Roll Call:

Public Comments:

Remarks:
Chairperson
Executive Director

Voting Issues:
Tab A Approval of Agenda

CONSENT AGENDA ITEMS
Consent Agenda (Tabs B through D 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 — June 27, 2019
Tab C Resolution Amending Code of Ethics
Tab D Resolution Authorizing the Extension of Professional Services Contract with Water Hill Creative, Inc.

REGULAR VOTING ITEMS
Tab E Resolution Determining Mortgage Loan Feasibility, Ferguson Apartments, MSHDA Development No. 1440-2, City of Grand Rapids, Kent County
Resolution Authorizing Mortgage Loans, Ferguson Apartments, MSHDA Development No. 1440-2, City of Grand Rapids, Kent County

Tab F Resolution Determining Mortgage Loan Feasibility, Lyon Township Senior Living, MSHDA Development No. 3850, Charter Township of Lyon, Oakland County
Resolution Authorizing Mortgage Loans, Lyon Township Senior Living, MSHDA Development No. 3850, Charter Township of Lyon, Oakland County

Tab G Resolution Authorizing Modification to Mortgage Terms, McCoy Townhouses, MSHDA Development No. 527-2, City of Detroit, Wayne County
Tab H Resolution Authorizing the Extension and Budget Increase of Professional Services Contract with Perich Advertising + Design

**Closed Session**

None.

**Discussion Issues:**

None.

**Reports:**

Tab 1 Hardest Hit Report
Tab 2 Current and Historical Homeownership Data
Tab 3 Homeownership Production Report
Tab 4 Delegated Action Reports
Policy, Planning and Human Resource Subcommittee

AGENDA
Monday, July 22, 2019
8:30 a.m.

Dial-In: 1 (877) 402-9753
NEW Passcode: 9048999

Agenda Voting Item(s):

Tab C  Resolution Amending Code of Ethics
Tab D  Resolution Authorizing the Extension of Professional Services Contract with Water Hill Creative, Inc.
Tab H  Resolution Authorizing the Extension and Budget Increase of Professional Services Contract with Perich Advertising + Design

Other Agenda Item(s):

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

Miscellaneous (Discussion Only):

- Executive Director Search
Real Estate Finance Subcommittee

A G E N D A
Monday, July 22, 2019
10:00 a.m.

Dial-In: 1 (877) 402-9753
NEW Passcode: 9048999

Agenda Voting Item(s):

Tab E  Resolution Determining Mortgage Loan Feasibility, Ferguson Apartments, MSHDA
        Development No. 1440-2, City of Grand Rapids, Kent County

        Resolution Authorizing Mortgage Loans, Ferguson Apartments, MSHDA
        Development No. 1440-2, City of Grand Rapids, Kent County

Tab F  Resolution Determining Mortgage Loan Feasibility, Lyon Township Senior Living,
        MSHDA Development No. 3850, Charter Township of Lyon, Oakland County

        Resolution Authorizing Mortgage Loans, Lyon Township Senior Living, MSHDA
        Development No. 3850, Charter Township of Lyon, Oakland County

Tab G  Resolution Authorizing Modification to Mortgage Terms, McCoy Townhouses,
        MSHDA Development No. 527-2, City of Detroit, Wayne County

Other Agenda Item(s):

None.

Miscellaneous (Discussion Only):

None.
Chairperson Rachael Eubanks opened the meeting at 10:04 a.m.

Public Comments:

Ms. Eubanks asked if there were public comments at the Lansing and Detroit offices. There being no public comments, Ms. Eubanks noted that Goldenrods for Tabs A and H were distributed at the table. A copy of the Board memo for Tab G was also available.
Executive Directors Report:

Executive Order 2019-13

Mr. Heidel reported on Executive Order 2019-13, which would make the following changes unless the executive order is rejected by the Michigan legislature:

- TED would become the Department of Labor and Economic Opportunity (LEO) and a new director would be appointed.
- The Director of LEO would become a MSHDA Board member and Chair.
- The President of the Michigan Strategic Fund would become a MSHDA board member.
- The State Treasurer would remain a MSHDA Board member.
- The Directors of Transportation and Health and Human Services would no longer be on the MSHDA Board. (Mr. Heidel noted that MSHDA would continue to work with both departments if the Directors are no longer on the MSHDA Board.)
- SHPO (State Historic Preservation Office) would be transferred from MSHDA to the Michigan Strategic Fund.
- The Executive Director of MSHDA would become a member of the Michigan Land Bank Board.

Ashton Ridge

Mike Witt, Director of Asset Management, provided an update on MSHDA’s response to Ms. Geri Swihart’s and Ms. Laura Piascik’s public comments made at last month’s Board meeting. They had expressed concerns regarding Ashton Ridge in Jackson, Michigan. Mr. Witt first provided an explanation of Asset Management’s general role in these types of matters. He indicated that MSHDA has a tenant call center available for tenants to make complaints and/or obtain information. In response to complaints, Asset Management will often mediate issues between tenants and property management.

In reference to Ashton Ridge, tenants have been living there during its rehabilitation, which has been a source of frustration. Additionally, there was a change in the site management staff. Mr. Witt noted that the previous staff did not enforce property rules, whereas the new staff began a strict enforcement policy. The changes confused tenants. Mr. Witt talked to management staff who acknowledged the communication issues and stated their efforts to resolve them. He also spoke with Ms. Swihart and Ms. Pascik earlier that week and believes their concerns have been resolved.

Jennifer Grau thanked MSHDA staff for their follow-up. ED Heidel stated that MSHDA staff takes public comments seriously. Mr. Witt also noted there are currently three staff members who are dedicated to tenant complaints.

Workforce Attainable Modular Homes Pilot Program

Tonya Young of Housing Initiatives gave a report on the Modular Homes Pilot Program, a renewable Housing Development Fund grant program. She stated that there is a large market for this type of program. The structures are built in a manufacturing facility but later moved and permanently affixed to the ground. There is a $200,000 limit for the structures. MSHDA staff expect a full return on its investment plus 3% interest if the home is sold at a profit. There have been approximately 50 inquiries so far, and MSHDA has a full-time grant administrator. Ms. Young
expects initial orders to be completed by the end of the year. She also provided brochures that are being used for marketing purposes.

Rachael Eubanks asked why modular homes were chosen over other options. Ms. Young explained that cost savings and reduced building time were the main factors.

Sarah Esty asked if the plan was to continue this program next year. Ms. Young stated that MSHDA staff expect to have a second round financed with recycled funds from the grant.

**Voting Issues:**

**Agenda (Tab A):** Ms. Eubanks requested a motion to approve the agenda. Jennifer Grau moved approval of the agenda. Sarah Esty supported. The agenda was unanimously approved.

**Consent Agenda (Tabs B through G)** Mike Kapp moved approval of the consent agenda. Sarah Esty supported. The consent agenda was approved. The consent agenda included the following:

- Tab B Minutes – June 27, 2019
- Tab C Resolution Authorizing Professional Services Contract for Auditing Services with Plante Moran, PLLC and Michigan Office of Auditor General
- Tab D Resolution Authorizing Reinstatement of Pass-Through Short-Term Bond Program
- Tab E Resolution Authorizing Waiver of Code of Ethics' Prohibition for Michael Fobbe
- Tab F Amended and Restated Resolution Designating Bank Accounts and Authorizing Officers as to Requisition and Investment of Funds
- Tab G Resolution Authorizing Modification to Workforce Attainable Modular Homes Pilot Program

**REGULAR VOTING ITEMS**

Michigan State Housing Development Authority Series Resolution Authorizing the Issuance and Sale of Rental Housing Revenue Bonds, 2019 Series A in an Amount not to Exceed $220,000,000 (Tab H) was presented by Jeff Sykes, Chief Financial Officer, and Rhonda Welburn of Dickinson Wright. Mr. Sykes also introduced Tim Rittenhouse of CGI Advisors (MSHDA’s Financial Advisor) and David Notkin of Bank of America. Mr. Sykes presented the business terms as detailed in the board documents. Thereafter, Ms. Welburn reviewed the resolution.

Rachael Eubanks asked for an explanation of 15c2-12 as it was referred to in the presentation. Mr. Sykes explained that it requires that information be continuously provided to the investment community should a specific list of events occur. This list has expanded to include any change in the outlook of an investment. Additionally, Ms. Eubanks inquired about “EMMA.” Mr. Notkin explained that EMMA stands for “Electronic Municipal Market Access” and that EMMA allows issuers to provide information to investors.
Assistant Attorney General Ron Farnum and Director of Legal Affairs Clarence Stone concurred that the resolution was in proper order for the Authority’s action. Sarah Esty moved approval of the resolution. Jennifer Grau seconded.

The following Roll Call vote was taken for Tab G:

<table>
<thead>
<tr>
<th>Name</th>
<th>Vote</th>
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<th>Name</th>
<th>Vote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carl English</td>
<td>Yes</td>
<td>Deb Muchmore</td>
<td>Absent</td>
<td>Regina Bell</td>
<td>Absent</td>
</tr>
<tr>
<td>Jennifer Grau</td>
<td>Yes</td>
<td>Mike Kapp</td>
<td>Yes</td>
<td>Tyrone Hamilton</td>
<td>Absent</td>
</tr>
<tr>
<td>Rachael Eubanks</td>
<td>Yes</td>
<td>Sarah Esty</td>
<td>Yes</td>
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</tbody>
</table>

There were 5 “yes” votes. The resolution was unanimously approved.

David Notkin of Bank of America thanked the Board and noted he has always enjoyed working with MSHDA staff.

Resolution Approving 2019-2020 Budget (Tab I) was presented by Jeff Sykes, Chief Financial Officer. Mr. Sykes reviewed the proposed resolution as detailed in the Board documents. Rachael Eubanks questioned how the proposed Executive Order would impact the budget. Mr. Sykes explained that the most conservative approach at this time would be to leave the budget as it stands. Sara Esty then asked whether a new budget would need to be approved if SHPO is ultimately moved to the Michigan Strategic Fund. Mr. Sykes responded that revenue and expenses related to SHPO are not enough to require a new budget. Mr. Sykes and Mr. Heidel noted that quarterly financial updates would address any necessary adjustments.

Sarah Esty moved approval of the resolution. Carl English supported. The resolution was approved.

Resolution Determining Mortgage Loan Feasibility, Edgewood Village Apartments, MSHDA Development No. 83-2, Charter Township of Meridian, Ingham County (Tab J) was presented by John Hundt of Rental Development. Mr. Hundt reviewed the proposed resolution as detailed in the Board documents. He explained that MSHDA staff were only requesting a feasibility resolution at this time so that the developer could ensure that land-acquisition costs are eligible for reimbursement with tax-exempt bond proceeds. A determination on whether MSHDA staff would seek approval for a loan resolution would be determined later. There were no additional questions. Carl English moved approval of the resolution. Sarah Esty supported. The resolution was approved.

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)

Ms. Eubanks stated that the next two Board meetings are scheduled for July 25, 2019 and August 29, 2019 and that all subcommittee meetings will be held on the Monday before the board meeting. Mr. Heidel noted that the Board meeting schedule could be subject to change if the Executive Order becomes effective August 11, 2019.

There being no further business, Ms. Eubanks requested a motion to adjourn. Mike Kapp moved to adjourn. Jennifer Grau supported the motion, and it was unanimously approved and accepted. The meeting adjourned at 11:04 a.m.
MEMORANDUM

TO: Authority Members
FROM: Gary Heidel, Acting Executive Director
DATE: July 25, 2019
RE: Recommendation to Amend the Michigan State Housing Development Authority's Code of Ethics

Recommendation:

I recommend that the Michigan State Housing Development Authority ("Authority") approve the attached revised Code of Ethics.

Executive Summary:

On January 21, 2015, the Authority approved a revised Code of Ethics ("2015 Code of Ethics"). The Authority's Legal Affairs staff who address ethical issues (the Ethics Committee) regularly review and apply the 2015 Code of Ethics and recommend the following changes to the revised Code of Ethics for clarification:

- The Code of Ethics applies to all employees, the Executive Director and student assistants;
- The Code of Ethics' departure restriction applies if either the Authority or the employee terminate employment; and
- The Code of Ethics does not limit or supersede other ethical obligations.

Marked and clean copies of the revised Code of Ethics are attached.

Issues, Policy Considerations, and Related Actions:

None.
Michigan State Housing Development Authority

Code of Ethics
Effective: JULY 25, 2019

I. Policy AND DEFINITION Statement:

To provide all employees of the Authority with a clear understanding of the behavior expected of them and to prevent improper conduct that may adversely affect public trust or confidence. PURSUANT TO SECTION 22(CC) OF THE AUTHORITY’S ACT AND SOLELY FOR THE PURPOSE OF THIS CODE OF ETHICS, THE TERM “EMPLOYEE” OR “EMPLOYEES” SHALL ENCOMPASS AUTHORITY EMPLOYEES, THE EXECUTIVE DIRECTOR OR ANYONE ACTING IN THAT CAPACITY AND STUDENT ASSISTANTS.

II. Policy:

A. Employees shall comply with Civil Service Rules 2-8 entitled “Ethical Standards and Conduct” and with Public Act 196 of 1973, as amended, entitled “Standards of Conduct for Public Officers and Employees”.

B. Employees shall comply with any conflict of interest provision, rule or regulation regarding any situation that may arise out of their work with any federal program administered by the Authority.

C. Employees shall not divulge to an unauthorized person, confidential information acquired in the course of employment in advance of the time prescribed for its authorized release to the public.

D. Employees shall not represent their personal opinion as that of the Authority.

E. Employees shall use personnel resources, property, and funds under their official care and control judiciously and solely in accordance with prescribed constitutional, statutory, and regulatory procedures and not for personal gain or benefit.

F. Employees shall not solicit or accept any gift or loan of money, goods, services, or other thing of value for the benefit of any person or organization, other than the state, which tends to influence the manner in which the employee or another public employee performs official duties. This restriction includes gifts directly to the employee or indirectly to the employee, such as a gift to any employee’s relative or designated organization.

This restriction does not include a prohibition against de minimis contacts as described in Civil Service Rule 2-8.7(b); a prohibition against accepting meals or beverages paid for by a firm or organization doing business with the Authority when offered in conjunction with or incidental to a business meeting, seminar, training session, or other organized function which has a purpose beyond the provision of the meal or beverage and is attended by a substantial number of persons; or a prohibition against accepting meals or beverages in instances where the firm or person has a contractual arrangement with the Authority pursuant to which such person or firm will bill the Authority for its costs and it does not appear that such costs will exceed the allowable group rate for such meal.
Michigan State Housing Development Authority

Code of Ethics
Effective: JULY 25, 2019

G. Employees shall not engage in any business transaction or private arrangement for personal gain or financial gain for a member of the employee’s immediate family, which accrues from or is based on the employee’s official position or authority or on confidential information gained by reason of the employee’s position or authority.

H. Employees shall not engage in or accept employment or render services for any private or public interest, for compensation or otherwise, when that employment or service is incompatible or in conflict with the discharge of his or her official duties or when that employment may tend to impair his or her independence of judgment or action in the performance of his or her official duties.

Approval of all employment outside of the Authority must be obtained through the proper procedures and employees must keep the Authority informed of any contemplated changes in supplementary employment.

I. No employee shall be a party, directly or indirectly, to any contract between himself or herself and the Authority.

J. Employees shall not participate in the negotiation or execution of contracts, making of loans, granting of subsidies, fixing of rates, issuance of permits or certificates, or other regulation or supervision, relating to any business entity in which he or she has directly or indirectly, a financial or personal interest. The restriction includes other situations in which the employee is a partner, investor, or employee, whether for present profit or not. This restriction also includes business entities in which close relatives or other personal associates of the employee have an interest.

K. If an employee has an ownership interest in or business dealings with an entity or individual seeking to conduct business with the Authority, the employee shall:

1. Fully disclose any such ownership interest or business dealings; and

2. a. in the case of a current ownership interest, fully divest himself or herself of the interest and refrain from participating in all activities of the Authority relating to the entity or individual or subsidiary or affiliate thereof; or

b. in the case of business dealings which ended prior to employment by the Authority or a past ownership interest, disclosure shall be sufficient; or

c. in the case of business dealings while an employee of the Authority, refrain from participating in all activities of the
Authority relating to the entity or individual or subsidiary or affiliate thereof.

3. As an alternative to the provisions of 2 above, the entity or individual or subsidiary or affiliate thereof may withdraw from doing business directly or indirectly with the Authority.

4. The Authority may require full divestiture in the case of a current interest, or cessation in the case of business dealings, if the employee's position and responsibilities are such that non-participation by the employee will hamper the Authority's ability to review and process the particular activity with which the entity or individual or subsidiary or affiliate thereof is involved.

5. This section shall not apply to any interest or business dealings of a de minimis nature which are the same as the benefits to or dealings by other members of the public or broad segments of the public.

L. Prior to being hired, or for continuing employees on an annual basis, employees shall make a complete disclosure of all business and income-producing interests including those held by a spouse. It is the responsibility of the employee to amend the financial disclosure at any time there is a change; however, no amendment is necessary for the sale or purchase of stocks listed on the New York Stock Exchange, the American Stock Exchange, or on the listed Over-the-Counter Markets, unless the stock is stock of a sponsor or proposed sponsor or subsidiary or affiliate of such sponsor of Authority-financed housing.

Disclosure statements and updates must be submitted to the Director of Legal Affairs. All information will be retained in confidence.

Disclosure statements are not required for employed student assistants or student co-ops of the Authority.

M. Employees may apply for and be eligible to receive a Mortgage Credit Certificate (MCC) provided that the employee does not participate in any way in the processing or approval of the MCC and that the proposed participation by the employee is submitted to and approved by the Authority.

N. Except as provided in this Section N, employees shall not involve themselves in personal business activities where the U.S. Department of Housing and Urban Development (HUD), Rural Development (RD) or Rural Housing Services (RHS), or state or city housing subsidies or financing are involved. The term "personal business activities" includes both the obtaining of housing subsidies or housing financing
Michigan State Housing Development Authority

Code of Ethics
Effective: JULY 25, 2019

either as an owner or investor or as an employee of an owner or investor and the representation as agent, consultant, attorney, or contractor of any entity utilizing or proposing to utilize public housing subsidies or housing financing.

Exceptions:

1. The term "personal business activities" does not include the utilization of a subsidized housing program with respect to one's personal residence

2. This prohibition shall not apply to any interest or business dealings involving participation in a generally available HUD, RD, RHS, or city housing subsidy or financing program with respect to not more than one residential unit which was at some time the employee's principal residence.

3. This prohibition does not apply to applications to HUD for loan insurance not involving housing subsidies.

O. Unless permitted by state or federal law, employees who WHOSE EMPLOYMENT terminate with the Authority ENDS shall not be involved in any manner with any development or program for which the employee, while employed by the Authority, was responsible for any decision making or had a direct involvement. This restriction is applicable for a period of six months after the employee leaves the Authority unless a longer period of time is required pursuant to state or federal statute.

P. Employees should exercise discretion and judgment with regard to this policy at all times. Code of Ethics questions and questions regarding this policy should be submitted to the Authority's Director of Legal Affairs.

Q. THE CODE OF ETHICS DOES NOT LIMIT OR SUPERCEDE ANY OTHER ETHICAL OBLIGATION OR RESPONSIBILITY THAT MAY BE REQUIRED OF ANY EMPLOYEE.
I. Policy and Definition Statement: To provide all employees of the Authority with a clear understanding of the behavior expected of them and to prevent improper conduct that may adversely affect public trust or confidence. Pursuant to Section 22(cc) of the Authority's Act and solely for purpose of this Code of Ethics, the term "employee" or "employees" shall encompass Authority employees, the Executive Director or anyone acting in that capacity, and student assistants.

II. Policy:

A. Employees shall comply with Civil Service Rules 2-8 entitled "Ethical Standards and Conduct" and with Public Act 196 of 1973, as amended, entitled "Standards of Conduct for Public Officers and Employees".

B. Employees shall comply with any conflict of interest provision, rule or regulation regarding any situation that may arise out of their work with any federal program administered by the Authority.

C. Employees shall not divulge to an unauthorized person, confidential information acquired in the course of employment in advance of the time prescribed for its authorized release to the public.

D. Employees shall not represent their personal opinion as that of the Authority.

E. Employees shall use personnel resources, property, and funds under their official care and control judiciously and solely in accordance with prescribed constitutional, statutory, and regulatory procedures and not for personal gain or benefit.

F. Employees shall not solicit or accept any gift or loan of money, goods, services, or other thing of value for the benefit of any person or organization, other than the state, which tends to influence the manner in which the employee or another public employee performs official duties. This restriction includes gifts directly to the employee or indirectly to the employee, such as a gift to any employee's relative or designated organization.

This restriction does not include a prohibition against de minimis contacts as described in Civil Service Rule 2-8.7(b); a prohibition against accepting meals or beverages paid for by a firm or organization doing business with the Authority when offered in conjunction with or incidental to a business meeting, seminar, training session, or other organized function which has a purpose beyond the provision of the meal or beverage and is attended by a substantial number of persons; or a prohibition against accepting meals or beverages in instances where the firm or person has a contractual arrangement with the Authority pursuant to which such person or firm will bill the Authority for its costs and it does not appear that such costs will exceed the allowable group rate for such meal.
G. Employees shall not engage in any business transaction or private arrangement for personal gain or financial gain for a member of the employee's immediate family, which accrues from or is based on the employee's official position or authority or on confidential information gained by reason of the employee's position or authority.

H. Employees shall not engage in or accept employment or render services for any private or public interest, for compensation or otherwise, when that employment or service is incompatible or in conflict with the discharge of his or her official duties or when that employment may tend to impair his or her independence of judgment or action in the performance of his or her official duties.

Approval of all employment outside of the Authority must be obtained through the proper procedures and employees must keep the Authority informed of any contemplated changes in supplementary employment.

I. No employee shall be a party, directly or indirectly, to any contract between himself or herself and the Authority.

J. Employees shall not participate in the negotiation or execution of contracts, making of loans, granting of subsidies, fixing of rates, issuance of permits or certificates, or other regulation or supervision, relating to any business entity in which he or she has directly or indirectly, a financial or personal interest. The restriction includes other situations in which the employee is a partner, investor, or employee, whether for present profit or not. This restriction also includes business entities in which close relatives or other personal associates of the employee have an interest.

K. If an employee has an ownership interest in or business dealings with an entity or individual seeking to conduct business with the Authority, the employee shall:

1. Fully disclose any such ownership interest or business dealings; and

2. a. in the case of a current ownership interest, fully divest himself or herself of the interest and refrain from participating in all activities of the Authority relating to the entity or individual or subsidiary or affiliate thereof; or

   b. in the case of business dealings which ended prior to employment by the Authority or a past ownership interest, disclosure shall be sufficient; or

   c. in the case of business dealings while an employee of the Authority, refrain from participating in all activities of the
Michigan State Housing Development Authority

Code of Ethics
Effective: JULY 25, 2019

Authority relating to the entity or individual or subsidiary or affiliate thereof.

3. As an alternative to the provisions of 2 above, the entity or individual or subsidiary or affiliate thereof may withdraw from doing business directly or indirectly with the Authority.

4. The Authority may require full divestiture in the case of a current interest, or cessation in the case of business dealings, if the employee's position and responsibilities are such that non-participation by the employee will hamper the Authority's ability to review and process the particular activity with which the entity or individual or subsidiary or affiliate thereof is involved.

5. This section shall not apply to any interest or business dealings of a de minimis nature which are the same as the benefits to or dealings by other members of the public or broad segments of the public.

L. Prior to being hired, or for continuing employees on an annual basis, employees shall make a complete disclosure of all business and income-producing interests including those held by a spouse. It is the responsibility of the employee to amend the financial disclosure at any time there is a change; however, no amendment is necessary for the sale or purchase of stocks listed on the New York Stock Exchange, the American Stock Exchange, or on the listed Over-the-Counter Markets, unless the stock is stock of a sponsor or proposed sponsor or subsidiary or affiliate of such sponsor of Authority-financed housing.

Disclosure statements and updates must be submitted to the Director of Legal Affairs. All information will be retained in confidence.

Disclosure statements are not required for employed student assistants or student co-ops of the Authority.

M. Employees may apply for and be eligible to receive a Mortgage Credit Certificate (MCC) provided that the employee does not participate in any way in the processing or approval of the MCC and that the proposed participation by the employee is submitted to and approved by the Authority.

N. Except as provided in this Section N, employees shall not involve themselves in personal business activities where the U.S. Department of Housing and Urban Development (HUD), Rural Development (RD) or Rural Housing Services (RHS), or state or city housing subsidies or financing are involved. The term "personal business activities" includes both the obtaining of housing subsidies or housing financing.
Michigan State Housing Development Authority

Code of Ethics
Effective: JULY 25, 2019

either as an owner or investor or as an employee of an owner or investor and the representation as agent, consultant, attorney, or contractor of any entity utilizing or proposing to utilize public housing subsidies or housing financing.

Exceptions:

1. The term "personal business activities" does not include the utilization of a subsidized housing program with respect to one's personal residence.

2. This prohibition shall not apply to any interest or business dealings involving participation in a generally available HUD, RD, RHS, or city housing subsidy or financing program with respect to not more than one residential unit which was at some time the employee's principal residence.

3. This prohibition does not apply to applications to HUD for loan insurance not involving housing subsidies.

O. Unless permitted by state or federal law, employees whose employment with the Authority ends shall not be involved in any manner with any development or program for which the employee, while employed by the Authority, was responsible for any decision making or had a direct involvement. This restriction is applicable for a period of six months after the employee leaves the Authority unless a longer period of time is required pursuant to state or federal statute.

P. Employees should exercise discretion and judgment with regard to this policy at all times. Code of Ethics questions and questions regarding this policy should be submitted to the Authority's Director of Legal Affairs.

Q. The Code of Ethics does not limit or supersede any other ethical obligation or responsibility that may be required of any employee.
WHEREAS, the Michigan State Housing Development Authority (the “Authority”) adopted a Code of Ethics on February 28, 1978, a revised Code of Ethics on March 2, 1984, a revised Code of Ethics on September 25, 2002, a revised Code of Ethics on November 19, 2014 and a revised Code of Ethics on January 21, 2015; and

WHEREAS, the Authority’s Legal Affairs staff who address ethical issues (the Ethics Committee) have reviewed the Code of Ethics dated January 21, 2015 and recommend the proposed changes; and

WHEREAS, the Acting Executive Director has reviewed the proposed changes and recommends that the Authority adopt the attached revised Code of Ethics dated July 25, 2019 for the reasons set forth in the attached memorandum; and

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

NOW, THEREFORE, Be it Resolved by the Michigan Housing Development Authority, that the revised Code of Ethics dated July 25, 2019 that is attached hereto, for the reasons set forth in the accompanying memorandum, is hereby approved.
MEMORANDUM

TO: Authority Members
FROM: Gary Heidel, Acting Executive Director
DATE: July 25, 2019
RE: Resolution Authorizing the Extension of Professional Services Contract with Water Hill Creative, Inc.

Recommendation:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt a resolution authorizing (a) a one-year extension of the professional services contract with Water Hill Creative, Inc. (the "Contractor") for a period beginning on or about October 1, 2019 and ending September 30, 2020 and (b) an increase of the total contract amount of $250,000. This service has been preauthorized by Civil Service.

Executive Summary:

The Contractor will serve as the producer for video projects. The Contractor will provide equipment, software, and staff who will coordinate and conduct interviews, write, and provide art direction for all productions. The Contractor will be responsible for pre-production technical advice on developing videos, setting up the individual shots for best possible sound and video, lighting and filming the individual clips, and editing and assembling the final video. The Contractor is responsible for supplying all video equipment. The Contractor was selected through a competitive bidding process.

On September 27, 2017, the Authority approved a professional services contract with the Contractor for a term beginning October 1, 2017 and ending September 30, 2018 for an amount not to exceed $250,000. On July 25, 2018, the Authority approved a one-year extension and a budget increase of Two Hundred Fifty Thousand Dollars ($250,000) for a total contract amount of Five Hundred Thousand Dollars ($500,000). If the proposed increase of Two Hundred Fifty Thousand Dollars ($250,000) is approved, the total contract amount for the professional services contract with the Contractor will not exceed $750,000 over the amended term of the Contract.

Issues, Policy Considerations, and Related Actions:

None.
WHEREAS, the Michigan State Housing Development Authority (the "Authority") has received the report of the Executive Director regarding the extension of the professional services contract to perform videography services for public relations and marketing; and

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

WHEREAS, on July 25, 2018, the Authority approved a one-year extension to the Contract including a budget increase of Two Hundred Fifty Thousand Dollars ($250,000) for a total contract expenditure of Five Hundred Thousand Dollars ($500,000) over the term of the amended contract; and

WHEREAS, the Executive Director has recommended that the Authority approve an additional one-year extension to the Contract with an additional increase of the total contract amount of Two Hundred Fifty Thousand Dollars ($250,000) as described in the accompanying memorandum; and

WHEREAS, if the proposed increase of Two Hundred Fifty Thousand Dollars ($250,000) is approved, the total contract amount for the professional services contract with Water Hill Creative, Inc. will be an amount not to exceed Seven Hundred Fifty Thousand Dollars ($750,000) over the amended term of the Contract; and

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

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

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority, that the Executive Director, the Director of Legal Affairs, the Chief Financial Officer, or any person duly acting in such capacity (each, an "Authorized Officer"), or any of them, is hereby authorized to enter an amendment to the professional services contract with Water Hill Creative, Inc. to (a) extend the term of the professional services contract for a period beginning on or about October 1, 2019 and ending September 30, 2020 and (b) increase the total contract amount of the professional services contract by an amount not to exceed Two Hundred Fifty Thousand Dollars $250,000, as described above and in the accompanying memorandum.
MEMORANDUM

TO: Authority Members
FROM: Gary Heidel, Acting Executive Director
DATE: July 25, 2019
RE: Mortgage Loan Feasibility/Commitment of Ferguson Apartments, MSHDA No. 1440-2

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 taxable bond and Michigan Housing and Community Development Fund ("MHCDF") mortgage loans in the amounts set forth in this report, and 3) authorize the Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

Executive Summary:

Originally the Hotel Browning, located at 72 Sheldon Boulevard SE in the City of Grand Rapids, and later used as the Ferguson Health Clinic, the Ferguson Apartments was donated to Dwelling Place of Grand Rapids by Spectrum Health. Dwelling Place rehabilitated the original building and added an addition bringing the total to 101 units of housing as well as commercial space. One hundred units are supported by a rental subsidy through a McKinney Vento rental assistance contract. Rehabilitation was completed in 2002.

Upon opening as apartments in 2002, there were some commercial spaces in the building that were occupied by several community health organizations. In 2015, the commercial space on the second floor was converted into 18 additional apartments which were financed without public resources. These additional apartments are often rented by individuals with tenant-based Veterans Affairs Supportive Housing ("VASH") vouchers.

The Ferguson Apartments is now in need of preservation and rehabilitation. Renovation of systems within the building are planned with the replacement of major water and sewer lines in the original structure. The sponsor has applied for and received an award of 9% LIHTC, is requesting a Housing Trust Fund ("HTF") award, and a Taxable Bond loan from the Authority, and a Michigan Housing Community Development Fund ("MHCDF") award. Historic Tax Credits will be used to provide additional equity to the development.

Issues, Policy Considerations, and Related Actions:
The preservation of Ferguson Apartments will require repayment of the Authority HOME/CSH Loan provided in 2000-2001 when the property was originally developed as permanent supportive housing. The $2,000,000 HOME Loan was provided with a 30-year term and a 6.75% interest rate with payments deferred; the balance as of December 31, 2018 was $4,463,833. The outstanding balance to be repaid will be brought current to the date of closing. The development currently has a HOME Loan from the City of Grand Rapids which will be forgiven with this preservation.

The sponsor intends to convert the existing Section 8 Moderate Rehabilitation Single Room Occupancy ("McKinney-Vento") contract to Project Based Rental Assistance ("PBRA") through the Rental Assistance Demonstration ("RAD") Program. This will allow PBRA to support the existing 100 units currently covered by the McKinney-Vento contract for a period of 20 years.

Due to the depth of rehabilitation planned on the oldest wing of the building, forty (40) current tenants will need to be temporarily relocated for up to one year. Plans call for the conversion to PBRA and then utilizing HUD's Section 8 Pass-Through to continue to provide rental assistance to these tenants while they are temporarily relocated.

We are also recommending a waiver of a provision of the Round 2 - Michigan Housing Trust Fund Allocation Plan which states that single room occupancy units are ineligible. It appears the provision was meant for new construction proposals. In addition, the Ferguson Apartments is currently in the Authority's portfolio and this waiver will allow for deep rehabilitation and positive repositioning of the development into the future.

The Sponsor has elected to utilize the "Average Income Test for Low-Income Housing Tax Credit". Income Averaging is permanently established as a third minimum set-aside election for Housing Credit developments and became available in March 2018. This election allows developments to target units to households with rent and income up to 80% of area median income ("AMI") as long as the average AMI level of the affordable units in the project is 60% AMI or less. For this proposal there are eighteen (18) units at 80% of area median income ("AMI") that will be offset by eighteen (18) units targeted to 40% AMI tenants. The remaining eighty-three (83) units will be targeted to 60% AMI, providing an income average of 60% AMI.
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 taxable bond and Michigan Housing and Community Development Fund ("MHCDF") mortgage loans in the amounts set forth in this report, and 3) authorize the Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

MSHDA No.: 1440-2
Development Name: Ferguson Apartments
Development Location: City of Grand Rapids, Kent County
Sponsor: Dwelling Place of Grand Rapids Nonprofit Housing Corp.
Mortgagor: Ferguson Apartments Limited Dividend Housing Association LLC
Taxable Bond Loan: $994,963
Taxable Bond Construction Loan: $994,963
MSHDA HTF Loan: $5,161,000
MSHDA MHCDF Loan: $239,000
Total Development Cost: $21,243,196
Mortgage Term: 40 years for the Taxable Bond loan, 50 years for the Housing Trust Fund loan and 50 years for the Michigan Housing and Community Development Fund loan
Interest Rate: 6.20% for the Taxable Bond loan and 1.00% simple interest for the Housing Trust Fund loan and 1.00% simple interest for the Michigan Housing and Community Development Fund loan
Program: Housing Trust Fund Program
Number of Units: 119 family units of rehabilitation
Unit Configuration: 116 studio units and 3 one-bedroom units for family occupancy
Builder: Pioneer Construction
Syndicator: InSite Capital
Date Application Received: February 1, 2019
HDO: JT Johnston

Issuance of the Authority's Mortgage Loan Commitment is subject to fulfillment of all Authority processing and review requirements and obtaining all necessary staff approvals as required by the Authority's underwriting standards.
ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

The preservation of Ferguson Apartments will require repayment of the Authority HOME/CSH Loan provided in 2000-2001 when the property was originally developed as permanent supportive housing. The $2,000,000 HOME Loan was provided with a 30-year term and a 6.75% interest rate with payments deferred; the balance as of December 31, 2018 was $4,563,833. The outstanding balance to be repaid will be brought current to the date of closing. The development currently has a HOME Loan from the City of Grand Rapids which will be forgiven with this preservation.

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Due to the depth of rehabilitation planned on the oldest wing of the building, forty (40) current tenants will need to be temporarily relocated for up to fourteen months. Plans call for the conversion to PBRA and then utilizing HUD's Section 8 Pass-Through to continue to provide rental assistance to these tenants while they are temporarily relocated.

We are also recommending a waiver of a provision of the Round 2 Michigan Housing Trust Fund Allocation Plan which states that single room occupancy units are ineligible. It appears this provision was meant for new construction proposals. In addition, the Ferguson Apartments is currently in the Authority's portfolio and this waiver will allow for deep rehabilitation and positive repositioning of the development into the future.

The Sponsor has elected to utilize the "Average Income Test for Low-Income Housing Tax Credit". Income Averaging is permanently established as a third minimum set-aside election for Housing Credit developments and became available in March 2018. This election allows developments to target units to households with rent and income up to 80% of area median income ("AMI") as long as the average AMI level of the affordable units in the project is 60% AMI or less. For this proposal there are eighteen (18) units at 80% of area median income ("AMI") that will be offset by eighteen (18) units targeted to 40% AMI tenants. The remaining eighty-three (83) units will be targeted to 60% AMI, providing an income average of 60% AMI.

EXECUTIVE SUMMARY:

Originally the Hotel Browning, located at 72 Sheldon Boulevard SE in the City of Grand Rapids, and later used as the Ferguson Health Clinic, the Ferguson Apartments was donated to Dwelling Place of Grand Rapids by Spectrum Health. Dwelling Place rehabilitated the original building and added an addition bringing the total to 101 housing units as well as commercial space. One hundred units are supported by a rental subsidy through a McKinney Vento rental assistance contract. Rehabilitation was completed in 2002.

The conversion to rental housing was financed through the sale of Low-Income Housing Tax Credits ("LIHTC"), historic tax credits, philanthropy and HOME loans from the Authority and the City of
Grand Rapids. The tenancy is comprised of persons struggling with homelessness and those with disabilities. Supportive services are provided to these residents on site by the sponsor. Upon opening as apartments in 2002, there were some commercial spaces in the building that were occupied by several community health organizations. In 2015, the commercial space on the second floor was converted into 18 additional apartments which were financed without public resources. These additional apartments are often rented by individuals with tenant-based Veterans Affairs Supportive Housing ("VASH") vouchers.

The Ferguson Apartments is now in need of preservation and rehabilitation. Renovation of systems within the building are planned with the replacement of major water and sewer lines in the original structure. A more detailed summary of work to be performed is contained later in this report. The sponsor has applied for and received an award of 9% LIHTC, is requesting a Housing Trust Fund ("HTF") award, a Taxable Bond loan from the Authority, and a Michigan Housing and Community Development Fund ("MHCDF") award. Historic Tax Credits will be used to provide additional equity to the development.

Structure of the Transaction and Funding:

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

- A Taxable Bond construction and permanent mortgage loan will be provided by the Authority (the "Mortgage Loan"). The Mortgage Loan will be in the amount of $994,963 at 6.2% interest with 16-monthly interest only payments required under the construction loan. The permanent financing date will commence on the first day of the month following the month in which the 16-month construction loan term expires or such later date as determined by an Authorized Officer of the Authority (the "Permanent Financing Date").

- The permanent taxable bond loan is based upon the rents expected in the HAP contract, 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 an initial 2.5 debt service coverage ratio ("DCR"), an annual interest rate of 6.2%, 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 a Trust Fund Loan (the "HTF Loan") in the amount of $5,161,000 will be provided at 1% simple interest with payments initially deferred. The HTF Loan will be in Second Position.

- A subordinate loan using Authority Michigan Housing and Community Development Fund Loan (the "MHCDF" loan) in the amount of $239,000 will be provided at 1% simple interest with payments initially deferred. Project completion information and reporting are required within 30 months of the MHCDF Loan award. The MHCDF Loan will be in Third Position.

- The general partner will make a capital contribution in the amount of $100.

- Equity support comes from the sale of 9% LIHTC in the estimated amount of $12,874,076.
• Federal Historic Tax Credits have been requested and additional equity support will come from the sale of these credits. See Special Condition No. 3.

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

• The Sponsor has agreed to defer $215,574 of the developer fee to help fill the remaining funding gap.

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

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

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

• Tax and insurance escrow proceeds in the amount identified in the attached proforma will be transferred from the existing project to the new project to fund a new tax and insurance escrow account.

Scope of Rehabilitation:

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

Building and site rehabilitation includes: Repaving parking areas, new LED building lighting, new security camera, masonry restoration, replacing apartment windows, replacing first floor windows, installing a new roof, replacing skylights, replacing entry doors, replacing intercom system, replacing elevator cab finishes and one elevator’s controls, replacing gas boiler, replacing air conditioning, replacing existing roof-top deck with new decking and glass safety railing, installing new deck, green roof and event space to include additional outdoor space, upgrading plumbing system on the old building including sanitary lines, replacing common area lighting, and installing new fire alarm system.

Unit rehabilitation includes: New kitchen cabinetry and countertops, replacing appliances, replacing light fixtures, upgrading electrical, installing new toilets, sinks and shower enclosures, replacing resilient flooring, replacing some unit and interior doors, and painting the units.

Affordability Requirements:

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

**Protections for Existing Residents:**

The preservation and renovation of the Development will not result in a rent increase for the existing tenants.

**Site Selection:**

The site, located in the City of Grand Rapids Heartside Neighborhood, is near many amenities, public transit, and services. The site meets the Authority's Site Selection Criteria.

**Market Evaluation:**

Marketing finds the development will be successful with the RAD Program conversion to a 20-year PBRA contract.

**Valuation of the Property:**

An appraisal will be provided prior to initial closing. See Special Condition No. 6.

**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, the existing Mortgagor (Ferguson-Heartside Limited Dividend Housing Association Limited Partnership, the "Seller") 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 $14,611,746). All such payments shall be referred to as "Limited Dividend Payments." The Mortgagor's return shall be fully cumulative. Limited Dividend Payments shall be capped at 12% per annum, until the HTF Loan and the MHCDF 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 one hundred nineteen (119) units of this proposal are as follows:
a. Thirty-eight (38) units have been designated as Housing Trust Fund ('HTF') units and during the Period of Affordability required under the HTF program (15 years) must be available for occupancy by households whose incomes do not exceed 30% of the HOME published area median income, adjusted for family size as determined by HUD.

b. One hundred (100) units (100 studio units) must be occupied or available for occupancy by households whose incomes do not exceed the income limits in the Housing Assistance Payments Contract (the "HAP Contract") for so long as the HAP Contract between the Mortgagor and the Authority is in effect (including extensions and renewals), or for such longer period as determined by HUD.

c. Eighteen (18) units (18 studio units) must be available for occupancy by households whose incomes do not exceed up to 40% 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. Eighty-three (83) units (83 studio units) must be available for occupancy by households whose incomes do not exceed up to 60% of area median income based upon the MTSP limits, adjusted for family size as determined by HUD, until latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development’s LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

e. Eighteen (18) of the units (15 studio apartments and 3 one-bedroom apartments) must be available for occupancy by households whose incomes do not exceed up to 80% of AMI to achieve and maintain the average AMI level of the affordable units in the project at 80% AMI or less based upon the MTSP limits, adjusted for family size as determined by HUD, with the exception of when the income averaging test is met, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development’s LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

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 one hundred nineteen (119) units is subject to the following limitations:
a. During the Period of Affordability required under the HTF program (15 years), the Total Housing Expense for the thirty-eight HTF units may not exceed the HTF Rent Limit for the unit established and published annually by HUD.

b. So long as the HAP Contract remains in effect, the Mortgagor agrees to establish and maintain rents for all one hundred (100) HAP-assisted units (100 studio units) ("Contract Rents") that comply with the rent levels established by the HAP Contract and that do not exceed the rent levels approved by HUD.

c. The Total Housing Expense for eighteen (18) units (18 studio units), 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.

d. The Total Housing Expense for eighty-three (83) units (83 studio 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.

e. The Total Housing Expense for eighteen (18) restricted units (18 studio units), may not exceed up to one-twelfth (1/12th) 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.

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

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

Exceptions to this limitation may be granted by the Authority's Director of Asset Management for extraordinary increases in project operating expenses (exclusive of limited dividend payments) to enable the owner to amortize a Mortgage Loan increase to fund cost overruns pursuant to the Authority's policy on Mortgage Loan increases. Rents on vacated units may be increased to the maximum level permissible by the applicable programs. Rents and utility allowances must be approved annually.

4. **Restriction on Prepayment and Subsequent Use:**
The Mortgage Loan is eligible for prepayment after the expiration of fifteen (15) years after the commencement of amortization. The Mortgagor must provide the Authority with at least 60 days' written notice prior to any such prepayment. In the event of a prepayment, however, the Mortgagor must pay a prepayment fee equal to the sum of:

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

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

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

5. Operating Assurance Reserve:

At Initial Closing, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to 4 months' of estimated Development operating expenses (estimated to be $370,422). 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.

6. Replacement Reserve:

At Initial Closing, the Mortgagor must establish a replacement reserve fund ("Replacement Reserve") with an initial deposit in an amount of $3,162 per unit. The Mortgagor must agree to make annual deposits to the Replacement Reserve, beginning on the Mortgage Cut-Off Date, at a minimum of $300 per unit for the first year of operation, payable in monthly installments, with deposits in subsequent years to be the greater of (i) the prior year's deposit, increased by 3%, or (ii) a percentage of the Development's projected annual rental income or gross rent potential ("GRP") for the year using the percentage obtained by dividing the first year's deposit by the first year's GRP shown on the operating proforma for the Development attached hereto. The annual deposit to the Replacement Reserve may also
be increased to any higher amount that is determined to be necessary by the Authority, based on a CNA and the Authority's Replacement Reserve policies. The Authority may update any CNA or obtain a new CNA every five years, or upon any frequency, as determined necessary by the Authority.

9. One Month’s Gross Rent Potential:

At Initial Closing, the Mortgagor shall deposit an amount equal to one month’s gross rent potential ($90,795) into the Development's operating account.

10. Authority Subordinate Loans:

At Initial Closing, the Mortgagor must enter into written agreements relating to the HTF Loan and the MHCDF Loan. The HTF Loan and the MHCDF Loan will each be secured by a subordinate mortgage. The MHCDF Loan will bear simple interest at 1% with a 50-year term, and the HTF Loan will bear simple interest at 1% with a 50-year term. No loan payments will be required on either the HTF Loan or the MHCDF 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 13th year following the commencement of amortization of the Mortgage Loan. Interest will continue to accrue on each loan until paid in full.

At the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee or (b) the 13th year following the date that Mortgage Loan amortization commences, repayment of the HTF Loan and the MHCDF Loan will commence according to the following:

- So long as both of the Mortgage Loan and the HTF Loan remain outstanding, then in lieu of repayment of the HTF Loan, payments of not less than fifty percent (50%) of any surplus cash available for distribution (“Surplus Funds”) shall be deposited into an HTF Subsidy Reserve and will be used to repay the HTF Loan periodically, if the amount of funds accumulated in the reserve warrant it, or at the end of the loan term, or otherwise used to assist the development if needed. If reserve funds are used toward loan repayment, they shall be applied first to accrued interest, then to current interest and principal, and no payments will be required on the MHCDF Loan.

- If the HTF Loan is repaid in full while the Mortgage Loan remains outstanding, then upon repayment of the HTF Loan, repayment of the MHCDF Loan will commence and be made from fifty percent (50%) of Surplus Funds, applied first to accrued interest, then to current interest and principal.

- Upon payment in full of the Mortgage Loan, if both the HTF Loan and the MHCDF Loan remain outstanding, then the outstanding balance of the HTF 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 MHCDF Loan will commence and be made from fifty percent (50%) of Surplus Funds, applied first to accrued interest, then to current interest and principal.
Upon payment in full of both the Mortgage Loan and the HTF Loan, the outstanding balance of the MHCDF 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 HTF Loan and the MHCDF Loan will be due and payable after 50 years.

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

Final project completion reporting is required within 30 months of the MHCDF Loan award.

There is no prohibition on prepayment of the HTF Loan or the MHCDF Loan. The Mortgagor shall provide 60 days prior written notice in the event of prepayment.

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

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

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

12. Owner/Architect Agreement:

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

13. Trade Payment Breakdown:

Prior to Mortgage Loan Commitment, the general contractor must submit a signed Trade Payment Breakdown acceptable to the Authority’s Manager of Construction Costing.

14. Section 3 Requirements:

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

15. Equal Opportunity and Fair Housing:

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

16. **Cost Certification:**

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

17. **Environmental Review and Indemnification:**

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

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

18. **Title Insurance Commitment and Survey:**

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

19. **Organizational Documents/Equity Pay-In Schedule:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit a substantially final form syndication operating 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 operating agreement must become effective and the initial installment of equity must be paid in an amount approved by the Director of Development.
20. **Designation of Authority Funds:**

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

21. **Management & Marketing:**

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

   a. Management Agreement
   b. Marketing/Construction Transition Plan

22. **Guaranties:**

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

23. **Financial Statements:**

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

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

24. **Future Contributions:**

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

25. **Seller Responsibilities & Surplus Cash/Cumulative Limited Dividend Payment Waiver:**

Seller is responsible for all Development payables due up to the date that Seller's loan is repaid, and ownership of the Development is transferred to Buyer (the "Closing Date"). Seller must settle its accounts payable on or before the Closing Date and reconcile those amounts in a manner acceptable to the Authority's Director of Asset Management. Within thirty (30) days after the Closing Date, Seller must submit copies of records and other documents as required by the Authority's Asset Management Division to account for any surplus cash that the Seller may be holding and must remit that cash to the Authority.
Seller waives any and all rights to any limited dividend payments, unpaid or accrued, cumulative or noncumulative, to which it may have been entitled for the time prior to and including the Closing Date.

26. Transfer and Ownership of Development Reserves:

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

27. PBRA Required Approvals - HUD and MSHDA:

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

28. 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.

29. 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.

30. Uniform Relocation Act Compliance:

If the Development is occupied at Initial Closing and any occupants of the Development will be displaced and/or relocated as a result of the rehabilitation of the Development, then the Mortgagor and/or the Sponsor shall ensure compliance with all requirements of the Uniform Relocation Act and implementing regulations as set forth in 24 CFR Part 42 and 49 CFR Part 24, as well as 24 CFR §570.606 and the Housing Trust Fund Interim Rule, 24 CFR §93.352. Such compliance shall be at the Mortgagor's or Sponsor's sole cost and expense. Prior to Final Closing, the Mortgagor must submit documentation that it has complied with all requirements of the Uniform Relocation Act and the Housing Trust Fund Interim Program.
Rule. This documentation must be found acceptable by the Authority's Director of Development.

Special Conditions:

1. **Legal Requirements:**

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

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

2. **Historic Preservation Review:**

   Prior to Initial Closing, State Historic Preservation Office review for compliance with the National Historic Preservation Act and/or confirmation of compliance with the Michigan Local Historic Districts Act may be required based on the source of funding, age of the existing building(s), location in a locally designated historic district or if the building(s) are otherwise eligible for listing in the National Register of Historic Places.

3. **Federal Historic Tax Credits:**

   Prior to Mortgage Loan Commitment, the Mortgagor must submit evidence of fulfillment of all conditions to the Historic Preservation Certification Application - Part 2 as described in the conditional approval letter dated June 11, 2019 from the United States Department of Interior. Upon construction completion, the Mortgagor must submit Part III approval from the United States Department of Interior. These documents must be acceptable in form and substance to the Authority’s Director of Legal Affairs.

4. **Conversion to Condominium:**

   At or prior to Initial Closing, the real estate upon which the Development is located is to be converted into separate condominium units with the residential and commercial space in individual units.

   Prior to Mortgage Loan Commitment, the final condominium documents must be reviewed and found acceptable in form and substance to the Authority’s Director of Legal Affairs and include provisions allocating the responsibilities for repairs, maintenance, and operating costs between unit owners and granting the Authority the right to approve owners/tenants and use of the commercial unit. The Mortgagor must agree that proceeds from any Authority mortgage loans may be used only for housing related improvements to the building and facilities.
5. **Commercial Space Acceptable Use:**

Prior to Initial Closing, the Mortgagor must agree in writing to acknowledge that proposed commercial uses will be subject to approval of the Authority and will be compatible with the primary residential function of the building offering "basic domestic needs." The agreement must be acceptable in form and substance to the Authority's Director of Legal Affairs.

6. **Appraisal:**

Prior to Initial Closing the sponsor must provide an appraisal acceptable to the Authority's Director of Development. If the appraisal is less than the purchase price the purchase price will be adjusted.

**DEVELOPMENT TEAM AND SITE INFORMATION**

I. **MORTGAGOR:** Ferguson Apartments Limited Dividend Housing Association LLC

II. **GUARANTOR(S):**

   A. **Guarantor #1:**

      Name: Dwelling Place of Grand Rapids NPHC
      Address: 101 Sheldon Blvd. SE, Suite 2
               Grand Rapids, MI 49503

III. **DEVELOPMENT TEAM ANALYSIS:**

   A. **Sponsor:**

      Name: Dwelling Place of Grand Rapids
      Address: 101 Sheldon Blvd., Suite 2
               Grand Rapids, MI 49503
      Individuals Assigned: Dennis Sturtevant
      Telephone: 616-454-0928
      Fax: 616-454-5249
      E-mail: dsturtevant@dwellingplacegr.org

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

      2. **Interest in the Mortgagor and Members:** New Ferguson LLC 0.01%
                                                 TBD 99.99%

   B. **Architect:**

      Name: Hooker DeJong
      Address: 316 Morris Avenue, Studio Suite 140
               Muskegon, MI 49440
Individual Assigned: Dave Steinhauer
Telephone: 231-220-2379
Fax: 231-722-2589
E-Mail: DaveSt@hdjinc.com

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

2. **Architect's License**: License number 1301054106, exp. 10/31/2020.

C. **Attorney**:

Name: Orlebeke Mackraz PC
Address: 80 Ottawa Avenue NW, Suite 400
         Grand Rapids, MI 49503

Individual Assigned: Timothy Orlebeke
Telephone: 616-233-4184
Fax: 616-484-0441
E-Mail: orlebeke@kolaw.com

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

D. **Builder**:

Name: Pioneer Construction
Address: 550 Kirtland Street NW
         Grand Rapids, MI 49507

Individual Assigned: Paul Bergsma
Telephone: 616-389-8752
Fax: 616-247-0186
E-mail: pbergsma@pioneerinc.com

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

2. **State Licensing Board Registration**: License number 2102090528, with an expiration date of 05/31/2020, Timothy Ryan Showalter, Qualifying Officer.
E. Management and Marketing Agent:

Name: Dwelling Place of Grand Rapids NPHC
Address: 101 Sheldon Blvd. SE, Suite 2
         Grand Rapids, MI 49503

Individual Assigned: Kim Cross
Telephone: 616-454-0928
Fax: 616-454-5249
E-mail: krhcross@dwellingplacegr.org

F. Development Team Recommendation: The development team is acceptable.

IV. SITE DATA:

A. Land Control/Purchase Price:
An Option Agreement and First Amendment to Option Agreement by Ferguson-Heartside Limited Dividend Housing Association Limited Partnership ("Seller") and Ferguson Apartments Limited Dividend Housing Association LLC ("Buyer") for $4,537,412.73 with an expiration date of August 31, 2019.

B. Site Location:
The property is located at 72 Sheldon Boulevard SE, City of Grand Rapids, Kent County.

C. Size of Site:
.66 acres.

D. Density:
Density is appropriate for its use.

E. Physical Description:
1. Present Use: Multi-family residential with commercial
2. Existing Structures: One six-story building.
3. Relocation Requirements: Temporary for approximately forty (40) tenants.

F. Zoning:
Site is zoned Traditional Neighborhood-City Center (TN-CC) and current use is conforming under the zoning ordinance.
G. Contiguous Land Use:

1. North: Parking
2. South: Church
3. East: Commercial and Multi-family Residential
4. West: Commercial

H. Tax Information:
A 3% PILOT from the City of Grand Rapids has been approved.

I. Utilities:

<table>
<thead>
<tr>
<th>Utility</th>
<th>Provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric</td>
<td>Consumers Energy</td>
</tr>
<tr>
<td>Gas</td>
<td>DTE Energy</td>
</tr>
<tr>
<td>Water &amp; Sewer</td>
<td>City of Grand Rapids</td>
</tr>
</tbody>
</table>

J. Community Facilities:

1. Shopping:
   Numerous retail businesses surround the site.
2. Recreation:
   The Children's Museum of Grand Rapids, the Grand Rapids Art Museum, the Grand Rapids African American Museum, the Van Andel Arena, and parks are in close proximity to the site, and most of those are a few blocks away.
3. Public Transportation:
   The City of Grand Rapids bus service, The Rapid, runs along Division Avenue which is 1 block west of the site.
4. Road Systems
   US 131 is less than 1 mile to the west and I696/I96 is less than 2 miles to the north.
5. Medical Services and other Nearby Amenities:
   Heart of the City Health Center, operated by Cherry Health, is less than 1 block from the site. Spectrum Health has a clinic across the street. Grand Valley State University Family Health Center is located at the site and is currently the commercial tenant in the building. Mercy Health Saint Mary's hospital is less than 2 blocks southeast of the site. Multiple medical services are available within 1 ½ miles from the site.
6. Description of Surrounding Neighborhood:
   Just south of the downtown core, the neighborhood is mixed-use with commercial and multi-family residential.
7. Local Community Expenditures Apparent:
   Roads and new building permits.
8. Indication of Local Support:
   The City of Grand Rapids has approved a 3% PILOT.

V. ENVIRONMENTAL FACTORS:
A Phase I Environmental Site Assessment was submitted to the Authority (see Standard Condition No. 17).
VI. DESIGN AND COSTING STATUS:

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

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

VII. MARKET SUMMARY:

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

VIII. EQUAL OPPORTUNITY AND FAIR HOUSING:

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

IX. MANAGEMENT AND MARKETING:

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

X. FINANCIAL STATEMENTS:

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

XI. DEVELOPMENT SCHEDULING:

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

XII. ATTACHMENTS:

A. Development Proforma
APPROVALS:

Andrew Martin  
Director of Development  

7/17/19  Date

Clarence L. Stone, Jr.  
Director of Legal Affairs  

7/18/2019  Date

Gary Heidel  
Acting Executive Director  

7/18/19  Date
### Development

**Ferguson Apartments**

**Financing**

MSHDA No. 1440-2

**Step Commitment**

Date: 07/25/2019

Type: Preservation - Subsidized

### Income Limits for Kent County (Effective April 3, 2018)

<table>
<thead>
<tr>
<th>1 Person</th>
<th>2 Person</th>
<th>3 Person</th>
<th>4 Person</th>
<th>5 Person</th>
<th>6 Person</th>
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<tbody>
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<td>14,700</td>
<td>18,600</td>
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<td>19,800</td>
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<td>24,500</td>
<td>28,000</td>
<td>31,500</td>
<td>34,950</td>
<td>37,750</td>
<td>40,550</td>
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</table>

### Income Limits for 60% of Area Median Income

<table>
<thead>
<tr>
<th>1 Person</th>
<th>2 Person</th>
<th>3 Person</th>
<th>4 Person</th>
<th>5 Person</th>
<th>6 Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,400</td>
<td>11,760</td>
<td>12,300</td>
<td>14,700</td>
<td>16,200</td>
<td>17,700</td>
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<td>13,900</td>
<td>16,640</td>
<td>17,700</td>
<td>20,200</td>
<td>21,700</td>
<td>23,200</td>
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<tr>
<td>18,400</td>
<td>21,320</td>
<td>22,500</td>
<td>25,050</td>
<td>26,550</td>
<td>28,050</td>
</tr>
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</table>

### Rental Income

<table>
<thead>
<tr>
<th>Unit</th>
<th>No. of Units</th>
<th>Unit Type</th>
<th>Bedrooms</th>
<th>Baths</th>
<th>Net Sq. Ft.</th>
<th>Contract Rent</th>
<th>% of Gross Rent</th>
<th>% of Total Rent</th>
<th>% of Gross Gross Rent</th>
<th>% of Total Gross Rent</th>
<th>TC Units</th>
<th>Rent Limited</th>
<th>Differential %</th>
<th>Effective AMI%</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>18</td>
<td>Apartment</td>
<td>1</td>
<td>0</td>
<td>612</td>
<td>165,888</td>
<td>15.2%</td>
<td>15.1%</td>
<td>7,418</td>
<td>15.1%</td>
<td>TC Rent</td>
<td>(276)</td>
<td>-50.72%</td>
<td>62.7%</td>
</tr>
<tr>
<td>A</td>
<td>20</td>
<td>Apartment</td>
<td>1</td>
<td>0</td>
<td>412</td>
<td>184,320</td>
<td>16.9%</td>
<td>16.8%</td>
<td>6,240</td>
<td>16.8%</td>
<td>TC Rent</td>
<td>(33)</td>
<td>-4.49%</td>
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<td>1</td>
<td>0</td>
<td>412</td>
<td>571,392</td>
<td>52.4%</td>
<td>52.1%</td>
<td>25,544</td>
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<td>735</td>
<td>6,820</td>
<td>0.6%</td>
<td>0.8%</td>
<td>412</td>
<td>0.8%</td>
<td>TC Rent</td>
<td>0</td>
<td>0.00%</td>
<td>60.0%</td>
</tr>
<tr>
<td>A</td>
<td>3</td>
<td>Apartment</td>
<td>1</td>
<td>0</td>
<td>735</td>
<td>132,300</td>
<td>12.1%</td>
<td>12.6%</td>
<td>6,180</td>
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<td>TC Rent</td>
<td>196</td>
<td>21.00%</td>
<td>60.0%</td>
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### Total Units

- Total Units: 119
- Gross Rent Potential: 1,065,540
- Average Monthly Rent: 763
- Gross Square Footage: 49,085
- Utility Allowances:
  - Owner-Paid: Gas, Electric, Water

### Annual Non-Rental Income

- Misc. and Interest: 1,440
- Monitoring: 3,744
- Carpets: 0
- Other: 0

### Total Income

- Annual: 1,089,540
- Monthly: 90,795
- Non-Rental Income: 5,184
- Total: 1,094,724

### Differential

- Below Market Rent Under/Over: 25.38%
- Effective AMI: 56.6%

### Financial Summary

- Project Revenue: 1,094,724
- Cost: 1,044,272
- Profit: 50,452
- Return on Investment: 8.1%

### MSHDA Project Based Voucher Units

- Planning on RAD Conversion
- MSHDA Renton Based Voucher Units
- Occupancy

### RAD Conversion

- Mgrs
- Annual Non-Rental Income
- Utility Allowances

### Rental Income Summary

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<td>21.00%</td>
</tr>
</tbody>
</table>

### Rent Limited

- Below Market Rent Under/Over: 25.38%
- Effective AMI: 56.6%
## Development Ferguson Apartments

### Financing
- Ferguson Apartments
- MSHDA No. 1440-2
- Step Commitment
- Date: 07/25/2019
- Type: Preservation - Subsidized

### Mortgage Assumptions:
- Debt Coverage Ratio: 2.5
- Mortgage Interest Rate: 6.20%
- Pay Rate: 6.20%
- Mortgage Term: 40 years
- Income from Operations: No

### Total Development Income Potential

<table>
<thead>
<tr>
<th></th>
<th>Per Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Rental Income</td>
<td>9,156</td>
<td>1,089,540</td>
</tr>
<tr>
<td>Annual Non-Rental Income</td>
<td>44</td>
<td>5,184</td>
</tr>
<tr>
<td>Total Project Revenue</td>
<td>9,199</td>
<td>1,094,724</td>
</tr>
</tbody>
</table>

### Total Development Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>Per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Fee</td>
<td>527</td>
</tr>
<tr>
<td>Administration</td>
<td>1,345</td>
</tr>
<tr>
<td>Project-paid Fuel</td>
<td>167</td>
</tr>
<tr>
<td>Common Electricity</td>
<td>1,220</td>
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<tr>
<td>Water and Sewer</td>
<td>195</td>
</tr>
<tr>
<td>Operating and Maintenance</td>
<td>3,088</td>
</tr>
<tr>
<td>Real Estate Taxes</td>
<td>0</td>
</tr>
<tr>
<td>Payment in Lieu of Taxes (PILOT)</td>
<td>213</td>
</tr>
<tr>
<td>Insurance</td>
<td>259</td>
</tr>
<tr>
<td>Replacement Reserve</td>
<td>300</td>
</tr>
<tr>
<td>Other: Cable</td>
<td>11</td>
</tr>
<tr>
<td>Other: Other</td>
<td>0</td>
</tr>
</tbody>
</table>

#### Vacancy Loss
- 5.00% of annual rent potential

<table>
<thead>
<tr>
<th>Expense</th>
<th>Per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy Loss</td>
<td>458</td>
</tr>
<tr>
<td>Management Fee</td>
<td>527</td>
</tr>
<tr>
<td>Administration</td>
<td>1,345</td>
</tr>
<tr>
<td>Project-paid Fuel</td>
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<td>11</td>
</tr>
<tr>
<td>Other: Other</td>
<td>0</td>
</tr>
</tbody>
</table>

### Total Expenses
- 84.62% of 7,784 = 926,311
- Base Net Operating Income: 1,415
- Part A Mortgage Payment: 6.15%
- Part A Mortgage: 6,361
- Non MSHDA Financing Mortgage Payment: 0
- Non MSHDA Financing Type: 0
- Base Project Cash Flow (excludes ODR): 9.23%
### Development Costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Basis</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td></td>
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</tr>
<tr>
<td>Land</td>
<td>100%</td>
<td>7,500,000</td>
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<tr>
<td>Existing Buildings</td>
<td>100%</td>
<td>3,844,013</td>
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<tr>
<td>Other</td>
<td></td>
<td>32,749</td>
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<tr>
<td>Subtotal</td>
<td></td>
<td>11,355,978</td>
</tr>
<tr>
<td>Construction/Rehabilitation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site Improvements</td>
<td>100%</td>
<td>1,187,000</td>
</tr>
<tr>
<td>On-site Improvements</td>
<td>100%</td>
<td>141,266</td>
</tr>
<tr>
<td>Landscaping and Irrigation</td>
<td>100%</td>
<td>0</td>
</tr>
<tr>
<td>Structures</td>
<td>100%</td>
<td>9,559,850</td>
</tr>
<tr>
<td>Community Building and Maintenance Facility</td>
<td>100%</td>
<td>0</td>
</tr>
<tr>
<td>Construction not in Tax Credit Basis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Requirements</td>
<td>5%</td>
<td>4,898,111</td>
</tr>
<tr>
<td>% of Contract In Range</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Out of Range</td>
<td>100%</td>
<td>205,065</td>
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<tr>
<td>Builder Overhead</td>
<td>200%</td>
<td>394,292</td>
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<tr>
<td>Builder Profit</td>
<td>4.41%</td>
<td>1,362,037</td>
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<tr>
<td>Permits, Bond Premium, Tax Fees, Conf. Cert.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>119,000</td>
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<tr>
<td>Subtotal</td>
<td></td>
<td>8,086,388</td>
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<tr>
<td>Interim Construction Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property &amp; Casualty Insurance</td>
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</tr>
<tr>
<td>Construction Loan Interest</td>
<td>100%</td>
<td>574,000</td>
</tr>
<tr>
<td>Title Work</td>
<td>100%</td>
<td>0</td>
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<tr>
<td>Legal fees (in Tax Credit Basis)</td>
<td>100%</td>
<td>1,008,000</td>
</tr>
<tr>
<td>Construction Taxes</td>
<td>100%</td>
<td>210,000</td>
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<tr>
<td>Other, Hist., Cert., LEED, etc.</td>
<td></td>
<td>2,094,000</td>
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<td>Subtotal</td>
<td></td>
<td>3,262,000</td>
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<tr>
<td>Permanent Financing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Commitment Fee to MSHDA</td>
<td>1%</td>
<td>1,075,000</td>
</tr>
<tr>
<td>Other, Add'l Funds needed to payoff Existing MSHDA HOME Loan (Lot)</td>
<td></td>
<td>77,000</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>1,152,000</td>
</tr>
<tr>
<td>Other Costs (In Basis)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Application Fee</td>
<td>100%</td>
<td>17,000</td>
</tr>
<tr>
<td>Market Study</td>
<td>100%</td>
<td>34,000</td>
</tr>
<tr>
<td>Environmental Studies</td>
<td>100%</td>
<td>269,000</td>
</tr>
<tr>
<td>Cost Certification</td>
<td>100%</td>
<td>126,000</td>
</tr>
<tr>
<td>Equipment and Furnishings</td>
<td>100%</td>
<td>420,000</td>
</tr>
<tr>
<td>Temporary Tenant Relocation</td>
<td>100%</td>
<td>4,898,111</td>
</tr>
<tr>
<td>Construction Contingency</td>
<td>100%</td>
<td>9,600,000</td>
</tr>
<tr>
<td>Appraisal and C.N.A.</td>
<td>100%</td>
<td>105,000</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>0</td>
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<tr>
<td>Subtotal</td>
<td></td>
<td>15,591,852</td>
</tr>
<tr>
<td>Other Costs (NOT In Basis)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Start-up and Organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Credit Fees (based on 2017 QAP)</td>
<td>100%</td>
<td>86,470</td>
</tr>
<tr>
<td>Compliance Monitoring Fee (based 2017 QAP)</td>
<td>100%</td>
<td>475,000</td>
</tr>
<tr>
<td>Marketing Expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syndication Legal Fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent Up Allowance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>1,622,552</td>
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</tbody>
</table>

### Summary of Acquisition Price

<table>
<thead>
<tr>
<th>Description</th>
<th>As of 12/31/2018</th>
<th>Construction Loan Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Loan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition</td>
<td>3,871,764</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>14,964,745</td>
<td></td>
</tr>
<tr>
<td>Construction Loan Term</td>
<td>14,964,745</td>
<td></td>
</tr>
<tr>
<td>Acquisition Credit %</td>
<td>3.27%</td>
<td></td>
</tr>
<tr>
<td>Rehabilitation/New Credit %</td>
<td>9.00%</td>
<td></td>
</tr>
<tr>
<td>Project Reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Assurance Reserve</td>
<td>3,113,000</td>
<td></td>
</tr>
<tr>
<td>Replacement Reserve</td>
<td>3,162,000</td>
<td></td>
</tr>
<tr>
<td>Deficiency</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Rehabilitation/New Credit</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total Permanent Sources</td>
<td>17,591,000</td>
<td></td>
</tr>
<tr>
<td>Sources Equal?</td>
<td>Balanced</td>
<td></td>
</tr>
</tbody>
</table>

### Equity Calculation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSHDA Construction Loan</td>
<td>9.00%</td>
</tr>
<tr>
<td>Construction Loan Rate</td>
<td>6.20%</td>
</tr>
<tr>
<td>Repaid from equity prior to final closing</td>
<td>0</td>
</tr>
</tbody>
</table>

### Eligible Basis for LIHTCF/CAP

<table>
<thead>
<tr>
<th>Description</th>
<th>Value of LIHTCF/CAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>129,607</td>
</tr>
<tr>
<td>Construction</td>
<td>1,449,134</td>
</tr>
<tr>
<td>Acquisition Credit %</td>
<td>3.27%</td>
</tr>
<tr>
<td>Rehabilitation/New Credit %</td>
<td>9.00%</td>
</tr>
<tr>
<td>Project Reserves</td>
<td></td>
</tr>
<tr>
<td>Operating Assurance Reserve</td>
<td>3,113,000</td>
</tr>
<tr>
<td>Replacement Reserve</td>
<td>3,162,000</td>
</tr>
<tr>
<td>Deficiency</td>
<td>0</td>
</tr>
<tr>
<td>Rehabilitation/New Credit</td>
<td>0</td>
</tr>
<tr>
<td>Total Permanent Sources</td>
<td>17,591,000</td>
</tr>
</tbody>
</table>

### Initial Owner's Equity Calculation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Contribution from Tax Credit Syndication</td>
<td>12,874,076</td>
</tr>
<tr>
<td>Brownfield Equity</td>
<td>1,737,970</td>
</tr>
<tr>
<td>Historic Tax Credit Equity</td>
<td>1,200,000</td>
</tr>
<tr>
<td>General Partner Capital Contributions</td>
<td>100</td>
</tr>
<tr>
<td>Other Equity Sources</td>
<td></td>
</tr>
<tr>
<td>New Owner's Equity</td>
<td>14,611,746</td>
</tr>
</tbody>
</table>
### Cash Flow Projections

**Development: Ferguson Apartments**

**Financing Taxable**

**MSHDA No. 1440-2**

**Step Commitment Date: 07/25/2019**

**Type Preservation - Subsidized**

<table>
<thead>
<tr>
<th>Year</th>
<th>Initial Balance</th>
<th>Service in Yr</th>
<th>Future Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>1,089,540</td>
<td>1,111,331</td>
<td>1,133,557</td>
</tr>
<tr>
<td>2022</td>
<td>1,156,229</td>
<td>1,175,353</td>
<td>1,202,940</td>
</tr>
<tr>
<td>2023</td>
<td>1,228,999</td>
<td>1,251,239</td>
<td>1,276,570</td>
</tr>
<tr>
<td>2024</td>
<td>1,302,101</td>
<td>1,322,611</td>
<td>1,327,249</td>
</tr>
<tr>
<td>2025</td>
<td>1,308,097</td>
<td>1,282,409</td>
<td></td>
</tr>
</tbody>
</table>

#### Income

- **Annual Rental Income**
  - 2.0%  2.0%  2.0%  2.0%  2.0%  2.0%  2.0%  2.0%  2.0%  2.0%
- **Annual Non-Rental Income**
  - 1.0%  1.0%  1.0%  1.0%  1.0%  1.0%  1.0%  1.0%  1.0%  1.0%

**Total Project Revenue**

#### Expenses

- **Vacancy Loss**
  - 5.0%  5.0%  5.0%  5.0%  5.0%  5.0%  5.0%  5.0%  5.0%  5.0%
- **Management Fee**
  - 3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%
- **Administration**
  - 6.0%  6.0%  6.0%  6.0%  6.0%  6.0%  6.0%  6.0%  6.0%  6.0%
- **Project-paid Fuel**
  - 4.0%  4.0%  4.0%  4.0%  4.0%  4.0%  4.0%  4.0%  4.0%  4.0%
- **Common Electricity**
  - 4.0%  4.0%  4.0%  4.0%  4.0%  4.0%  4.0%  4.0%  4.0%  4.0%
- **Water and Sewer**
  - 5.0%  5.0%  5.0%  5.0%  5.0%  5.0%  5.0%  5.0%  5.0%  5.0%
- **Operating and Maintenance**
  - 3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%
- **Real Estate Taxes**
  - 3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%
- **Insurance**
  - 3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%
- **Replacement Reserve**
  - 3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%
- **Other: Cable**
  - 3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%
- **Other:**
  - 3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%

**Subtotal: Operating Expenses**

#### Debt Service

- **Debt Service Part A**
  - 3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%  3.0%

**Total Expenses**

#### Income Summary

- **Net Income**
  - 2.08%  2.08%  2.08%  2.08%  2.08%  2.08%  2.08%  2.08%  2.08%  2.08%

### Cash Flow Projections Summary

- **Average Cash Flow as % of Net Income**
  - 735,541
### Cash Flow Projections

<table>
<thead>
<tr>
<th>Initial Intake</th>
<th>Starting In Yr</th>
<th>Future Intake</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11</td>
<td>12</td>
</tr>
</tbody>
</table>

**Income**
- Annual Rental Income: 0.2% 6 2.0%
  - Initial Balance: 1,328,143
  - 2019: 1,344,841
  - 2020: 1,362,361
  - 2021: 1,380,836
  - 2022: 1,400,524
  - 2023: 1,421,333
  - 2024: 1,443,261
  - 2025: 1,466,316
  - 2026: 1,490,508
  - 2027: 1,515,836
  - 2028: 1,542,304
  - 2029: 1,570,000
  - 2030: 1,598,933

**Expenses**
- Vacancy Loss: 0.5% 6 0.0%
- Management Fee: 3.0% 6 0.0%
- Administration: 3.0% 6 0.0%
- Project-paid Fuel: 3.0% 6 0.0%
- Common Electricity: 0.0% 6 0.0%
- Water and Sewer: 0.0% 6 0.0%
- Operating and Maintenance: 3.0% 6 0.0%
- Real Estate Taxes: 0.0% 6 0.0%
- Payment in Lieu of Taxes (PILOT): 0.0% 6 0.0%
- Insurance: 0.0% 6 0.0%
- Replacement Reserve: 0.0% 6 0.0%
- Other: 0.0% 6 0.0%

**Total Expenses**
- Initial Deposit: 1,216,316
- 2019: 1,254,061
- 2020: 1,290,902
- 2021: 1,328,143
- 2022: 1,365,785
- 2023: 1,403,723
- 2024: 1,442,965
- 2025: 1,483,416
- 2026: 1,524,270
- 2027: 1,565,537
- 2028: 1,607,120
- 2029: 1,649,037
- 2030: 1,691,208

**Total Project Revenue**
- Initial Balance: 1,334,219
- 2019: 1,362,361
- 2020: 1,390,181
- 2021: 1,418,442
- 2022: 1,447,043
- 2023: 1,476,004
- 2024: 1,505,325
- 2025: 1,535,006
- 2026: 1,565,058
- 2027: 1,596,400
- 2028: 1,628,142
- 2029: 1,660,208
- 2030: 1,692,600

**Interest Rates on Subordinate Financing**
- Initial Balance: 0.0%
  - 2019: 0.0%
  - 2020: 0.0%
  - 2021: 0.0%
  - 2022: 0.0%
  - 2023: 0.0%
  - 2024: 0.0%
  - 2025: 0.0%
  - 2026: 0.0%
  - 2027: 0.0%
  - 2028: 0.0%
  - 2029: 0.0%
  - 2030: 0.0%

**Debt Coverage Ratio on Part A Loan**
- Initial Balance: 1.00
  - 2019: 1.00
  - 2020: 1.00
  - 2021: 1.00
  - 2022: 1.00
  - 2023: 1.00
  - 2024: 1.00
  - 2025: 1.00
  - 2026: 1.00
  - 2027: 1.00
  - 2028: 1.00
  - 2029: 1.00
  - 2030: 1.00

**Non-standard DSCR**
- Initial Balance: 0.0
- 2019: 0.0
- 2020: 0.0
- 2021: 0.0
- 2022: 0.0
- 2023: 0.0
- 2024: 0.0
- 2025: 0.0
- 2026: 0.0
- 2027: 0.0
- 2028: 0.0
- 2029: 0.0
- 2030: 0.0

**Deferred Developer Fee Analysis**
- Initial Balance: 215,274
  - 2019: 215,274
  - 2020: 215,274
  - 2021: 215,274
  - 2022: 215,274
  - 2023: 215,274
  - 2024: 215,274
  - 2025: 215,274
  - 2026: 215,274
  - 2027: 215,274
  - 2028: 215,274
  - 2029: 215,274
  - 2030: 215,274

**Mortgage Resource Fund Loan**
- Initial Balance: 0.0
  - 2019: 0.0
  - 2020: 0.0
  - 2021: 0.0
  - 2022: 0.0
  - 2023: 0.0
  - 2024: 0.0
  - 2025: 0.0
  - 2026: 0.0
  - 2027: 0.0
  - 2028: 0.0
  - 2029: 0.0
  - 2030: 0.0
WHEREAS, Ferguson-Heartside Limited Dividend Housing Association Limited Partnership (the "Seller") is the owner of a development for low and moderate income persons located in the City of Grand Rapids, Kent County, Michigan, known as Ferguson Apartments, MSHDA Development No. 1440-2 (the "housing project"); and

WHEREAS, the Michigan State Housing Development Authority (the "Authority") provided a mortgage loan to aid in the acquisition and original construction of the housing project; and

WHEREAS, Dwelling Place of Grand Rapids Nonprofit Housing Corporation (the "Applicant") desires to purchase and rehabilitate the housing project under the Authority's Housing Trust Fund Program, for an estimated total development cost of Twenty-One Million Two Hundred Forty-Three Thousand One Hundred Ninety-Six Dollars ($21,243,196); and

WHEREAS, the Applicant has filed an Application for Mortgage Loan Feasibility with the Authority for a new taxable mortgage loan in the maximum amount of Nine Hundred Ninety-Four Thousand Nine Hundred Sixty-Three Dollars ($994,963), a Housing Trust Fund Loan ("HTF Loan") in the maximum amount of Five Million One Hundred Sixty-One Thousand Dollars ($5,161,000) and a Michigan Housing Community Development Fund Loan ("MHCDF Loan") in the maximum amount of Two Hundred Thirty Nine Thousand Dollars ($239,000) (hereinafter referred to as the "Application") to finance the acquisition and rehabilitation of the housing project, as described in the attached Mortgage Loan Feasibility/Commitment Staff Report dated July 25, 2019 (the "Staff Report"); and

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

WHEREAS, a housing association to be formed by the Applicant 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 and the terms of its Housing Trust Fund Program.

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

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

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

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

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

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

f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Nine Hundred Ninety Four Thousand Nine Hundred Sixty-Three Dollars ($994,963).

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 Director of Finance or any person duly authorized to act in any of the foregoing capacities (each an "Authorized Officer"), be immediately rescinded.

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

5. This determination of Mortgage Loan Feasibility is conditioned upon the availability of financing to the Authority. The Authority does not covenant that funds are or will be available for the financing of the subject proposed housing development.
6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 25, 2019, which conditions are hereby incorporated by reference as if fully set forth herein.
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 Dwelling Place of Grand Rapids Nonprofit Housing Corporation (the "Applicant") for a construction and permanent mortgage loan in the amount of Nine Hundred Ninety-Four Thousand Nine Hundred Sixty-Three Dollars ($994,963), a Housing Trust Fund Loan ("HTF Loan") in the maximum amount of Five Million One Hundred Sixty-One Thousand Dollars ($5,161,000) and a Michigan Housing and Community Development Fund Loan ("MHCDF Loan") in the maximum amount of Two Hundred Thirty-Nine Thousand Dollars ($239,000), for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Twenty-One Million Two Hundred Forty-Three Thousand One Hundred Ninety-Six Dollars ($21,243,196), located in the City of Grand Rapids, Kent County, Michigan, and to be owned by Ferguson Apartments Limited Dividend Housing Association LLC (the "Mortgagor"); 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 such 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 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 Development 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 mortgage loan (the "Mortgage Loan") is hereby authorized and the Executive Director, the Chief Housing Investment Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Director of Finance, or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction and permanent financing of the proposed housing project in an amount not to exceed Nine Hundred Ninety-Four Thousand Nine Hundred Sixty-Three Dollars ($994,963), having a term not to exceed forty (40) years after amortization of principal commences. The Mortgage Loan shall bear interest at a rate of Six and 20/100 percent (6.2%) per annum. The amount of proceeds of taxable bonds issued or to be issued and allocated to the financing of this housing project shall not exceed Nine Hundred Ninety-Four Thousand Nine Hundred Sixty-Three Dollars ($994,963). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

3. The MHCDF Loan be and it hereby is authorized and an Authorized Officer is hereby authorized to issue to the Applicant a Commitment for a MHCDF Loan in the estimated amount of Two Hundred Thirty-Nine Thousand Dollars ($239,000), and to have a term not to exceed fifty (50) years and to bear interest at a rate of three percent (1%) per annum.

4. The mortgage loan commitment resolution and issuance of the Mortgage Loan Commitment and the MHCDF Loan Commitment (together, 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. Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

5. Notwithstanding passage of this resolution or execution of any documents in anticipation of the closing or 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 Development be and it hereby is granted a priority with respect to proceeds from the sale of Authority securities which are determined by the Acting Executive Director to be available for financing the construction and permanent loans of the proposed housing project. Availability of funds is subject to the Authority's ability to sell bonds at a rate or rates of interest and at a sufficient length of maturity so as not to render the permanent financing of the housing project uneconomical.

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 HTF Loan and the MHCDF 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. The Mortgagor's return on equity shall be fully cumulative.

8. The Mortgage Loan shall be subject to, and the Commitment shall contain, the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 25, 2019, which conditions are hereby incorporated by reference as if fully set forth herein.
MEMORANDUM

TO: Authority Members  
FROM: Gary Heidel, Acting Executive Director  
DATE: July 25, 2019  
RE: Approval of mortgage loan feasibility and commitment of Lyon Township Senior Living, MSHDA #3850

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 certain Multifamily Direct Lending Parameters; 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:

This proposal has been designed to be a welcoming choice for those seniors who are downsizing their homes and would desire access to additional congregate type services in a non-congregate designed living structure. The management company will offer residents fitness classes in the fitness center, a shuttle bus to shopping and community events as well as medical appointments within five miles of the site. There will be a theater room for matinée and evening movies as well as a central social hub for games, social activities and live entertainment along with a media center with an extensive library. Each resident will receive electronic wellness systems and on-site home-based health care providers and clinic. There will be an on-site Bistro offering morning coffee and afternoon social as well as cocktail parties and special event activities. There will be additional services available for purchase as well, gourmet lunch and dinners in the dining room as well as housekeeping and flat linen service and full-sized washer and dryers.

Issues, Policy Considerations, and Related Actions:

The site has a high-pressure gas line running through the portion of the site on Pontiac Trail. Due to this the Authority is requiring an emergency ingress/egress location located south of the entrance on Pontiac trail. The sponsor has entered into a verbal agreement with a neighboring business, The Lyon Grill, to create the emergency only ingress egress drive.
In addition it is recommended that a waiver of the program provision that requires underwritten rents for all units restricted to the MTSP 60% AMI limit, be limited to 95% of 30% of the MTSP 60% AMI limit (Section VI, E(1) Underwriting Terms, Rent Restrictions), be granted.
MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

July 25, 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 certain Multifamily Direct Lending Parameters; 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.: 3850
Development Name: Lyon Township Senior Living
Development Location: Lyon Township Lyon, Oakland County
Sponsor: PIRHL Developers, LLC and Lockwood Companies, LLC
Mortgagor: Lyon Senior Living, Limited Dividend Housing Association, LLC
TE Bond Construction Loan: $23,384,783 (65.90% of TDC)
TE Bond Permanent Loan: $23,384,783
MSHDA HOME Loan: $3,616,635
MSHDA MRF Loan: $3,616,635
Total Development Cost: $35,485,883
Mortgage Term: 40 years for the tax-exempt bond loan; 50 years for the HOME loan; 50 years for the MRF loan
Interest Rate: 4.90% for the tax-exempt bond loan; 1% simple interest for the HOME loan and 3% simple interest for the MRF loan
Program: Tax-Exempt Bond and Gap Financing Programs
Number of Units: 130 elderly units of new construction
Unit Configuration: 70 one bedroom one bath apartments and 60 two-bedroom one bath apartments in one three story building.
Builder: PIRHL Contractors, LLC
Syndicator: PNC Tax Credit Capital
Date Application Received: December 5, 2018
HDO: James Smith

Issuance of the Authority's Mortgage Loan Commitment is subject to fulfillment of all Authority processing and review requirements and obtaining all necessary staff approvals as required by the Authority's underwriting standards.
ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

The site has a high-pressure gas line running through the portion of the site on Pontiac Trail. Due to this, the Authority is requiring an emergency ingress/egress location located south of the entrance on Pontiac trail. The sponsor has entered into a verbal agreement with a neighboring business, The Lyon Grill, to create the emergency only ingress egress drive.

In addition, staff recommends a waiver of the program provision that requires underwritten rents for all units restricted to the MTSP 60% AMI limit be limited to 95% of 30% of the MTSP 60% AMI limit (Section VI, E(1) Underwriting Terms, Rent Restrictions), be granted. Staff intends that when the parameters are next revised, this will be a permanent change.

EXECUTIVE SUMMARY:

The proposal has been designed to be a welcoming choice for those seniors who are downsizing their homes and would desire access to additional congregate type services in a non-congregate designed living structure. The management company will offer residents fitness classes in the fitness center, a shuttle bus to shopping and community events as well as medical appointments within five miles of the site. There will be a theater room for matinee and evening movies as well as a central social hub for games, social activities and live entertainment along with a media center with an extensive library. Each resident will receive electronic wellness systems and on-site home-based health care providers and clinic. There will be an on-site Bistro offering morning coffee and afternoon social as well as cocktail parties and special event activities. There will be additional services available for purchase as well, gourmet lunch and dinners in the dining room as well as housekeeping and flat linen service and full-sized washer and dryers.

Structure of the Transaction and Funding:

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

- A tax-exempt bond construction and permanent mortgage loan will be provided by the Authority (the "Mortgage Loan"). The Mortgage Loan will be in the amount of $23,384,783 at 4.90% interest with 18-monthly interest only payments required under the construction loan. The permanent financing date will commence on the first day of the month following the month in which the 18-month construction loan term expires or such later date as determined by an Authorized Officer of the Authority (the "Permanent Financing Date").

- The permanent tax-exempt bond loan is based upon the current 60% area median income level 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 115-debt service coverage ratio, an annual interest rate of 4.90%, with a fully amortizing term of 40 years commencing on the Permanent Financing Date. The Mortgage Loan will be funded on the Permanent Financing Date and will be in First Position.

- A subordinate loan using an Authority MRF Loan (the "MRF Loan") in the amount of $3,616,635 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 $3,616,635 will be provided at 1% simple interest with payments initially deferred. The HOME Loan will be in Third Position.

Equity support comes from the sale of 4% LIHTC in the estimate amount of $3,804,702.

Income from operations will be used as a source of funding to make the interest only payments and the tax and insurance payments during the construction period in the amount of $628,128.

The Sponsor has agreed to contribute $120,000 from the sale of a portion of frontage along Pontiac Trail, the sale of which was necessary to meet the Authority's requirement for an emergency vehicle access easement.

The Sponsor has agreed to defer $315,000 of the developer fee to help fill the remaining funding gap.

A ten (10) month rent-up allowance in the amount identified in the attached proforma will be required to support interest payments between construction completion and the Mortgage Cut-Off Date, as determined by the Authority.

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

Site Selection:

The Manager of the Office of Market Research has visited the site and has indicated that it does meet the current Authority site selection criteria with the emergency ingress/egress access only. Our selection criteria prohibits sites with high pressure gas lines, but it has been determined that with the additional ingress/egress we would accept the site.

Market Evaluation:

The Manager of the Office of Market Research determined the amenities, services and rent levels are acceptable.

Valuation of the Property:

An appraisal dated November 12, 2018 estimates the land value at $1,796,000.

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 Sponsor, the new Mortgagor and other members of the Development team, where appropriate, must satisfy each of the following conditions by entering into a written agreement or providing documentation acceptable to the Authority:
Standard Conditions:

1. Limitation for Return on Equity:

For each year of the Development's operation, beginning in the year in which the Mortgage Cut-Off Date occurs, payments are limited to twelve percent (12%) of the Mortgagor's equity. For purposes of distributions, the Mortgagor's equity will be the sum of (i) the LIHTC equity; (ii) the brownfield tax credit equity; (iii) the historic tax credit equity; (iv) general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority (estimated to be a total of $3,804,702). 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 one hundred thirty (130) 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 (20 years) must be available for occupancy by households whose incomes do not exceed 50% of the HOME published area median income, adjusted for family size as determined by HUD.

b. Eleven (11) units have been designated as High-HOME units and during the Period of Affordability required under the HOME program (20 years) must be available for occupancy by households whose incomes do not exceed 60% of the HOME published area median income, adjusted for family size as determined by HUD.

c. Fifty four (54) units (31 one-bedroom units and 23 two-bedroom units) 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. Seventy-six (76) units (39 one-bedroom units and 37 two-bedroom units) are market rate and may be rented without regard to income.

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

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

The Total Housing Expense (contract rent plus tenant-paid utilities) for one hundred thirty (130) units is subject to the following limitations:

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

c. The Total Housing Expense for all fifty four (54) units (31 one-bedroom units, and 23 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. Seventy-seven (76) units (39 one-bedroom units, and 37 two-bedroom units) are market rate and there shall be no limit on the rents charged for these units.

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

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

For the initial lease term of the first household occupying each rent restricted unit in the Development the initial rent may not exceed 105% of the rent approved in this Mortgage Loan Feasibility/Commitment Staff Report or the maximum allowed per median income, whichever is less. Rental increases on occupied units during any 12-month period will be limited to not more than 5% of the rent paid by the resident household at the beginning of that annual period. Exceptions to this limitation may be granted by 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. **Restriction on Prepayment and Subsequent Use:**

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

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

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

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

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

6. **Operating Assurance Reserve:**

At Initial Closing, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to four months' of estimated Development operating expenses (estimated to be $857,262). 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.
OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. Replacement Reserve:

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

10. Authority Subordinate Loan(s):

At Initial Closing, the Mortgagor must enter into 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 50-year term, and the MRF Loan will bear simple interest at 3% with a 50-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 13th year following the commencement of amortization of the Mortgage Loan. Interest will continue to accrue on each loan until paid in full.

At the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee or (b) the 13th year following the date that Mortgage Loan amortization commences, repayment of the 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 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 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 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 50 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.

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

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

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

12. Owner/Architect Agreement:

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

13. Trade Payment Breakdown:

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

14. Section 3 Requirements:

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

15. Equal Opportunity and Fair Housing:

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

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

16. **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 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.

17. **Davis-Bacon and Cross-cutting Federal Requirements:**

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

18. **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).

19. **Title Insurance Commitment and Survey:**

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

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

20. **Organizational Documents/Equity Pay-In Schedule:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit a substantially final form syndication partnership agreement, including an equity pay-in schedule, that is acceptable in form and substance to the Director of Development and Director of Legal Affairs.
At or prior to Initial Closing, the final, executed syndication partnership agreement must become effective and the initial installment of equity must be paid in an amount approved by the Director of Development.

21. **Designation of Authority Funds:**

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

22. **Management & Marketing:**

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

   a. Management Agreement
   b. Marketing Addendum

23. **Guaranties:**

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

24. **Financial Statements:**

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

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

25. **Future Contributions:**

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

26. **Ownership of Development Reserves:**

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

27. **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.

28. **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.

29. **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.

**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:

- Satisfactory title endorsements regarding the gas pipeline
- An executed drainage easement across abutting parcel to the north
- Documentation releasing or extinguishing the interests of the eight entities holding various warranty deed, quit claim and land contract interests
- Address all concerns from the 6-24-2019 Lyon Township Planning Commission meeting minutes and document final approval.
- Executed warranty deed with Lyon Grill ownership detailing the emergency ingress-egress drive terms.
- Prior to Initial Closing, the Michigan Attorney General’s Office must complete its review of the transaction and provide the Director of Legal Affairs its recommendation.
- Any other documentation as required by the Director of Legal Affairs, including acceptable evidence of insurance, permits, licenses, zoning approvals, utility availability, payment and performance bonds and other closing requirements.

2. **PILOT Obtained Post-Commitment:**

The Development is currently subject to ad valorem property taxes and has been underwritten as though such taxes will continue to be assessed; however, the Mortgagor has applied for a PILOT. If a PILOT resolution (or ordinance depending on the municipality), acceptable in language, form and substance to the Authority’s Director of Legal Affairs is provided, the Authority may re-underwrite the Development using the new PILOT. Any
savings generated by the PILOT disclosed in the Authority's re-underwriting of the Development may be applied, at the sole discretion of an Authorized Officer of the Authority, to reduce one or all of the Authority's subordinate loans or be applied against any other obligation that the Mortgagor owes the Authority with any remainder deposited in the Development's Operating Reserve Cash account.

3. **Residual receipts and cost savings at the end of the construction period:**

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

4. **Congregate Services:**

   Prior to Initial Closing, the sponsor must agree in writing to provide congregate services as described in the management and marketing plans for the tenants for the life of the Mortgage Loan. The services must include, at the option of the tenant, one meal per day, light housekeeping, laundry services, and handyman services. The cost of these services must be paid from other than Mortgage Loan proceeds, development rental income, and residual receipts.

5. **Van Transportation:**

   The Mortgagor will enter into an agreement with the Authority to provide regular van transportation for the residents of the Development for the purposes of grocery and other shopping, and for recreational outings, at no charge to the tenants. The times, frequency and destination of the outing for which van transportation will be established by the Mortgagor, subject to the approval of the Authority's Director of Asset Management, whose approval will not be unreasonably withheld. The van transportation shall be in addition to Spec-Tran or any other service provided by the local public transportation system or its equivalent. The cost of providing van transportation services may be paid from development operating funds, residual receipts, or mortgage loan proceeds, to the extent available. If, however there are not sufficient funds from these sources, Mortgagor shall pay the cost of providing the van transportation services from the Mortgagor's own funds.

6. **Disbursement through Title Company:**

   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.

**DEVELOPMENT TEAM AND SITE INFORMATION**

1. **MORTGAGOR:** Lyon Senior Living, Limited Dividend Housing Association LLC
   (PIRHL will own 65% and The Lockwood Companies will own 35%).
II. **GUARANTOR(S):**

A. **Guarantor #1:**

- **Name:** David Burg
- **Address:** PIRHL Developers, LLC
  800 West Saint Clair Avenue, 4th floor
  Cleveland, OH, 44113

B. **Guarantor #2:**

- **Name:** Mark Lockwood
- **Address:** Lockwood Companies, LLC
  27777 Franklin Rd #1410
  Southfield, MI 48034

III. **DEVELOPMENT TEAM ANALYSIS:**

A. **Sponsor:**

- **Name:** PIRHL Developers LLC and The Lockwood Companies, LLC
- **Address:** 800 West Saint Clair Avenue, 4th floor
  Cleveland, OH, 44113

  **Individuals Assigned:** Kevin Brown
  **Telephone:** 216-453-5775
  **Fax:** 216-378-9691
  **E-mail:** kbrown@pirhl.com

1. **Experience:** The PIRHL does not have experience working on Authority-financed developments but has done similar projects in other states. Lockwood Companies which has extensive experience working with Authority financed deals is included in the ownership with a minority interest.

2. **Interest in the Mortgagor and Members:** PIRHL Developers LLC will own .0065% and The Lockwood Companies, LLC will own .0035% and PNC Bank, National Association Affiliate of PNC Bank, National Association will own 99.99%.

B. **Architect:**

- **Name:** Ronald Lloyd
- **Address:** 16102 Chagrin Blvd, Suite 200
  Shaker Heights, OH 44120

  **Individual Assigned:** Ronald Lloyd
Telephone: 216-752-4300
Fax: 216-752-4301
E-Mail: howard@rdlarchitects.com

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

2. **Architect's License:** License number 1301046349, exp. 10/31/2020.

C. **Attorney:**

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

Individual Assigned: Rochelle Lento
Telephone: 313-568-5322
Fax: 855-245-9124
E-Mail: rlento@dykema.com

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

D. **Builder:**

Name: PIRHL Contractors, LLC
Address: 400 Renaissance Center
         Detroit, MI 48243

Individual Assigned: Rick Adante
Telephone: 216-462-0751
Fax: 216-378-9691
E-mail: radante@pirhl.com

1. **Experience:** The firm does not have previous experience in constructing Authority-financed developments, but they have the required experience in construction. Because they are new to the Authority, they will have to disburse the construction funds through a title company.

2. **State Licensing Board Registration:** License number 2101216978, with Brian David Timpe as the qualifying officer with an expiration date of 05/31/2020.

E. **Management and Marketing Agent:**

Name: Lockwood Companies, LLC
Address: 27777 Franklin Rd, #1410
         Southfield, MI 48034
IV. Individual Assigned: Mark Lockwood  
Telephone: 248-203-0991  
Fax: 248-203-6691  
E-mail: mlockwood@lockwoodcompanies.com

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

F. Development Team Recommendation: It is recommended to proceed with the development team.

IV. SITE DATA:

A. Land Control/Purchase Price:  
Option to purchase to PIRHL Acquisitions, LLC and Charter Township of Lyon dated September 4, 2018 for a price of $1,750,000.

B. Site Location:  
Located between 20889 and 21001 Pontiac Trail in Lyon Township and Oakland County Parcel tax id 22-31-400-034.

C. Size of Site:  
Approximately 18 acres.

D. Density:  
The proposed 130 units is appropriate for the amount of land.

E. Physical Description:

1. Present Use: Vacant

2. Existing Structures: None

3. Relocation Requirements: None

F. Zoning:  
The property currently has two zoning designations. The 6-acre portion abutting Pontiac Trail is zoned B-2 (business district) and the remaining acreage is zoned RM-2 (Multifamily District). The township requires the total of 16.5 acres to be zoned RM-2 so the sponsor obtained a conditional rezoning of the B-2 portion.

G. Contiguous Land Use:

1. North: Residential

2. South: Lyon Grill and Bader and Sons Company

3. East: Pontiac Trail and Strip Mall driveway.

H. **Tax Information:**
The site is subject to full property taxes.

I. **Utilities:**
DTE supplies the electricity.
Consumers Energy supplies the natural gas.
Lyon Charter Township supplies the water and sewer.

J. **Community Facilities:**

1. **Shopping:**
   Kroger is located east across M59.

2. **Recreation:**
   There are many recreational activities in the area and McHattie Park is the closest park about a mile and a half north of the site.

3. **Public Transportation:**
   The peoples express provides transportation to medical, shopping and recreational appointments for city of South Lyon or Lyon Township residents age 50+ or disabled. Rides are provided through People’s Express and are subsidized by the city of South Lyon or the Charter Township of Lyon.

4. **Road Systems**
   The roads seem to be in good repair and M59 is a major north south road through the area.

5. **Medical Services and other Nearby Amenities:**
   There are various clinics in the area and the closest hospital is Ascension Providence Hospital in Novi about 7.7 miles north west.

6. **Description of Surrounding Neighborhood:**
   Lots of new constructed homes and some newer commercial. Overall area looks good.

7. **Local Community Expenditures Apparent:**
   Lot of new construction activity in the area.

8. **Indication of Local Support:**
   The community is supportive of the proposal and is selling the developer the property.

V. **ENVIRONMENTAL FACTORS:**

A Phase I Environmental Site Assessment was submitted to the Authority (see Standard Condition No. 16.).

VI. **DESIGN AND COSTING STATUS:**

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

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

VII. MARKET SUMMARY:

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

VIII. EQUAL OPPORTUNITY AND FAIR HOUSING:

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

IX. MANAGEMENT AND MARKETING:

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

X. FINANCIAL STATEMENTS:

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

XI. DEVELOPMENT SCHEDULING:

A. Mortgage Loan Commitment: July 2019
B. Initial Closing and Disbursement: September 2019
C. Construction Completion: March 2021
D. Cut-Off Date: January 2022

XII. ATTACHMENTS:

A. Development Proforma
APPROVALS:

Andrew Martin
Director of Development

Clarence L. Stone, Jr.
Director of Legal Affairs

Gary Heidel
Acting Executive Director
## Rental Income

<table>
<thead>
<tr>
<th>Unit</th>
<th>No. of Units</th>
<th>Unit Type</th>
<th>Elec. Rate</th>
<th>Heat Type</th>
<th>Net Rent</th>
<th>Utilities</th>
<th>Total Income</th>
<th>Contract Rent</th>
<th>% of Contract Rent</th>
<th>% of Total Units</th>
<th>Gross Source</th>
<th>% of Total Source</th>
<th>% of Total Income</th>
<th>Lease备案</th>
<th>HOME Rent</th>
<th>Mortgage</th>
<th>Total Rent</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
<td>Apartment</td>
<td>1.0</td>
<td>0.0</td>
<td>1,348</td>
<td>0</td>
<td>47,767</td>
<td>13,042</td>
<td>34.4%</td>
<td>1.7%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>Low HOME</td>
<td>604</td>
<td>HOME Rent</td>
<td>Mortgage</td>
<td>Total Rent</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td>1.0</td>
<td>0.0</td>
<td>1,348</td>
<td>0</td>
<td>47,767</td>
<td>13,042</td>
<td>34.4%</td>
<td>1.7%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>Low HOME</td>
<td>604</td>
<td>HOME Rent</td>
<td>Mortgage</td>
<td>Total Rent</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td>1.0</td>
<td>0.0</td>
<td>1,348</td>
<td>0</td>
<td>47,767</td>
<td>13,042</td>
<td>34.4%</td>
<td>1.7%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>Low HOME</td>
<td>604</td>
<td>HOME Rent</td>
<td>Mortgage</td>
<td>Total Rent</td>
</tr>
</tbody>
</table>

## Utility Allowances

- **Check Off**
  - A: Gas
  - B: Water
  - C: Total

## Total

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Rent</td>
<td>47,767</td>
</tr>
<tr>
<td>HOME Rent</td>
<td>13,042</td>
</tr>
<tr>
<td>Mortgage</td>
<td>1.0%</td>
</tr>
<tr>
<td>Total Rent</td>
<td>48,767</td>
</tr>
<tr>
<td>Notes</td>
<td>Notes</td>
</tr>
</tbody>
</table>

## Annual Net-Rental Income

- **Type**: Rents and Interest
- **Rent**: $1,348
- **Utility Allowances**: Gas: $0.00, Water: $0.00, Total: $0.00
- **Total**: $1,348

## Additional Information

- **Total Rent**: $48,767
- **Notes**: Notes
Development: Lyon Township Senior
Financing: Tax Exempt
MSHDA No.: 3850
Step Commitment
Date: 07/25/2019
Type: New Construction

Mortgage Assumptions:
Debt Coverage Ratio: 1.15
Mortgage Interest Rate: 4.900%
Pay Rate: 4.900%
Mortgage Term: 40 years
Income from Operations: No

<table>
<thead>
<tr>
<th>Total Development Income Potential</th>
<th>Per Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Rental Income</td>
<td>21,132</td>
<td>2,747,196</td>
</tr>
<tr>
<td>Annual Non-Rental Income</td>
<td>191</td>
<td>24,760</td>
</tr>
<tr>
<td>Total Project Revenue</td>
<td>21,323</td>
<td>2,771,976</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Development Expenses</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy Loss</td>
<td>8.00% of annual rent potential</td>
<td>1,691</td>
</tr>
<tr>
<td>Management Fee</td>
<td>527 per unit per year</td>
<td>527</td>
</tr>
<tr>
<td>Administration</td>
<td>2,280</td>
<td>296,438</td>
</tr>
<tr>
<td>Project-paid Fuel</td>
<td>77</td>
<td>10,000</td>
</tr>
<tr>
<td>Common Electricity</td>
<td>385</td>
<td>50,000</td>
</tr>
<tr>
<td>Water and Sewer</td>
<td>423</td>
<td>55,000</td>
</tr>
<tr>
<td>Operating and Maintenance</td>
<td>1,234</td>
<td>160,466</td>
</tr>
<tr>
<td>Real Estate Taxes</td>
<td>2,166</td>
<td>281,616</td>
</tr>
<tr>
<td>Payment in Lieu of Taxes (PILOT)</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Insurance</td>
<td>434</td>
<td>56,386</td>
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<tr>
<td>Replacement Reserve</td>
<td>300</td>
<td>39,000</td>
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<tr>
<td>Other:</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>% of Revenue</td>
<td>44.83%</td>
<td>9,517</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Total Expenses</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Net Operating Income</td>
<td>11,806</td>
<td>1,534,784</td>
</tr>
<tr>
<td>Part A Mortgage Payment</td>
<td>10,265</td>
<td>1,334,595</td>
</tr>
<tr>
<td>Part A Mortgage</td>
<td>179,883</td>
<td>23,384,783</td>
</tr>
<tr>
<td>Non MSHDA Financing Mortgage Payment</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Non MSHDA Financing Type:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Project Cash Flow (excludes ODR)</td>
<td>7.22%</td>
<td>1,540</td>
</tr>
</tbody>
</table>

Instructions:
Initial Inflation Factor | Beginning in Year | Future Inflation Factor |
---|---|---|
| 6 | 2.0% |

Future Vacancy:
Future Vacancy: 6 | 8.0% |
### TOTAL DEVELOPMENT COSTS

<table>
<thead>
<tr>
<th>Category</th>
<th>Per Unit</th>
<th>Total</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>13,462</td>
<td>1,760,000</td>
<td>1,776,000</td>
</tr>
<tr>
<td>Construction/Rehabilitation</td>
<td>18,713</td>
<td>2,432,742</td>
<td>2,441,455</td>
</tr>
<tr>
<td>Off-Site Improvements</td>
<td>141,510</td>
<td>18,397,505</td>
<td>18,397,505</td>
</tr>
<tr>
<td>Landscape and Irrigation</td>
<td>9,401</td>
<td>1,249,152</td>
<td>1,249,152</td>
</tr>
<tr>
<td>Structures</td>
<td>3,392</td>
<td>441,009</td>
<td>441,009</td>
</tr>
<tr>
<td>Community Building and/or Maintenance Facility</td>
<td>10,381</td>
<td>1,349,487</td>
<td>1,349,487</td>
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<tr>
<td>Cost Certification</td>
<td>9,786</td>
<td>1,273,441</td>
<td>1,273,441</td>
</tr>
<tr>
<td>Other</td>
<td>194,326</td>
<td>25,262,322</td>
<td>25,262,322</td>
</tr>
<tr>
<td>Predicted Net Proceeds</td>
<td>194,326</td>
<td>25,262,322</td>
<td>25,262,322</td>
</tr>
</tbody>
</table>

### Construction Loan Costs

<table>
<thead>
<tr>
<th>Category</th>
<th>Per Unit</th>
<th>Total</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design Architect Fees</td>
<td>2,762</td>
<td>359,106</td>
<td>359,106</td>
</tr>
<tr>
<td>Supervisory Architect Fees</td>
<td>691</td>
<td>89,777</td>
<td>89,777</td>
</tr>
<tr>
<td>Engineering/Survey</td>
<td>942</td>
<td>122,500</td>
<td>122,500</td>
</tr>
<tr>
<td>Other: Accounting/Financial Management Fees</td>
<td>156</td>
<td>20,900</td>
<td>20,900</td>
</tr>
<tr>
<td>Interim Construction Costs</td>
<td>4,583</td>
<td>618,886</td>
<td>618,886</td>
</tr>
<tr>
<td>Property &amp; Casualty Insurance</td>
<td>462</td>
<td>60,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Construction Loan Interest</td>
<td>5,391</td>
<td>699,529</td>
<td>699,529</td>
</tr>
<tr>
<td>Title Work</td>
<td>462</td>
<td>60,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Legal Fees (in Tax Credit Basis)</td>
<td>923</td>
<td>120,000</td>
<td>120,000</td>
</tr>
<tr>
<td>Construction Taxes</td>
<td>3,375</td>
<td>450,000</td>
<td>450,000</td>
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<tr>
<td>Other</td>
<td>7,612</td>
<td>989,538</td>
<td>989,538</td>
</tr>
<tr>
<td>Permits, Bond Premium, Title Fees</td>
<td>4,710</td>
<td>612,361</td>
<td>612,361</td>
</tr>
<tr>
<td>Permanent Financing</td>
<td>4,710</td>
<td>612,361</td>
<td>612,361</td>
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</tbody>
</table>

### Other Costs (In Basis)

<table>
<thead>
<tr>
<th>Category</th>
<th>Per Unit</th>
<th>Total</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Fee</td>
<td>15</td>
<td>2,000</td>
<td>2,000</td>
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<tr>
<td>Market Study</td>
<td>41</td>
<td>5,300</td>
<td>5,300</td>
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<tr>
<td>Environmental Studies</td>
<td>234</td>
<td>30,375</td>
<td>30,375</td>
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<tr>
<td>Cost Certification</td>
<td>154</td>
<td>20,000</td>
<td>20,000</td>
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<tr>
<td>Equipment and Furnishings</td>
<td>5,127</td>
<td>663,500</td>
<td>663,500</td>
</tr>
<tr>
<td>Temporary Tenant Relocation</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Construction Contingency</td>
<td>7,612</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Appraisal and C.N.A.</td>
<td>23</td>
<td>3,000</td>
<td>3,000</td>
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<tr>
<td>Real estate taxes/valuation</td>
<td>12</td>
<td>1,500</td>
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<tr>
<td>Other</td>
<td>13,298</td>
<td>1,728,678</td>
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</table>

### Summary of Acquisition Price

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<thead>
<tr>
<th>As Of</th>
<th>Per Unit</th>
<th>Total</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>To</td>
<td>1,750,000</td>
<td>1st Mortgage Balance</td>
<td>1,750,000</td>
</tr>
<tr>
<td>Existing Structure</td>
<td>25,000</td>
<td>Subordinate Mortgage(s)</td>
<td>25,000</td>
</tr>
<tr>
<td>Fixed Price to Seller</td>
<td>1,775,000</td>
<td>Subordinate Mortgage(s)</td>
<td>1,775,000</td>
</tr>
<tr>
<td>Premium/Deficit vs Existing Debt</td>
<td>1,775,000</td>
<td>1,775,000</td>
<td></td>
</tr>
</tbody>
</table>

### Appraised Value

- **Value As Of:** October 30, 2019
- **Value Range:** 1,796,000
- **Override:** 0
- **Plus 5% of Appraised Value:** 0
- **LESS Fixed Price to the Seller:** 0
- **Surplus (Sale):** 21,000

### Development Overhead and Fee

<table>
<thead>
<tr>
<th>Maximum</th>
<th>4,888,661</th>
<th>2,100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>of All Other Development Costs</td>
<td>2,100,000</td>
</tr>
<tr>
<td>% of Total Development Cost</td>
<td>2,100,000</td>
<td></td>
</tr>
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</table>

### TOTAL DEVELOPMENT SOURCES

<table>
<thead>
<tr>
<th>Basis</th>
<th>% of TDC</th>
<th>MSHDA Permanent Mortgage</th>
<th>176,883</th>
<th>23,384,793</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gap to Hard Debt</td>
<td>65.95%</td>
<td>10.72%</td>
<td>29,267</td>
<td>3,804,702</td>
</tr>
<tr>
<td>Equity Contribution from Tax Credit Syndication</td>
<td>10.72%</td>
<td>29,267</td>
<td>3,804,702</td>
<td></td>
</tr>
<tr>
<td>MSHDA NSP Funds</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>MSHDA HOME or Housing Trust Funds</td>
<td>10.19%</td>
<td>27,820</td>
<td>3,616,635</td>
<td></td>
</tr>
<tr>
<td>Mortgage Resource Funds</td>
<td>10.19%</td>
<td>27,820</td>
<td>3,616,635</td>
<td></td>
</tr>
<tr>
<td>Other MSHDA</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Local HOME</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Inclusion of Operations</td>
<td>1.77%</td>
<td>6,369</td>
<td>89,479</td>
<td></td>
</tr>
<tr>
<td>Other: Sale of for frontage</td>
<td>0.34%</td>
<td>923</td>
<td>120,000</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>0.89%</td>
<td>2,423</td>
<td>315,000</td>
<td></td>
</tr>
<tr>
<td>Total Permanent Sources</td>
<td>34,405,883</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Sources Equal Use?

- **Balanced:** 0

### MSHDA Construction Loan

- **Construction Loan Rate:** 4.90%
- **Repaid from equity prior to closing:** 0

### Eligible Basis for LIHTC/TCAP

<table>
<thead>
<tr>
<th>Value of LIHTC/TCAP</th>
<th>Acquisition Credit %</th>
<th>Acquisition Credit %</th>
<th>Acquisition Credit %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquire</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Construction</td>
<td>4,249,140</td>
<td>403,722</td>
<td>0</td>
</tr>
<tr>
<td>Acquire</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### March 2020

- **Current Value:** 3,804,702
- **Potential New Owner's Equity:** 3,804,702
### Cash Flow Projections

**Development: Lyon Township Senior Financing**

**Tax Exempt Financing**

**MSDHA No:** 3990

**Step Commitment:**

- **Date:** 07/29/2016
- **Type:** New Construction

#### Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Rental Income 1.0%</th>
<th>Annual Non-Rental Income 1.0%</th>
<th>Total Project Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,747,196</td>
<td>$2,774,668</td>
<td>$5,521,864</td>
</tr>
</tbody>
</table>

#### Expenses

<table>
<thead>
<tr>
<th>Year</th>
<th>Vacancy Loss 8.0%</th>
<th>Management Fee 3.0%</th>
<th>Administration 3.0%</th>
<th>Project-paid Fuel 3.0%</th>
<th>Common Expense 4.0%</th>
<th>Water and Sewer 5.0%</th>
<th>Operating and Maintenance 3.0%</th>
<th>Real Estate Taxes 5.0%</th>
<th>Payment in Lieu of Taxes (Pilot)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$219,776</td>
<td>$690,100</td>
<td>$296,438</td>
<td>$10,000</td>
<td>$50,000</td>
<td>$55,000</td>
<td>$180,466</td>
<td>$291,619</td>
<td>$0</td>
</tr>
</tbody>
</table>

#### Debt Service

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt Service Part A</th>
<th>Debt Service Conventional/Other Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,334,595</td>
<td>$0</td>
</tr>
</tbody>
</table>

#### Cash Flow Projections

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Flow (Deficit)</th>
<th>Cash Flow Per Unit</th>
<th>Debt Coverage Ratio on Part A Loan</th>
<th>Debt Coverage Ratio on Conventional/Other Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$200,189</td>
<td>$1,540</td>
<td>1.15</td>
<td>N/A N/A N/A N/A</td>
</tr>
</tbody>
</table>

#### Interest Rate on Reserves

- **3%**

Average Cash Flow as % of Net Income

#### Operating Deficit Reserve (ODR) Analyses

- **Initial Deposit:**
  - **Total Annual Deposit to achieve 1.0% DCR:**
  - **Total Annual Deposit to achieve Maintained DCR:**
  - **Total 1.0% DCR and Maintained DCR:**

#### Operating Assurance Reserve Analysis

- **Required in Year:**
  - **Initial Deposit:**

#### Deferred Developer Fee Analysis

- **Initial Balance:**
- **Dev Fee Paid:**
- **Ending Balance:**
  - **Repaid in yr:**

#### Mortgage Resources Fund Loan

- **Interest Rate on Subordinate Financing:**

- **Principal Amount of all MSDHA Soft Funds:**

- **Current Yr Int:**

- **Accrued Int:**

- **Subtotal:**

- **Annual Payment Due:**

- **Year End Balance:**
## Cash Flow Projections

### Income

<table>
<thead>
<tr>
<th></th>
<th>Starting in Yr</th>
<th>Future Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Rental Income</td>
<td>1.0% 6 2.0%</td>
<td></td>
</tr>
<tr>
<td>Annual Non-Rental Income</td>
<td>1.0% 6 2.0%</td>
<td></td>
</tr>
<tr>
<td>Total Project Revenue</td>
<td>3,248,449</td>
<td></td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th></th>
<th>Initial Balance</th>
<th>Dev Fee Paid</th>
<th>Principal Amount of all MSHDA Soft Funds</th>
<th>Year End Balance</th>
<th>Dev Fee Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy Loss</td>
<td>257,653</td>
<td>3,386,300</td>
<td>3,203,797</td>
<td>3,345,473</td>
<td>3,345,473</td>
</tr>
<tr>
<td>Management Fee</td>
<td>52,072</td>
<td>40,800</td>
<td>51,678</td>
<td>100,699</td>
<td>100,699</td>
</tr>
<tr>
<td>Administration</td>
<td>388,388</td>
<td>410,340</td>
<td>422,850</td>
<td>435,329</td>
<td>435,329</td>
</tr>
<tr>
<td>Project, cost Fuel</td>
<td>13,439</td>
<td>13,842</td>
<td>14,258</td>
<td>15,126</td>
<td>15,126</td>
</tr>
<tr>
<td>Common Electricity</td>
<td>66,844</td>
<td>71,528</td>
<td>74,097</td>
<td>79,320</td>
<td>79,320</td>
</tr>
<tr>
<td>Water and Sewer</td>
<td>86,569</td>
<td>94,069</td>
<td>98,772</td>
<td>103,711</td>
<td>103,711</td>
</tr>
<tr>
<td>Operating and Maintenance</td>
<td>215,653</td>
<td>222,122</td>
<td>228,786</td>
<td>235,600</td>
<td>235,600</td>
</tr>
<tr>
<td>Real Estate Taxes</td>
<td>456,728</td>
<td>461,865</td>
<td>502,442</td>
<td>541,029</td>
<td>541,029</td>
</tr>
<tr>
<td>Payment in Lieu of Taxes (PILOT)</td>
<td>75,778</td>
<td>75,778</td>
<td>75,778</td>
<td>75,778</td>
<td>75,778</td>
</tr>
<tr>
<td>Insurance</td>
<td>52,413</td>
<td>53,958</td>
<td>55,976</td>
<td>58,091</td>
<td>58,091</td>
</tr>
<tr>
<td>Replacement Reserve</td>
<td>4,118</td>
<td>4,407</td>
<td>4,715</td>
<td>5,023</td>
<td>5,023</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Subtotal: Operating Expenses</td>
<td>1,723,491</td>
<td>1,783,545</td>
<td>1,845,939</td>
<td>1,910,728</td>
<td>1,910,728</td>
</tr>
</tbody>
</table>

### Debt Service

<table>
<thead>
<tr>
<th></th>
<th>Initial Balance</th>
<th>Dev Fee Paid</th>
<th>Principal Amount of all MSHDA Soft Funds</th>
<th>Year End Balance</th>
<th>Dev Fee Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service Part A</td>
<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
</tr>
<tr>
<td>Debt Service Conventional/Other Financing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Total Expenses

<table>
<thead>
<tr>
<th></th>
<th>Initial Balance</th>
<th>Dev Fee Paid</th>
<th>Principal Amount of all MSHDA Soft Funds</th>
<th>Year End Balance</th>
<th>Dev Fee Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenses</td>
<td>3,058,046</td>
<td>3,118,140</td>
<td>3,180,534</td>
<td>3,345,323</td>
<td>3,345,323</td>
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</tbody>
</table>

### Cash Flow (Deficit)

<table>
<thead>
<tr>
<th></th>
<th>Initial Balance</th>
<th>Dev Fee Paid</th>
<th>Principal Amount of all MSHDA Soft Funds</th>
<th>Year End Balance</th>
<th>Dev Fee Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow Per Unit</td>
<td>1,485</td>
<td>1,502</td>
<td>1,532</td>
<td>1,586</td>
<td>1,586</td>
</tr>
<tr>
<td>Debt Coverage Ratio on Part A Loan</td>
<td>1.14</td>
<td>1.14</td>
<td>1.14</td>
<td>1.14</td>
<td>1.14</td>
</tr>
<tr>
<td>Debt Coverage Ratio on Conventional/Other Financing</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

### Interest Rate on Reserves

<table>
<thead>
<tr>
<th></th>
<th>Initial Balance</th>
<th>Dev Fee Paid</th>
<th>Principal Amount of all MSHDA Soft Funds</th>
<th>Year End Balance</th>
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<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
</tr>
<tr>
<td>Debt Service Conventional/Other Financing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Operating Deficit Reserve (ODR) Analysis

<table>
<thead>
<tr>
<th></th>
<th>Initial Balance</th>
<th>Dev Fee Paid</th>
<th>Principal Amount of all MSHDA Soft Funds</th>
<th>Year End Balance</th>
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<tbody>
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<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
</tr>
<tr>
<td>Debt Service Conventional/Other Financing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Operating Assurance Reserve Analysis

<table>
<thead>
<tr>
<th></th>
<th>Initial Balance</th>
<th>Dev Fee Paid</th>
<th>Principal Amount of all MSHDA Soft Funds</th>
<th>Year End Balance</th>
<th>Dev Fee Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service Part A</td>
<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
</tr>
<tr>
<td>Debt Service Conventional/Other Financing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Deferral Developer Fee Analysis

<table>
<thead>
<tr>
<th></th>
<th>Initial Balance</th>
<th>Dev Fee Paid</th>
<th>Principal Amount of all MSHDA Soft Funds</th>
<th>Year End Balance</th>
<th>Dev Fee Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service Part A</td>
<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
</tr>
<tr>
<td>Debt Service Conventional/Other Financing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Mortgage Resource Fund Loan

<table>
<thead>
<tr>
<th></th>
<th>Initial Balance</th>
<th>Dev Fee Paid</th>
<th>Principal Amount of all MSHDA Soft Funds</th>
<th>Year End Balance</th>
<th>Dev Fee Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service Part A</td>
<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
<td>1,334,595</td>
</tr>
<tr>
<td>Debt Service Conventional/Other Financing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
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 PIRHL Developers, LLC (the "Applicant") for an elderly housing project to be located in the Charter Township of Lyon, Oakland County, Michigan, having an estimated total development cost of Thirty Five Million Four Hundred Eighty Five Thousand Eight Hundred Eighty-Three Dollars ($35,485,883), a total estimated maximum mortgage loan amount of Twenty Three Million Three Hundred Eighty Four Thousand Seven Hundred Eighty-Three Dollars ($23,384,783) and a Mortgage Resource Fund loan in the amount of Three Million Six Hundred Sixteen Thousand Six Hundred Thirty-Five Dollars ($3,616,635) (hereinafter referred to as the "Application"); and

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

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

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

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

1. The following determinations be and they hereby are made:
   a. The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located, thereby enhancing the viability of such housing.
   b. The Applicant is reasonably expected to be able to achieve successful completion of the proposed housing project.
   c. The proposed housing project will meet a social need in the area in which it is to be located.
   d. A mortgage loan, or a mortgage loan not made by the Authority that is a federally-aided mortgage, can reasonably be anticipated to be obtained to
provide financing for the proposed housing project.

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

f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Twenty Seven Million Three Hundred Ninety Three Thousand Seven Hundred Dollars ($27,393,700).

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 July 25, 2019, which conditions are hereby incorporated by reference as if fully set forth herein.
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 PIRHL Developers, LLC (the "Applicant") for a construction and permanent mortgage loan in the amount of Twenty Three Million Three Hundred Eighty Four Thousand Seven Hundred Eighty-Three Dollars ($23,384,783), for the construction and permanent financing of a housing project having an estimated total development cost of Thirty Five Million Four Hundred Eighty Five Thousand Eight Hundred Eighty-Three Dollars ($35,485,883), to be known as Lyon Township Senior Living, located in the Charter Township of Lyon, Oakland County, Michigan, and to be owned by Lyon Senior Living Limited Dividend Housing Association, LLC (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a Mortgage Resource Fund loan in the estimated amount of Three Million Six Hundred Sixteen Thousand Six Hundred Thirty-Five Dollars ($3,616,635) (the "MRF Loan") and a mortgage loan under the HOME Investment Partnerships Program using HOME funds in the estimated amount of Three Million Six Hundred Sixteen Thousand Six Hundred Thirty-Five Dollars ($3,616,635) (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 Director of Finance, or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction and permanent financing of the proposed housing project in an amount not to exceed Twenty Three Million Three Hundred Eighty Four Thousand Seven Hundred Eighty-Three Dollars ($23,384,783), and to have a term of forty (40) years after amortization of principal commences and to bear interest at a rate of Four and 90/100 percent (4.9%) per annum. The amount of proceeds of tax exempt bonds issued or to be issued and allocated to the financing of this housing project shall not exceed Twenty Seven Million Three Hundred Ninety Three Thousand Seven Hundred Dollars ($27,393,700). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

3. The MRF 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 MRF Loan (together with the commitment for the Mortgage Loan, the "Mortgage Loan Commitment") in the estimated amount of Three Million Six Hundred Sixteen Thousand Six Hundred Thirty-Five Dollars ($3,616,635), and to have a term not to exceed fifty (50) years and to bear interest at a rate of three percent (3%) per annum.
4. The mortgage loan commitment resolution and issuance of the Mortgage Loan Commitment are based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this mortgage loan commitment resolution together with the commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded.

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

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

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

8. The Mortgage Loan shall be subject to, and the Commitment shall contain, the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 25, 2019 (the “Staff Report”), which conditions are hereby incorporated by reference as if fully set forth herein.

9. A waiver is granted for the Multifamily Direct Lending Parameters as described in the Staff Report.
MEMORANDUM

TO: Authority Members
FROM: Gary Heidel, Acting Executive Director
DATE: July 25, 2019
RE: McCoy Townhouses, MSHDA No. 527-2

Recommendation:

I recommend the Michigan State Housing Development Authority (the "Authority") approve of i) adjusting the equity calculation used to determine the mortgagor's return on equity, ii) allowing limited distributions to be cumulative, and iii) an amendment to the Preservation Fund mortgage note to require fifty percent (50%) of surplus cash be used to repay the Preservation Fund mortgage.

Executive Summary:

McCoy Townhouses is a Section 8 family development located in the City of Detroit. The development was originally constructed in 1979 with construction and permanent financing from the Authority. McCoy Townhouses consists of thirteen (13) two-story buildings housing a total of seventy-four (74) units.

The owner has requested modifying the equity calculation used to determine the owner's return on equity. In 2008 when the development went through the Preservation Program the Authority had two separate methods of calculating the owner's equity. Properties that previously had Authority financing used a true-equity calculation that applied the equity figure from the original 1979 loan and also included all principal payments made. The second calculation of owner's equity, used for all developments that did not previously have Authority financing, was the total development cost less the following costs: mortgage debt (first and second mortgages), operating income, and deferred developer fee. The second method typically calculated a much higher potential distribution.

By allowing the owners to change their calculation method the equity amount would increase from $1,284,703 to $2,209,701. The amount of maximum distribution would increase from $154,164 to $265,164. In exchange for this change, the mortgagor has agreed to increase the amount of surplus which will be applied toward the second mortgage. This figure will increase from 25% of annual surplus cash to 50%.

Issues, Policy Considerations, and Related Actions:

None.
I recommend Michigan State Housing Development Authority ("Authority") approval of i) an adjustment to the equity calculation used to determine the owner's return on equity, ii) allowing limited distributions to be cumulative, and iii) an amendment to the Preservation Fund mortgage note to require fifty percent (50%) of surplus cash be used to repay the Preservation Fund mortgage loan.

I. BACKGROUND:

McCoy Townhouses is a Section 8 family development located in the City of Detroit. The development was originally constructed in 1979 with construction and permanent financing from the Authority. McCoy Townhouses consists of thirteen (13) two-story buildings housing a total of seventy-four (74) units.

In 2008 the original mortgage was prepaid, and the property was sold to the current owner. The development was approved as a participant in the Authority's Section 8 Preservation program at that time and received a new first mortgage of $3,190,000 and a Preservation Fund mortgage (now referred to as the Mortgage Resource Fund) mortgage in the amount of $1,391,945. The original Housing Assistance Program ("HAP") contract was cancelled in 2008 and the development received a new HAP contract from the U.S. Department of Housing and Urban Development ("HUD") covering 100% of the units.

In 2008 when McCoy Townhouses entered the Section 8 Preservation Program the Authority limited the owner's return on equity based on: 1) the original equity invested at the time the development was originally constructed, plus 2) the total monthly principal payments made on the original mortgage by the previous owner (prior to the prepayment). The total equity based on this calculation is $1,284,703. Limited dividend payments are capped at 12% of the equity amount per year, which is $154,164. Limited dividends are also considered non-cumulative and therefore cannot be carried forward to subsequent years if there are insufficient surplus funds to pay the full distribution amount in a given year. The terms of the Preservation Fund mortgage require 25% of surplus funds available for distribution be used to repay the outstanding loan balance.
The Mortgagor has requested a modification of the equity calculation used to determine the return on equity. In 2008 when the development went through the Preservation Program the Authority had two separate methods of calculating the owner’s equity. Properties previously financed by the Authority used the first method described above. The second method used to calculate owner’s equity, used for all developments that did not previously have Authority financing, tallied the total development cost less the following costs: mortgage debt (first and second mortgages), operating income, and deferred developer fee. When this method was used limited distributions were allowed to be cumulative, and fifty percent (50%) of surplus cash was required to pay the second mortgage. The owners have requested the development be allowed to switch to the second method of equity calculation.

Using the proposed method of equity calculation, the owner’s equity for McCoy Townhouses would be $2,209,701. This would result in an annual limited dividend cap of $265,164. This change will also allow the Authority to receive larger annual surplus cash payments on the Preservation Fund Mortgage Loan which in turn would help create additional affordable housing opportunities in the State of Michigan.

II. CURRENT FINANCIAL CONDITION

A. The development currently has 0 vacant units (0%) with an economic vacancy of 2.48%.
B. Liquidity has increased from $301,526 in April 2018 to $384,656 in April 2019.
C. The development currently has $1,221 in receivables, of which $107 (8.7%) are over 30 days.
D. The development currently has $14,694 in payables, of which $0 (0.0%) are over 60 days.

III. SUMMARY OF PROPOSAL:

A. The Regulatory Agreement will be amended to change the owner’s equity calculation. The new method of calculating owner’s equity will be total development operating cost, less the following: first mortgage, second mortgage, interim operating income, and deferred developer fee. The results of the new equity calculation are as follows:

   Total Development Operating Cost: $ 7,186,222
   Less First Mortgage: $ (3,190,000)
   Less Second Mortgage: $ (1,391,945)
   Less Interim Operating Income: $ (162,043)
   Less Deferred Developer Fee: $ (232,533)
   Owner's Equity: $ 2,209,701

B. As a result of the change in owner’s equity the maximum annual limited dividend will be capped at $265,164.
C. This change will go into effect during the 2019 audit year. All distributions prior to the 2019 audit year will remain non-cumulative.
D. The Regulatory Agreement will be amended to allow the owner’s return on equity to be cumulative.
E. The Preservation Fund mortgage note will be amended to require fifty percent (50%) of surplus cash as determined by the annual audit of the development’s operations be used to repay the Preservation Fund mortgage.
F. Authority staff has verified that no open conditions exist related to this development, for either the owner or agent.
IV. CURRENT DEVELOPMENT STATUS:

Program Type: Section 8 Preservation, LIHTC
Original Mortgage Amount: $3,190,000
Current Mortgage Balance: $2,643,325
Payment Status: Current
Current Interest Rate: 5.95%
Mortgage Prepayment Eligibility Date: April 1, 2023
Preservation Original Mortgage Amount: $1,391,945
Preservation Current Mortgage Balance: $1,344,288
Preservation Deferred Interest Balance: $3,361
Preservation Interest Rate: 3% Deferred
LIHTC Initial Compliance End Date: December 31, 2022
LIHTC Ext. Use Compliance End Date: December 31, 2052

Vacancy: 0 Units are Vacant or 0%
Economic Vacancy 2.48%

Reserve and Escrow Balances as of May 30, 2019:

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Financial Status:

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<td>One Month’s Rent Potential</td>
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Prior Authority Action:

- November 15, 1990 – Resolution Authorizing Partial Sale of Development Site
- November 24, 2007 – Resolution Determining Mortgage Loan Feasibility
- November 24, 2007 – Resolution Authorizing Mortgage Loan Commitment

V. RENT SCHEDULES:

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<th>Bedroom</th>
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VI. SPECIAL CONDITIONS AND/OR REQUIREMENTS:

A. The Mortgagor must enter into modifications of loan documents, regulatory agreements, partnership agreements and into any additional documents deemed necessary by the Director of Legal Affairs to effectuate the terms and conditions outlined in this report.
McCoy Townhouses, MSHDA #527
June 4, 2019
Page 5

APPROVED:

Michael Witt
Director of Asset Management

Kelly Rose
Chief Housing Solutions Officer

Clarence L. Stone, Jr.
Director of Legal Affairs

Gary Heidel
Acting Executive Director

7/15/19
Date

7/15/2019
Date

7/17/2019
Date

7/16/19
Date
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MODIFICATION TO MORTGAGE TERMS
MCCOY TOWNHOUSES, MSHDA DEVELOPMENT NO. 527-2
CITY OF DETROIT, WAYNE COUNTY

JULY 25, 2019

WHEREAS, the Michigan State Housing Development Authority (the “Authority”) has made a construction and permanent mortgage loan to McCoy 2006 Limited Dividend Housing Association L.C.C. (the "Mortgagor") in the original principal amount of $3,004,322 (the "Mortgage Loan") and a Preservation Fund Mortgage Loan in the amount of $1,391,945 (the “Preservation Fund Loan” now known as a Mortgage Resource Fund Loan) for the acquisition and construction or rehabilitation of McCoy Townhouses, MSHDA Development No. 527-2 (the "Development") under the Authority’s Section 8 Preservation Program; and

WHEREAS, the Mortgagor is requesting certain modifications to the Regulatory Agreement entered into at the time of the Mortgage Loan, including an adjustment to the equity calculation used to determine the owner’s return on equity and allowing limited distributions to be cumulative; and

WHEREAS, in exchange for the Regulatory Agreement modifications the Mortgagor is willing to amend the Preservation Fund Mortgage Loan note to require fifty percent (50%) of surplus cash be used to repay the note instead of twenty-five percent (25%); and

WHEREAS, for the reasons set forth in the staff Action Report dated July 4, 2019, which is attached hereto and incorporated herein, the Acting Executive Director has recommended that the Regulatory Agreement, the Preservation Fund Loan Mortgage note and other related loan documents be modified as set forth in the Action Report; and

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

NOW, THEREFORE, the Michigan State Housing Development Authority hereby resolves as follows:

1. The loan modification proposal for McCoy Townhouses, MSHDA No. 527-2 as set forth in the accompanying Action Report is hereby approved and further, the Executive Director, the Director of Legal Affairs, the Chief Financial Officer, or any person duly acting in such capacity (each, an "Authorized Officer"), or any of them, is hereby authorized to take any further actions that, in the discretion of the Authorized Officer, are necessary to effectuate the proposal as set forth in the Action Report.
Recommendation:
I recommend that the Michigan State Housing Development Authority ("Authority") authorize amending the existing contract (the "Contract") with Perich Advertising + Design (the "Contractor") to continue providing marketing and communications services to the Authority. The proposed amendment will extend the agreement term for an additional year at an additional cost of $900,000.

Executive Summary:
The Authority originally approved the Contract with a three-year term at its regularly scheduled meeting on September 14, 2016. The Contractor is a full-service advertising and public relations agency with more than 25 years' experience and has performed Authority-related services at a high level. The amendment will ensure that the Authority's media and advertising needs are met. The Contractor will continue providing the Authority with services related to media/advertising account(s) management, planning, strategy, creative development, digital, public relations, social media, sponsorship assessment, media planning, media buying, and tracking return on investment.

This service has been preauthorized by the Civil Service Commission; therefore, additional Civil Service approval is not required.

Issues, Policy Considerations, and Related Actions:
None
WHEREAS, the Michigan State Housing Development Authority (the "Authority") has received the report of the Acting Executive Director regarding the extension of the professional services contract to perform media and advertising services to enhance state and local promotion efforts, and to assist in performing functions that extend the Authority's public relations and marketing capabilities; and

WHEREAS, on September 14, 2016, the Authority approved a professional services contract ("Contract") with Perich Advertising + Design for a term beginning on or about October 1, 2017 and ending September 30, 2019 for an amount not to exceed Six Million Forty-Five Thousand Dollars ($6,045,000); and

WHEREAS, the Acting Executive Director has recommended that the Authority approve an additional one-year extension to the Contract with an additional increase in the Contract budget not to exceed Nine Hundred Thousand Dollars ($900,000); and

WHEREAS, if the proposed one-year extension and budget increase of Nine Hundred Thousand Dollars ($900,000) are approved, the total budget over the amended term of the Contract with Perich Advertising + Design will total Six Million Nine Hundred Forty-Five Thousand Dollars ($6,945,000); and

WHEREAS, these services are pre-authorized by the Civil Service Commission; and

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

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority, that the Executive Director, the Director of Legal Affairs, the Chief Financial Officer, or any person duly acting in such capacity (each, an "Authorized Officer"), or any of them, is hereby authorized to enter an amendment to the professional services contract with Perich Advertising + Design to (a) extend the term of the professional services contract for a period beginning on or about September 30, 2019 and ending September 29, 2020 and (b) increase the maximum contract amount of the professional services contract by an amount not to exceed Nine Hundred Thousand Dollars ($900,000), as described above and in the accompanying memorandum.
Helping Michigan's Hardest-Hit Homeowners

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<th># OF CUMULATIVE HOUSEHOLDS 2010-CURRENT</th>
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Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA)
Step Forward Michigan
PO Box 30632 • Lansing, MI 48909-8132
Phone (866) 946-7432 • Fax (517) 636-6170
www.stepforwardmichigan.org

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

Current and Historical Homeownership Data

June 2019
### Monthly Homeownership Production Report: JUNE 2019

**MI HOME Loan Programs**

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<tr>
<th>Series</th>
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<th>Reservations</th>
<th>Applications Received</th>
<th>Commitments Beginning</th>
<th>Commitments Issued</th>
<th>Cancellations</th>
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**STEP FORWARD DPA Program**

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**MI HOME FLEX Loan Program (MBS)**

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**MI HOME Loan Programs**

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</tbody>
</table>
Delegated Action Report(s)

Homeownership
MEMORANDUM

TO: Authority Members

FROM: Gary Heidel, Acting Executive Director

DATE: July 25, 2019

RE: Homeownership Division Summary of Delegated Actions for the Period May 1, 2019 to June 30, 2019

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

I. Loan Activity

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

II. Professional Services Contracts

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

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

IV. Grant Activity

   A. Application for State or Federal Funds No Activity
   B. HOME Grants No Activity
   C. CDBG Grants No Activity
   D. Development Fund Grants Under $250,000 No Activity
   E. Homeless Initiatives No Activity
REPORT ON DELEGATED ACTIONS
For the period May 1, 2019 to June 30, 2019

Date: July 25, 2019

DELEGATED ACTION
Housing Education Program (HEP)

On June 27th, 2018 the Authority approved the continuation of MSHDA's Housing Education Program by approving the budgeted amount of $600,000 for the fiscal year 2018/2019 and delegating to authorize signatories for the Homeownership Division the authority to enter into or renew existing contracts.

ACTIVITY

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

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

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

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

Additionally, the agency may provide assistance to current homeowners or renters who are in need of foreclosure counseling, rental counseling and other related housing counseling.
<table>
<thead>
<tr>
<th>Counseling Agency Contracts</th>
<th>EIN #</th>
<th>Contract Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSHDA Housing Education Program (HEP) FY 2018/19 - 7.1.18 to 6.30.19</td>
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<td>NCCS - Center for Nonprofit Housing</td>
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<td>Neighborhood Legal Services of Michigan</td>
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<td>New Hope CD Nonprofit Hsg Corp</td>
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<td>Northeast Michigan Community Service Agency, Inc.</td>
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<td>Total</td>
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REPORT ON DELEGATED ACTIONS
For the period May 1, 2019 to June 30, 2019
Date: July 25, 2019

DELEGATED ACTION

HUD Housing Counseling Grant

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

ACTIVITY

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

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

<table>
<thead>
<tr>
<th>INDIVIDUAL COUNSELING SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agencies in MSHDA’s network provide counselor-to-client assistance that addresses unique financial circumstances or housing issues and focuses on ways of overcoming specific obstacles to achieving a housing goal. One-on-one counseling services are provided for the following topics:</td>
</tr>
</tbody>
</table>

- **Rental Counseling:** Housing Counselors offer a customized rental counseling session which aids clients in addressing immediate rental crisis counseling as well as long term planning for successful and sustainable rental housing. Counselors work with their clients to analyze finances, understand the lease and application process as well as offering guidance and assistance with Fair Housing violations and Landlord Tenant Laws in Michigan.

- **Pre-Purchase Counseling:** Pre-Purchase Counseling is individual housing counseling services performed by a Certified Housing Counselor. While the sessions are customized for the individual client, the main purpose is to assist clients in making decisions related to:
  - Individual and household income verification and calculation
  - Review and analyze their consumer credit report
  - Analyze household budgets & spending habits
  - Assess mortgage readiness & affordability
  - Create customized debt reduction and spending/savings plans
- **Mortgage Delinquency and Default Resolution (Foreclosure Counseling):** Housing Counselors assist homeowners who are facing a financial crisis through mortgage or tax foreclosure. Counselors address reasons of default; ways to maximize income and reduce expenses; advising owners on key players in the mortgage marketplace; help owners navigate through loss-mitigation options; legal information about Michigan foreclosure laws and timelines; assist in effectively communicating with lenders and servicer; and offer information on homeowner and lender rights and obligations found in loan documents.

### GROUP EDUCATION WORKSHOPS

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

- **Homebuyer Education:** Homebuyer Education is designed to help individuals think critically about the benefits and risks of homeownership, understand how to select affordable homes and appropriate mortgage products, and build the financial knowledge, resources, and behaviors needed for sustainable homeownership and long-term financial health. Topics taught during this 4-6-hour class includes:
  - Assessing readiness to buy
  - Affordability, credit & budgeting
  - Mortgages & DPA programs
  - Loan processing & Fees
  - Partner roles including realtor, title, loan and escrow agents
  - The mortgage closing process
  - Fair Housing & Consumer Protection Laws

- **Financial Literacy Workshop:** Today's consumer is seeking financial security—searching for real-time information on how to maneuver the maze of financial products and services, establish or rebuild credit, reduce debt and save for the future. Certified Housing Counselors equip clients in reaching their potential. This course addresses the fundamental components of consumer financial literacy through nine core content modules including:
  - Mastering money management
  - Banking basics
  - Developing spending plans
  - Debt reduction
  - Improving credit & savings
  - Consumer protection laws
  - Student loan debt
  - Insurance
  - Fair Housing & Fair Lending

- **Rental Housing Education:** Through group education, Housing Counselors offer training on Rental Education which equips current and future tenants to be successful. Course participants learn how to avoid discrimination and address tenant/landlord issues such as deposits, procedures for handling health and safety repairs, tenant remedies and eviction-related issues. Participants also learn about how credit scores come into play, understand the lease contract and tips for the right place to call home.
<table>
<thead>
<tr>
<th>Organization Name</th>
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<td>Amandla Community Development Corporation</td>
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<td>Michigan State University Extension Office</td>
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<td>Northern Homes Community Development Corporation</td>
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<td>Southwest Economic Solutions</td>
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<tr>
<td>Wayne Metropolitan Community Action Agency</td>
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</table>

**TOTAL:** $585,000.00
Delegated Action Report(s)

Rental Assistance and Homeless Solutions
MEMORANDUM

TO: Authority Members
FROM: Gary Heidel, Acting Executive Director
DATE: July 25, 2019
RE: Rental Assistance and Homeless Solutions Summary of Delegated Actions for the Period April 1, 2019 to June 30, 2019

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

I. Loan Activity
   A. Moderate Rehabilitation Loans
   B. Mortgage Loan Increases
   C. Mortgage Loans for MI HOME and CSH
   D. Small Size and High Security Loans
   E. Development Fund Loans Under $250,000
   F. Pre-Development Loans
   G. HOME Funds for MSHDA-Financed Project
   H. Asset Management
   I. Homeless Initiatives
   J. Neighborhood Stabilization Program (NSP) Loans
   K. Waiver of Prepayment Prohibition

II. Professional Services Contracts
   A. Contracts Under $25,000
   B. Homeownership Counseling
   C. Technical Assistance Contracts
   D. Environmental Consulting Contracts

III. Work-out for 80/20 Developments

IV. Grant Activity
   A. Application for State or Federal Funds
   B. HOME Grants
   C. CDBG Grants
   D. Development Fund Grants Under $250,000
E. Homeless Initiatives
F. Neighborhood Stabilization Program (NSP) Grants

V. Michigan Affordable Housing Fund Activity
VI. Disposition of Bankruptcy Lien Stripping Cases
VII. Acceptance and Approval of HUD Housing Choice Vouchers (HCV)

See Attached Report
No Activity
No Activity
See Attached Report
### Michigan State Housing Development Authority

**Grants Awarded 04/01/2019 thru 06/30/2019**

**Funding Source Categories:** MSHDA and Federal McKinney  
**Program Categories:** ESG and Special Grant

<table>
<thead>
<tr>
<th>County</th>
<th>Grant Number</th>
<th>Organization Name &amp; Address</th>
<th>Grant Amount</th>
</tr>
</thead>
</table>
1574 E. Washington Road PO Box 768  
Farwell, MI 48622-0768 | $5,000       |
|        |              |                                             |              |
| Genesee| HML-2017-Shelter -5101-ESF | Shelter of Flint, Inc.  
924 Cedar Street  
Flint, MI 48503-3620 | $20,960      |
|        |              |                                             |              |
5827 Orleans Road  
Orleans, MI 48865-8603 | $5,000       |
|        |              |                                             |              |
5827 Orleans Road  
Orleans, MI 48865-8603 | $2,115       |

**Total # of Grants: 4**  
**Total Amount: $33,075**

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7/10/2019

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Page 1
Michigan State Housing Development Authority
Grants Awarded 04/01/2019 thru 06/30/2019

Funding Source Categories: MSHDA and Federal McKinney
Program Categories: None

<table>
<thead>
<tr>
<th>County</th>
<th>Grant Number</th>
<th>Organization Name &amp; Address</th>
<th>Grant Amount</th>
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<td>924 Cedar Street</td>
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<td></td>
<td></td>
<td>Flint, MI 48503-3620</td>
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<td></td>
<td>04/15/2019</td>
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<td>Ionia</td>
<td>HML-2018-EightCAP-45-ESF</td>
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<td>Orleans, MI 48865-8603</td>
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Total # of Grants: 2

Total Amount: $16,554
### Acceptance and Approval of HUD Housing Choice Vouchers

**April 1, 2019 to June 30, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Annualized Vouchers</th>
<th>Estimated Cost Per voucher</th>
<th>Annual Housing Assistance Payments</th>
<th>Housing Agent Operating Expense</th>
<th>MSHDA* Operating Expense</th>
<th>Administrative and Special Fees Earned</th>
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</thead>
<tbody>
<tr>
<td><strong>Oakland County</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Kensington Heights - 18 vouchers</strong></td>
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<td>Revenue:</td>
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<td>Revenue over (under) expenditures</td>
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<td>$</td>
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<td>Total Expenses:</td>
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<td>$120,312</td>
<td>$5,616</td>
<td>$11,439</td>
<td></td>
<td>$17,055</td>
</tr>
</tbody>
</table>

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