Funds Gra	2,861,612	589,905	2,271,707	2,861,612	2,861,612	-
Rent Subsidy	219,713	139,781	79,933	219,713	720,000	(500,287)
Bond Insurance Expense	3,446,278	3,568,940	(122,663)	3,446,278	3,342,000	104,278
Homeownership Counseling Costs	695,505	750,606	(55,101)	695,505	600,000	95,505
Other	-	-	-	-	-	-
Federal Assistance Programs Expense	581,176,361	558,976,984	22,199,378	581,176,361	581,176,361	-
TOTAL EXPENSES	679,951,389	647,258,352	32,693,037	679,951,389	676,543,973	3,407,416
EXCESS (DEFICIENCY) OF INCOME OVER EXPENSES	$ 14,307,454	$ 18,182,601	$ (3,875,146)	$ 14,307,454	$ 11,260,162	3,047,292

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
QUARTER AND YEAR TO DATE ENDED JUNE 30, 2019

1. Single-Family activity for the quarter and year to date June 30, 2019 was as follows:

	Current Quarter		Year to Date	
	Units	Amount	Units	Amount
Commitments outstanding – Beginning	628	$ 63,568,866	530	$ 59,859,195
Commitments issued	1,289	140,174,973	5,156	550,518,033
Loans purchased	(1,251)	(129,139,959)	(4,973)	(531,026,530)
Cancellations, adjustments, etc.	(12)	(1,008,396)	(59)	(5,755,214)
Commitments outstanding - Ending	654	$73,595,484	654	$73,595,484

Single-Family Delinquency Report as of June 30, 2019:

	Delinquent		% of Total Loans		
Days Delinquent	# of Loans	Loan Amount	6/30/19	3/31/19	6/30/18
30-59	1,073	$79,472,338	5.13%	4.72%	6.42%
60-89	272	21,099,036	1.36%	1.00%	1.65%
Over 90	366	28,060,893	1.81%	1.86%	2.41%
In Foreclosure	38	2,431,452	0.16%	0.22%	0.36%
	1,749	$131,063,719	8.46%	7.80%	10.84%

2. Home Improvement loan activity for the quarter and from inception of the program was as follows:

	Quarter	Cumulative
Number of loans purchased	3	27,909
Amount purchased	$17,736	$177,408,753
Average interest rate	6.24%	5.72%
Average loan amount	$5,912	$6,357

Home Improvement loan delinquency report as of June 30, 2019:

	Delinquent		% of Total Loans		
Days Delinquent	# of Loans	Loan Amount	6/30/19	3/31/18	6/30/18
30-59	7	$48,129	1.51%	0.66%	2.66%
60-89	3	33,807	1.06%	0.81%	1.54%
Over 90	15	166,034	5.21%	7.46%	6.49%
	25	$247,970	7.78%	8.93%	10.69%

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR QUARTER ENDED JUNE 30, 2019

Year to date as of June 2019:

Long term investment-book:	$793,897,000
Excess of market over book:	25,959,000
Long term investment-book:	$819,856,000
Unrealized Gain (Loss) for the twelve months:	($7,583,000)

Average interest rates earned on mortgage loans and investments were approximately as follows (excludes mortgagors' escrow fund investments) (in thousands):

Quarter	Mortgage Loans		Investments		Aggregate	
Ended	Amount	Rate	Amount	Rate	Amount	Rate
June 15	2,176,016	5.32	546,198	4.26	2,722,214	5.10
Sept 15	2,183,222	5.32	615,390	3.63	2,798,612	4.95
Dec 15	2,225,750	5.20	634,461	3.56	2,860,211	4.83
March 16	2,268,546	5.12	587,734	3.73	2,856,280	4.84
June 16	2,282,262	5.15	619,122	3.63	2,901,384	4.83
Sept 16	2,290,434	5.08	712,367	2.97	3,002,801	4.58
Dec 16	2,324,740	5.10	707,889	2.78	3,032,629	4.56
March 17	2,358,292	5.06	610,994	2.75	2,969,286	4.58
June 17	2,381,714	5.10	522,604	2.92	2,904,318	4.71
Sept 17	2,406,408	5.02	468,963	2.81	2,875,371	4.66
Dec 17	2,444,303	5.04	499,114	2.61	2,943,417	4.63
March 17	2,501,985	4.99	489,945	2.68	2,991,930	4.62
June 18	2,553,737	4.95	602,374	2.56	3,156,111	4.50
Sept 18	2,674,254	4.85	666,900	2.39	3,341,154	4.35
Dec 18	2,803,084	4.82	606,127	2.79	3,409,211	4.46
March 19	2,946,363	4.81	526,758	2.88	3,473,121	4.52
June 19	3,081,389	4.80	580,738	2.71	3,662,127	4.47

Average rate borne by Authority bonds were as follows (in thousands):

Quarter	Fixed Rate Bonds		Variable Rate Bonds		Aggregate	
Ended	Amount	Rate	Amount	Rate	Amount	Rate
June 15	1,802,673	4.03	124,963	0.20	1,927,636	3.78
Sept 15	1,914,860	3.96	126,080	0.16	2,040,940	3.73
Dec 15	1,949,047	3.98	126,070	0.17	2,075,117	3.75
March 16	1,942,060	3.95	126,730	0.27	2,068,790	3.72
June 16	1,990,643	3.95	119,008	0.58	2,109,651	3.76
Sept 16	2,008,202	4.05	150,705	0.79	2,158,907	3.82
Dec 16	2,087,252	3.93	94,573	0.75	2,181,825	3.79
March 17	2,043,518	3.89	105,610	0.76	2,149,128	3.74
June 17	1,980,708	3.95	86,465	0.99	2,067,173	3.82
Sept 17	1,960,915	3.91	127,425	1.00	2,088,340	3.73
Dec 17	1,972,208	3.75	195,180	1.17	2,167,388	3.51
March 17	1,924,107	3.79	255,130	1.36	2,179,237	3.51
June 18	2,038,713	3.83	270,965	1.58	2,309,678	3.57
Sept 18	2,180,915	3.78	296,608	1.48	2,477,523	3.51
Dec 18	2,314,253	3.96	260,067	1.77	2,574,320	3.74
March 19	2,351,975	3.83	284,930	1.65	2,636,905	3.60
June 19	2,501,434	3.75	291,667	1.83	2,793,101	3.55

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
DETAIL OF MULTIFAMILY MORTGAGE LOANS
JUNE 30, 2019

DEVELOPMENTS UNDER CONSTRUCTION AND MONTH OF INITIAL CLOSING

MSHDA NUMBER	DEVELOPMENT NAME	DATE	# OF UNITS	MORTGAGE COMMITMENT	BALANCE 6/30/2019	% CONST. COMPLETE (1)
	GRAND RIVER SHORES	12/06		$520,000	$464,631	(2)
341-2	FRIENDSHP MANOR	4/19	170	$6,917,677	$5,759,582	2%
432-2	RIVERVIEW TOWERS	12/18	170	$9,120,008	$9,042,810	40%
444-2	ROBERTS III	5/18	197	5,004,124	$0	24%
488-2	PARK FOREST	5/18	290	19,715,536	$17,523,815	18%
658-2	CAMELOT HILLS	11/18	144	$4,889,005	$4,889,005	80%
1654-2	ASHTON RIDGE APTS	4/18	144	6,091,943	6,091,943	98%
1655-2	ASPEN HILLS	4/18	70	4,530,694	4,530,694	92%
3428-2	OAKLAND PARK TOWERS	7/18	144	28,650,107	28,650,107	48%
3746	KAMPER AND STEVENS BUILDING	12/17	165	8,688,295	8,688,295	89%
3759	BETHANY VILLA APARTMENTS I & II	11/17	238	12,036,150	12,036,150	97%
3795	WEST HIIGHLAND APTS	1/18	135	5,061,683	5,061,590	50%
3801	LABELLE TOWERS	6/18	210	12,102,266	8,717,736	4%
3811	EVERGREEN NORTH	4/18	204	16,841,104	14,160,707	5%
3812	EVERGREEN SOUTH	4/18	125	10,085,867	7,066,476	15%
3832	GENESIS VILLAS II	12/18	89	5,415,196	5,902,259	28%
			2,495	$155,669,655	$138,585,801	

COMPLETED DEVELOPMENTS AWAITING FINAL CLOSING AND INITIAL CLOSING MONTH

926-2	BRACKEN WOODS APTS	5/16	104	4,176,442	4,176,442
993-2	LAKESHORE VILLAGE II	5/17	96	6,406,232	6,406,232
1635-2	AMBROSE RIDGE	6/17	84	4,047,362	4,047,362
2193	SILVER CREEK APTS	9/16	111	5,451,395	5,451,395
2276-2	WALNUT GROVE	6/18	80	5,085,762	5,085,762
3593	TREYMORE APTS	6/15	28	610,234	610,234
3716	LAKESHORE VILLAGE APTS III	9/17	144	11,077,516	11,077,516
3724	WOODLAND PLACE	4/17	24	314,670	314,670
3725	GRANDHAVEN MANOR II	3/17	78	8,867,157	8,867,157
3748	CHASE RUN	9/16	160	5,967,721	5,967,721
3757	GARDENVIEW ESTATES 5 AB	6/17	97	2,500,003	2,500,003
3758	VILLAGE AT ROSY MOUND	10/17	144	13,364,741	13,364,741
3760	WESTCHESTER VILLAGE NORTH	1/18	101	5,234,933	5,234,933
3783	WESTCHESTER VILLAGE EAST	1/18	101	2,098,518	2,098,518
			1,352	$75,202,686	$75,202,686

DEVELOPMENTS WITH CONSTRUCTION LOANS

352-2	BRIDGE VILLAGE	7/16	100	1,551,724	0
341-2	FRIENDSHIP MANOR	4/19	170	1,922,878	0
432-2	RIVERVIEW TOWERS	12/18	170	3,361,179	0
658-2	CAMELOT HILLS II	11/18	144	2,401,039	2,401,039
926-2	BRACKEN WOODS APTS	5/16	104	1,340,908	0
993-2	LAKESHORE VILLAGE II	5/17	96	852,356	852,356
1635-2	AMBROSE RIDGE	6/17	84	735,697	0
1654-2	ASHTON RIDGE APTS	4/18	144	920,925	920,925
1655-2	ASPEN HILLS	4/18	70	1,395,863	1,395,863
2193	SILVER CREEK APTS	9/16	111	461,875	0
2276-2	WALNUT GROVE	6/18	80	631,555	631,555
3412	PALMER PARK SQUARE	12/11	202	13,250,000	680,205
3593	TREYMORE APTS	7/14	28	2,378,972	130,127
3716	LAKESHORE VILLAGE APTS III	9/17	144	1,479,747	1,479,747
3724	WOODLAND PLACE	4/17	24	2,585,330	0
3746	KAMPER AND STEVENS BUILDING	12/17	165	5,718,158	5,718,158
3748	CHASE RUN APTS	9/16	160	1,861,033	0
3757	GARDENVIEW ESTATES 5 AB	6/17	97	9,695,259	9,695,259
3760	WESTCHESTER VILLAGE NORTH	1/18	101	1,654,936	0
3783	WESTCHESTER VILLAGE EAST	1/18	75	2,729,700	0
3795	WEST HIIGHLAND APTS	1/18	135	674,826	406,395
3801	LABELLE TOWERS	6/18	210	1,951,445	0
3811	EVERGREEN NORTH	4/18	204	3,000,000	0
3832	GENESIS VILLAS II	12/18/	89	1,346,032	0
			2,907	$63,901,437	$24,311,629
	TOTAL COMPLETED/NON-COMPLETED		3,847	$294,773,778	$238,100,116

OUTSTANDING COMMITMENTS AS OF JUNE 30, 2019

		DATE	# OF UNITS	PERMANENT LOAN	CONSTRUCTION LOAN	TOTAL
341-2	FRIENDSHIP MANOR	12/18	170	6,917,677	1,922,878	8,840,555
889-2	UNIVERSITY MEADOWS	5/19	53			
1045-2	MARCH RIDGE III	2/19	130	7,223,556	-	7,223,556
3788	WESTCHESTER VILLAGE SOUTH	6/18	150	5,506,912	2,048,842	7,555,754
3792	GOLFVIEW MEADOWS	12/17	27	935,960	3,290,650	4,226,610
3814	WHISPERING WOODS	12/18	193	14,634,069	-	14,634,069
3840	THE CREAMERY	7/18	54	5,453,075	1,518,022	6,971,097
3848	APARTMENTS AT 28 WEST	3/19	226	24,109,511	-	24,109,511
			1003	$64,780,760	8,780,392	73,561,152

(1) schedule no longer available. Data pulled from draw sheets or data provided to finance by construction specialists.
(2) Not Available

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
SEED LOANS, REPAYABLE GRANTS AND BRIDGE LOANS
JUNE 30, 2019

MSHDA #	DEVELOPMENT	TOTAL AUTHORIZED	TOTAL DISBURSED	TOTAL REPAID	TOTAL WRITE OFF	BALANCE 3/31/2019
	REPAYABLE FIRE SAFETY GRANTS:					
280	BUENA VISTA	56,204	57,097	8,725		48,372
		56,204	57,097	8,725	0	48,372
	REPAYABLE ENERGY CONSERVATION GRANTS:					
17	JACKSON	31,003	31,003	0		31,003
43	BANGOR DOWNS	54,875	54,531	0		54,531
44	OAK MEADOWS	68,262	61,806	2,339		59,467
61	CARL TERRACE	131,117	131,117	0		131,117
568	DIVINE MR	650	650	0		650
708	MADISON SQUARE REHAB	9,182	9,182	0	9,182	0
		295,089	288,289	2,339	9,182	276,768
	REPAYABLE GRANTS:					
678-G	DETROIT NPHC	100,000	100,000	90,870		9,130
HDF-04	JERICHO HOUSE	55,000	8,836	0		8,836
HDF-13	INNER CITY CHRISTIAN FEDERATION (ICCF)	75,000	75,000			75,000
HDF-22	NATIONAL CHURCH RESIDENCE	69,183	56,250	0		56,250
HDF-96	WOMEN'S RESOURCE CENTER OF GRAND TRAVERSE AREA	435,000	435,000	0		435,000
HDF-110	PROPERTY STABILIZATION, INC, A MICHIGAN CORPORATION	248,500	245,000			245,000
HDF-139	WAYNE METROPOLITAN COMMUNITY ACTION AGENCY	180,000	180,000			180,000
		1,162,683	1,100,086	90,870	0	1,009,216
HDF-2006-0140-DVHI	UNDERGROUND RAILRAOD, INC	600,000	600,000	45,677		554,323
HDF-2006-0493-DVHI	BIG RAPIDS HOUSING COMMISSION	246,415	246,415			246,415
HDF-2006-5040-DVHI	WOMEN'S INFORMATION SERVICES	474,186	528,585			528,585
HDF-2006-5352-DVHI	SAFE HORIZONS	450,000	450,000			450,000
HDF-2006-5148-DVHI	YMCA WEST CENTRAL MICHIGAN	570,000	570,000			570,000
HDF-2006-0341-CHI	GREATER LANSING HOUSING COALIATION	500,000	500,000			500,000
		2,840,601	2,895,000	45,677	0	2,849,323
	PREDEVELOPMENT LOANS					
HDF-43	NORTHERN HOMES CDC	177,300	177,300	100,000		77,300
HDF-97	NORTHERN HOMES CDC	74,325	71,546	5,631		65,915
HDF-106	INNER CITY CHRISTIAN FED (ICCF)	375,000	547,421	319,434		227,987
HDF-161	GRAND TRAVERSE COUNTY LAND BANK	65,000	61,444			61,444
HDF-212	HOMESTRETCH NPHC	78,650	104,706	104,706		0
HDF-239	CADILLAC HOUSING INITIATIVE PROGRAMS	56,720	30,275			30,275
HDF-359	AVALON HOUSING	150,000	148,193	125,123		23,070
HDF-388	OCEANNA COUNTY HOUSING COMMISSION NONPROFIT CORP	80,000	80,000			80,000
HDF-390	HOMESTRETCH NPHC	58,700	14,676			14,676
HDF-391	LINC UP NON-PROFIT CORP	82,149	77,855			77,855
		1,197,844	1,313,415	654,894	0	658,521
	TOTAL SEED LOANS, REPAYABLE GRANTS AND PREDEVELOPMENT LOANS					4,842,199
	LESS: RESERVE FOR LOSS					-2,639,340
	NET REPAYABLE GRANTS, SEED LOANS, AND PREDEVELOPMENT LOANS					2,202,861

BRIDGE LOAN COMMITMENTS AND BALANCES OUTSTANDING AS OF June 30, 2019:

DEVELOPMENT	TOTAL COMMITMENT	AMOUNT DISBURSED	AMOUNT REPAID	BALANCE OUTSTANDING
830 COURT STREET VILLAGE	3,042,680	358,352	46,489	311,863
890 FRIENDSHIP MEADOWS	1,127,201	1,127,201	1,071,517	55,684
TOTALS	4,169,881	1,485,553	1,118,006	367,547
TOTAL REPAYABLE BRIDGE LOANS				367,547

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
PASSTHROUGH OBLIGATIONS

Bonds issued pursuant to Section 44(c) of the Act and not yet called were as follows as of June 2019:

Name	Credit Enhancement	Amount
Siena Place Apt.	Financial Security Assurance	3,450,000
The Landings	AMBAC	10,335,000
Berrien Woods III	Federal Home Loan Bank	6,200,000
Parkview Place	Fannie Mae	6,890,000
Center Line Park Towers	GNMA Collateralized Program	15,065,000
Canterbury House (Jackson)	Federal Home Loan Bank	11,500,000
Alderwood Estates	Federal Home Loan Bank	8,300,000
River Park Village (Whittier)	Fannie Mae	17,000,000
Williams Pavilion	FHA Mortgage Insurance	7,945,000
Sand Creek	Citibank	3,835,000
Sand Creek Village II Apt.	Citibank	5,700,000
Teal Run Apartments	Citibank	6,585,000
Renaissance Estate of Ecorse	Escrow: Tax-Exempt Investments	9,800,000
		$112,605,000

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

FINANCIAL REPORT
June 30, 2019

Statement of Net Position

Fiscal Year 2019 Items of Note

- A net increase in both single-family and multi-family mortgage loans
- A number of the Authority's real-estate owned ("REO") multi-family developments were sold. This decrease was partially offset by an increase in single-family REO that is commensurate with the increase in the SF mortgage portfolio

	June 30		Change From
	2019	2018	Prior Year
Assets, Hedging Derivatives, and Deferred Outflows			
Cash and Cash Equivalents	$205,754	$299,603	
Investments	845,303	878,005	
Loans Receivable			
Multi-Family Mortgage Loans	1,488,969	1,408,745	80,224
Single-Family Mortgage Loans	1,630,861	1,200,914	429,947
Home Improvement and Moderate Rehabilitation Loans	3,189	3,804	
Total	3,123,019	2,613,463	
Accrued Loan Interest Receivable	71,526	67,169	
Allowance on Loans Receivable	(71,786)	(62,813)	
Net Loans Receivable	3,122,759	2,617,819	
Other Assets			
Real Estate Owner - Net	11,068	29,862	(18,794)
Other Misc Receivables and Other Assets	44,990	38,524	
Total Other Assets	56,058	68,386	
Capital Assets, net	20,431	20,956	
Total Assets	4,250,305	3,884,769	
Accumulated Decrease in Fair Value of Hedging Derivatives	41,372	12,564	
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	3,037	3,429	
Deferred Outflows Related to OPEB	7,757	3,504	
Deferred Charges on Refunding - Reassigned Swaps	41,494	44,705	
Total Deferred Outflows of Resources	52,288	51,638	
Total Assets, Hedging Derivatives, and Deferred Outflows	4,343,965	3,948,971	

Statement of Net Position, continued

Fiscal Year 2019 Items of Note

- The Authority has increased its outstanding debt in an effort to fund the increased lending activities
- This is the first year that the Authority utilized a Line of Credit to temporarily finance single-family mortgages prior to issuing debt for long-term financing
- For fiscal year 2019, the Authority only transferred $10 million from the Rental Housing Revenue Bond indenture into the General Operating fund to cover expenses

	June 30		Change From
	2019	2018	Prior Year
Liabilities, Deferred Inflows, and Net Position			
Liabilities			
Bonds Payable	$2,837,404	$2,603,963	233,441
Line of Credit	47,000	0	47,000
Hedging Derivatives	41,372	12,564	
Accrued Interest payable	15,021	12,124	
Escrow Funds	498,117	452,175	
Unamortized Mortgage Interest Income	15,970	13,061	
Net Pension Liability	39,183	34,606	
Net OPEB Liability	59,103	63,229	
Other Liabilities	39,424	42,588	
Total Liabilities	3,592,594	3,234,310	
Deferred Inflows of Resources			
Deferred Inflows related to Pensions	3,348	2,180	
Deferred Inflows related to OPEB	9,165	1,663	
Loan Origination Fees	17,525	15,142	
Total Deferred Inflows of Resources	30,038	18,985	
Net Position			
Net Investment in Capital Assets	20,431	20,956	
Restricted for Bond Repayment	474,964	434,314	40,650
Unrestricted	225,938	240,406	(14,468)
Total Net Postion	721,333	695,676	
Total Liabilities, Defrred inflows, and Net Position	$4,343,965	$3,948,971	

Statement of Revenue, Expenses, and Change in Net Position

Fiscal Year 2019 Items of Note

- Loan Interest Income is up due to an increase in the amount of mortgages that are outstanding
- The Fair market value of MSHDA's investments increased $13.9 million, $14.0 million of which is from unrealized gains
- Other Income is up primarily due to an increase of $3.7 million of Federal Admin Fees and $1.2 million from the gain of the sale of mortgages
- The Provision for Possible Losses on Loans is up due primarily to the prior year's increase in the value of troubled properties and recoveries from single-family foreclosures

	June 30	
	2019	2018
Operating Revenue		
Investment Income:		
Loan Interest Income	$140,024	$129,138
Investment Interest Income	14,935	13,682
Increase in Fair Value of Investments - Including Change in Unrealized gain of $13,997 2019 and loss of $8,884 in 2018	13,897	(9,729)
Total Investment Income	168,856	133,091
Less Interest Expense and Debt Financing Costs	97,472	83,256
Net Investment Income	71,384	49,835
Other Revenue:		
Federal and State Assistance Programs	565,952	542,661
Section 8 Program Administrative Fees	17,427	16,985
Contract Administrative Fees	8,288	8,046
Other Income	21,604	15,472
Total Other Revenue	613,271	583,164
Total Operating Revenue	684,655	632,999
Operating Expenses		
Federal and State Assistance Programs	566,428	542,661
Salaries and Benefits	39,368	35,927
Other General Operating Expenses	29,568	31,222
Loan Servincing and Insurance Costs	6,191	6,151
Provision for Possible Losses on Loans	10,593	77
Total Operating Expenses	652,148	616,038
Operating Income - Before Nonoperating Expenses	32,507	16,961
Nonoperating Expenses - Grants and Subsidies	(6,850)	(7,526)
Change in Net Position	25,657	9,435
Net Position - Beginning of Year	695,676	747,257
Restate due to Change in Accounting Princ	0	(61,016)
Net Position - End of Year	$721,333	$695,676

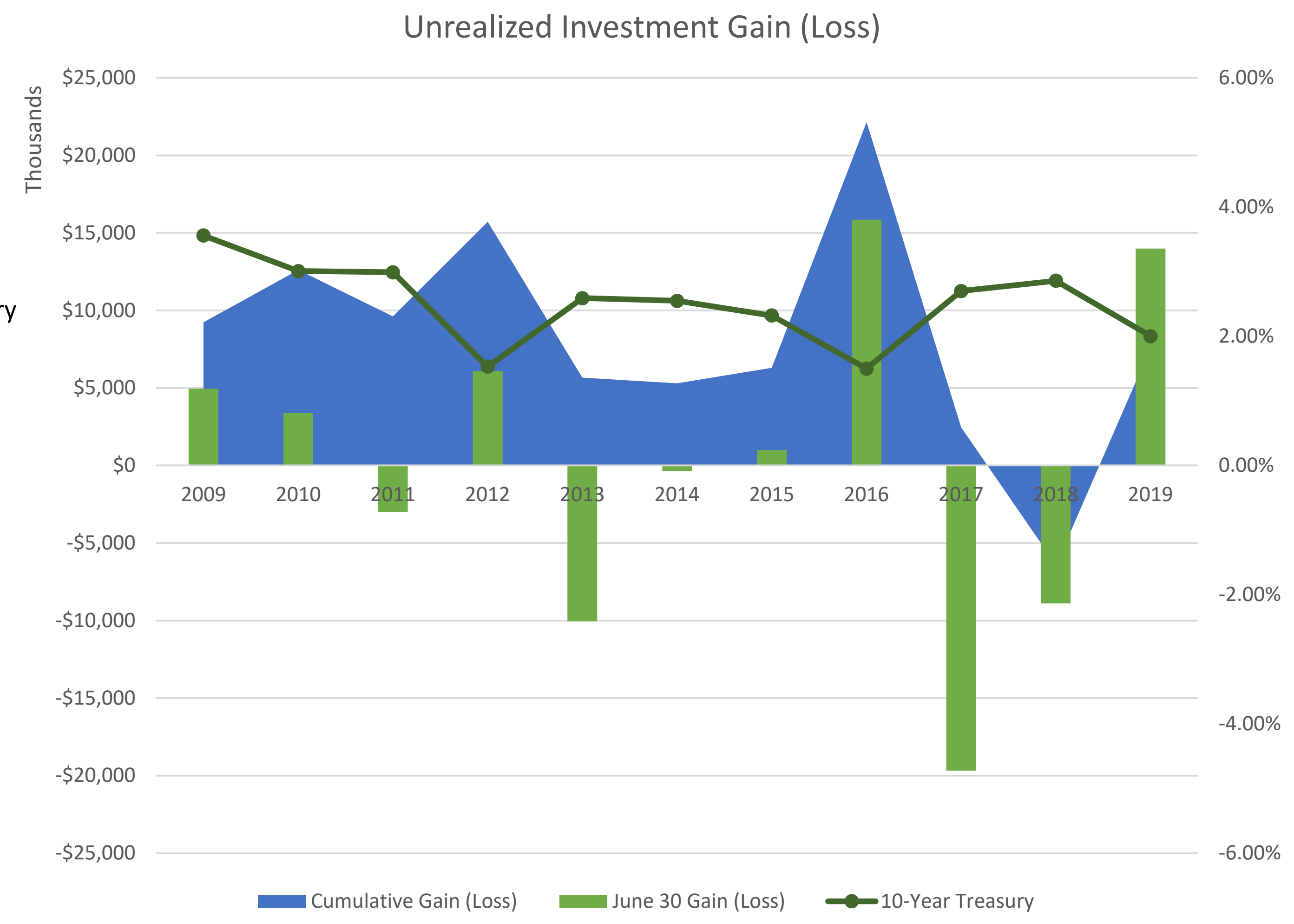
Change in Net Position Excluding Certain GASB Requirements

	June 30	
	2018	**2018**
Change in Net Position, per Audited Financial Statements	**$25,657**	**$9,435**
<u>GASB Adjustments - Reversed</u>		
Unrealized Gain/(Loss) in Fair Value of Investments	**(13,997)**	**8,884**
Grants - Cash/Commitment	**(2,215)**	**(1,189)**
Pension/OPEB	**5,113**	**1,054**
	$14,558	**$18,184**

MSHDA's Unrealized Gain Compared to the 10-Year Treasury

Raw Data

Year Ended June 30	GASB 31 Adjustment	Cumulative GASB 31 Adjustment	10-Year Tereasury
2009	4,959,000	9,239,000	3.56%
2010	3,376,000	12,615,000	3.01%
2011	(3,001,000)	9,614,000	2.99%
2012	6,095,000	15,709,000	1.53%
2013	(10,038,000)	5,671,000	2.59%
2014	(364,000)	5,307,000	2.55%
2015	998,000	6,305,000	2.32%
2016	15,847,000	22,152,000	1.50%
2017	(19,682,000)	2,470,000	2.70%
2018	(8,884,000)	(6,414,000)	2.86%
2019	13,997,000	7,583,000	2.00%



Michigan State Housing Development Authority

(a component unit of the State of Michigan)

Financial Report

with Supplemental Information

June 30, 2019

Contents

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Independent Auditor's Report

To the Board of Directors and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Michigan State Housing Development Authority (the "Authority"), a component unit of the State of Michigan, as of and for the years ended June 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise Michigan State Housing Development Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Michigan State Housing Development Authority as of June 30, 2019 and 2018 and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Michigan State Housing Development Authority's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019 on our consideration of Michigan State Housing Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Michigan State Housing Development Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 22, 2019

The Michigan State Housing Development Authority (the "Authority") provides financial and technical assistance through public and private partnerships to create and preserve decent, affordable housing for low- and moderate-income Michigan residents. The Authority was created under the terms of Act 346, Public Acts of Michigan of 1966, as amended. The Authority is authorized to issue its bonds and notes to the investing public in order to create a flow of private capital through the Authority into mortgage loans to qualified housing sponsors and to certain qualified individuals.

The Authority offers a variety of programs to provide affordable housing opportunities, such as single-family lending, low-interest property improvement lending, multifamily lending, mortgage credit certificates, and pass-through obligations.

The enclosed financial statements present the Authority's net position, revenue, expenses, changes in net position, and cash flows. The following is a condensed summary of financial information as of and for the years ended June 30, 2019, 2018, and 2017:

Condensed Financial Information

(in thousands of dollars)

	2019	2018	2017
Assets			
Investments	$ 845,303	$ 878,005	$ 808,575
Loans receivable - Net	3,122,759	2,617,819	2,413,644
Other assets	261,812	367,989	125,030
Capital assets	20,431	20,956	-
Total assets	4,250,305	3,884,769	3,347,249
Accumulated Decrease in Fair Value of Hedging Derivatives	41,372	12,564	52,634
Deferred Outflows of Resources	52,288	51,638	42,214
Total assets, hedging derivatives, and deferred outflows	**$ 4,343,965**	**$ 3,948,971**	**$ 3,442,097**
Liabilities			
Bonds payable	$ 2,837,404	$ 2,603,963	$ 2,049,494
Line of Credit	47,000	-	-
Hedging derivatives	41,372	12,564	52,634
Other liabilities	666,818	617,781	579,139
Total liabilities	3,592,594	3,234,310	2,681,267
Deferred Inflows of Resources	30,038	18,985	13,573
Net Position			
Net investment in capital assets	20,431	20,956	-
Restricted for bond repayment	474,964	434,314	434,389
Unrestricted	225,938	240,406	312,868
Total net position	721,333	695,676	747,257
Total liabilities, deferred inflows, and net position	**$ 4,343,965**	**$ 3,948,971**	**$ 3,442,097**

	2019	2018	2017
Operating Revenue			
Net investment income	$ 71,384	$ 49,835	$ 61,404
Federal and state assistance programs revenue	565,952	542,661	536,694
Section 8 program administrative fees	17,427	16,985	17,572
Contract administration fees	8,288	8,046	8,143
Other income	21,604	15,472	30,329
Total revenue	684,655	632,999	654,142
Operating Expenses			
Federal and state assistance programs expenses	566,428	542,661	536,655
Salaries and benefits	39,368	35,927	34,607
Other general operating expenses	29,568	31,222	35,408
Other expenses	16,784	6,229	13,700
Total expenses	652,148	616,038	620,371
Nonoperating Expenses - Grants and subsidies	6,850	7,526	43,022
Change in Net Position	**$ 25,657**	**$ 9,435**	**$ (9,251)**

Financial Analysis

Total assets, hedging derivatives, and deferred outflows increased from $3.95 billion at June 30, 2018 to $4.34 billion at June 30, 2019. This was an increase of approximately $394.9 million, or 10.0 percent. Total assets, hedging derivatives, and deferred outflows increased from $3.44 billion at June 30, 2017 to $3.95 billion at June 30, 2018. This was an increase of approximately $506.9 million, or 14.7 percent.

Net loans receivable increased from $2.61 billion at June 30, 2018 to $3.12 billion at June 30, 2019. Loans receivable increased due to an increase in the closing of both multifamily and single-family mortgages (net increases of $80.2 million and $430.0 million, respectively).

Net loans receivable increased from $2.40 billion at June 30, 2017 to $2.61 billion at June 30, 2018. Loans receivable increased due to an increase in the closing of both multifamily and single-family mortgages (net increases of $38.2 million and $178.0 million, respectively).

During the fiscal year ended June 30, 2018, the Authority purchased its previously leased building for $21.0 million. The capital assets reflect the purchase less accumulated depreciation.

Bonds payable increased from $2.6 billion at June 30, 2018 to $2.8 billion at June 30, 2019, a net increase of approximately $233.4 million. The increase in bonds outstanding for the year ended June 30, 2019 was due primarily to the issuance of $562.8 million in debt to fund the lending activities of the Authority, partially offset by early redemptions and maturities. Bonds payable were $2.0 billion at June 30, 2017 and $2.6 billion at June 30, 2018, a net increase of approximately $554.5 million. The increase in bonds outstanding for the year ended June 30, 2018 was due primarily to the issuance of $714.8 million in debt to fund lending activities for the Authority, partially offset by early redemptions and maturities.

The Authority entered into a revolving line of credit for the purpose of funding single-family mortgages and down payment assistance loans prior to the issuance of long-term debt financing. At June 30, 2019, the Authority had a balance due of $47 million.

Escrow funds, which are recorded in other liabilities, increased by $45.9 million from a year earlier to $498.1 million at June 30, 2019 due to additional multifamily escrow deposits and the market valuation of investments. Escrow funds decreased by $20.6 million from a year earlier to $452.2 million at June 30, 2018 due to the market value of investments.

The Authority's net position totaled $721.3 million at June 30, 2019, equal to 16.6 percent of total assets and 20.1 percent of total liabilities. A significant portion of net position is restricted. At June 30, 2019, $474.9 million of net position was pledged for payment against the various bond indentures. In addition, $266.0 million is designated by board resolution to the Mortgage Resource Fund.

The Authority's net position totaled $695.7 million at June 30, 2018, equal to 17.9 percent of total assets and 21.5 percent of total liabilities. A significant portion of net position is restricted. At June 30, 2018, $434.3 million of net position was pledged for payment against the various bond indentures. In addition, $257.9 million is designated by board resolution to the Mortgage Resource Fund.

The Authority's June 30, 2018 net position reflects a $61.0 million negative entry in order to recognize the Authority's portion of the net healthcare and life insurance other postemployment benefits (OPEB) liability as a result of implementing GASB 75. This action is further discussed in Note 18.

Operating Results

Operations for the year ended June 30, 2019 resulted in excess revenue over expenses of $25.7 million, compared to prior year results of excess revenues over expenses of $9.4 million. Operations for the year ended June 30, 2018 resulted in excess revenue over expenses of $9.4 million, compared to prior year results of excess expenses over revenues of $9.3 million. Under Governmental Accounting Standard Board ("GASB") Statement No. 31, the Authority is required to present investments at fair market value and reflect this adjustment in the statement of revenue, expenses, and change in net position. This presentation increased revenues over expenses by approximately $14.0 million for the year ended June 30, 2019. Results for the year ended June 30, 2018 were negatively impacted by a decrease of approximately $8.9 million. Currently, GASB Statement No. 31 has had a cumulative positive effect of $7.6 million on the Authority's net position; however, the Authority generally intends to hold these securities to maturity.

Net investment income increased from $49.8 million in 2018 to $71.4 million in 2019, an increase of $21.6 million.

Total revenue increased from $633.0 million for the year ended June 30, 2018 to $684.7 million for the year ended June 30, 2019, a net increase of $51.7 million. Total revenue increase is primarily due to the GASB Statement No. 31 adjustment to investments and federal revenue has increased approximately $24.0 million. Total revenue decreased from $654.1 million for the year ended June 30, 2017 to $633.0 million for the year ended June 30, 2018, a net decrease of

$21.1 million. Total revenue decreased due primarily to a one-time event, where the Authority realized $17.7 million of un-accrued interest in October of 2016.

Total operating expenses increased from $616.4 million for the year ended June 30, 2018 to $652.1 million for the year ended June 30, 2019, a net increase of $35.7 million. Total operating expenses increased due primarily to an increase in the federal and state assistance programs. Total operating expenses decreased from $620.4 million for the year ended June 30, 2017 to $616.0 million for the year ended June 30, 2018, a net decrease of $4.4 million.

Requests for Further Information

This financial report is intended to provide a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, please contact Authority's Finance Division at 517-335-9970. This report and other financial information are available on the Authority's website at www.michigan.gov/mshda/.

Michigan State Housing Development Authority

Statement of Net Position

(in thousands of dollars)

June 30, 2019 and 2018

	June 30 2019	June 30 2018
Assets, Hedging Derivatives, and Deferred Outflows		
Cash and Cash Equivalents (Note 3)	$ 205,754	$ 299,603
Investments (Note 3)	845,303	878,005
Loans Receivable (Note 4)		
Multifamily mortgage loans	1,488,969	1,408,745
Single-family mortgage loans	1,630,861	1,200,914
Home improvement and moderate rehabilitation loans	3,189	3,804
Total	3,123,019	2,613,463
Accrued loan interest receivable	71,526	67,169
Allowance on loans receivable (Note 4)	(71,786)	(62,813)
Net loans receivable	3,122,759	2,617,819
Other Assets		
Real estate owned - Net	11,068	29,862
Other miscellaneous receivables and other assets	44,990	38,524
Total other assets	56,058	68,386
Capital Assets, net (Note 11)	20,431	20,956
Total assets	4,250,305	3,884,769
Accumulated Decrease in Fair Value of Hedging Derivatives (Note 15)	41,372	12,564
Deferred Outflows of Resources		
Deferred outflows related to pensions (Note 9)	3,037	3,429
Deferred outflows related to OPEB (Note 10)	7,757	3,504
Deferred charges on refunding - Reassigned swaps (Note 15)	41,494	44,705
Total deferred outflows of resources	52,288	51,638
Total assets, hedging derivatives, and deferred outflows	**$ 4,343,965**	**$ 3,948,971**
Liabilities, Deferred Inflows, and Net Position		
Liabilities		
Bonds payable (Notes 5 and 6)	$ 2,837,404	$ 2,603,963
Line of Credit (Notes 16)	47,000	-
Hedging derivatives (Note 15)	41,372	12,564
Accrued interest payable	15,021	12,124
Escrow funds	498,117	452,175
Unamortized mortgage interest income (Note 7)	15,970	13,061
Net pension liability (Note 9)	39,183	34,606
Net OPEB liability (Note 10)	59,103	63,229
Other liabilities	39,424	42,588
Total liabilities	3,592,594	3,234,310
Deferred Inflows of Resources		
Deferred inflows related to pensions (Note 9)	3,348	2,180
Deferred inflows related to OPEB (Note 10)	9,165	1,663
Loan origination fees	17,525	15,142
Total deferred inflows of resources	30,038	18,985
Net Position		
Net investment in capital assets	20,431	20,956
Restricted for bond repayment (Note 12)	474,964	434,314
Unrestricted	225,938	240,406
Total net position	721,333	695,676
Total liabilities, deferred inflows, and net position	**$ 4,343,965**	**$ 3,948,971**

See notes to financial statements.

Michigan State Housing Development Authority

Statement of Revenue, Expenses, and Changes in Net Position

(in thousands of dollars)

Years Ended June 30, 2019 and 2018

	Year Ended June 30 2019	2018
Operating Revenue		
Investment income (loss):		
Loan interest income	$ 140,024	$ 129,138
Investment interest income	14,935	13,682
Increase (decrease) in fair value of investments - Including change in unrealized gain of $13,997 in 2019 and unrealized loss of $8,884 in 2018	13,897	(9,729)
Total investment income	168,856	133,090
Less interest expense and debt financing costs	97,472	83,256
Net investment income	71,384	49,835
Other revenue:		
Federal and state assistance programs	565,952	542,661
Section 8 program administrative fees	17,427	16,985
Contract administration fees	8,288	8,046
Other income	21,604	15,472
Total other revenue	613,271	583,164
Total operating revenue	684,655	632,999
Operating Expenses		
Federal and state assistance programs	566,428	542,661
Salaries and benefits	39,368	35,927
Other general operating expenses	29,568	31,222
Loan servicing and insurance costs	6,191	6,151
Provision for possible losses on loans	10,593	77
Total operating expenses	652,148	616,038
Operating Income - Before nonoperating expenses	32,507	16,961
Nonoperating Expenses - Grants and subsidies	(6,850)	(7,526)
Change in Net Position	25,657	9,435
Net Position - Beginning of year	695,676	747,257
Restatement due to change in accounting principle (Note 18)	-	(61,016)
Net Position - End of year	**$ 721,333**	**$ 695,676**

See notes to financial statements.

Statement of Cash Flows
(in thousands of dollars)

Years Ended June 30, 2019 and 2018

	Year Ended June 30	
	2019	2018
Cash Flows from Operating Activities		
Loan receipts	$ 378,171	$ 334,519
Other receipts	756,874	706,213
Loan disbursements	(765,515)	(421,210)
Payments to vendors	(66,722)	(68,770)
Payments to employees	(19,731)	(20,947)
Other disbursements	(664,427)	(668,619)
Net cash used in operating activities	(381,350)	(138,814)
Cash Flows from Investing Activities		
Purchase of investments	(618,607)	(515,076)
Proceeds from sale and maturities of investments	701,618	421,950
Interest received on investments	10,425	9,595
Net cash provided (used in) by investing activities	93,436	(83,531)
Cash Flows from Capital Financing Activities		
Purchase of capital assets	-	(21,000)
Cash Flows from Noncapital Financing Activities		
Proceeds from issuance of bonds - Less discounts	572,125	716,840
Principal repayments on bonds	(336,460)	(171,255)
Draws on line of credit	217,000	-
Repayment on line of credit	(170,000)	-
Interest paid	(88,600)	(73,310)
Net cash provided by noncapital financing activities	194,065	472,275
Net (Decrease) Increase in Cash and Cash Equivalents	(93,849)	228,930
Cash and Cash Equivalents - Beginning of year	299,603	70,673
Cash and Cash Equivalents - End of year	**$ 205,754**	**$ 299,603**

See notes to financial statements.

Statement of Cash Flows (Continued)

(in thousands of dollars)

Years Ended June 30, 2019 and 2018

	Year Ended June 30 2019		Year Ended June 30 2018	
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	$	32,507	$	16,961
Adjustments to reconcile operating income to net cash from operating activities:				
Change in deferred items		6,688		(2,277)
Arbitrage rebate expense		(501)		(146)
Investment interest income		(14,935)		(13,682)
(Increase) decrease in realized and unrealized gain on market value of investments		(19,155)		2,522
Interest expense on bonds and debt financing expense		100,639		84,882
Provision for possible losses on loans		10,593		77
Depreciation expense		525		44
Grants and subsidies		(6,850)		(7,526)
Changes in assets and liabilities:				
Accrued loan interest receivable		(4,357)		7,494
Loans receivable		(509,556)		(215,481)
Other assets		12,328		(14,030)
Escrow funds		13,889		364
Other liabilities		(3,164)		1,984
Net cash used in operating activities	**$**	**(381,350)**	**$**	**(138,814)**

Noncash Financing and Investing Activities - During the years ended June 30, 2019 and 2018, the Authority foreclosed on various properties with mortgage values of approximately $13.0 million and $10.2 million, respectively.

Statement of Net Position – Michigan Homeowner Assistance Nonprofit Housing Corporation (Discretely Presented Component Unit)

(in thousands of dollars)

June 30, 2019 and 2018

	2019	2018
Assets		
Cash and Cash Equivalents (Note 3)	$ 119,897	$ 95,021
Other Assets - Prepaid and other	196	133
Total assets	**$ 120,093**	**$ 95,154**
Liabilities and Net Position		
Liabilities - Accounts payable and other	$ 343	$ 331
Net Position - Restricted for Hardest Hit Program	119,750	94,823
Total liabilities and net position	**$ 120,093**	**$ 95,154**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position
Michigan Homeowner Assistance Nonprofit Housing Corporation
(Discretely Presented Component Unit)
(in thousands of dollars)

Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenue		
Hardest Hit Program	$ 110,776	$ -
Other income	1,221	1,084
Total operating revenue	111,997	1,084
Operating Expenses		
Program	82,885	61,761
Marketing	-	616
Contracted services	2,799	3,056
Other operating expenses	1,386	2,512
Total operating expenses	87,070	67,945
Change in Net Position	24,927	(66,861)
Net Position - Beginning of year	94,823	161,684
Net Position - End of year	**$ 119,750**	**$ 94,823**

Statement of Cash Flows – Michigan Homeowner Assistance Nonprofit Housing Corporation (Discretely Presented Component Unit) (in thousands of dollars)

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Receipts of federal funds	$ 110,776	$ -
Payments to grantees	(82,885)	(61,761)
Payments to suppliers	(1,437)	(2,806)
Payments to contractors	(2,799)	(3,056)
Other receipts	1,221	1,084
Net Increase (Decrease) in Cash and Cash Equivalents	24,876	(66,539)
Cash and Cash Equivalents - Beginning of year	95,021	161,560
Cash and Cash Equivalents - End of year	**$ 119,897**	**$ 95,021**
Reconciliation of Change in Net Position to Net Cash from Operating Activities		
Change in net position	$ 24,927	$ (66,861)
Adjustments to reconcile change in net position to net cash from operating activities -		
Changes in assets and liabilities:		
Prepaid expenses and other assets	(63)	384
Accounts payable	12	(62)
Net cash and cash equivalents provided by (used in) operating activities	**$ 24,876**	**$ (66,539)**

See notes to financial statements.

Note 1 - Authorizing Legislation and Reporting Entity

The Michigan State Housing Development Authority (MSHDA or the "Authority") was created by the Michigan Legislature under the provisions of the State Housing Development Authority Act of 1966, as amended (the "Act"). The Authority, as a special purpose entity, is a component unit of the State of Michigan and is reported as an Enterprise Fund in the State's Comprehensive Annual Financial Report. The Act empowers the Authority, among other things, to issue notes and bonds to finance housing for sale or rental to families with low and moderate income and to finance home improvements. The enabling legislation, along with the various bond and note resolutions adopted by the Authority, contains specific provisions pertaining to (a) the use of the proceeds from the sale of the notes and bonds, (b) the application of the revenue from mortgages, and (c) the creation of certain funds along with the accounting policies for such funds. The Authority is authorized by statute to have notes and bonds outstanding up to a total of $3.4 billion. The Authority is currently working with Michigan Legislature to increase the amount of notes and bonds that can be outstanding.

Component Unit

Michigan Homeowner Assistance Nonprofit Housing Corporation - The Authority formed a nonprofit entity to operate the federal Hardest Hit Program. The entity, Michigan Homeowner Assistance Nonprofit Housing Corporation (the "Nonprofit"), was created on April 7, 2010 pursuant to the provisions of Act 162, Public Acts of 1982 and was formed as a 501(c)(3) of the Internal Revenue Code. The entity provides loans and grants, facilitates community development and revitalization in the state, and provides counseling, financial literacy education, and other services to prevent, reduce, and mitigate foreclosures and stabilized home values, and does not provide services to the Authority. The Authority is responsible for appointing, removing, and replacing the five members that make up the board of directors and can do so at will for any cause or without cause. The Authority's board of directors is not substantially the same as the Nonprofit's board of directors. The Nonprofit is considered a discretely presented component unit of the Michigan State Housing Development Authority and separately issues its own financial statements. The Nonprofit's separately issued financial statements can be obtained by contacting the Authority's management. The discretely presented component unit is reported in separate financial statements which follow the Authority's financial statements to emphasize that it is legally separate from the Authority.

Note 2 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Authority:

Accounting and Reporting Principles - The Authority follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board (GASB). The Authority follows the business-type activities reporting requirements of GASB Statement No. 34, which provides a comprehensive one-line look at the Authority's financial activities.

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting - Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Report Presentation - This report includes the fund-based statements of the Authority. In accordance with government accounting principles, a government-wide presentation with program and general revenue is not applicable to special purpose governments engaged only in business-type activities. The Authority presents all funds in a single-column presentation.

Specific Balances and Transactions

Cash and Cash Equivalents - The Authority considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. The Authority also considers the U.S. government money market funds to be cash and cash equivalents.

Investments - The Authority reports investments at fair value. The net change in the fair value of investments includes both realized and unrealized gains and losses.

Single-family Mortgage Loans Receivable - Single-family mortgage loans receivable consists of the remaining principal due from each first mortgage and down payment assistance loan outstanding. Under the Authority's single-family program, participating lending institutions originate mortgages within underwriting parameters developed and provided by the Authority. Unless a mortgage loan meets the qualifying loan-to-value ratio, it must have private primary mortgage insurance or be insured by Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA) or the United States Department of Agriculture. To date, the Authority has contracted with a sub-servicer to service the single-family mortgage portfolio.

Multifamily Mortgage Loans Receivable - Multifamily mortgage loans receivable consists of the remaining principal due from mortgagors of each completed development and construction advances for each development under construction under the multifamily program. Housing developments securing multifamily loans are subject to regulatory agreements under which the Authority has certain powers relating to rents, cash distributions, occupancy, management, and operations. Monies representing escrow funds for reserves for the payment of property taxes, insurance, property repairs and replacements, and income in excess of allowable cash distributions are required to be deposited with the Authority. Investment income earned on the deposited funds is credited to the respective mortgagor's escrow accounts.

Note 2 - Summary of Significant Accounting Policies (Continued)

Allowance on Loans Receivable - It is the Authority's policy to provide for future losses on mortgage loans based on an evaluation of the loan portfolio, current economic conditions, and such other factors which, in the Authority's judgment, require consideration in estimating future mortgage loan losses. The allowance is maintained at a level considered by management to be adequate to provide for probable mortgage loan losses inherent in the portfolio.

Capital Assets - Capital assets are defined by the Authority as assets with an initial individual cost of more than $100,000 (except for land and land improvements at any cost and office furniture and intangible assets of more than $5,000) and an estimated useful life in excess of one year. Such assets are recorded at fair value, historical cost or estimated historical cost if purchased or constructed.

Real Estate Owned - The Authority acquires real estate through foreclosure proceedings and holds that property until which time it can be sold at a fair price. These properties are valued at the lower of cost or fair market value and recorded net of estimated uncollectible amounts.

Bonds Payable - Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred.

Line of Credit - The Authority may enter into a revolving line of credit for the purpose of funding single-family mortgages, down payment assistance loans and multi-family mortgages prior to the issuance of long-term debt financing. This revolving line of credit would then be paid down after closing long-term financing through bonds.

Compensated Absences - Authority's employees accrue vacation and sick leave in varying amounts for each biweekly period worked. Employees may accumulate, subject to certain limitations, vacation and sick leave and, upon retirement, termination, or death, may be compensated for certain accumulated amounts at their then-current rates of pay. The Authority's records an expense for all accumulated vacation and sick leave that the Authority would be required to pay if all employees terminated their employment. The compensated absences included in other liabilities at June 30, 2019 and 2018 totaled $2,148,904 and $2,431,624, respectively.

Arbitrage Rebate - Federal income tax rules limit the investment and loan yields which the Authority may retain for its own use from investing the proceeds from certain of its tax-exempt bond issues. The excess yields are payable to the U.S. Treasury and are recorded in other liabilities.

Loan Origination Fees - The Authority charges the mortgagor of each multifamily development a loan origination fee equal to 2 percent of the mortgage loan. These fees are amortized over the term of the loan receivable using the interest method.

Note 2 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has four items that qualify for reporting in this category: the deferred outflows of resources related to the pension, deferred outflows of resources related to the other postemployment benefit costs, deferred charges on refunding - reassigned swaps, and the accumulated decrease in the fair value of hedging derivatives.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has three items that qualify for reporting in this category: the deferred inflows of resources related to the pension, deferred inflows of resources related to the other postemployment benefit costs, and loan origination fees.

Net Position - Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of amounts pledged for payment against the various bond indentures. All of the net position of the component unit is restricted for eligible federal program expenditures. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted. When an expense is incurred for a purpose for which both restricted and unrestricted net position are available, the Authority's policy is generally to first apply restricted resources.

Federal and State Assistance Programs - The Authority administers various federal and state programs and initiatives in its efforts to create decent affordable housing for low- to moderate-income families.

- Section 8 Program - The Authority receives federal financial assistance through various housing and rental programs to provide rental subsidies and tenant vouchers.
- Hardest Hit Program - A component unit of the Authority, Michigan Homeowner Assistance Nonprofit Housing Corporation, administers funds under this program to prevent, reduce, mitigate foreclosures, and stabilize home values.
- State Assistance Programs - Pursuant to PA 296 of 2012, the Authority received national foreclosure settlement funds through the State of Michigan's Homeowner's Protection Fund to provide foreclosure counseling and legal aid to homeowners, blight elimination, a home affordable refinance program, down payment assistance to homebuyers, and housing and community development.

Note 2 - Summary of Significant Accounting Policies (Continued)

Pensions and Postemployment Benefits Other Than Pensions (OPEB) - For the purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the State Employees' Retirement System (SERS) or the postemployment life insurance benefits plan (the "Plan") have been determined on the same basis as they are reported by SERS or the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Operating Revenue and Expenses - The Authority was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the Authority into mortgage loans to qualified housing sponsors and to certain qualified individuals. The Authority's primary operation is to borrow funds in the bond market and use those funds to make single-family and multifamily loans. Its primary operating revenue is derived from loan interest income and the investment income from proceeds of bond funds. The primary cost of the program is interest expense on bonds outstanding. Net investment income is an important measure of performance under the Authority's primary operation. Investment income, interest expense, and net investment income are shown as operating revenue in the statement of revenue, expenses, and changes in net position.

Nonoperating Expenses - The nonoperating expenses are made up of nonfederal, nonrepayable grants and subsidies that the Authority awards on a discretionary basis. The awards are based on the amount of available authority funds and are not related to the operating activities of the Authority.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Deposits and Investments

Cash, cash equivalents, and investments held by the Authority were as follows (in thousands of dollars):

	MSHDA			Component Unit
	Cash and Cash Equivalents	Investments	Total	Cash and Cash Equivalents
2019				
Deposits	$ 6,948	$ -	$ 6,948	$ 2,644
Investments	198,806	845,303	1,044,109	117,253
Total	$ 205,754	$ 845,303	$ 1,051,057	$ 119,897
2018				
Deposits	$ 4,814	$ -	$ 4,814	$ 6,944
Investments	294,789	878,005	1,172,794	88,077
Total	$ 299,603	$ 878,005	$ 1,177,608	$ 95,021

The investment noted above within the component unit relates to an investment pool valued at amortized cost under GASB 79. There are no limitations or restrictions on participant withdrawals for the investment pool recorded at amortized cost.

The Authority has designated eight banks for the deposit of its funds. The investment policy adopted by the board in accordance with state statutes has authorized investment of funds held in reserve or sinking funds, or monies not required for immediate use or disbursement in obligations of the State of Michigan or the United States government, in obligations of which the principal and interest are guaranteed by the State of Michigan or the United States government, and in other obligations as may be approved by the State Treasurer, bank accounts, and CDs. The Authority's deposits and investment policies are in accordance with state statutes and any exceptions have had special approval from the State Treasurer.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

At June 30, 2019, the Authority had approximately $9,592,000 of bank deposits (checking and savings accounts), and of that balance, approximately $1,176,000 was uninsured and uncollateralized. In addition, the Authority had $198,806,000 of government money market funds. The component unit does not have a deposit policy for custodial credit risk. At June 30, 2019, the component unit had approximately $3,711,000 of bank deposits (checking accounts), and of that balance, approximately $3,461,000 was uninsured and uncollateralized.

At June 30, 2018, the Authority had approximately $3,917,000 of bank deposits (certificates of deposit and checking and savings accounts), and of that balance, approximately $3,520,000 was uninsured and uncollateralized. In addition, the Authority had $294,789,000 of government money market funds. The component unit does not have a deposit policy for custodial credit risk. At June 30, 2018, the component unit had approximately $7,237,000 of bank deposits (checking accounts), and of that balance, approximately $6,987,000 was uninsured and uncollateralized.

The Authority believes that, due to the dollar amounts of cash deposits and the limits of the FDIC insurance, it is impractical to insure all deposits. At June 30, 2019 and 2018, there was $7,108,000 and $3,452,000, respectively, of deposits which was collateralized with securities held by the Federal Reserve Bank or held in safekeeping for the Authority at a financial institution's trust department, but not in the Authority's name. To also limit its risk, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty's trust department or agent, but not in the Authority's name:

Type of Investment	Fair Value (in thousands of dollars) 2019	2018	How Held
MSHDA			
U.S. government securities	$ 219,501	$ 275,451	Counterparty's trust dept.
Mortgage-backed securities	476,115	390,146	Counterparty's trust dept.
U.S. government agency securities	145,538	209,451	Counterparty's trust dept.
U.S. government money market funds	198,806	294,789	Counterparty's trust dept.
Component Unit			
U.S. government money market funds	117,253	88,077	Counterparty's trust dept.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy does not restrict investment maturities. At year end, the average maturities of investments are as follows (in thousands of dollars):

Type of Investment	Fair Value	Less than One Year	1-5 Years	6-10 Years	More Than 10 Years
2019					
MSHDA					
U.S. government securities	$ 219,501	$ 124,160	$ 51,582	$ 40,403	$ 3,356
Mortgage-backed securities	476,115	-	27,267	2,795	446,053
U.S. government agency securities	145,538	19,783	8,001	38,460	79,294
U.S. government money market funds	198,806	198,806	-	-	-
Component Unit					
U.S. government money market funds	117,253	117,253	-	-	-

Note 3 - Deposits and Investments (Continued)

Type of Investment	Fair Value	Less than One Year	1-5 Years	6-10 Years	More Than 10 Years
2018					
MSHDA					
U.S. government securities	$ 275,451	$ 124,067	$ 105,280	$ 43,141	$ 2,963
Mortgage-backed securities	390,146	-	29,239	6,942	353,965
U.S. government agency securities	209,451	162,255	21,908	-	25,288
U.S. government money market funds	294,789	294,789	-	-	-
Component Unit					
U.S. government money market funds	88,077	88,077	-	-	-

Credit Risk - The Authority has no investment policy that would limit its investment choices, except as noted in the state statute. As of year-end, the credit quality ratings of debt securities are as follows (in thousands of dollars):

Investment	Fair Value	Rating	Rating Organization
2019			
MSHDA			
U.S. government securities	$ 219,501	AA+	S&P
Mortgage-backed securities	476,115	AA+	S&P
U.S. government agency securities	145,538	AA+	S&P
U.S. government money market funds	198,806	Not rated	-
Component Unit			
U.S. government money market funds	117,253	Not rated	-

Note 3 - Deposits and Investments (Continued)

Investment	Fair Value	Rating	Rating Organization
2018			
MSHDA			
U.S. government securities	$ 275,451	AA+	S&P
Mortgage-backed securities	390,146	AA+	S&P
U.S. government agency securities	209,451	AA+	S&P
U.S. government money market funds	294,789	Not rated	-
Component Unit			
U.S. government money market funds	88,077	Not rated	-

Concentration of Credit Risk - The Authority has 31 percent and 29 percent of its investment portfolio invested in the securities of government-sponsored enterprises as of June 30, 2019 and 2018, respectively. These include securities issued by the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Corporation. Excluding U.S. government securities, no other issuer represents over 5 percent of the Authority's investment portfolio.

Escrow Funds - Included in investments are funds held in trust for mortgagors with a carrying value of approximately $558,916,000 and $468,547,000 at June 30, 2019 and 2018, respectively.

Fair Value Measurements - The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Authority has the following recurring fair value measurements as of June 30, 2019 and 2018:

Note 3 - Deposits and Investments (Continued)

Type of Investment	Fair Value	Level 1	Level 2	Level 3
2019				
MSHDA				
U.S. government securities	$ 219,501	$ 219,501	$ -	$ -
Mortgage-backed securities	476,115	-	476,115	-
U.S. government agency securities	145,538	-	145,538	-
U.S. government money market funds	198,806	-	198,806	-

Type of Investment	Fair Value	Level 1	Level 2	Level 3
2018				
MSHDA				
U.S. government securities	$ 275,451	$ 275,451	$ -	$ -
Mortgage-backed securities	390,146	-	390,146	-
U.S. government agency securities	209,451	-	209,451	-
U.S. government money market funds	294,789	-	294,789	-

U.S. government securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of mortgage-backed securities, U.S. government agency securities, and U.S. government money market funds is determined primarily based on Level 2 inputs. The Authority estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The Authority also has interest rate swaps reported as liabilities on the statement of net position based on Level 2 inputs. The methodology used to determine the fair values of these swaps as well as the fair values of investments are shown within Note 15.

Note 4 - Loans Receivable

All loans receivable are collateralized by first liens on the real property developed or purchased with the proceeds of the loans, except for certain home improvement and moderate rehabilitation loans. Substantially all single-family loans are insured by the Federal Housing Administration (FHA) or private mortgage insurance companies, or are guaranteed by the Veterans Administration (VA) or the United States Department of Agriculture. Substantially all multifamily loans are uninsured.

Note 4 - Loans Receivable (Continued)

A summary of loans receivable is as follows (in thousands of dollars):

		2019		2018
Loans receivable:				
FHA insured, VA, or U.S. Department of Agriculture guaranteed	$	1,104,238	$	973,117
Insured by private mortgage insurance companies		373,534		101,877
Uninsured		1,645,247		1,538,469
Total loans receivable	$	3,123,019	$	2,613,463

A summary of the allowance for possible loan losses is as follows:

		2019		2018
Beginning balance	$	62,813	$	59,001
Provision for possible losses		10,593		77
Write-offs of uncollectible losses - Net of recoveries		(1,620)		3,735
Ending balance	$	71,786	$	62,813

Note 5 - Bonds Payable

The Authority issues revenue bonds to fund loans to finance multifamily housing developments and single-family housing units for persons of low and moderate income within the state of Michigan. Such bonds constitute a direct obligation of the Authority and are not a debt of the State of Michigan. Each bond issue is secured by the pledge of all repayments to the Authority of loans issued with the proceeds of the bond issue and all income earned by the Authority relating to those bonds. The bonds are full faith and credit general obligations of the Authority. Interest on fixed rate bonds is payable semiannually, while interest on variable rate debt can be payable semiannually, quarterly, or monthly. All bonds are subject to a variety of redemption provisions as set forth in the official statements for each of the issues. One such redemption provision is that each of the bond resolutions contains cross-default provisions which permit the acceleration of the maturity of all such bonds, as well as certain other remedies, in the event of a default by the Authority in the payment of principal or interest on any bond of the Authority.

Note 5 - Bonds Payable (Continued)

Changes in bonds are as follows (in thousands of dollars):

As of June 30, 2019

	Beginning Balance	Additions	Payments	Ending Balance
Revenue bonds:				
Single-family mortgage	1,177,565	549,825	129,685	1,597,705
Rental housing	1,373,480	12,925	206,775	1,179,630
Total revenue bonds	$ 2,551,045	$ 562,750	$ 336,460	$ 2,777,335
Due within one year				$ 91,595

As of June 30, 2018

	Beginning Balance	Additions	Payments	Ending Balance
Revenue bonds:				
Single-family home ownership	$ 21,060	$ -	$ 21,060	$ -
Single-family mortgage	969,420	306,860	98,715	1,177,565
Multifamily housing	1,565	-	1,565	-
Rental housing	1,015,495	407,900	49,915	1,373,480
Total revenue bonds	$ 2,007,540	$ 714,760	$ 171,255	$ 2,551,045
Due within one year				$ 70,495

Note 5 - Bonds Payable (Continued)

Bonds payable at June 30 are as follows (in thousands of dollars):

	2019	2018
Single-Family Mortgage Revenue bonds:		
2006 Series C, 2035, variable rate (Note 6)	50,600	50,600
2007 Series B, 2038, variable rate (Note 6)	97,335	107,995
2007 Series D, E, and F, 2038, variable rate (Note 6)	135,440	157,320
2009 Series D, 2030, variable rate (Note 6)	42,090	47,950
2014 Series A, 2030 to 2044, 3.70% to 4.00%	11,415	22,065
2015 Series A, 2019 to 2046, 1.65% to 4.00%	43,785	65,350
2016 Series A, 2019 to 2046, 1.30% to 4.00%	78,120	86,800
2016 Series B and C, 2019 to 2047, 1.50% to 3.70%	298,770	334,240
2017 Series A, 2043, variable rate #	45,000	45,000
2017 Series B, 2019 to 2048, 1.25% to 3.50%	85,185	90,245
2018 Series A, 2019 to 2048, 1.60% to 4.00%	114,350	120,000
2018 Series B, 2044, variable rate #	50,000	50,000
2018 Series C, 2019 to 2049, 2.125% to 4.25%	261,690	-
2018 Series D, 2042, variable rate #	50,000	-
2019 Series A, 2019 to 2048, 1.70% to 4.25%	233,925	-
Total Single-family Mortgage Revenue Bonds	1,597,705	1,177,565
Rental Housing Revenue Bonds:		
2000 Series A, 2035, variable rate (Note 6)	32,770	33,795
2002 Series A, 2037, variable rate (Note 6)	43,145	44,660
2003 Series A, 2023, variable rate #	12,095	17,330
2005 Series A, 2040, variable rate **	-	59,450
2007 Series C, 2042, variable rate**	-	71,455
2008 Series A, C and D, 2023 to 2039, variable rate (Note 6)	131,840	138,935
2009 Series A and B-1, 2019 to 2020, 4.50% to 4.875%	1,500	15,715
2010 Series A, 2019 to 2040, 3.375% to 5.125%	31,210	35,505
2011 Series A and B, 2019 to 2031, 4.50% to 5.625%	5,020	14,085
2012 Series A, B and C, 2019 to 2046, 2.375% to 5.622%	32,270	33,720
2012 Series D, 2019 to 2048, 2.05% to 4.50%	48,085	49,130
2014 Series A, 2019 to 2050, 2.00% to 4.875%	52,285	52,830
2015 Series A and B, 2019 to 2052, 1.80% to 4.60%	99,575	110,765
2016 Series A and B, 2019 to 2052, 1.00% to 3.736%	136,230	149,925
2016 Series C, D and E, 2040 to 2042, variable rate (Note 6) #	134,865	138,280
2017 Series A, 2019 to 2053, 1.30% to 4.00%	92,275	92,770
2018 Series A and B, 2019 to 2053, 1.75% to 4.15%	198,065	185,460
2018 Series C, 2040, variable rate (Note 6)	128,400	129,670
Total Rental Housing Revenue Bonds	1,179,630	1,373,480
Total revenue bonds	2,777,335	2,551,045
Off-Market borrowings (Note 15)	41,494	44,705
Deferred charges - Bond discounts and premiums net of amortization	18,575	8,213
Total	$ 2,837,404	$ 2,603,963

** These bonds were paid off during the 2018-2019 fiscal year
# These bonds include a private placement portion

Note 5 - Bonds Payable (Continued)

The annual requirements to service debt outstanding, including both principal and interest (in thousands of dollars), are as follows. Interest on variable rate bonds is based on the effective rate as of June 30, 2019.

Fiscal Years Ending	Principal - All other debt	Principal - Private placement	Interest - All other debt	Interest - Private placement	Total
2020	$ 84,755	$ 6,840	$ 90,588	$ 6,185	$ 188,368
2021	57,225	3,670	88,867	6,048	155,810
2022	80,510	2,075	87,141	5,981	175,707
2023	63,725	2,195	85,148	5,929	156,997
2024	65,830	750	83,334	5,882	155,796
2025-2029	411,710	4,345	381,723	28,999	826,777
2030-2034	548,590	5,480	300,511	28,183	882,764
2035-2039	521,110	17,395	201,174	26,938	766,617
2040-2044	307,245	135,575	125,570	17,235	585,625
2045-2049	366,210	3,995	57,158	67	427,430
2050-2054	88,105	-	8,335	-	96,440
Total	$ 2,595,015	$ 182,320	$ 1,509,549	$ 131,447	$ 4,418,331

Early Retirement of Debt - Under provisions of the Authority's bond issues, the Authority is able to retire bonds, without the payment of call premiums, prior to their maturity dates from the proceeds of loan prepayments and foreclosures and, for certain bonds, from excess program revenue. Bonds retired pursuant to such provisions total $264,200,000 and $113,765,000 during the years ended June 30, 2019 and 2018, respectively. Such bond retirements, in the aggregate, resulted in a net gain of $3,166,853 and $1,626,610 for the years ended June 30, 2019 and 2018, respectively.

Note 6 - Demand Bonds

The following table summarizes the demand bonds outstanding at June 30, 2019, which are included in the bonds payable disclosed in Note 5:

Debt Associated		Outstanding (in thousands)	Remarketing Agent	Standby Bond Purchase Agreement Provider	Remarketing Fee (1)	SBPA Fee		Expiration Date of Agreement
Single-family Mortgage Revenue Bonds								
2006 Series C	$	50,600	Barclays Capital Inc.	Barclays Bank PLC	0.07%	0.42%	(7)	6/18/2020
2007 Series B	$	97,335	Jefferies LLC	ICBC	0.07%	Undisclosed	(5)	11/1/2022
2007 Series E	$	93,125	Morgan Stanley	MUFG Bank, LTD	0.10%	0.45%	(2)	6/29/2020
2007 Series F	$	42,315	Merrill Lynch & Co.	Bank of America, N.A.	0.07%	0.43%	(4)	11/15/2019
2009 Series D	$	42,090	Jefferies LLC	ICBC	0.07%	Undisclosed	(5)	11/1/2022
Rental Housing Revenue Bonds								
2000 Series A	$	32,770	JPMorgan	JPMorgan Chase Bank, N.A.	0.10%	0.46%	(3)	5/15/2020
2002 Series A	$	43,145	Merrill Lynch & Co.	Bank of America, N.A.	0.07%	0.43%	(6)	4/24/2020
2008 Series A	$	72,575	JPMorgan	JPMorgan Chase Bank, N.A.	0.10%	0.46%	(3)	5/15/2020
2008 Series C	$	7,770	Morgan Stanley	MUFG Bank, LTD	0.10%	0.45%	(2)	8/21/2019
2008 Series D	$	51,495	Morgan Stanley	MUFG Bank, LTD	0.10%	0.45%	(2)	8/21/2019
2016 Series C	$	57,140	RBC Capital Markets, LLC	Royal Bank of Canada	0.07%	0.40%	(9)	2/26/2020
2016 Series D	$	52,500	Merrill Lynch & Co.	Bank of America, N.A.	0.10%	0.43%	(8)	4/24/2020
2018 Series C	$	128,400	Merrill Lynch & Co.	JPMorgan Chase Bank, N.A.	0.07%	0.34%	(3)	5/15/2020

(1) Fee is per annum based on the outstanding principal amount of the bonds.

(2) While the MUFG Bank, LTD (f/k/a Bank of Tokyo-Mitsubishi UFJ, LTD) ("MUFG") is holding the bonds, they will bear interest at the higher of MUFG's prime rate plus 3.00 percent, the federal funds rate plus 5.00 percent, or 8.00 percent per annum. Once MUFG becomes the owner of the bonds, the bonds will be subject to a mandatory redemption that begins 91 days after MUFG becomes the holder of the bonds and will amortize in 16 equal quarterly installments. The Authority is required to pay MUFG an annual liquidity fee per annum on the amount of bonds outstanding plus interest for 34 days at a rate of 14 percent. Standard & Poor's rating on the MUFG Bank, LTD is "A/A-1" at June 30, 2019. On July 25th, PNC Bank became the SBPA provider for the Rental Housing Revenue Bonds, 2008 Series C and D with a new agreement that expires July 25, 2022.

(3) While JPMorgan is holding the bonds, they will bear interest at the higher of the bank's prime rate plus 1.0 percent, the federal funds rate plus 0.50, or 8.50 percent per annum. Once the bank becomes the owner of the bonds, the bonds will be subject to a mandatory redemption 91 days after the bank becomes the holder of the bonds and will amortize in six equal semiannual installments. The Authority is required to pay the bank an annual liquidity fee per annum on the amount of bonds outstanding plus interest for 34 days at a rate of 14 percent. Standard & Poor's rating on JPMorgan is "A+/A-1" at June 30, 2019.

Note 6 - Demand Bonds (Continued)

(4) While Bank of America, N.A. (Bank of America) is holding the bonds, they will bear interest at the higher of the Prime Rate plus 1.00 percent, the Federal Funds Rate plus 2.00 percent or 7.50 percent per annum. Once Bank of America becomes the owner of the bonds and has held such bonds for six months, the bonds become subject to mandatory redemption over a three-year period with principal payable in six equal semiannual installments. The Authority shall pay Bank of America a liquidity fee per annum on outstanding bonds plus 184 days of interest at 12 percent, based on a 365-day year. Standard & Poor's rating on Bank of America, N.A. is "A+" at June 30, 2019.

(5) While the Industrial and Commercial Bank of China Limited, New York Branch ("ICBC") is holding the bonds, they will bear interest at the Bank Rate, which will be the rate of interest per annum, based upon Daily One Month LIBOR or the Base Rate (as such terms are defined in the agreement), as determined by the Authority on the purchase date of the applicable bonds (i) for any day commencing on the purchase date to and including the 90th day next succeeding the purchase date, equal to: (x) Daily One Month LIBOR plus 1.50% or (y) the Base Rate from time to time in effect; (ii) for any day commencing on the 91st day next succeeding the purchase date to and including the 180th day next succeeding the purchase date, equal to: (x) Daily One Month LIBOR plus 1.75% or (y) the Base Rate from time to time in effect plus 0.25%; (iii) for any day commencing on the 181st day next succeeding the purchase date to and including the 365th day next succeeding the purchase date, equal to: (x) Daily One Month LIBOR plus 2.00% or (y) the Base Rate from time to time in effect plus 0.50%; (iv) for any day commencing on the 366th day next succeeding the purchase date to and including the 730th day next succeeding the purchase date, equal to: (x) Daily One Month LIBOR plus 2.50% or (y) the Base Rate from time to time in effect plus 1.00%; and (v) for any day commencing on the 731st day next succeeding the purchase date and thereafter, equal to the sum of the Base Rate from time to time in effect plus 2.00%; provided, however, that immediately upon the occurrence and continuation of an Event of Default (as defined in the agreement), the Bank Rate shall be equal to the Base Rate plus 5.00%; and provided further that, at no time shall the Bank Rate exceed the lesser of 25.00% per annum or the maximum rate permitted by law or be less than the applicable rate of interest on Eligible Bonds (as defined in the agreement) which are not bank bonds. At the request of ICBC, the Authority has agreed to not include the liquidity fee in its disclosure documents. Standard & Poor's rating of the ICBC is "A/A-1" at June 30, 2019.

(6) While Bank of America, N.A. is holding the bonds, they will bear interest at the higher of the prime rate plus 1.00 percent, the Federal Funds Rate plus 3.00 percent, LIBOR plus 5.00 percent, or 7.50 percent per annum. Once Bank of America becomes the owner of the bonds and has held such bonds for six months, the bonds become subject to mandatory redemption over a three-year period with principal payable in six equal semiannual installments. The Authority shall pay Bank of America a liquidity fee per annum on outstanding bonds plus 34 days of interest at 14 percent, based on a 365-day year. Standard & Poor's rating on Bank of America, N.A. is "A+" at June 30, 2019.

(7) While Barclays Bank PLC (Barclays) is holding the bonds, they will bear interest at the higher of the prime rate plus 5.00 percent, the federal funds rate plus 5.00 percent, or LIBOR plus 5.00 percent per annum. Once Barclays becomes the owner of the bonds and has held such bonds for 90 days, the bonds become subject to mandatory redemption in full on the third-year anniversary of the first purchase date. The Authority shall pay Barclays a liquidity fee per annum on outstanding bonds plus 186 days of interest at 12 percent, based on a 365-day year. Standard & Poor's rating on Barclays Bank PLC is "A/A-1" at June 30, 2019.

Note 6 - Demand Bonds (Continued)

(8) While Bank of America, N.A. is holding the bonds, they will bear interest at the higher of the Prime Rate plus 1.00 percent, the Federal Funds Rate plus 3.00 percent, LIBOR plus 5.00 percent, or 7.50 percent per annum. Once Bank of America becomes the owner of the bonds and has held such bonds for six months, the bonds become subject to mandatory redemption over a three-year period with principal payable in six equal semiannual installments. The Authority shall pay Bank of America a liquidity fee per annum on outstanding bonds plus 184 days of interest at 12 percent, based on a 365-day year. Standard & Poor's rating on Bank of America, N.A. is "A+" at June 30, 2019.

(9) While the Royal Bank of Canada (RBC) is holding the bonds, they will bear interest at the higher of 8 percent, Federal Funds Rate plus 2.50 percent, or the prime rate plus 2.50 percent. Once RBC becomes the owner of the bonds and has held such bonds for 365 days, the bonds become subject to mandatory redemption over six equal semiannual payments. The Authority shall pay RBC a liquidity fee per annum on outstanding bonds plus 185 days of interest at 12 percent, based on a 365-day year. Standard & Poor's rating on Royal Bank of Canada is "AA-/A-1+" at June 30, 2019.

Note 7 - Unamortized Mortgage Interest Income

Since 1990, the Authority has refunded a substantial amount of high-yielding multifamily bond issues with lower-yielding bonds. In conjunction with the sale of certain refunding bonds, the Authority has sold additional bonds to provide funds for new multifamily mortgage loans, generally with interest rates below the interest rates on the bonds. The Authority is deferring the interest income on mortgage loans funded by the new bonds to the extent that the total exceeds the total interest income that would have been earned if the average interest rate on such loans was equal to the average interest rate paid on the new bonds plus approximately 1.5 percent. This interest income is and will continue to be amortized to income in the future as the average rate on the outstanding mortgage loans drops to a rate that is less than 1.5 percent above the average rate on the new bonds. The average rate will decline primarily because the higher-yielding mortgage loans have average remaining lives substantially shorter than the lower-yielding mortgage loans.

Note 8 - Limited Obligation Bonds

The Act, as amended, authorizes the Authority to issue limited obligation bonds to finance multifamily housing. Such bonds are not general obligations of the Authority and the Authority has no liability for this debt. Such bonds are secured solely by revenue and property derived from or obtained in connection with the housing projects. Thus, with the exception of limited obligation bond financing fees, transactions related to these bonds are not reflected in the Authority's financial statements. At June 30, 2019, limited obligation bonds had been issued totaling approximately $909,097,000, of which 85 issues totaling $796,492,000 have been retired. At June 30, 2018, limited obligation bonds had been issued totaling approximately $909,097,000, of which 77 issues totaling $730,587,000 have been retired.

Note 9 - Pension Plans

Defined Benefit Pension Plan

Plan Description - The Michigan State Employees' Retirement System (the "System" or SERS) is a single-employer, statewide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") and created under Public Act 240 of 1943, as amended. Section 2 of this Act established the board's authority to promulgate or amend the provisions of the System. Executive Order 2015-13, signed by the Governor on October 27, 2015, established the State of Michigan Retirement Board. The board consists of nine members – five appointed by the Governor, which consist of one member or retirant of the State Employees' Retirement System; one member of the Judges Retirement System; one current or former officer or enlisted person in the Michigan Military Establishment who is a member or retirant under the Military Retirement Provisions; one member of the general public; and the attorney general, state treasurer, legislative auditor general, and state personnel director.

The Michigan State Employees' Retirement System is accounted for in a separate pension trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by visiting www.michigan.gov/ors or by calling the Customer Information Center at (517) 322-5103 or (800) 381-5111.

Benefits Provided

Introduction - Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 240 of 1943, State Employees' Retirement Act, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan. Retirement benefits are determined by final average compensation and years of service. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides duty disability, nonduty disability, and survivor benefits.

A member who has separated from employment may request a refund of his or her member contribution account. A refund may cancel a former member's rights to future benefits. However, former members who return to employment and who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Effective March 31, 1997, Public Act 487 of 1996 closed the plan to new entrants. All new employees become members of the defined contribution plan. The Public Act allows returning employees and members who left state employment on or before March 31, 1997 to elect the defined benefit plan instead of the defined contribution plan.

Note 9 - Pension Plans (Continued)

Pension Reform of 2012 - On December 15, 2011, the governor signed Public Act 264 of 2011 into law. The legislation granted members a choice regarding their future retirement plan. They had the following options:

- Option 1: DB Classified - Members voluntarily elected to remain in the defined benefit (DB) plan for future service and contribute 4 percent of their annual compensation to the pension fund until they terminate state employment. The 4 percent contribution began on April 1, 2012.

- Option 2: DB 30 - Members voluntarily elected to remain in the DB plan for future service and contribute 4 percent of pay until they reach 30 years of service. When they reach 30 years of service, they will switch to the State's defined contribution (DC) plan. The 4 percent contribution began on April 1, 2012 and continues until they switch to the DC plan or terminate employment, whichever comes first.

- Option 3: DB/DC Blend - Members voluntarily elected not to pay the 4 percent and therefore became participants in the DC plan for future service beginning on April 1, 2012. As a DC plan participant, they receive a 4 percent employer contribution to their 401(k) account and are eligible for an additional dollar-for-dollar employer match of up to 3 percent of pay to the plan.

Deferred members of the DB plan (with 10 or more years of service) who are reemployed by the State on or after January 1, 2012 become participants in the DC plan. Their pension calculation is determined by their final average compensation (FAC) and years of service as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members of the DB plan (with less than 10 years of service) who are reemployed by the State on or after January 1, 2012 and before January 1, 2014, become participants in the DC plan. When they have earned sufficient service credit for vesting (10 years), they would be eligible for a pension based on their FAC and years of service in the DB plan as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members (with less than 10 years of service) of the DB plan who are reemployed by the State on or after January 1, 2014 become members of the DC plan. Any service credit previously earned would count towards vesting for the DC plan. They will not be eligible for any pension or retiree health insurance coverage premium, but will become participants in the Personal Healthcare Fund wherein they will contribute up to 2 percent of their compensation to a 401(k) or 457 account, earning a matching 2 percent employer contribution. They will also receive a credit into a health reimbursement account (HRA) at termination if they terminate employment with at least 10 years of service. The credit will be $2,000 for participants who are at least 60 years old or $1,000 for participants who are less than 60 years old at termination.

Note 9 - Pension Plans (Continued)

Regular Retirement - The retirement benefit is based on a member's years of credited service (employment) and FAC. The normal benefit equals 1.5 percent of a member's FAC multiplied by the years and partial year of credited service and is payable monthly over the member's lifetime.

Under PA 264 of 2011, FAC is initially determined as the annual average of the highest three years of compensation (including overtime paid before January 1, 2012, but excluding overtime paid after December 31, 2011). If the end date for the initial FAC calculation is between January 1, 2012, and January 1, 2015, then a prorated amount of post-2008 average overtime will be added to the initial FAC calculation. If the end date for the initial FAC calculation is January 1, 2015 or later, then an annual average of overtime - for the six-year period ending on the FAC calculation date - will be added to that initial FAC calculation to get the final FAC number.

For members who switch to the DC plan for future service, the pension calculation (FAC times 1.5 percent times years of service) will be determined as of the point the member switches to the DC plan. If the FAC period includes the date of the switch to the DC plan, then the FAC will include up to 240 hours of accrued annual leave multiplied by the rate of pay as of the date of the switch. The hours will be paid at separation.

A member may retire and receive a monthly benefit after attaining the following:

1. Age 60 with 10 or more years of credited service
2. Age 55 with 30 or more years of credited service
3. Age 55 with at least 15 but less than 30 years of credited service. The benefit allowance is permanently reduced 0.5 percent for each month from the member's age on the effective date of retirement to the date the member will attain age 60.

Employees in covered positions are eligible for supplemental benefits and may retire after attaining the following:

1. Age 51 with 25 or more years in a covered position
2. Age 56 with 10 or more years in a covered position

In either case, the three years immediately preceding retirement must have been in a covered position.

Deferred Retirement - Any member with 10 or more years of credited service who terminates employment but has not reached the age of retirement is a deferred member and is entitled to receive a monthly pension upon reaching age 60, provided the member's accumulated contributions have not been refunded. Deferred retirement is available after five years of service for state employees occupying unclassified positions in the executive and legislative branches and certain Department of Community Health employees subject to reduction in force lay-offs by reason of deinstitutionalization.

Note 9 - Pension Plans (Continued)

Nonduty Disability Benefit - A member with 10 or more years of credited service who becomes totally and permanently disabled not due to performing duties as a state employee is eligible for a nonduty disability pension. The nonduty disability benefit is computed in the same manner as an age and service allowance based upon service and salary at the time of disability.

Duty Disability Benefit - A member who becomes totally and permanently disabled from performing duties as a state employee as a direct result of state employment and who has not met the age and service requirement for a regular pension is eligible for a duty disability pension. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of the pension benefit and increase the minimum annual payment. If the member is under age 60, the duty disability allowance is now a minimum of $6,000 payable annually. At age 60 the benefit is recomputed under service retirement.

Survivor Benefit - Upon the death of a member who was vested, the surviving spouse shall receive a benefit calculated as if the member had retired the day before the date of death and selected a survivor pension. Certain designated beneficiaries can be named to receive a survivor benefit. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of duty death benefits and redefines eligibility for deceased member's survivors. The new minimum duty-related death benefit has been increased to $6,000.

Pension Payment Options - When applying for retirement, an employee may name a person other than his or her spouse as a beneficiary if the spouse waives this right. If a beneficiary is named, the employee must choose whether the beneficiary will receive 100 percent, 75 percent, or 50 percent of the retiree's pension benefit after the retiree's death. The decision is irrevocable. A description of the options follows:

Regular Pension - The pension benefit is computed with no beneficiary rights. If the retiree made contributions while he or she was an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to beneficiaries.

100 Percent Survivor Pension - Under this option, after the retiree's death, the beneficiary will receive 100 percent of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount; another beneficiary cannot be named.

75 Percent Survivor Pension - Under this option, after the retiree's death, the beneficiary will receive 75 percent of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower

Note 9 - Pension Plans (Continued)

than the factor used in the 100 percent option previously described. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount; another beneficiary cannot be named.

50 Percent Survivor Pension - Under this option, after the retiree's death, the beneficiary will receive 50 percent of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100 percent or 75 percent option previously described. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount; another beneficiary cannot be named.

Equated Pension - An equated pension may be chosen by any member under age 65, except a disability retiree and an early supplemental retiree. Equated pensions provide an additional amount until age 65 and may be combined with the regular, 100 percent, 75 percent, or 50 percent options. At age 65, the monthly amount is permanently reduced. The initial and reduced amounts are based on an estimate of Social Security benefits at age 65, provided by the Social Security Administration Office. In order to calculate this benefit, members choosing this option must provide the Office of Retirement Services (ORS) with an estimate from the Social Security Administration Office. The actual amount received from social security may vary from the estimate.

Postretirement Adjustments - One-time upward benefit adjustments were made in 1972, 1974, 1976, 1977, and 1987. Beginning on October 1, 1988, a 3 percent non-compounding increase, up to a maximum of $25 monthly, is paid each October to recipients who have been retired for 12 full months. Beginning in 1983, eligible benefit recipients share in a distribution of investment income earned in excess of 8 percent annually. This distribution is known as the supplemental payment. The supplemental payment is offset by one year's cumulative increases received after the implementation of the annual 3 percent increase in benefits. These adjustment payments were not issued during fiscal years 1991 through 1994. Members who retired on or after October 1, 1987 are not eligible for the supplemental payment.

Contributions

Member Contributions - Under Public Act 264 of 2011, members who voluntarily elected to remain in the DB plan contribute 4 percent of compensation to the retirement system. In addition, members may voluntarily contribute to the System for the purchase of creditable service, such as military service or maternity leave, or a universal buy-in. If a member terminates employment before a retirement benefit is payable, the member's contribution and interest on deposit may be refunded. If the member dies before being vested, the member's contribution and interest are refunded to the designated beneficiaries.

Note 9 - Pension Plans (Continued)

Employer Contributions - The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-dollar value funding principles so the contribution rates do not have to increase over time. For fiscal year 2019, the Authority's contribution rate ranged from 22.0 to 24.6 percent of the defined benefit employee wages and 17.7 to 19.7 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2019 was $4,139,000.

For fiscal year 2018, the Authority's contribution rate ranged from 24.6 to 25.5 percent of the defined benefit employee wages and 19.7 to 22.2 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2018 was $4,252,000.

Actuarial Assumptions - The Authority's net pension liability for the year ended June 30, 2019 was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 and rolled forward using generally accepted actuarial procedures. The Authority's net pension liability for the year ended June 30, 2018 was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 and rolled forward using generally accepted actuarial procedures. The total pension liability was determined using the following actuarial assumptions, at the valuation dates:

	September 30, 2017
Wage inflation rate	2.75 percent
Projected salary increases	2.75 through 11.75 percent
Investment rate of return	7.0 percent
Cost-of-living pension adjustment	3 percent annual non-compounded with maximum annual increase of $300 for those eligible
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Table, adjusted for mortality improvements using the projection scale MP-2017 from 2006.
Notes	The actuarial assumptions were based upon the results of an experience study covering the period September 30, 2012 through September 30, 2017.

Note 9 - Pension Plans (Continued)

	September 30, 2016
Wage inflation rate	3.50 percent
Projected salary increases	3.50 through 12.5 percent
Investment rate of return	7.5 percent
Cost-of-living pension adjustment	3 percent annual non-compounded with maximum annual increase of $300 for those eligible
Mortality	RP-2000 Male and Female combined Healthy Life Mortality Table, adjusted for mortality improvements to 2015 projections scale BB. For retirees, 100 percent of the table rates were used. For active members, 50 percent of the table rates were used for male and females.
Notes	The actuarial assumptions were based upon the results of an experience study covering the period October 1, 2007 through September 30, 2012.

The investment return assumption was updated beginning with the September 30, 2016 valuation to reflect reductions in capital market assumptions for the asset classes in which the System invests. The investment return assumption was updated again beginning with the September 30, 2017 valuation as a result of a new experience study. This assumption change increased the computed liabilities.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 and 2017 are summarized in the following tables:

Note 9 - Pension Plans (Continued)

September 30, 2018
Asset Allocation

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	28.0 %	5.7 %
International equity pools	16.0	7.2
Private equity pools	18.0	9.2
Real estate and infrastructure pools	10.0	3.9
Fixed-income pools	10.5	0.5
Absolute return pools	15.5	5.2
Short-term investment pools	2.0	-
Total	100 %	

* Long-term rates of return are net of administrative expenses and 2.3% inflation.

September 30, 2017
Asset Allocation

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	28.0 %	5.6 %
International equity pools	16.0	7.2
Private equity pools	18.0	8.7
Real estate and infrastructure pools	10.0	4.2
Fixed-income pools	10.5	(0.1)
Absolute return pools	15.5	5.0
Short-term investment pools	2.0	(0.9)
Total	100 %	

* Long-term rates of return are net of administrative expenses and 2.3% inflation.

Note 9 - Pension Plans (Continued)

Discount Rate - A discount rate of 7.0 and 7.5 percent was used to measure the total pension liability as of September 30, 2018 and 2017, respectively. This discount rate was based on the long-term expected rate of return on pension plan investments of 7.0 and 7.5 percent, as of September 30, 2018 and 2017, respectively. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability - At June 30, 2019, the Authority reported a liability of $39,182,681 for its proportionate share of SERS' net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the net pension liability was based on MSHDA's required pension contributions received by SERS during the measurement period from October 1, 2017 through September 30, 2018, relative to the total required employer contributions from all of SERS' participating employers. At September 30, 2018, the Authority's proportion was 0.648 percent.

At June 30, 2018, the Authority reported a liability of $34,605,684 for its proportionate share of SERS' net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the net pension liability was based on MSHDA's required pension contributions received by SERS during the measurement period from October 1, 2016 through September 30, 2017, relative to the total required employer contributions from all of SERS' participating employers. At September 30, 2017, the Authority's proportion was 0.666 percent.

Pension Liability Sensitivity - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

Note 9 - Pension Plans (Continued)

	June 30, 2019		
	1 Percent Decrease (6.0 Percent)	Current Discount (7.0 Percent)	1 Percent Increase (8.0 Percent)
Authority's proportionate share of the net pension liability	$ 51,250,380	$ 39,182,681	$ 28,905,293

	June 30, 2018		
	1 Percent Decrease (6.5 Percent)	Current Discount (7.5 Percent)	1 Percent Increase (8.5 Percent)
Authority's proportionate share of the net pension liability	$ 45,210,638	$ 34,605,684	$ 25,465,778

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the SERS Comprehensive Annual Financial Report that may be obtained by visiting www.michigan.gov/ors.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the years ended June 30, 2019 and 2018, the Authority recognized pension expense of $10,276,097 and $4,941,440, respectively. At June 30, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	$ -	$ 3,347,586
Authority's contributions subsequent to the measurement date	3,036,992	-
Total	$ 3,036,992	$ 3,347,586

Note 9 - Pension Plans (Continued)

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,936	$ -
Changes of assumptions	284,863	-
Net difference between projected and actual earnings on investments	-	2,076,438
Changes in proportion and differences between actual contributions and proportionate share of contributions	2,032	103,693
Authority's contributions subsequent to the measurement date	3,134,325	-
Total	$ 3,429,156	$ 2,180,131

Amounts reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions at June 30, 2019 will be recognized in pension expense as follows:

Year Ended June 30	Pension Expense Amount
2020	$ (371,747)
2021	(1,183,823)
2022	(1,256,353)
2023	(535,663)

Defined Contribution Plan

The Authority participates in the State of Michigan's defined contribution plan system. The Authority is required to contribute to the defined contribution plan 4.0 percent of payroll with an additional match of up to 3.0 percent. The contribution requirements of plan members and the Authority are established and may be amended by the State Legislature. The State Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for the plan. The Authority's contributions to the plan were $891,440 and $958,738 for the years ended June 30, 2019 and 2018, respectively, and are recorded in salaries and benefits expense.

Note 10 - Other Postemployment Benefit (OPEB) Plans

Defined Benefit OPEB Plan - Healthcare

Plan Description - The Michigan State Employees Retirement System (the "System" or "SERS") is a single-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) and created under Public Act 240 of 1943, as amended. Section 2 of this Act established the board's authority to promulgate or amend the provisions of the System. Executive Order 2015-13, signed by the Governor on October 27, 2015, established the State of Michigan Retirement Board. The board consists of nine members – five appointed by the Governor, which consist of one member or retirant of the State Employees' Retirement System; one member of the Judges Retirement System; one current or former officer or enlisted person in the Michigan Military Establishment who is a member or retirant under the Military Retirement Provisions; one member of the general public; and the attorney general, state treasurer, legislative auditor general, and state personnel director. The System's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverage under the Michigan State Employees' Retirement Act.

The Michigan State Employees' Retirement System is accounted for in a separate OPEB trust fund and issues a publicly available financial report that includes financial statements and required supplementary information. That reports may be obtained by visiting www.michigan.gov/ors or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111.

Benefits Provided - Benefit provisions of the other postemployment benefit (OPEB) plan are established by State statute, which may be amended. Public Act 240 of 1943, as amended, establishes eligibility and benefit provisions for the OPEB plan. Defined Benefit (Tier 1) members are eligible to receive health, prescription drug, dental, and vision coverage on the first day they start receiving pension benefits. Defined Contribution (Tier 2) participants who elected to retain the graded premium subsidy benefit under the reform elections of Public Act 264 of 2011 are also eligible to receive subsidized health prescription drug, dental and vision coverage after terminating employment, if they meet eligibility requirements. Retirees with the Premium Subsidy benefit contribute 20 percent of the monthly premium amount for the health (including prescription coverage), dental and vision coverage. Retirees with a graded premium subsidy benefit accrue credit towards insurance premiums in retirement, earnings a 30% subsidy with ten years of service, with an additional 3 percent subsidy for each year of service thereafter, not to exceed the maximum allowed by statute or 80 percent. There is no provision for ad hoc or automatic increases. The State Employees' Retirement Act requires joint authorization by DTMB and the Civil Service Commission to make changes to retiree medical benefit plans. Defined Contribution (Tier 2) participants who elected the Personal Healthcare Fund under Public Act 264 of 2011, and those hired on or after January 1, 2012, are not eligible for any subsidized health, prescription drug, dental or vision coverage in retirement, but may purchase it at their own expense (certain conditions apply).

Note 10 - Other Postemployment Benefit (OPEB) Plans (Continued)

Former nonvested members of the DB plan who are reemployed by the state on or after January 1, 2014 are not eligible for retiree health insurance coverage premium subsidy but will become a participant in the Personal Healthcare Fund. This plan is closed to new hires.

Contributions - The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-percent of payroll value funding principles so the contribution rates do not have to increase over time. For fiscal year 2019, the Authority's contribution rate ranged from 22.1 to 23.8 percent of the defined benefit employee wages and 22.1 to 23.8 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ending June 30, 2019 was $4,436,000. Active employees are not required to contribute to SERS OPEB.

For fiscal year 2018, the Authority's contribution rate ranged from 21.1 to 22.1 percent of the defined benefit employee wages and 21.1 to 22.1 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2018 was $4,301,000. Active employees are not required to contribute to SERS OPEB.

Actuarial Assumptions - The Authority's net OPEB liability for the year ended June 30, 2019 was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, and rolled-forward using generally accepted actuarial procedures. The Authority's net OPEB liability for the year ended June 30, 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability was determined using the following actuarial assumptions, at the valuation date:

	September 30, 2017
Wage inflation rate	2.75 percent
Projected salary increases	2.75 through 11.75 percent
Investment rate of return	7.0 percent
Healthcare cost trend rate	8.25 percent year 1 graded to 3.00 percent year 10
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Table, adjusted for mortality improvements using the projection scale MP-2017 from 2006.
Notes	The actuarial assumptions were based upon the results of an experience study covering the period September 30, 2012 through September 30, 2017.

Note 10 - Other Postemployment Benefit (OPEB) Plans (Continued)

	September 30, 2016
Wage inflation rate	3.5 percent
Investment rate of return	7.5 percent
Projected salary increases	3.5-12.5 percent
Health care cost trend rate	9 percent Year 1 graded to 3.5 percent Year 10
Mortality	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements. For active members, 50 percent of the male table rates were used. For women, 50 percent of the female table rates were used.
Notes	The actuarial assumptions were based upon the results of an experience study covering the period October 1, 2007 through September 30, 2012.

The investment return assumption was updated beginning with the September 30, 2016 valuation to reflect reductions in capital market assumptions for the asset classes in which the System invests. The investment return assumption was updated again beginning with the September 30, 2017 valuation as a result of a new experience study. This assumption change increased the computed liabilities.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018 and 2017, are summarized in the following tables:

Note 10 - Other Postemployment Benefit (OPEB) Plans (Continued)

September 30, 2018

Asset Allocation

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	28.0 %	5.7 %
International equity pools	16.0	7.2
Private equity pools	18.0	9.2
Real estate and infrastructure pools	10.0	3.9
Fixed-income pools	10.5	0.5
Absolute return pools	15.5	5.2
Short-term investment pools	2.0	-
Total	100 %	

* Long-term rates of return are net of administrative expenses and 2.3% inflation

September 30, 2017

Asset Allocation

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	28.0 %	5.6 %
International equity pools	16.0	7.2
Private equity pools	18.0	8.7
Real estate and infrastructure pools	10.0	4.2
Fixed-income pools	10.5	(0.1)
Absolute return pools	15.5	5.0
Short-term investment pools	2.0	(0.9)
Total	100 %	

* Long-term rates of return are net of administrative expenses and 2.3% inflation

Note 10 - Other Postemployment Benefit (OPEB) Plans (Continued)

Discount Rate – A Single Discount Rate of 7.0 and 7.5 percent was used to measure the total OPEB liability as of September 30, 2018 and 2017, respectively. This Single Discount Rate was based on the expected rate of return on OPEB plan investments of 7.0 and 7.5 percent, as of September 30, 2018 and 2017, respectively. The projection of cash flows used to determine this Single Discount Rate assumed that in the future, plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member (retiree) rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Net OPEB Liability - At June 30, 2019, the Authority reported a liability of $51,037,629 for its proportionate share of SERS' net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB liability was based on the Authority's required OPEB contributions received by SERS during the measurement period October 1, 2017 through September 30, 2018, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2018, the Authority's proportion was 0.643 percent.

At June 30, 2018, the Authority reported a liability of $54,803,287 for its proportionate share of SERS' net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB liability was based on the Authority's required OPEB contributions received by SERS during the measurement period October 1, 2016 through September 30, 2017, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2017, the Authority's proportion was 0.665 percent.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

Note 10 - Other Postemployment Benefit (OPEB) Plans (Continued)

	June 30, 2019		
	1 Percent Decrease (6 Percent)	Current Discount (7 Percent)	1 Percent Increase (8 Percent)
Authority's proportionate share of the net OPEB liability	$ 58,939,920	$ 51,037,629	$ 44,409,786

	June 30, 2018		
	1 Percent Decrease (6.5 Percent)	Current Discount (7.5 Percent)	1 Percent Increase (8.5 Percent)
Authority's proportionate share of the net OPEB liability	$ 62,392,223	$ 54,803,287	$ 48,372,611

Sensitivity of the Net OPEB Liability to Healthcare Cost Trend Rates - The following presents the Authority's proportionate share of the net OPEB liability calculated using the assumed trend rate as well as what the proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current trend rate:

	June 30, 2019		
	1 Percent Decrease (7.25 to 2 Percent)	Current Trend Rate (8.25 to 3 Percent)	1 Percent Increase (9.25 to 4 Percent)
Authority's proportionate share of the net OPEB liability	$ 44,006,579	$ 51,037,629	$ 59,207,029

Note 10 - Other Postemployment Benefit (OPEB) Plans (Continued)

	June 30, 2018		
	1 Percent Decrease (8.0 to 2.5 Percent)	Current Trend Rate (9.0 to 3.5 Percent)	1 Percent Increase (10.0 to 4.5 Percent)
Authority's proportionate share of the net OPEB liability	$ 47,998,482	$ 54,803,287	$ 62,607,528

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in the SERS Comprehensive Annual Financial Report that may be obtained by visiting (www.michigan.gov/ors).

OPEB Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to OPEB - For the years ended June 30, 2019 and 2018, the Authority recognized OPEB expense of $3,481,735 and $4,489,560. At June 30, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 5,862,268
Changes of assumptions	4,257,240	-
Net difference between projected and actual earnings on investments	-	680,271
Changes of assumptions and differences between actual contributions and proportion share of contributions	14,086	1,734,308
Authority's contributions subsequent to the measurement date	3,274,376	-
Total	$ 7,545,702	$ 8,276,847

Note 10 - Other Postemployment Benefit (OPEB) Plans (Continued)

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 397,544
Net difference between projected and actual earnings on investments	-	474,647
Changes of assumptions and differences between actual contributions and proportionate share of contributions	-	333,933
Authority's contributions subsequent to the measurement date	3,285,990	-
Total	$ 3,285,990	$ 1,206,124

Amounts reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB at June 30, 2019 will be recognized in OPEB expense as follows:

Year Ended June 30	OPEB Expense Amount
2020	$ (954,648)
2021	(954,648)
2022	(954,648)
2023	(837,731)
2024	(303,846)

Note 10 - Other Postemployment Benefit (OPEB) Plans (Continued)

Postemployment Life Insurance Benefits

Plan Description - The State of Michigan provides postemployment life insurance benefits (the Plan) to eligible individuals upon retirement from State employment. Members of the State Employees Retirement System (SERS), the State Police Retirement System (SPRS), the Judges' Retirement System (JRS), and certain members of the Military Retirement Provisions (MMRP) may receive a life insurance benefit if they meet the benefit eligibility requirements. The Plan is a single-employer, state-wide, defined benefit other postemployment benefits (OPEB) plan. The State contracts with Minnesota Life to administer the payout of life insurance benefits. The Plan is managed by the Michigan Civil Service Commission under Article XI, Section 5 of the Michigan Constitution of 1963 and Michigan Civil Service Commission Rule 5-11.

Activity of the Plan is accounted for in the State Sponsored Group Insurance Fund (Fund), an internal service fund in the State of Michigan Comprehensive Annual Financial Report (SOMCAFR). The Fund was administratively established to account for employee insurance benefit programs, which are largely self-funded. Five group insurance programs are offered to State employees: health, dental, vision, long-term disability, and life.

The Plan is not a trust and has no assets.

Benefits Provided - The State's group policy with Minnesota Life includes any active employee in the category of classified State service with an appointment of at least 720 hours duration, but excluding employees with non-career appointments and those working less than 40% of full time; any active official or active unclassified employee of the State who has been approved for coverage by the Civil Service Commission; any retired employee or official who was insured under this policy or the prior policies it replaced prior to entry into a State Retirement System; and Wayne County employees who a) were State Judicial Council employees on October 1, 1996 and whose employment was transferred to the Recorder's Court on October 1, 1996 and b) whose employer subsequently became the Wayne County Clerk's Office.

Eligible retirees are provided with life insurance coverage equal to 25 percent of the active life insurance coverage (which amount is rounded to the next higher $100 provided the retiree retired after July 1, 1974), $1,000 for spouse and $1,000 for each dependent under age 23.

The active life insurance amount is either a) two times the employee's basic annual salary, the result rounded to the next higher $1,000 if not already a multiple thereof, with a minimum of $100,000 and a maximum of $200,000; or b) one times the employee's basic annual salary, the result rounded to the next higher $1,000 if not already a multiple thereof, with a minimum of $10,000 and a maximum of $50,000.

Note 10 - Other Postemployment Benefit (OPEB) Plans (Continued)

Contributions - The State contributes 100 percent of the premiums for employee and retiree life insurance coverage. The premium rate for fiscal year 2018 was $.24 for each $1,000 of coverage through October 8, 2017. It was then updated to $.28 for each $1,000 of coverage for the remainder of the fiscal year. The employee contributes 100 percent of the premiums for dependent life coverage, and an employee must have been enrolled in dependent life insurance to maintain eligibility for dependent coverage as a retiree. The State is liable for benefit payments that exceed premiums paid.

More specific information concerning eligibility requirements, benefit level, and funding policies is included in employee collective bargaining agreements, benefit plan booklets, and rules and regulations issued by the Michigan Civil Service Commission.

Actuarial Valuations and Assumptions - The Authority's total OPEB liability for the year ended June 30, 2019 was measured as of September 30, 2018 and is based on an actuarial valuation performed as of September 30, 2017 and rolled forward using generally accepted actuarial procedures. The Authority's total OPEB liability for the year ended June 30, 2018 was measured as of September 30, 2017 and is based on an actuarial valuation performed as of that date.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

The normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an Individual Entry-Age Actuarial Cost Method with these characteristics: a) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and b) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

The total OPEB liability was measured using the following actuarial assumptions:

Wage Inflation Rate:	3.5 percent
Investment Rate of Return (discount rate):	3.83 percent per year at September 30, 2018 and 3.5 percent per year at September 30, 2017

Mortality: Healthy Life and Disabled Life Mortality, with 115 percent of the Male rates and 121 percent of the Female rates used in the pension valuations for SERS plan members.

Note 10 - Other Postemployment Benefit (OPEB) Plans (Continued)

IBNR: A liability equal to 25 percent of expected first year cash flow was held for postemployment life insurance benefits claims incurred but not reported (IBNR).

Spouse Benefits for Future Retirees: The liabilities for active members were loaded to account for potential postemployment life insurance benefits payable to spouses of future retirees at 3 percent for SERS retirees.

Spouse Benefits for Current Retirees: Data regarding postemployment life insurance benefits coverage for spouses of current retirees was not available. Liabilities for retired members were loaded to account for postemployment life insurance benefits payable to the spouses of current retirees at 4 percent for SERS retirees.

Compensation: For some SERS retirees, FAC was not reported. The FAC for these members was assumed to be $51,045 (the average of all SERS retiree records reported with FAC).

For purposes of valuing the postemployment life insurance benefit policies for retirees, base wage at retirement was not available and was approximated by applying a factor to the reported FAC at retirement. The factor used to convert a FAC to a base wage is based on the length of the FAC period for each group. The factor used for SERS was 0.983092 (2 year FAC) for Conservation and 0.966565 (3 year FAC) for Corrections and All Others.

For SERS DC plan retirees, compensation at retirement and other information was not provided to the actuary. The postemployment life insurance benefit policies for this group were assumed to have the same average value as the policies for retirees in the SERS DB plan.

Other: The face values of The Plan policies currently in force were requested by the actuary but were not available for use in this valuation. The actuary estimated the value of the postemployment life insurance benefit policies for retirees as follows:

Individuals retired after July 1974: 50% x compensation at retirement (compensation reported for the 2017 retirement system valuations)

Spousal benefits: $1,000

Individuals retired on or before July 1974: $3,000

Spousal benefits: $1,000

Data for current retiree members of the Plan was not available for use in this valuation. All current retiree members of the retirement plans deemed eligible for postemployment life insurance benefits and reported in connection with the 2017 retirement valuations were included in this valuation of the Plan.

Note 10 - Other Postemployment Benefit (OPEB) Plans (Continued)

Discount Rate - A discount rate of 3.83 and 3.50 percent was used to measure the ending total OPEB liability for Postemployment Life Insurance Benefits as of September 30, 2018 and 2017, respectively. This discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date since the plan has no assets.

Total OPEB Liability for Postemployment Life Insurance Benefits - As of June 30, 2019, the Authority reported a liability of $8,065,818 for its proportionate share of the State's Postemployment Life Insurance Benefit's total OPEB liability. The total OPEB liability was measured as of September 30, 2018 based on an actuarial valuation as of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the total OPEB liability was determined by dividing the Authority's actual contributions to the Plan during the measurement period of October 1, 2017 through September 30, 2018, by the percent of OPEB actual contributions received from all applicable employers. At September 30, 2018, the Authority's proportion was 0.646 percent.

As of June 30, 2018, the Authority reported a liability of $8,425,888 for its proportionate share of the State's Postemployment Life Insurance Benefit's total OPEB liability. The total OPEB liability was measured as of September 30, 2017 based on an actuarial valuation as of that date. The Authority's proportion of the total OPEB liability was determined by dividing the Authority's actual contributions to the Plan during the measurement period of October 1, 2016 through September 30, 2017, by the percent of OPEB actual contributions received from all applicable employers. At September 30, 2017, the Authority's proportion was 0.659 percent.

Sensitivity of the Total OPEB Liability for Postemployment Life Insurance - The following presents the Authority's proportionate share of the total OPEB liability calculated using the discount rate as well as what the proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount:

	June 30, 2019		
	1 Percent Decrease (2.83 Percent)	Current Discount (3.83 Percent)	1 Percent Increase (4.83 Percent)
Authority's proportionate share of the net OPEB liability	$ 9,430,716	$ 8,065,818	$ 6,975,538

Note 10 - Other Postemployment Benefit (OPEB) Plans (Continued)

	June 30, 2018		
	1 Percent Decrease (2.5 Percent)	Current Discount (3.5 Percent)	1 Percent Increase (4.5 Percent)
Authority's proportionate share of the net OPEB liability	$ 9,903,786	$ 8,425,888	$ 7,247,794

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB for Postemployment Life Insurance Benefits - For the years ended June 30, 2019 and 2018, the Authority recognized OPEB expense of $275,128 and $453,043, respectively. At June 30, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,509	$ 40,905
Changes of assumptions	-	701,535
Changes in proportion and differences between actual contributions and proportion share of contributions	-	146,182
Authority's contributions subsequent to the measurement date	206,258	-
Total	$ 211,767	$ 888,622

Note 10 - Other Postemployment Benefit (OPEB) Plans (Continued)

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,072	$ -
Changes of assumptions	-	456,815
Authority's contributions subsequent to the measurement date	210,594	-
Total	$ 217,666	$ 456,815

Amounts reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	OPEB Expense Amount
2020	$ (199,789)
2021	(199,789)
2022	(199,789)
2023	(188,301)
2024	(95,445)

Amounts reported for defined benefit postemployment benefits other than pensions and postemployment life insurance benefits are aggregated on the Statement of Net Position as follows:

	June 30, 2019		
	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Postemployment benefits other than pensions - healthcare	$ 51,037,629	$ 7,545,702	$ 8,276,847
Postemployment life insurance benefits	8,065,818	211,767	888,622
Total	$ 59,103,447	$ 7,757,469	$ 9,165,469

Note 10 - Other Postemployment Benefit (OPEB) Plans (Continued)

	June 30, 2018		
	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Postemployment benefits other than pensions - healthcare	$ 54,803,287	$ 3,285,990	$ 1,206,124
Postemployment life insurance benefits	8,425,888	217,666	456,815
Total	$ 63,229,175	$ 3,503,656	$ 1,662,939

Defined Contribution OPEB Plan

Employees hired on or after January 1, 2012 will not be eligible for any retiree health insurance coverage but will become participants in the Personal Healthcare Fund wherein, they will contribute up to 2 percent of their compensation into a 401(k) or 457 account, earning a matching 2 percent employer contribution. Also, the employee will receive a credit into a health reimbursement at termination of employment if he or she has at least 10 years of service at termination. The credit will be $2,000 for participants who are at least 60 years old or $1,000 for participants who are less than 60 years old at termination.

Note 11 - Capital Assets

The Authority previously leased its office building in Lansing, Michigan under an agreement that was set to expire on February 28, 2021. On May 30, 2018, the Authority purchased the office building for $21,000,000. The building has an estimated useful asset life of 40 years. Accumulated depreciation was $569,000 and $44,000 for the year ended June 30, 2019 and 2018, respectively. Depreciation expense was $525,000 and $44,000 for the year ended June 30, 2019 and 2018, respectively. Expense incurred related to the building operating lease prior to the purchase was approximately $3,108,000 for the years ended June 30, 2018.

Note 12 - Restricted Net Position

The components of restricted net position are as follows (in thousands of dollars):

	2019	2018
Pledged for payment of:		
All bond issues (capital reserve account)	$ 103,465	$ 97,830
Single-family Mortgage Revenue Bonds	119,707	104,033
Rental Housing Revenue Bonds	251,792	232,451
Total	$ 474,964	$ 434,314

Note 13 - Contingencies

The Authority is involved in various legal proceedings, claims, and disputes arising in the ordinary course of its financing activities with real estate developers and others. Management does not expect the amount of the ultimate liability, with respect to the disposition of these matters, will have any material adverse impact on the financial condition or results of operations of the Authority.

Note 14 - Commitments

As of June 30, 2019 and 2018, the Authority has commitments to issue multifamily mortgage loans in the amounts of $130,234,814 and $129,977,056, respectively, and single-family mortgage loans in the amounts of $73,595,000 and $59,859,000, respectively.

The Authority has committed up to approximately $1,055,000 per year for up to 30 years from the date of completion of the respective developments (subject to three years' advance notice of termination) from its accumulated reserves and future income to subsidize operations or rents for certain tenants occupying units in certain developments funded under the Authority's multifamily program. Such developments receive funds either for the purpose of subsidizing rents so that some units can be afforded by families with incomes at 50 percent or less of median income or to subsidize operations in general. Subsidy disbursements totaled approximately $85,000 and $90,000 for the years ended June 30, 2019 and 2018 respectively.

In addition, the Authority makes available up to approximately $1,000,000 per year for up to 30 years to subsidize rents in a similar fashion for 20 percent of the units in certain other developments financed or to be financed under its multifamily mortgage lending program. Under this program, the Authority is entitled to receive a portion of any excess cash flow generated by the developments as well as a share of the profits from the sale of the developments and is able to reduce the rent subsidies if the interest rates being charged by the Authority on the related mortgage loans are below certain preset levels. Subsidy repayment of $71,000 and $2,000 exceeded subsidy disbursements for the years ended June 30, 2019 and 2018, respectively.

Note 15 – Interest Rate Swaps

In connection with the issuance of various debt, the Authority has entered into interest rate swap contracts. To date, the interest rate swap contracts have all been the type whereby the Authority pays a fixed rate and receives a variable rate. No amount of compensation was paid or received at the time the contracts were executed. Interest rate swap agreements are important tools that the Authority utilizes to accomplish its goals. The Authority entered into the agreements in connection with the issuance of certain variable rate debt, with the intent of creating a synthetic fixed-rate debt, at an interest rate that is lower than if fixed-rate debt were to have been issued directly. These contracts have reduced the Authority's cost of borrowing and reduced exposure to variable interest rate risk. This has allowed the Authority to finance developments, reduce single-family mortgage rates, and fund programs that otherwise would not have been feasible.

Note 15 – Interest Rate Swaps (Continued)

The Authority is issuing the June 30, 2019 and 2018 financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 53. This standard is used to determine whether a derivative instrument will result in an effective hedge. Changes in the market value of effective hedges are recognized in the year to which they relate. Effective hedge changes do not affect investment income, but are reported as deferrals in the statement of net position. Derivatives that are not deemed effective would be reported at fair market value and recognized as investments.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Note 15 - Interest Rate Swaps (Continued)

The following table summarizes the interest rate swap contracts at June 30, 2019:

Associated Debt/Swap Agreement	Effective Date	Notional Amount as of June 30, 2019	Termination Date	Rate	Fixed Rate	Optional Termination Date/Without Payment (9)	Market (Payment) to Terminate Swap	GASB No. 53 Presentation in Statement of Net Position	Type of Risk Associated With Swap Contract (4)(5)(6)(8)
Rental housing revenue bonds (effective hedges):									
2000 Series A (1)	09/25/00	$ 32,770,000	10/01/20	70% of 1 M LIBOR	4.960%	N.A.	$ (1,546,381)	$ (1,546,381)	(7)
2002 Series A (1)	07/03/02	43,145,000	04/01/37	70% of 1 M LIBOR	4.560%	N.A.	(12,898,589)	(12,898,589)	
2008 Series A (1)(10)	04/01/01	14,100,000	04/01/23	SIFMA + 0.10%	5.350%	N.A.	(983,802)	(720,283)	
2008 Series D (3)(10)	11/18/04	19,320,000	10/01/39	65% of 1 M LIBOR+0.23%	3.705%	10/01/24	(2,164,153)	(1,799,694)	
2008 Series D (3)(10)	11/18/04	32,175,000	10/01/39	65% of 3 M LIBOR+0.16%	3.597%	10/01/24	(3,448,791)	(2,951,296)	
2008 Series C (1)(10)	04/01/01	7,000,000	04/01/23	SIFMA	4.770%	N.A.	(510,086)	(226,870)	
2016 Series C (3)(10)	03/16/06	57,140,000	10/01/40	65% of 3 M LIBOR+0.16%	3.514%	04/01/26	(7,188,197)	1,880,774	
2016 Series D (3)(10)	07/25/06	52,500,000	04/01/41	61% of 1 M LIBOR+0.40%	3.996%	10/01/26	(8,486,256)	2,399,650	
2016 Series E (3)(10)	07/02/07	25,225,000	04/01/42	65% of 3 M LIBOR+0.16%	3.378%	04/01/27	(3,327,149)	1,196,528	
2018 Series C (3)(10)	09/22/05	58,125,000	04/01/40	65% of 1 M LIBOR+0.23%	3.514%	10/01/25	(7,037,416)	(2,836,852)	
2018 Series C (3)(10)	01/23/08	70,275,000	10/01/42	61% of 1 M LIBOR+0.40%	3.564%	10/01/22	(9,317,468)	(3,526,685)	
Subtotal		411,775,000					(56,908,289)	(21,029,698)	
Single-family mortgage revenue bonds (effective hedges):									
2006 Series C (2)	12/01/06	46,190,000	06/01/33	Floating Rate	4.417%	12/01/19	(677,768)	(677,768)	(7)
2006 Series C (2)	12/01/19	35,000,000	12/01/27	SIFMA	2.703%	12/01/24	(2,294,714)	(2,294,714)	(7)
2007 Series E (2)	06/02/08	11,035,000	12/01/38	Floating Rate	3.846%	12/01/19	(126,741)	(126,741)	
2007 Series E (2)	12/01/19	40,000,000	12/01/27	SIFMA	2.726%	12/01/24	(2,601,375)	(2,601,375)	(7)
2007 Series F (2)	12/01/08	15,415,000	12/01/38	Floating Rate	4.340%	N.A.	(4,313,070)	(4,313,070)	
2009 Series D (2)(10)	04/01/07	17,945,000	06/01/30	Floating Rate	4.574%	12/01/19	(270,835)	(126,197)	
2009 Series D (2)	12/01/19	20,000,000	06/01/30	SIFMA	2.746%	12/01/24	(1,262,902)	(1,262,902)	(7)
2017 Series A (2)(10)	10/05/17	45,000,000	12/01/32	70% of 1 M LIBOR+1.00%	3.559%	12/01/24	(2,757,006)	(1,520,785)	(7)
2018 Series B (2)	03/28/18	50,000,000	12/01/33	70% of 1 M LIBOR+0.85%	3.351%	12/01/25	(3,292,577)	(3,292,577)	(7)
2018 Series D (2)	12/01/18	50,000,000	12/01/38	70% of 1 M LIBOR+0.85%	3.696%	12/01/24	(4,126,551)	(4,126,551)	(7)
Subtotal		330,585,000					(21,723,539)	(20,342,680)	
Total interest rate swaps		$ 742,360,000					$ (78,631,828)	(41,372,378)	(12)
				Unamortized off-market borrowings				(41,494,209)	(11)
Total swaps								$ (82,866,587)	

(1) Counterparty risk is the risk that the swap counterparty will not fulfill its obligations set forth under the terms and conditions of the swap contract. The counterparty associated with these bonds is Goldman Sachs Mitsui Marine Derivative Products, L.P. (GSMMDP). GSMMDP is currently rated AA- stable outlook by S&P and Aa2 by Moody's as of June 30, 2019.

(2) Counterparty risk is the risk that the swap counterparty will not fulfill its obligations set forth under the terms and conditions of the swap contract. The counterparty associated with these bonds is Barclays Bank PLC (Barclays). Barclays is currently rated A stable outlook by S&P and A2 by Moody's as of June 30, 2019.

(3) Counterparty risk is the risk that the swap counterparty will not fulfill its obligations set forth under the terms and conditions of the swap contract. The counterparty associated with these bonds is Merrill Lynch Capital Services, Inc. (MLCS) or Merrill Lynch Derivative Products (MLDP). MLDP is currently rated AA by S&P and Aa3 by Moody's as of June 30, 2019. MLCS is not rated by Moody's or S&P. MLCS's obligations under each agreement are guaranteed by Bank of America Corporation, which has a rating of A- by S&P and A2 by Moody's as of June 30, 2019.

Note 15 - Interest Rate Swaps (Continued)

(4) Termination risk is the risk that the swap could be terminated by the counterparty due to any of several events, which may include an authority or counterparty ratings downgrade, covenant violation by either party, bankruptcy of either party, swap payment default by either party, and default events as defined in the Authority's bond indentures. All contracts have this risk.

(5) Basis risk refers to a mismatch between the interest rate received from the swap contract and the interest actually paid on the Authority's debt. All contracts have this risk.

(6) Tax event risk is the risk that a change in the marginal income tax rates or a change in the tax code impacts the trading value of tax-exempt bonds. All contracts have this risk.

(7) Rollover risk is the risk that the swap contract is not coterminous with the related debt.

(8) Amortization risk is the risk that there is a mismatch or potential mismatch between the Authority's bonds and the notional amount of the swap outstanding. This mismatch could expose the Authority to variable interest rates if the swap amortizes quicker than the bonds or subject the Authority to a payment to the counterparty to terminate a portion of the swap contract early if the bonds are redeemed more quickly than anticipated. All contracts have this risk.

(9) The Authority has the option to terminate the contract in whole or in part without payment after the stated date.

(10) These interest rate swap agreements have either been reassigned from their original bond issue as part of an economic refunding or have been executed at terms that do not reflect current market terms. GASB Statement No. 53 has termed these off-market swaps to be "in-substance hybrids." Essentially, the swaps have two components as follows:

a. On-market component - This is the component of the swap that requires a calculation on the effectiveness and to be valued at the market on an annual basis. In the case of the Authority, these twelve swaps' "on-market" components have been determined to be effective based on the calculation and are included in interest rate swaps in the table.

b. Off-market component - This is the component of the swap that, at the time of the reassignment, is determined to be "off-market" and takes on the characteristics of a "fixed contract." Therefore, at the time of reassignment, this component needs to be valued based on the rate differential, which compares the market rates to the original swap rates. This component is then considered a fixed contract and should be amortized over the life of the new debt and added to the deferred cost of issuance. See table below summarizing this component.

Note 15 - Interest Rate Swaps (Continued)

(11) Table of off-market borrowings:

	Off-market Borrowing Rate	On-market Borrowing rate	Unamortized Off-market Borrowing Balance
Rental Housing			
Revenue Bonds:			
2008 Series A	1.920%	3.433%	$ (601,217)
2008 Series D	0.404%	3.301%	(646,978)
2008 Series D	0.331%	3.266%	(844,344)
2008 Series C	1.982%	2.788%	(267,224)
2016 Series C	2.143%	1.371%	(9,486,495)
2016 Series D	2.609%	1.387%	(11,292,905)
2016 Series E	2.122%	1.256%	(4,540,474)
2018 Series C	1.085%	2.429%	(4,496,535)
2018 Series C	1.079%	2.485%	(6,120,996)
Single-family Mortgage			
Revenue Bonds:			
2009 Series D	1.320%	3.254%	(1,034,958)
2017 Series A	0.430%	3.129%	(2,162,082)
Total			$ (41,494,209)

(12) Cumulative decrease in fair market value of hedging derivatives is a deferred outflow of resources per GASB Statement No. 53.

A comparative summary of the changes resulting from GASB Statement No. 53 is as follows:

	Changes in Fair Value		Fair Value at June 30, 2019		
	Classification	Amount	Classification	Amount	Notional
Cash flow hedges:					
Pay-fixed interest rate swaps (receive-variable)	Deferred charge	$ (28,808,076)	Hedging derivatives	$ (41,372,378)	$ 742,360,000
Off-market borrowings	Interest expense	-	Off-market borrowings	(41,494,209)	-

	Changes in Fair Value		Fair Value at June 30, 2018		
	Classification	Amount	Classification	Amount	Notional
Cash flow hedges:					
Pay-fixed interest rate swaps (receive-variable)	Deferred charge	$ 40,069,897	Hedging derivatives	$ (12,564,302)	$ 804,385,000
Off-market borrowings	Interest expense	-	Off-market borrowings	(44,705,210)	-

Note 16 – Line of Credit

The Authority issues debt to fund single-family loans. At times it may be advantageous for the Authority to originate these loans with its own liquidity or a revolving line of credit prior to the closing of the long-term bond financing. For this reason, the Authority may enter into revolving credit facilities. Typically, the facilities will be paid down to a zero outstanding balance when bonds are sold. The outstanding balance drawn on the line of credit at June 30 is as follows:

	2019	2018
TD Bank, N.A. - Revolving Line Credit (13)	$ 47,000,000	$ -

(13) On February 26, 2019, the Authority entered into a revolving credit agreement with TD Bank, N.A. The agreement allows the Authority to borrow up to $100 million for the purpose of purchasing single-family mortgages. The agreement expires February 26, 2021.

Fiscal Year 2019 Activity with TD Bank, N.A.:

3/1/2019	$ 20,000,000.00	Draw
3/15/2019	$ 20,000,000.00	Draw
3/26/2019	$ 30,000,000.00	Draw
4/11/2019	$ 70,000,000.00	Repayment (Plus interest)
6/18/2019	$ 47,000,000.00	Draw

In addition, on July 26, 2018, the Authority entered into a $100 million line of credit with Barclays Capital. On July 26, 2018, $50 million was drawn and another $50 million was drawn on September 4, 2018. The $100 million plus interest was repaid on November 1, 2018. This line of credit was not revolving and was set to expire on the earlier of repayment or November 15, 2018.

Subsequent to year end, on September 26, 2019, the Authority drew down an additional $20 million on the revolving line of credit with TD Bank, N.A., bringing the total outstanding to $67 million.

Note 17 – Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and employee medical benefits. The State of Michigan is self-insured and provides coverage to the Authority for these potential losses. Additional information on risk management can be found in the footnotes of the State of Michigan Comprehensive Annual Financial Report. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 18 - Change in Accounting Principle

During the year ended June 30, 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* As a result, the financial statements now include a net other postemployment benefit (OPEB) liability for the Authority's unfunded postemployment benefit plan legacy costs. Some of the changes in this net OPEB liability each year will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to Note 10 for further details. As a result of implementing this statement, the net position of the Authority as of July 1, 2017 has been restated by ($61,016,000) to $686,241,000. Of the ($61,016,000) restatement, ($64,415,000) was related to the beginning of year net OPEB liability and $3,399,000 was related to the beginning of year deferred outflows for employer contributions made subsequent to the measurement date.

Note 19 - Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities.* This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This standard will not have a significant impact on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2021.

Note 19 - Upcoming Accounting Pronouncements (Continued)

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for the Authority's financial statements for the June 30, 2022 fiscal year.

Note 20 - Subsequent Events

Subsequent to year end and through October 22, 2019, the date of the report, the Authority issued Rental Housing Revenue Bond 2019 Series A-1 and A-2 in the amount of $203,985,000.

The Authority sold and is awaiting closing for the Single Housing Revenue Bond 2019 Series B and C in the amount of $325,000,000.

Also, see Note 16 related to subsequent draw down on the revolving line of credit.

An executive order No. 2019-13 was issued to move a segment of the Authority's employees, State Historic Preservation Review Board, to another state agency, Michigan Strategic Fund, effective August 11, 2019.

Required Supplemental Information

Schedule of the Authority's Proportionate Share of Net Pension Liability

State Employees' Retirement System

(in thousands of dollars)

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Authority's proportion of the net pension liability	0.648%	0.666%	0.700%	0.707%	0.685%
Authority's proportionate share of the net pension liability	$ 39,183	$ 34,606	$ 37,029	$ 38,909	$ 35,279
Authority's covered payroll	$ 19,662	$ 20,269	$ 20,894	$ 20,749	$ 20,741
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	199%	171%	180%	188%	170%
Plan fiduciary net position as a percentage of the total pension liability	67.22%	69.45%	67.48%	66.11%	68.07%

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

Schedule of the Authority's Pension Contributions
State Employees' Retirement System
(in thousands of dollars)

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Statutorily required contribution	$ 4,139	$ 4,252	$ 4,823	$ 5,030	$ 5,161
Contributions in relation to the statutorily required contribution	$ 4,139	$ 4,252	$ 4,823	$ 5,030	$ 5,161
Contribution deficiency (excess)	-	-	-	-	-
Authority's covered payroll	$ 19,535	$ 19,652	$ 20,580	$ 20,749	$ 20,741
Contributions as a percentage of covered payroll	21%	22%	23%	24%	25%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension and other postemployment benefit obligations as a factor.

The Schedule of Contributions for Pension is presented to show the responsibility of the Authority in meeting the actuarial requirements to maintain the System on a sound financial basis.

The Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions for Pension are schedules that are required in implementing GASB Statement No. 68. The Schedule of the Proportionate Share of the Net Pension Liability represents, in actuarial terms, the accrued liability less the market value of assets. The Schedule of Contributions for Pension is a comparison of the Authority's contributions to the actuarially determined contributions.

The information presented in the schedule of contributions was used in the actuarial valuation for the purpose of determining the actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the pension plan follows.

Valuation - Actuarially determined contribution amounts are calculated as of September 30 each year.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2018

Actuarial cost method	Entry age, normal
Amortization method	Level dollar, closed
Remaining amortization period	20 years
Asset valuation method	Five-year smoothed market
Inflation	3.5 percent
Salary increases	3.5 to 12.5 percent wage inflation
Investment rate of return	7.5 percent net of investment and administrative expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 combined health life mortality table, adjusted for mortality improvements to 2015 using projection scale BB. For active member, 50 percent of the tables rates were used for males and females.

Schedule of the Authority's Proportionate Share of Net OPEB Liability

State Employees' Retirement System - Healthcare

(in thousands of dollars)

	June 30, 2019	June 30, 2018
Authority's proportion of the net OPEB liability	0.643%	0.665%
Authority's proportionate share of the net OPEB liability	$ 51,038	$ 54,803
Authority's covered payroll	$ 19,662	$ 20,269
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	260%	270%
Plan fiduciary net position as a percentage of the total OPEB liability	24%	20%

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

Schedule of the Authority's OPEB Contributions
State Employees' Retirement System – Healthcare
(in thousands of dollars)

	June 30, 2019	June 30, 2018
Statutorily required contribution	$ 4,436	$ 4,301
Contributions in relation to the statutorily required contribution	$ 4,436	$ 4,301
Contribution deficiency (excess)	-	-
Authority's covered payroll	$ 19,535	$ 19,652
Contributions as a percentage of covered payroll	23%	22%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the other postemployment benefit obligations as a factor.

The Schedule of Contributions for OPEB is presented to show the responsibility of the Employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

The Schedule of the Proportionate Share of the Net OPEB Liability and Schedule of Contributions for OPEB are schedules that are required in implementing GASB Statement No. 75. The Schedule of Contributions is a comparison of the employer's contributions to the actuarially determined contributions.

The information presented in the Schedule of Contributions was used in the actuarial valuation for purposes of determining actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the OPEB plan follows.

Valuation - Actuarially determined contribution amounts are calculated as of September 30 each year.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2018

Actuarial cost method	Entry-age
Amortization method	Level-Percent of Payroll
Remaining amortization period	20 years
Asset valuation method	Market Value of Assets
Salary increases	3.5 percent
Investment rate of return	7.5 percent Per Year
Health care cost trend rate	9.0 percent Year 1 Graded to 3.5 percent Year 10
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB. For men and women, 50% of the male table rates were used.

Schedule of the Authority's Proportionate Share of Total OPEB Liability Postemployment Life Insurance Benefit (in thousands of dollars)

	June 30, 2019	June 30, 2018
Authority's proportion of the total OPEB liability	0.646%	0.659%
Authority's proportionate share of the total OPEB liability	$ 8,066	$ 8,426
Authority's covered employee payroll	$ 19,274	$ 19,374
Authority's proportionate share of the total OPEB liability as a percentage of its covered employee payroll	42%	43%

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

The Plan is not a trust and has no assets.

Other Supplemental Information

Michigan State Housing Development Authority

Statement of Net Position Information

(in thousands of dollars)

June 30, 2019

	Activities						
	Single-family Mortgage Revenue Bonds	Rental Housing Revenue Bonds	General Operating	Capital Reserve	Mortgage Escrow and Reserve	Other	Combined
Assets, Hedging Derivatives, and Deferred Outflows							
Cash and Investments							
Cash and cash equivalents	$ 107,508	$ 33,819	$ 19,064	$ 135	$ 37,324	$ 7,904	$ 205,754
Investments	108,919	88,792	61	103,330	544,198	3	845,303
Total cash and investments	216,427	122,611	19,125	103,465	581,522	7,907	1,051,057
Loans Receivable							
Multifamily mortgage loans:							
Construction in progress	-	230,553	7,218	-	-	-	237,771
Completed construction	-	1,058,476	52,463	-	-	138,056	1,248,995
Housing development loans	-	-		-	-	2,203	2,203
Single-family mortgage loans	1,588,512	-	42,349	-	-	-	1,630,861
Home improvement and moderate rehabilitation loans	-	-	3,189	-	-	-	3,189
Total	1,588,512	1,289,029	105,219	-	-	140,259	3,123,019
Accrued loan interest receivable	5,984	33,799	8,421	-	-	23,322	71,526
Allowance on loans receivable	(45,448)	(22,105)	(4,044)	-	-	(189)	(71,786)
Net loans receivable	1,549,048	1,300,723	109,596	-	-	163,392	3,122,759
Capital Assets, net	-	-	20,431	-	-	-	20,431
Other Assets							
Real estate owned - net	7,887	2,276	905	-	-	-	11,068
Other	28,772	-	9,024	-	-	7,194	44,990
Interfund accounts	(61,036)	32,412	18,418	-	15,508	(5,302)	-
Total other assets	(24,377)	34,688	28,347	-	15,508	1,892	56,058
Total assets	1,741,098	1,458,022	177,499	103,465	597,030	173,191	4,250,305
Accumulated Decrease in Fair Value of Hedging Derivatives	20,342	21,030	-	-	-	-	41,372
Deferred Outflows of Resources							
Deferred outflows related to pensions	-	-	3,037	-	-	-	3,037
Deferred outflows related to OPEB	-	-	7,757	-	-	-	7,757
Deferred charges on refunding - Reassigned swaps	3,197	38,297	-	-	-	-	41,494
Total deferred outflows of resources	3,197	38,297	10,794	-	-	-	52,288
Total assets, hedging derivatives, and deferred outflows	**$ 1,764,637**	**$ 1,517,349**	**$ 188,293**	**$ 103,465**	**$ 597,030**	**$ 173,191**	**$ 4,343,965**

Statement of Net Position Information (continued)

(in thousands of dollars)

June 30, 2019

	Activities						
	Single-family Mortgage Revenue Bonds	Rental Housing Revenue Bonds	General Operating	Capital Reserve	Mortgage Escrow and Reserve	Other	Combined
Liabilities, Deferred Inflows, and Net Position							
Liabilities							
Bonds payable	$ 1,619,078	$ 1,218,326	$ -	$ -	$ -	$ -	$ 2,837,404
Line of credit	-	-	47,000	-	-	-	47,000
Hedging derivatives	20,342	21,030	-	-	-	-	41,372
Accrued interest payable	5,510	9,463	48	-	-	-	15,021
Escrow funds	-	768	243	-	597,030	(99,925)	498,117
Unamortized mortgage interest income	-	15,970	-	-	-	-	15,970
Net pension liability	-	-	39,183	-	-	-	39,183
Net OPEB liability	-	-	59,103	-	-	-	59,103
Other liabilities	-	-	32,352	-	-	7,072	39,424
Total liabilities	1,644,930	1,265,557	177,929	-	597,030	(92,853)	3,592,594
Deferred Inflows of Resources							
Deferred inflows related to pensions	-	-	3,348	-	-	-	3,348
Deferred inflows related to OPEB	-	-	9,165	-	-	-	9,165
Loan origination fees	-	-	17,525	-	-	-	17,525
Total deferred inflows of resources	-	-	30,038	-	-	-	30,038
Net Position	119,707	251,792	(19,675)	103,465	-	266,044	721,333
Total liabilities, deferred inflows, and net position	**$ 1,764,637**	**$ 1,517,349**	**$ 188,293**	**$ 103,465**	**$ 597,030**	**$ 173,191**	**$ 4,343,965**

Michigan State Housing Development Authority

Statement of Revenue, Expenses, and Changes in Net Position Information

(in thousands of dollars)

June 30, 2019

	Activities					
	Single-family Mortgage Revenue Bonds	Rental Housing Revenue Bonds	General Operating	Capital Reserve	Other	Combined
Operating Revenue						
Investment income (loss):						
Loan interest income	$ 58,702	$ 68,999	$ 7,110	$ -	$ 5,213	$ 140,024
Investment interest income	5,073	4,369	68	2,823	2,602	14,935
Increase (decrease) in fair value of investments - Including change in unrealized gains (losses)	8,157	3,011	(83)	2,812	-	13,897
Total investment income	71,932	76,379	7,095	5,635	7,815	168,856
Less interest expense and debt financing costs	46,728	49,459	1,285	-	-	97,472
Net investment income	25,204	26,920	5,810	5,635	7,815	71,384
Other revenue:						
Federal and state assistance programs	-	-	1,845	-	564,107	565,952
Section 8 program administrative fees	-	-	17,427	-	-	17,427
Contract administration fees	-	-	8,288	-	-	8,288
Other income	-	1,818	13,550	-	6,236	21,604
Total operating revenue	25,204	28,738	46,920	5,635	578,158	684,655
Operating Expenses (Revenue)						
Federal and state assistance programs	-	-	2,840	-	563,588	566,428
Salaries and benefits	-	-	39,368	-	-	39,368
Other general operating expenses	-	-	29,568	-	-	29,568
Loan servicing and insurance costs	1,014	-	5,177	-	-	6,191
Provision for possible losses on loans	11,095	(673)	171	-	-	10,593
Total operating expenses (revenue)	12,109	(673)	77,124	-	563,588	652,148
Operating Income (Loss) - Before nonoperating expenses	13,095	29,411	(30,204)	5,635	14,570	32,507
Nonoperating Expenses - Grants and subsidies	-	-	(455)	-	(6,395)	(6,850)
Change in Net Position	13,095	29,411	(30,659)	5,635	8,175	25,657
Net Position - Beginning of year	104,033	232,451	3,493	97,830	257,869	695,676
Transfers to Other Funds for Payment of Operating Fund Expenses	-	(10,000)	10,000	-	-	-
Funding to Provide Additional Cash Flow and Payment of Bond Issuance Costs	2,579	(70)	(2,509)	-	-	-
Net Position - End of year	$ 119,707	$ 251,792	$ (19,675)	$ 103,465	$ 266,044	$ 721,333

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

plante moran

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management, the Board of Directors, and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Michigan State Housing Development Authority (the "Authority") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Michigan State Housing Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as Finding 2019-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Response to the Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of finding. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

To Management, the Board of Directors, and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 22, 2019

Reference Number	Finding
2019-001	**Finding Type** - Significant deficiency

Criteria - Good business practices require the general ledger to be complete and free of misstatements before financial statement audits begin. The general ledger should be complete, reconciled, and reviewed during the year-end close process.

Condition - Certain general ledger account balances were not appropriately stated on the trial balance received, and some reconciliation and review processes had not occurred prior to the beginning of the audit.

Context - The Authority has a significant amount of activity related to operations, especially near year end. Consequently, the audit and portions of the year-end close process were performed simultaneously.

We identified immaterial adjustments as a result of audit procedures, and the Authority provided us with several journal entries during the audit that impacted the following balances in the financial statements:

(1) Cash
(2) Escrow funds
(3) Other miscellaneous receivables
(4) Other liabilities
(5) Loan origination fees
(6) Loan interest income
(7) Federal program revenue
(8) Federal program expense

Cause - There is a high level of operational activity performed at year end with limited staff preparing journal entries. There was not time for sufficient reviews and reconciliations to occur and to identify errors before the general ledger was provided for audit purposes.

Effect - Multiple immaterial account adjustments were identified as a result of audit procedures.

Recommendation - The Authority should put appropriate controls in place to ensure timely and accurate close of its year-end balances.

Views of Responsible Officials and Planned Corrective Actions - The Authority agrees with Plante & Moran PLLC's finding that staff was not prepared when Plante & Moran PLLC's staff were expected to begin their audit procedures. We are also in agreement that additional adjustments and reconciliations were being performed during the audit.

During fiscal year 2019, the finance division lost a number of key accounting staff. A few of these positions have been filled, and the remaining will be soon. The new staff will be trained and prepared to produce reporting in a timely manner. Finance has recently gone through a lean process improvement (LPI) related to the production of financial reports; with the LPI and being fully staffed, the Authority believes it will produce monthly financials on a timely basis, as well as be fully prepared when Plante & Moran, PLLC begins its audit procedures for the fiscal year 2020.

Helping Michigan's Hardest-Hit Homeowners

OCTOBER 2019

HARDEST HIT PROGRAMS	# OF HOUSEHOLDS THIS MONTH	# OF CUMULATIVE HOUSEHOLDS 2010-CURRENT	MONEY SPENT THIS MONTH	CUMULATIVE MONEY SPENT 2010-CURRENT
MORTGAGE & TAX ASSISTANCE	110	38,488	$635,097.06	$300,406,495.07
BLIGHT ELIMINATION	467	19,893	$9,347,288.86	$317,622,807.29
Step Forward DPA	44	1,535	$655,842.00	$22,847,909.77

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

MSHDA™ MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Step Forward Michigan program is offered by the Michigan Homeowner Assistance Nonprofit Housing Corporation in collaboration with the Michigan State Housing Development Authority.

Helping Michigan's Hardest-Hit Homeowners

NOVEMBER 2019

HARDEST HIT PROGRAMS

	# OF HOUSEHOLDS THIS MONTH	# OF CUMULATIVE HOUSEHOLDS 2010-CURRENT	MONEY SPENT THIS MONTH	CUMULATIVE MONEY SPENT 2010-CURRENT
MORTGAGE & TAX ASSISTANCE	44	38,531	$168,194.27	$286,134,252.92
BLIGHT ELIMINATION	436	20,329	$7,865,808.56	$325,489,989.32
Step Forward DPA	93	1,628	$1,383,141.98	$24,231,051.75

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CURRENT AND HISTORICAL HOMEOWNERSHIP DATA

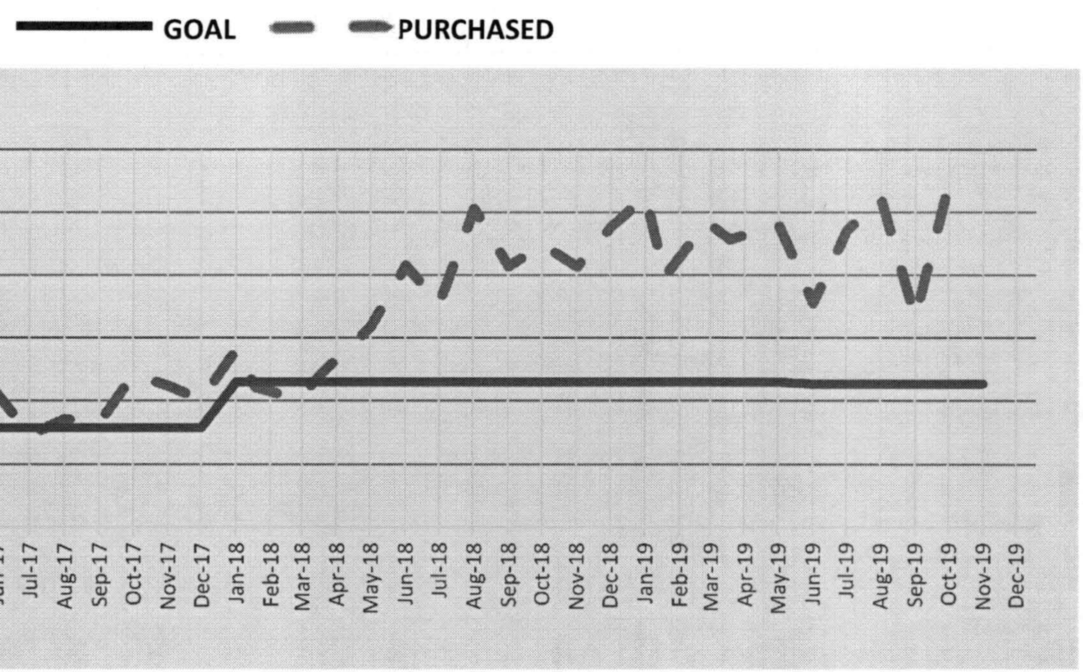
OCTOBER 2019

MSHDA™

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

MSHDA's Homeownership Division delivers responsive homeownership products, education and technical assistance that empower our customers and strengthen and sustain Michigan communities. We work with our partners to provide creative solutions that maximize existing resources and preserve homeownership opportunities for future generations.

SINGLE FAMILY MORTGAGES



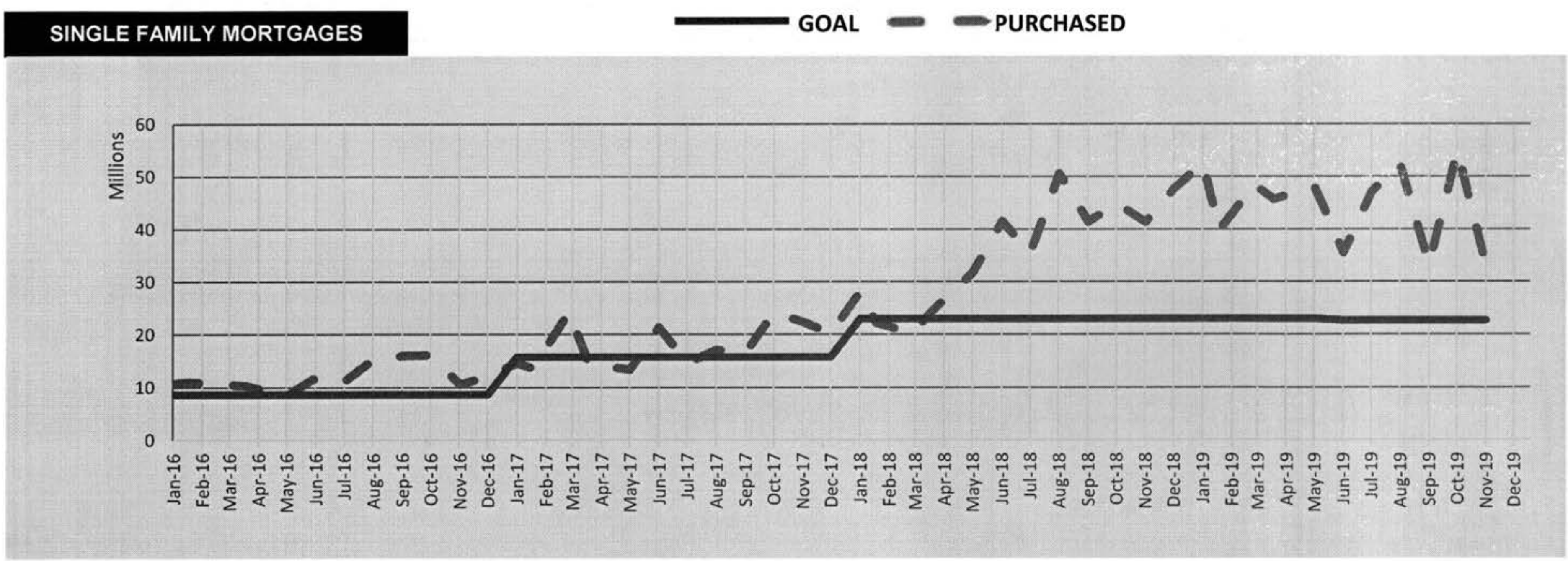
CURRENT AND HISTORICAL HOMEOWNERSHIP DATA

NOVEMBER 2019

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

MSHDA's Homeownership Division delivers responsive homeownership products, education and technical assistance that empower our customers and strengthen and sustain Michigan communities. We work with our partners to provide creative solutions that maximize existing resources and preserve homeownership opportunities for future generations.

SINGLE FAMILY MORTGAGES



Monthly Homeownership Production Report: OCTOBER 2019

Print on Legal-Size paper

MI HOME Loan Programs

Series /Date	Month	RESERVATIONS		APPLICATIONS RECEIVED		COMMITMENTS BEGINNING		COMMITMENTS ISSUED		Cancellations Reinstatements Net		Transfers IN		Transfers OUT		COMMITMENTS ENDING		PURCHASED #1		PURCHASED-DPA	
056	Oct-19	0	$ -	0	$0.00	3	$313,996.00	0	$0.00	0	-$30.00	0	$0.00	-2	-$197,663.00	1	$116,303.00	0	$0.00	0	$0.00
12/7/2018	Sep-19	0	-	0	$0.00	6	$571,964.00	0	$0.00	0	$0.00	0	$0.00	-3	-$257,998.00	3	$313,996.00	0	$0.00	0	$0.00
057	Oct-19	558	$ 63,472,731.00	615	$68,254,377.00	633	$70,311,587.00	391	$43,589,198.00	-7	-$621,164.00	2	$197,663.00	0	$0.00	529	$58,666,842.00	490	$54,810,442.00	432	$2,804,748.00
4/15/2019	Sep-19	466	53,254,590.00	538	$60,316,144.00	550	$61,217,986.00	383	$42,588,024.00	-5	-$695,713.00	3	$257,998.00	1	$78,551.00	633	$70,311,587.00	299	$33,135,259.00	290	$1,889,338.00
TOTAL	Oct-19	558	$63,472,731.00	615	$68,254,377.00	636	$70,625,583.00	391	$43,589,198.00	-7	-$621,194.00	2	$197,663.00	-2	-$197,663.00	530	$58,783,145.00	490	$54,810,442.00	432	$2,804,748.00

#	PURCHASED Prior Total	PURCHASED NEW Total	1st + DPA TO DATE	NEWEST ALLOCATED
056	$ 219,567,244.00	$ 219,567,244.00	$ 224,642,051.00	$ 200,000,000.00
156	$ 5,274,807.00	$ 5,274,807.00	remaining:	$ (24,842,061.00)
057	$ 140,494,617.00	$ 195,305,059.00	$ 198,109,807.00	$ 200,000,000.00
157	$ 1,889,336.00	$2,804,748.00	remaining:	$ 1,890,193.00

STEP FORWARD DPA Program

#255 Series /Date	Month	RESERVATIONS		Cancel/Rejects		Deleted		Total In Process		APPLICATIONS RECEIVED		COMMITMENTS ISSUED		PURCHASED-DPA FUNDED	
9/16/2019-R2	Oct-19	265	$ 3,975,000.00	-22	$ (330,000.00)	-13	$ (195,000.00)	426	$ 6,390,000.00	202	###########	161	$ 2,412,919.00	44	$ 655,842.00
9/24/2018	Sep-19	200	$ 3,000,000.00	-2	$ (30,000.00)	-2	$ (30,000.00)	196	$ 2,940,000.00	83	###########	48	$ 720,000.00	0	$ -

0	$ -	Previous Total
44	$ 655,842.00	Round 2 Total
1491	$ 22,192,427.77	Round 1 Total
1535	$ 22,848,269.77	GRAND Total

MI HOME FLEX Loan Program (MBS)

Series /Date	Month	RESERVATIONS		APPLICATIONS RECEIVED		COMMITMENTS BEGINNING		COMMITMENTS ISSUED		COMMITMENT Cancellations Reinstatements Net		COMMITMENT & PURCHASE IN/DEcrease Net		COMMITMENTS ENDING		PURCHASED #1		PURCHASED-DPA	
900	Oct-19	24	$ 2,693,449.00	24	$2,641,735.00	55	$6,140,257.00	17	$2,124,796.00	0	$0.00	0	$0.00	56	$6,557,296.00	16	$1,707,757.00	16	$99,178.00
11/14/2013	Sep-19	17	$ 1,920,166.00	27	$3,222,711.00	75	$8,001,158.00	19	$2,201,597.00	-1	-$122,735.00	-1	-$132,553.00	55	$6,140,257.00	37	$3,807,210.00	37	$251,662.00

MCC		RESERVATIONS		APPS RECEIVED		COMMITMENTS		CERTIFICATES	
211 MCC	Oct-19	25	$ 3,182,516.00	20	$ 2,670,553.00	19	$ 2,426,955.00	31	$ 4,256,505.00
6/13/2016	Sep-19	20	$ 2,668,631.00	22	$ 2,872,247.00	21	$ 2,832,815.00	22	$ 2,853,891.00

PIP Loans	Applications		Commitments		Purchased	
October-19	8	$ 137,541.00	3	$ 42,006.00	0	$ -
September-19	0	$ -	4	$ 57,848.00	0	$ -

Monthly Homeownership Production Report: NOVEMBER 2019

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MI HOME Loan Programs

Series /Date	Month	RESERVATIONS		APPLICATIONS RECEIVED		COMMITMENTS BEGINNING		COMMITMENTS ISSUED		Cancellations Reinstatements Net		Transfers IN		Transfers OUT	
031	Nov-19	0	$ -	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
6/26/2014 07-26-17	Oct-19	0	$ -	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
056	Nov-19	0	$ -	0	$0.00	1	$116,303.00	0	$0.00	0	$0.00	0	$0.00	-1	-$116,303.00
12/7/2018	Oct-19	0	-	0	$0.00	6	$571,964.00	0	$0.00	0	-$30.00	0	$0.00	-2	-$197,663.00
057	Nov-19	21	$ 2,397,499.00	491	$53,528,201.00	529	$58,666,842.00	361	$39,659,553.00	-4	-$426,866.00	1	$116,303.00	-1	-$94,007.00
4/15/2019	Oct-19	558	63,472,731.00	615	$68,254,377.00	633	$70,311,587.00	391	$43,589,198.00	-7	-$621,164.00	2	$197,663.00	0	$0.00
058	Nov-19	352	$ 40,631,894.00	85	$10,275,322.00	0	$0.00	21	$2,355,290.00	0	$0.00	0	$0.00	0	$0.00
11/1/2019	Oct-19	0	-	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
TOTAL	Nov-19	373	$43,029,393.00	576	$63,803,523.00	530	$58,783,145.00	382	$42,014,843.00	-4	-$426,866.00	1	$116,303.00	-2	-$210,310.00

Series /Date	Month	COMMITMENTS ENDING		PURCHASED #1		PURCHASED-DPA		#	PURCHASED Prior Total	PURCHASED NEW Total	1st + DPA TO DATE	NEWEST ALLOCATED
031	Nov-19	0	$0.00	0	$0.00	0	$0.00	031	$ 21,918,601.00	$ 21,918,601.00	$ 23,092,639.00	$ 10,000,000.00
6/26/2014 07-26-17	Oct-19	0	$0.00	0	$0.00	0	$0.00	101	$ 1,174,038.00	$ 1,174,038.00	remaining:	$ (13,092,639.00)
056	Nov-19	0	$0.00	0	$0.00	0	$0.00	056	$ 219,567,244.00	$ 219,567,244.00	$ 224,842,051.00	$ 225,000,000.00
12/7/2018	Oct-19	1	$116,303.00	0	$0.00	0	$0.00	156	$ 5,274,807.00	$ 5,274,807.00	remaining:	$ 157,949.00
057	Nov-19	591	$64,981,162.00	295	$32,940,663.00	196	$1,264,904.00	057	$ 195,305,059.00	$ 228,245,722.00	$ 233,855,216.00	$ 300,000,000.00
4/15/2019	Oct-19	529	$58,666,842.00	490	$54,810,442.00	432	$2,804,748.00	157	$ 2,804,748.00	$5,609,496.00	remaining:	$ 66,144,782.00
058	Nov-19	21	$2,355,290.00	0	$0.00	0	$0.00	058	$ -	$ -	$ -	$ 300,000,000.00
11/1/2019	Oct-19	0	$0.00	0	$0.00	0	$0.00	158	$ -	$ -	remaining:	$ 300,000,000.00
TOTAL	Nov-19	612	$67,336,452.00	295	$32,940,663.00	196	$1,264,904.00					

STEP FORWARD DPA Program

#255 Series /Date	Month	RESERVATIONS		Cancel/Rejects		Deleted		Total In Process		APPLICATIONS RECEIVED		COMMITMENTS ISSUED		PURCHASED-DPA FUNDED	
9/16/2019-R2	Nov-19	13	$ 195,000.00	-27	$ (405,000.00)	-1	$ (15,000.00)	411	$ 6,165,000.00	98	###########	128	$ 1,919,538.00	93	$ 1,383,141.98
9/24/2018	Oct-19	265	$ 3,975,000.00	-22	$ (330,000.00)	-13	$ (195,000.00)	426	$ 6,390,000.00	202	###########	161	$ 2,412,919.00	44	$ 655,482.00

44	$ 655,482.00	Previous Total
137	$ 2,038,623.98	Round 2 Total
1491	$ 22,192,427.77	Round 1 Total
1628	$ 24,231,051.75	GRAND Total

MI HOME FLEX Loan Program (MBS)

Series /Date	Month	RESERVATIONS		APPLICATIONS RECEIVED		COMMITMENTS BEGINNING		COMMITMENTS ISSUED		COMMITMENT Cancellations Reinstatements Net		COMMITMENT & PURCHASE IN/DEcrease Net		COMMITMENTS ENDING		PURCHASED #1		PURCHASED-DPA	
900	Nov-19	19	$ 1,939,455.00	17	$1,836,337.00	56	$6,557,296.00	15	$1,576,137.00	0	$0.00	0	$0.00	49	$5,767,547.00	22	$2,365,886.00	21	$133,169.00
11/14/2013	Oct-19	24	$ 2,693,449.00	24	$2,641,735.00	55	$6,140,257.00	17	$2,124,796.00	0	$0.00	0	$0.00	56	$6,557,296.00	16	$1,707,757.00	16	$99,178.00

MCC		RESERVATIONS		APPS RECEIVED		COMMITMENTS		CERTIFICATES	
211 MCC	Nov-19	33	$ 4,018,802.00	20	$ 2,354,746.00	18	$ 2,215,849.00	23	$ 2,963,279.00
6/13/2016	Oct-19	25	$ 3,182,516.00	20	$ 2,670,553.00	19	$ 2,426,955.00	31	$ 4,256,505.00

PIP Loans	Applications		Commitments		Purchased	
November-19	5	$ 50,525.00	4	$ 57,165.00	4	$ 70,569.00
October-19	8	$ 137,541.00	3	$ 42,006.00	0	$ -