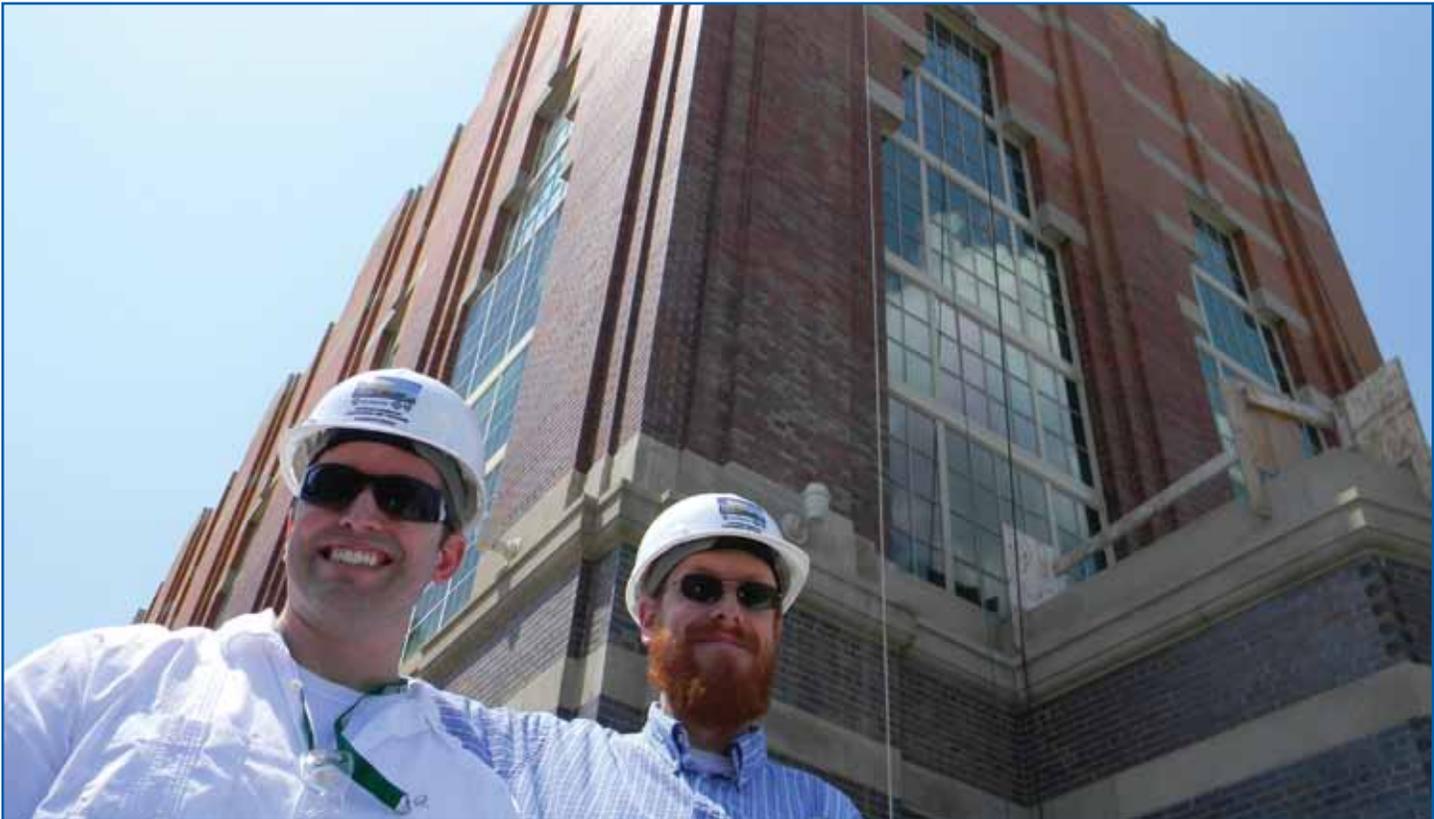


2012 Annual Report

**Michigan State Housing
Development Authority**





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Comments from the Executive Director, Scott Woosley

As MSHDA's new executive director, I have embraced the vision that is currently driving and has historically driven the Michigan State Housing Development Authority in serving the people of Michigan by providing a thriving economy and an unparalleled quality of life.

Governor Rick Snyder's promise to the people of Michigan continues to be "relentless positive action," and that often-repeated message has served MSHDA well during the last year in reaching our mission and vision to improve the state's rental housing stock, prevent foreclosure and promote homeownership, rebuild our cities and neighborhoods, and help reduce homelessness.

Michigan's current direction and strategies have the state well positioned to attract new housing investments from developers throughout the country and I am honored to be to be on board at MSHDA for this game changing opportunity. The fierce challenges brought about by the housing-led recession that crippled Michigan's economic viability finally have subsided enough to stabilize the state's economy and put it back on track. MSHDA's "AA" bond rating is among the highest in the nation, and MSHDA's balance sheet is among the strongest of all housing finance agencies nationwide, according to Standard & Poor's.

I believe community development and economic development go hand in hand. Attracting new investors and creating new developments will help Michigan maximize underutilized resources throughout the state, particularly in our urban centers and rural communities.

To that end, the Building Together initiative, spearheaded by MSHDA last year, brought together representation from every arena of the affordable housing industry to better serve Michigan citizens and produced Michigan's Qualified Allocation Plan (QAP) for 2013. The new, completely revamped QAP has drawn national attention for its well-balanced consideration of both nonprofit and for-profit developers.

Michigan also provided a model for the nation by helping thousands of Michigan residents stay in their homes and avoid foreclosure through Michigan's Help for the Hardest Hit Homeowners federal funding award of nearly a half billion dollars. The "Step Forward Michigan" website was established to allow online applications and a toll-free number to the MSHDA call center to provide free, professional housing counselor services to help those families that lost their homes to foreclosure. In addition, our Homeownership division has developed several innovative programs as a result of funding from a settlement with the nation's largest banking institutions initiated by 49 of the 50 states' attorneys general. Michigan received one of the largest awards totaling \$97 million, a portion of which was allocated to additional housing counselors to help increase opportunities for individuals and families by reducing the costs of homeownership.

MSHDA and our dedicated partners in the Campaign to End Homelessness housed thousands of homeless families and individuals, contributing to the overall economic health of communities throughout Michigan. Included in these efforts was the housing of more than 50 homeless campers who had set up a tent camp located on state land in Ann Arbor.

The Sense of Place Council, a broad consortium of private and public sector leaders, have helped Michigan transition to a diversified economy that embraces entrepreneurship and innovation—leading to the retention and attraction

of talent. MSHDA, as a leading member of the Council, helped to ensure that our goals complemented the federal Neighborhood Stabilization Program 2 (NSP2), a part of the American Recovery and Reinvestment Act (ARRA).

To that end, MSHDA along with our partners, have played a key role in stabilizing Michigan cities and neighborhoods in 12 major urban communities throughout the state with

blight removal and rehab of dilapidated and abandoned properties through the federal NSP program.

In conjunction with Governor Rick Snyder's Interdepartmental Collaboration Committee (ICC), MSHDA created a "placemaking" strategy. This strategy focuses on Michigan's natural assets to stimulate entrepreneurship and small business growth, (economic gardening), with the goal of reinventing Michigan and restoring its economic viability.

We are extremely proud of the successful year from which we have just emerged. Through the following annual report, we will share some of those highlights and accomplishments that made the year a better one for the people of Michigan and inspired the commitment to stay fo-

cused on our mission of reinventing Michigan in the coming year.

Although we are proud of our past accomplishments, we are focused on the future and driven to provide more energy, more innovation, and more affordable housing opportunities for all Michigan residents.



Scott Woosley, CFA
Executive Director
Michigan State Housing Development Authority



I believe community development and economic development go hand in hand. Attracting new investors and creating new developments will help Michigan maximize underutilized resources throughout the state, particularly in our urban centers and rural communities.



CREATING AFFORDABLE RENTAL HOUSING

- The first round of MSHDA's Gap financing was implemented
- The Qualified Allocation Plan was completely rewritten and revamped based on input and feedback from MSHDA's developer partners and serves as a national model for its fairness and inclusion
- MSHDA met the requirement deadline for disbursing the Tax Credit Assistance Payment (TCAP) program



In response to the White House's Domestic Policy Council's request for better coordinated federal rental policy, MSHDA was the lead agency for implementing the Subsidy Layering Review Harmonization effort between MSHDA, HUD and USDA-RD.

MSHDA closed on 18 multifamily affordable housing transactions, generating 882 apartment units utilizing a variety of funding sources and development programs.

PREVENTING HOMELESSNESS

- For the first time since measurements were taken in 2006, the overall homeless population in Michigan dropped by an impressive 6.13 percent
- The number of homeless families (adults and children together) dropped by 8.7 percent
- Completed the renovation of the old Bell Building, a permanent supportive housing project for 155 chronically homeless single individuals in the city of Detroit. NSO will be providing significant support services to these individuals partnering with Focus HOPE, local colleges and universities to provide employment, education and vocational training.



Michigan's Campaign to End
HOMELESSNESS
One person, one family at a time.

The percentage of households that retained permanent supportive housing for more than seven months was up 15 percent over the previous year

Received a Governor's proclamation applauding Homeless Awareness Week with hundreds of events conducted throughout the state, bringing attention to the challenges of homelessness

The 7th Annual Homeless Summit was held in September with more than 300 from around the state attending a two-day, power packed agenda that featured keynote speakers on topics based on the theme Relationships, Progress, and Results

Highlights and Accomplishments of 2012

PROMOTING HOMEOWNERSHIP

- MSHDA's Homeownership division modified the Step Forward Michigan website, improving the online application process for Hardest Hit funds to prevent foreclosure



- Additionally they designed and developed new programs based on feedback from customers and lending institutions to better meet the needs of at-risk homeowners



Funded 912 home purchases totaling \$59.9 million



Funded 856 down payment assistance loans totaling \$4.9 million



Issued mortgage credit certificates to 220 home buyers totaling \$20.2 million



Responded to 37,009 phone calls for foreclosure prevention assistance



Provided \$38.9 million in assistance to 6,261 homeowners through the Step Forward Michigan programs

Provided \$38.9 million in assistance to 6,261 homeowners through the Step Forward Michigan programs



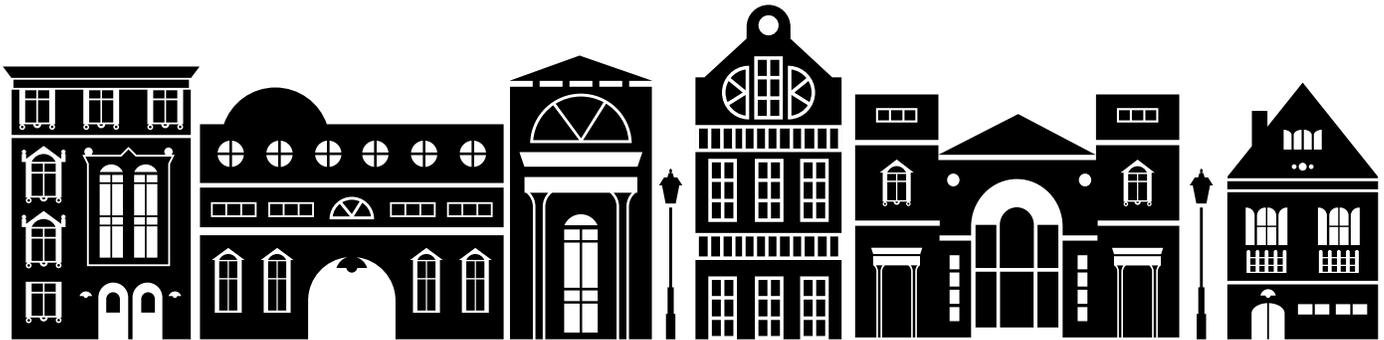
MSHDA's Homeownership division provided \$200,000 in funding to support Michigan's Individual Development Account (IDA) program; a matched savings plan that enables lower income individuals and families to purchase a home or start a new business

MSHDA funded over \$2 million in counseling services that encouraged homeownership and assisted homeowners in keeping their homes

PRESERVING MICHIGAN'S HISTORIC BUILDINGS AND LANDMARKS— THE STATE HISTORIC PRESERVATION OFFICE (SHPO)



- The SHPO/MSHDA was named as a co-recipient of a National Trust for Historic Preservation Honor Award for the rehabilitation of the former Board of Water and Light Ottawa Street Power Station along with Accident Fund Holdings, Inc.; Blue Cross Blue Shield of Michigan; the City of Lansing; Christman Capital Development Company; the Christman Company; HOK; Quinn Evans Architects; Lansing Board of Water and Light; and the Lansing Economic Development Corporation. The award was presented at the National Preservation Awards ceremony in Spokane, Washington, on Friday, November 2.
- Meadow Brook Hall, the historic home of one of the automotive aristocracy's most remarkable women, Matilda Dodge Wilson, was designated a National Historic Landmark (NHL) by the National Park Service. The estate is one of only 36 NHLs in Michigan.
- Seventeen Michigan properties and historic districts were listed in the National Register of Historic Places. The historic districts alone included 934 properties that were added to the register.
- Historic rehabilitation projects using Federal and State Historic Preservation Tax Credits resulted in \$118.2 million in investment. Most of this investment was in Michigan cities. The top four cities that benefitted from historic rehabilitation projects are:
 - o Detroit: \$59.7 million
 - o Grand Rapids: \$36.6 million
 - o Kalamazoo: \$11.6 million
 - o Pontiac: \$3 million



Four Certified Local Government grant projects were completed. The total project cost of the four projects was \$145,000, with the SHPO disbursing \$99,000 in CLG funds toward the projects. The CLG communities that completed the projects were the city of Boyne City and the city of Detroit.

SHPO awarded \$112,000 in new CLG grants. The communities receiving the grant awards are the cities of Allegan, Menominee, Mount Clemens and Ypsilanti.

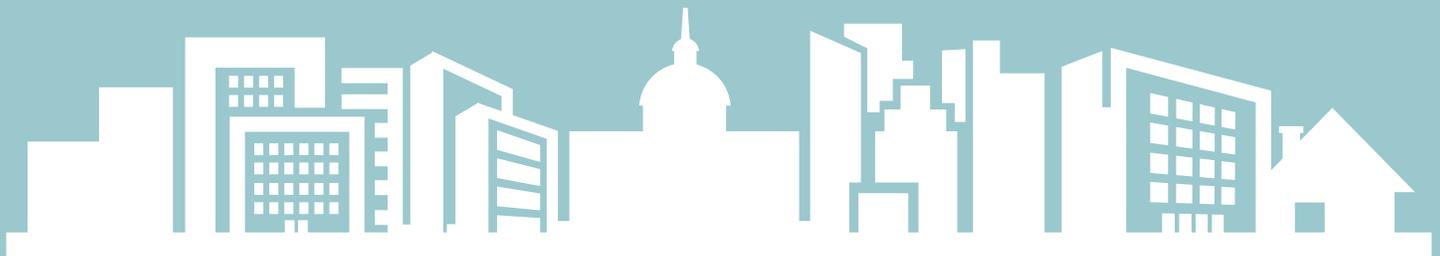
The MLAP grant program is funded through the sale of the Save Our Lights license plates, and three projects were completed at the Gull Rock Lighthouse, South Fox Island Light Station, and the Whitefish Point Light Station for a total of \$87,000.

The SHPO awarded \$188,000 in new MLAP grants for the Beaver Island St. James Light Tower, the Copper Harbor Rear Range Light, the Muskegon South Pierhead Light and Muskegon South Breakwater Light, the St. Clair Flats Old South Channel Front Range Light, the White River Light Station, and the Whitefish Point Light Station.

Highlights and Accomplishments of 2012

BUILDING VIBRANT CITIES AND NEIGHBORHOODS

- NSP2 funding was used to build 52 single-family homes, which were among the last of 200 homes built to fulfill the requirements of a decades-long racial discrimination lawsuit in Hamtramck. This federal funding opportunity has had a dramatic positive impact on the city of Hamtramck immediately and will influence the future direction of housing development in Hamtramck, revitalizing a city long plagued with economic challenges.
- One positive result of the NSP2 funding in Hamtramck is after being at the Associate Level of MSHDA's Michigan Main Street program is making application for the five-year Select Level of the Main Street program.
- MSHDA conducted a statewide "Why I Choose Michigan" sweepstakes in partnership with Michigan REALTORS® and Art Van Furniture and received hundreds of stories, testimonials, videos, and photos of why people are choosing Michigan as a place to live, work, play and share the dream of homeownership.
- We joined several other state departments in 15 statewide roadshows with MSHDA's focus on housing and placemaking.



Lafayette Lofts in downtown Pontiac came to completion this year. It features a complete renovation of the old historic Sears and Roebuck building into a mixed-use development that is already attracting many to Pontiac's historic business district and has leveraged an additional and much-needed \$14 million into the economy.

The Lloyd Building project located in Menominee took its first step in fulfilling the local citizenry's dreams of transforming the historic structure into affordable apartments and retail stores, stimulating more economic development in regions across Michigan and spurring the recovery of Michigan's economy.

Through technical assistance from the Michigan Main Street program, Manistee has literally transformed its downtown and strengthened its placemaking efforts many fold. More than \$180,000 in private investment and 14 façade rehabilitations have resulted in a making Manistee a place to be in Northwest Michigan.



Community Success Stories

If You Build it They Will Come

A Story of How Affordable Rental Housing Helps House the Homeless



It is estimated that more than 100,000 people in Michigan have no place to call home and nearly 500 of these are homeless veterans located in the Battle Creek area. What a sad commentary. But in 2008, MSHDA, along with the Veterans Administration, Medallion Management, local service agencies and many other funding partners collaborated to meet this challenge by building Silver Star Apartments, providing 76 units of permanent supportive housing with a preference for veterans. The project was completed in 2009 and leased up in a record 39 days, a clear indication that the need was indeed great.



The obvious next step was expansion and so the concept of Silver Star Phase II was born. In April 2012, a 100-unit development prioritized for homeless veterans in need of supportive housing was proposed and approved, including Low Income Housing Tax Credits (LIHTC) approved and awarded in August 2011. Ground breaking for Phase II is underway and slated to become a newly constructed, three-story elevated building that will be attached to and represent an expansion of Silver Star Phase I.

The plans for the Phase II project call for generous common areas, including a theater, wood shop and welding shop, multipurpose community room, community kitchen and dining area and laundry facilities—all free to all tenants. Construction is projected to be completed by August 2013. In addition, MSHDA is providing 100 project-based Housing Choice Vouchers that will make all the units affordable to family households with incomes as low as 30 percent of the Area Media Income



As one Marine veteran living in the project's Phase I so aptly put it—"You have given dignity and hope to the broken, the lost and the homeless. If you don't think it makes any difference, I would not be here today if that (Silver Star Apartments) wasn't put into place."

Though it literally took an act of Congress to bring the first phase of this for-profit company project built on federal government land to fruition, it did provide the motivation and a strong foundation on which to build Phase II.

*So MSHDA and partners are building it...
and they will come soon after!*



Homeownership in Detroit a Reality for Family of Seven Thanks to MSHDA and Detroit Land Bank Authority



The Hanafees, a family of seven and firmly rooted in the faith-based community ministry, moved to Detroit from Portland, Oregon. They rented a property in the Boston Edison neighborhood of Detroit just to get their family settled quickly, but Susan and Mike Hanafee and their family soon fell in love with the community and began to look for a home of their own in this beautiful historic Detroit neighborhood.

They stumbled upon a striking arts and crafts style home suitable in size to hold their large family. While they were trying to buy the home from Fannie Mae and figuring out how to finance the do-it-yourself renovations for this home, the Detroit Land Bank Authority was negotiating a bulk purchase from Fannie Mae under the Neighborhood Stabilization Program, and this property became part of that sale.



The Hanafees felt betrayed and feared their dream home was lost, but when the Land Bank learned of the situation, they instantly came to their rescue, promising to do all that they could to make sure this property would be the Hanafees new home and be renovated for sustainability. With MSHDA, the Land Bank and the family all working together, Detroit has welcomed a new family that has chosen to live in Michigan. The Hanafee's are safely tucked away into their new home and loving it.

This is just one success story with a happy ending that represents all that MSHDA and its partners are doing every day to bring the dream of homeownership to the people of Michigan. There are many more.

A Home is Saved from Foreclosure Grateful Homeowner Thanks MSHDA

MSHDA administers federal funds through its Step Forward Michigan program to help homeowners hardest hit by the failing housing market to keep their homes from foreclosure. Tens of thousands of Michigan residents have been helped through this program and many letters of appreciation have been received in MSHDA's Homeownership division. The following is just one of them.

"I am writing to thank you and all the others in your organization for your generous assistance as I was a participant in the Hardest Hit Program. I was let go from my position last September 2011 and was able to stay current on my house payments through December of 2011 using severance monies I had received.

In January, still unemployed and out of severance money, I was unable to make any more house payments. I was getting frustrated, anxious, and scared as to what I would do, afraid of course of losing my home to foreclosure. Fortunately (I see it as a blessing from above) I found out about your program, submitted all the required paperwork, and was found eligible to participate in your program.

With your help I was able to begin making regular payments starting in June of this year using my unemployment, cutting back on expenses, delaying payment on some bills, and delaying some purchases/home maintenance things...It is hard to put in words how much I appreciated this program being available."

Visit the website at www.stepforwardmichigan.org.

The Village at Grand Traverse Commons Launches Next Phase of Affordable Housing

A story of affordable housing and vibrant cities



The Village at Grand Traverse Commons is the re-development of the historic Northern Michigan Asylum for the Insane, which for over 120 years played an integral role in the economic life of Traverse City and its surrounding communities.

At one time, nearly 50 similar facilities operated throughout the United States. Today, most, if not all of these structures have been demolished. By contrast, the Traverse City community embraced this facility and its campus as far too significant for demolition.

In 2007, the city of Traverse City and Garfield Township formed a joint planning commission for the sole purpose of planning for the future of the area. In January 2010, the Traverse City commission and Garfield Township board each adopted a new master plan for Grand Traverse Commons.

As a result, Grand Traverse Commons is a vibrant, mixed use redevelopment community with 62 market rate residential condominiums, over 70 businesses employing in excess of 400 people, with 630 Lofts (the first phase of this project) a nationally recognized affordable housing development.

In 2012, Cottage 36 became the next phase of the ongoing re-development of Grand Traverse Commons. The development is located on the site of the Grand Traverse Commons re-development in one of the “cottages” adjacent to the primary facility. The existing cottage will be converted to a residential structure with 28 units reserved for tenants of low to moderate incomes. A portion of the units will be reserved for families who require supportive services.

Financing for the project includes State Historic Credits, Low Income Housing Tax Credits and deferred developer fees.



Housing Choice Voucher Program Helps Veteran and His Family



Phil and Lauren currently reside with their two children (ages 4 and 1) at Keystone Village Apartments in Traverse City. But it wasn't easy getting there until MSHDA stepped in. Keystone Village is a 24 unit project-based voucher development targeting families that are homeless, survivors of domestic violence or chronically homeless.

Phil was in the Army and did tours of duty in Afghanistan in 2004 and 2005 and was discharged from the military in late 2006. He returned to Traverse City where he lived with his parents while he looked for employment and educational opportunities. Unfortunately and through no fault of his own, the military overpaid him nearly \$7,000 for his deployment. Because of this mistake, Phil was unable to enroll in classes at Northwestern Michigan College because he did not qualify for financial assistance until the overpayment was paid back in full.

In 2007, Phil enrolled in a truck driving school and his girlfriend Amy became pregnant with their first child. In 2008, Amy gave birth to their son and the two of them moved into the Women's Resource Center while Phil continued his schooling. In 2008, Amy and Phil married and were able to purchase

a trailer in a mobile home park. The economy at that time was not kind to the couple and their family. Phil was laid off from the trucking company in 2011. As a result, they lost their trailer and found themselves homeless. They sought out services from Goodwill Industries, Inc. and were able to move into the Goodwill Inn where they stayed from September 2011–January 2012. During this time, Phil landed a job at Home Depot and the couple welcomed their second child, a girl, in December 2011.

While residing at the Goodwill Inn, they applied for several programs to help them get on their feet. MSHDA's Project-Based Voucher program came to the rescue and in 2012 a unit at Keystone Village became available and the family moved into their 2-bedroom apartment. The family also has enrolled in MSHDA's Family Self-Sufficiency program, where they meet on a regular basis with their caseworker to achieve the goals established in their service plan. They have been able to pay back the \$7,000 debt owed and have enrolled their son in preschool. Phil is currently working nights at Home Depot and going to school at Northwestern Michigan College during the day. He hopes to be accepted into the Maritime Academy.



Annual Production Summary Report

Annual Production Summary

MULTIFAMILY LOAN PROGRAMS

These programs represent the Authority's response to localized housing and reinvestment needs by financing affordable rental housing.

Tax Exempt Perm Loans:	\$8.1 million
Tax-Exempt Construction Loans:	\$19.0 million
Taxable Bond Per Loans:	\$7.1 million
Taxable Bond Construction Loans:	\$5.6 million
NSP Loans:	\$48.1 million
Preservation Fund Loans:	\$2.1 million
HOME Loans:	\$7.3 million
Total Development Costs:	\$149 million
Loans:	\$78.4 million
Developments:	11
Number of Units:	1,354

LOW INCOME HOUSING TAX CREDIT (LIHTC)

Total Amount Allocated:	\$35.3 million
Number of Developments:	37
Number of Units:	2,982

HOUSING CHOICE VOUCHER PROGRAM

These numbers include project-based vouchers, homeownership, non-elderly disabled, and veterans.

Number of Vouchers:	An average of 23,808
Average age of Head-of-Household:	46
Percentage of Disabled:	46%
Average Adjusted Household Income:	\$11,725

FEDERAL STIMULUS FUNDING

During FY 2012, the Authority continued to use Neighborhood Stabilization Program (NSP) 1, 2 and 3 funding sources to help finance the construction and rehabilitation of affordable multifamily housing developments across the state.

In FY 2012, MSHDA's multifamily lending was aided by the availability of recovery act resources that provided additional soft financing. A total of \$40.7 million in NSP1 funds, \$39.1 million in NSP2 funds, and just over \$372,000 in NSP3 funds were used in conjunction with MSHDA dollars to help fund 4 of the 11 multifamily loans made in FY 2012.

Supportive Housing and Homeless Initiatives Programs

HOMELESS HOUSING DEVELOPMENT PROGRAMS

HOME Loans: \$6.9 million

NSP1 Loans: \$1.2 million

Number of Units: 88

HOMELESS GRANTS

Under this category, \$5 million is allocated to match and supplement HUD's Emergency Solutions Grant (ESG) program. The ESG program offers financial assistance to public and nonprofit organizations that are responding to the needs of homeless populations through a Continuum of Care process. ESG funds can be used for shelter operation, essential services, prevention, rapid re-housing, or Continuum of Care coordination.

TENANT BASED RENTAL ASSISTANCE PROGRAM

MSHDA uses a combination of MSHDA and federal HOME dollars to administer the Tenant Based Rental Assistance Program (TBRA). MSHDA awards funds to nonprofit agencies throughout the state to administer the program. TBRA provides a two-year rental assistance program to homeless families with children, chronically homeless, homeless youth, and survivors of domestic violence.

FEDERAL STIMULUS FUNDING

As part of the American Recovery and Reinvestment Act of 2009, the Homeless Prevention and Rapid Re-Housing Program (HPRP) was created to provide financial assistance and services to either prevent households from becoming homeless or to help those who are experiencing homelessness to be quickly re-housed and stabilized.

This program targets two populations: those who are currently in housing but are at risk of becoming homeless if not for this assistance, and those who are residing in shelters or on the street. Those meeting income and program eligibility requirements may be assisted with leasing, rental arrearages, security and utility deposits, utility arrearages and utility payments, and stabilization services/case management. During FY 2012, agencies expended \$4,567,724 in HPRP funds, to assist over 6,300 individuals.

Amount expended by agencies: \$4,567,724

Individuals assisted: 6,300

Homeownership Programs

SINGLE FAMILY LOANS

This program allows the Authority to finance low and moderate-income mortgages for people meeting income and purchase price limits. The loans are fixed-rate, level payment, 30-year mortgages.

Loans: \$59.9 million

Units Financed: 904

COUNSELING PROGRAMS

In addition to mortgage lending, the Homeownership division provided counseling funded via federal funds and general operating income.

Homebuyer Education: 3,789 households

Foreclosure Prevention: 4,303

Family Self-Sufficiency (FSS): 176

Key to Own: 75

Specialty programs: 837

FEDERAL STIMULUS COUNSELING FUNDING

Amount Expended: \$691,300

Borrowers Served: 194

HELP FOR HARDEST HIT PROGRAMS

Amount Allocated: \$20,649,730

MICHIGAN MORTGAGE CREDIT CERTIFICATE PROGRAM

Total Investment: \$19.8 million

Number of units: 217

Average Age of Certificate Holder: 30

Average Family Size: 2

PROPERTY IMPROVEMENT LOAN PROGRAM

Loans: \$1.5 million

Number of Loans: 93

CONSTRUCTION JOBS CREATED, WAGES PAID AND TAXES COLLECTED

Jobs Created: 1,124 Jobs

Amount of Wages: \$75 million

Federal and State Taxes Collected: \$26 million

GRANTS MADE TO LOCAL GOVERNMENTS AND NONPROFIT HOUSING SERVICE PROVIDERS

Total Grant Expenditure: \$24.8 million

To view the FY2012 Financial Statement, please follow this link: michigan.gov/documents/mshda/MSHDA_June_30_2012_Audited_402948_7.pdf

Overall Production Summary

FY 2012 PRODUCTION AND FY 2013 GOALS

Program	FY 2012 Goal		FY 2012 Production		FY 2013 Goal	
Multifamily Direct Loans	\$66,500,000	2,200	\$78,390,742	1,354	\$78,123,795	1,773
Single Family Loans	\$78,000,000	1,167	\$59,918,024	904	\$63,000,000	630
Michigan Credit Certificate Program	\$15,000,000	163	\$19,810,147	217	\$29,000,000	320
Property Improvement Program (PIP)	\$1,500,000	120	\$1,194,112	93	\$1,200,000	100
TOTAL	\$160,500,000	2,383	\$159,313,050	2,568	\$171,323,795	2,823



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