

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

A G E N D A
May 21, 2020 – 10:00 a.m.
TELECONFERENCE
248-509-0316
Conference ID: 651 647 662#

Roll Call:

Public Comments:

Remarks:

Chairperson

Executive Director

Voting Issues:

Tab A Approval of Agenda

CONSENT AGENDA ITEMS

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

Tab B Minutes – April 23, 2020

Tab C Resolution Authorizing Professional Services Contracts for Design Review

REGULAR VOTING ITEMS

Tab D Michigan State Housing Development Authority Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2020 Series A in an Amount Not to Exceed \$300,000,000

Tab E Michigan State Housing Development Authority Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2020 Series B (Federally Taxable) in an Amount Not to Exceed ~~\$50,000,000~~ **\$100,000,000**

- Tab F Resolution Authorizing Amendment to Professional Services Contract for Independent Contractual Housing Agents – Housing Choice Voucher Program
- Tab G Resolution Determining Mortgage Loan Feasibility, **Cliffview Apartments, Development No. 124-2**, City of Rochester Hills, Oakland County
- Resolution Authorizing Mortgage Loans, **Cliffview Apartments, Development No. 124-2**, City of Rochester Hills, Oakland County
- Tab H Resolution Determining Mortgage Loan Feasibility, **Pine Ridge, Development No. 3924**, City of Marquette, Marquette County
- Resolution Authorizing Mortgage Loans, **Pine Ridge, Development No. 3924** City of Marquette, Marquette County

Closed Session

None.

Discussion Issues:

None.

Reports:

- Tab 1 Short Term Mortgage Relief Policy - Michigan State Housing Development Authority Financed Properties
- Tab 2 Short Term Mortgage Relief Policy Monthly Report
- Tab 3 Draft 2020-2021 Authority Budget
- Tab 4 Hardest Hit Report
- Tab 5 Current and Historical Homeownership Data
- Tab 6 Homeownership Production Report
- Tab 7 Board Calendar

**Michigan State Housing Development Authority
Minutes of Authority Meeting
April 23, 2020**

AUTHORITY MEMBERS PRESENT:

Regina Bell
Mark Burton
Jeff Donofrio
Carl English
Rachael Eubanks
Deb Muchmore

AUTHORITY MEMBERS ABSENT:

Jennifer Grau
Tyrone Hamilton

OTHERS PRESENT:

Gary Heidel, Acting Executive Director
Maria Ostrander, Executive
Mary Cook, Executive
Clarence Stone, Legal Affairs
Rick Norton, Legal Affairs
Lisa Ward, Legal Affairs
Jeff Sykes, Finance
Troy Thelen, Asset Management
John Hundt, Rental Development
Kelly Rose, Rental Assistance and Homeless Solutions
Tiffany King, Executive
Jonathan Hilliker, Executive
Matt Schoenherr, Communications
Chad Benson, Rental Development
Mike Witt, Rental Development
Ryan Koenigsknecht, Rental Development
Lisa Kemmis, Rental Assistance and Homeless Solutions
Daphne Wells, Executive
Mike Fobbe, Office of Attorney General
Ron Farnum, Office of Attorney General
John Millhouse, Office of Attorney General
Jess Sobel, Grants, Resources and Technical Services
Luke Forrest, CEDAM
Sandy Pearson, Habitat for Humanity

Eighteen additional members of the public participated via the following conference line:
+1 248-509-0316 Conference ID: 745 377 248#

Chairperson Jeff Donofrio opened the meeting at 10:02 a.m. He asked Jonathan Hilliker, IT Customer Service Liaison, to provide an overview of the meeting format, which was being conducted through Microsoft Teams. Mr. Hilliker explained that Board members and presenters were participating by video through a previously provided video link. A separate telephonic conference line linked to the video meeting was made available to the public.

Mr. Donofrio noted there were no goldenrods or new items. He then requested public comments from teleconference participants.

Mr. Luke Forrest spoke on behalf of the Community Economic Development Association of Michigan (CEDAM). He praised Authority staff and expressed a desire to continue to focus on housing and affordability issues during the COVID-19 crisis. Ms. Sandy Pearson of Habitat for Humanity also spoke and echoed Mr. Forrest's sentiments.

Mr. Ron Farnum, Assistant Attorney General with the Michigan Department of Attorney General, provided comments to Authority members regarding Tab C, Amended and Restated Resolution Authorizing Delegation of Authority to (A) Grant Short Term Relief for Authority-Financed Multifamily Portfolio and (B) Approve SBA Payroll Protection Loans to Owners of Authority-Financed Multifamily Developments Under The Coronavirus Aid, Relief, and Economic Security Act. The draft resolution in Tab C lists June 1, 2021 as the expiration date for the Executive Director's delegated authority. Mr. Farnum recommended that the Board consider a two-month delegation to the Executive Director. Additionally, Mr. Farnum spoke in favor of Authority members approving a policy statement to ensure a consistent method for granting relief.

Following public comments, Mr. Gary Heidel, Acting Executive Director, proceeded with the Executive Director's report. He shared that the Governor recently signed legislation to increase the statutory ceiling for Authority's bonds and notes to \$5 billion. Additionally, he noted that the Authority will receive \$7,364,581 in Housing Trust Funds for the upcoming fiscal year, as well as \$17.3 million in Emergency Shelter Grants. Mr. Heidel asked Ms. Kelly Rose, Chief Housing Solutions Officer, to provide additional comments on the allocation of these funds. Ms. Rose explained that RAHS was still waiting on guidance from the Department of Housing and Urban Development; however, she expects a notice of funding availability will be posted soon. She also expressed a need to focus COVID-19 testing within the homeless population due to their increased risk and vulnerability.

In response to Authority member questions, Mr. Heidel confirmed there was an eviction moratorium in place. He noted that calls regarding eviction notices are referred to the appropriate housing office or legal aid society.

Mr. Heidel then asked Mr. Jeff Sykes, Chief Financial Officer, to discuss the Authority's Quarterly Financial Statement. Mr. Sykes reviewed the documents as provided in Tab 2 of the board docket. Additionally, Mr. Sykes noted that bond loans are still being administered, and he expects to present a Single-Family bond proposal to Authority members at the May meeting.

Mr. Chad Benson, LIHTC Allocations Manager in Rental Development, provided an update on the Qualified Allocation Plan (QAP), noting that the application period has been extended. While initially going to Authority members for a vote in June, the QAP is temporarily on hold due to the COVID-19 crisis.

Voting Issues:

There was no Consent Agenda. All voting items were conducted by Roll Call.

Authority member Deb Muchmore moved approval of **Tab A (Agenda)**. Authority member Carl English supported. The following Roll Call was taken for **Tab A**:

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

There were 6 “yes” votes. The resolution was approved.

Ms. Muchmore moved approval of **Tab B (Minutes – March 23, 2020)**. Mr. English supported. The following Roll Call was taken for **Tab B**:

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

There were 6 “yes” votes. The resolution was approved.

Clarence Stone, Director of Legal Affairs, presented **Tab C, Amended and Restated Resolution Authorizing Delegation of Authority to (A) Grant Short Term Relief for Authority-Financed Multifamily Portfolio and (B) Approve SBA Payroll Protection Loans to Owners of Authority-Financed Multifamily Developments Under The Coronavirus Aid, Relief, and Economic Security Act**. Mr. Stone reviewed the resolution as detailed in the board docket. Mr. Stone asked Mr. Troy Thelen, Acting Director of Asset Management, to respond to the remarks made by Mr. Farnum during the public comment period. Mr. Thelen explained concern that requiring board approval every two months would diminish the flexibility needed to respond to problems arising from the COVID-19 crisis. Additionally, the two-month terms could decrease confidence in the program. He noted that anyone seeking relief under this resolution would be required to demonstrate need specific to the pandemic.

Authority members asked whether additional language or safeguards could be included to address the prevention of foreclosures and/or evictions. Mr. Thelen responded that the expectation is for project owners to pass any benefits received as a result of this program to residents. If owners are applying for assistance, they should offer payment plans to residents and be prohibited from evicting anyone due to nonpayment of rent. Additionally, residents should not incur late fees as a result of the pandemic. Those applying for relief under this program will be expected to document to Authority staff on a monthly basis how they are complying with the program’s terms and communicating with residents.

Authority members asked that these requirements be detailed in writing and presented to the Authority at the May Board meeting.

Authority member Mark Burton moved approval of **Tab C**. Mr. English Supported. The following Roll Call was taken for **Tab C**:

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

There were 6 “yes” votes. The resolution was approved.

Lisa Kemmis, Program Manager in Rental Assistance and Homeless Solutions, presented **Tab D, Resolution Authorizing Annual PHA Plan and Amendments to Administrative Plan for the Housing Choice Voucher Program**. Ms. Kemmis reviewed the documents as detailed in the board docket. In response to questions from Authority members, Ms. Kemmis confirmed that marijuana is still considered a controlled substance by the Department of Housing and Urban Development; as such, it is not permitted in units assisted by the Housing Choice Voucher (HCV) Program. She noted, however, that project termination would not be sought for that reason alone; the entirety of the situation would be taken into consideration.

Ms. Kemmis also confirmed that if a household member violated HCV program rules, that member can be removed from the household without penalizing other household members.

Ms. Muchmore moved approval of **Tab D**. Mr. English Supported. The following Roll Call was taken for **Tab D**:

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

There were 6 “yes” votes. The resolution was approved.

Tiffany King, Equity and Inclusion Officer in the Executive Office, presented **Tab E, Resolution Authorizing Professional Services Contract with Public Policy Associates, Inc.** Ms. King reviewed the documents as detailed in the board docket.

Authority member Rachael Eubanks moved approval of **Tab E**. Authority member Regina Bell Supported. The following Roll Call was taken for **Tab E**:

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

There were 6 “yes” votes. The resolution was approved.

John Hundt, Housing Development Manager in Rental Development, presented **Tab F, Resolution Determining Mortgage Loan Feasibility, Lakewood Manor, Development No. 924-2, City of Detroit, Wayne County and Resolution Authorizing Mortgage Loans, Lakewood Manor, Development No. 924-2, City of Detroit, Wayne County**. Mr. Hundt reviewed the documents as detailed in the board docket. In response to Authority member questions, Mr. Hundt confirmed there was little impact to residents.

Ms. Eubanks moved approval of **Tab F**. Ms. Bell Supported. The following Roll Call was taken for **Tab F**:

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

There were 6 “yes” votes. The resolution was approved.

John Hundt presented **Tab G, Resolution Determining Mortgage Loan Feasibility, Willow Vista (Tax-Exempt Bond), Development No. 805-2, City of Lansing, Ingham County and Resolution Authorizing Mortgage Loans, Willow Vista (Tax-Exempt Bond), Development No. 805-2, City of Lansing, Ingham County.** Mr. Hundt reviewed the documents as detailed in the board docket. He confirmed there would be no tenant displacement or rent increase. Mark Burton moved approval of **Tab G.** Deb Muchmore Supported. The following Roll Call was taken for **Tab G:**

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

There were 6 “yes” votes. The resolution was approved.

John Hundt presented **Tab H, Resolution Determining Mortgage Loan Feasibility, Willow Vista (Taxable Bond), Development No. 805-3, City of Lansing, Ingham County and Resolution Authorizing Mortgage Loans, Willow Vista (Taxable Bond), Development No. 805-3, City of Lansing, Ingham County.** Mr. Hundt reviewed the documents as detailed in the board docket. Although this resolution is for the same development listed in Tab G, this portion of the loan consists of a taxable bond requiring a separate vote.

Ms. Muchmore moved approval of **Tab H.** Mr. English Supported. The following Roll Call was taken for **Tab H:**

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

There were 6 “yes” votes. The resolution was approved.

John Hundt presented **Tab I, Resolution Determining Mortgage Loan Feasibility, Royal Oak Manor, Development No. 3846, City of Royal Oak, Oakland County and Resolution Authorizing Mortgage Loans, Royal Oak Manor, Development No. 3846, City of Royal Oak, Oakland County.** Mr. Hundt reviewed the documents as detailed in the board docket. In response to Authority member questions, Mr. Hundt noted that any rent increase would apply to only the lowest amount.

Mr. Burton moved approval of **Tab I.** Mrs. Eubanks Supported. The following Roll Call was taken for **Tab I:**

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

There were 6 “yes” votes. The resolution was approved.

Troy Thelen, Acting Director of Asset Management, presented **Tab J, Resolution Authorizing Waiver of Mortgage Loan Prepayment Prohibition, The Pines, MSHDA Development No. 975, Village of Chelsea, Washtenaw County**. Mr. Thelen presented the documents as detailed in the board docket. He confirmed that the affordability period would be extended an additional five years.

Ms. Eubanks moved approval of **Tab J**. Ms. Bell Supported. The following Roll Call was taken for **Tab J**:

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

There were 6 “yes” votes. The resolution was approved.

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

Mr. Donofrio noted that the next two Regular board meetings are May 21, 2020 and June 25, 2020.

Mr. Donofrio requested a motion to adjourn. Ms. Eubanks moved to adjourn. Ms. Bell supported the motion, and it was unanimously approved and accepted. The meeting adjourned at 11:36 a.m.

REVIEWED
By Lisa Ward at 1:03 pm, May 11, 2020

REVIEWED
By Clarence Stone at 1:26 pm, May 11, 2020



MSHDA

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members
FROM: Gary Heidel, Acting Executive Director
DATE: May 21, 2020
RE: Approval of Professional Service Contracts for Design Review

Gary Heidel

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt a resolution authorizing professional service contracts with the 7 contractors listed below for an amount not to exceed \$60,000 per contract annually.

CONTRACT SUMMARY:

Name of Contractors:

Architectural Review Contractors:

- The Design Forum Inc.
- Kraemer Design Group, LLC
- Abonmarche Consultants, Inc.

Engineering Review Contractors

- Byce & Associates, Inc.
- Tower Pinkster Titus Associates, Inc.

Landscape Architecture Review Contractors:

- Site Design Solutions, LLC (DBA: VIRIDIS Design Group)
- Beckett & Raeder, Inc.

Amount of Each Contract:	\$60,000 per contract annually
Length of Each Contract:	3 Years
Extension Options:	2 one-year extension options
Request for Proposal Date:	April 14, 2020
Number of Bids Received:	
• Architectural Review:	10 Bids Received
• Engineering Review:	2 Bids Received
• Landscape Architecture Review:	6 Bids Received

Authority Division Requesting the Contract: Rental Development

EXECUTIVE SUMMARY:

The Authority currently contracts with architectural, engineering, and landscape architectural review consultants to verify that applications submitted under the 4% and 9% tax credit programs meet the Authority's Standards of Design. The current consultant contracts expire on May 31, 2020.

The contracts are for the professional services of licensed firms to review and accept construction documents for new and preservation multifamily developments. The firms will provide engineering, architectural and landscape architectural services, when needed, to assist the Chief Architect in the review of construction documents. These contracts provide the ability to conduct reviews during high volume periods to facilitate closing affordable apartment developments in a timely manner.

The selected firms identified in the summary will be reviewed on a quarterly basis for the following deliverables:

- Quality of review
- Timeliness of required reports
- Accuracy
- Timeliness and accuracy of invoices

The Authority has previous experience with The Design Forum, VIRIDIS Design Group, Becket & Raeder, Inc. and Byce and Associates, Inc. These firms have provided quality services and met or exceeded the listed deliverables. The Authority foresees no risk with the use of these contracts.

ADVANCING THE MISSION AND COMMUNITY IMPACT/SUPPORT:

The use of licensed design review consultants allows the Authority to partner with developers to rehabilitate Michigan's aging housing stock and increase the housing opportunities throughout Michigan. This results in Michigan residents having access to safe and affordable apartments.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

None.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

**RESOLUTION AUTHORIZING PROFESSIONAL SERVICES
CONTRACTS FOR DESIGN REVIEW**

May 21, 2020

WHEREAS, the Michigan State Housing Development Authority (the "Authority") has received the report of the Acting Executive Director regarding design review professional services that are needed to carry out the Authority's mission of providing access to safe and affordable housing; and

WHEREAS, the Acting Executive Director has recommended that the Authority approve professional services contracts to retain the architectural, engineering and landscape architectural review consultants set forth in the accompanying memorandum (the "Design Review Contracts"); and

WHEREAS, the Design Services Contracts, selected in conformance with the Authority's procurement process, are needed to verify compliance with the Authority's Standards of Design, a necessary component of Authority multifamily mortgage loan financing programs; and

WHEREAS, the contracts shall be fee-based for an amount not to exceed \$60,000 annually per contract with 3-year terms and two optional 1-year extensions; and

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

WHEREAS, the Authority concurs in the report and recommendations of the Acting Executive Director and determines that the Design Services Contracts are necessary for the administration of the Authority's multifamily mortgage loan financing programs and its ability to provide multifamily rental housing.

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 Design Services Contracts with a 3-year term and two optional 1-year extensions for an amount not to exceed \$60,000 annually, as described above and in the accompanying memorandum.



M E M O R A N D U M

TO: Authority Members

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

DATE: May 21, 2020

RE: Issuance of the Single-Family Mortgage Revenue Bonds, 2020 Series A & B

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") approve the attached resolutions authorizing Authority staff to carry out the steps necessary to issue the Single-Family Mortgage Revenue Bonds, 2020 Series A & B (the "2020 Bonds").

Proceeds from the 2020 Bonds will fund mortgages at lower than current market rates and provide down payment assistance ("DPA") loans, making homeownership attainable to more Michigan residents. The homeowners who receive DPA loans will be required to take a free homeownership counseling course.

EXECUTIVE SUMMARY:

The Authority plans to issue ~~\$225,000,000~~ **\$230,500,000** of Single-Family Mortgage Revenue Bonds. Royal Bank of Canada ("RBC") is the book-running, co-senior underwriter while Barclays Capital is the other co-senior underwriter. The Authority will include other banks as co-managers and in a selling group to improve the pricing. The 2020 Bonds are anticipated to be priced on June 2nd and 3rd, 2020. The Authority has worked closely with its financial advisor, Tim Rittenhouse, of CSG Advisors, throughout the structuring of this financing. CSG Advisors created the indenture cash flows as well as the rating agency cash flows, and RBC developed the 2020 Bond cash flows.

The 2020 Series A Bonds, in the expected par amount of ~~\$186,515,000~~ **\$161,350,000** are being issued as tax-exempt fixed rate non-AMT uninsured debt. The bond proceeds will be used to fund the purchase of single-family mortgages (approx. ~~\$172.4 million~~ **\$148.2 million**) and DPA loans (approx. \$10.4 million). The remaining proceeds will be used to pay the cost of issuance (approx. \$1.8 million) and a portion of the Capital Reserve Requirement (approx. \$7.2 million). The Authority anticipates issuing one or more of the term bonds at a premium, raising about \$5.3 million.

The 2020 Series B Bonds, in the expected amount of ~~\$43,985,000~~ **\$69,150,000**, are being issued as taxable, fixed-rate uninsured debt. The bond proceeds will be used to fund the purchase of single-family mortgages (approx. ~~\$42.2 million~~ **\$66.4 million**) and a portion of the Capital Reserve Requirement (approx. ~~\$1.8 million~~ **\$2.7 million**).

The capital reserve requirement is 4% of the 2020 Series A and B mortgage balance plus funds available to make mortgage loans. This \$9 million requirement will be funded by investments purchased with bond proceeds of the 2020 Bonds or other funds available within the Single-Family Mortgage Revenue Bond indenture.

ADVANCING THE MISSION AND COMMUNITY IMPACT/SUPPORT:

It is estimated that the 2020 Bonds will help bring the opportunity of homeownership to more than 2,100 families.

Issuing bonds enables the Authority to fund its strategic goal of supporting access to homeownership opportunities. These loans provide direct access to homeownership for low- and moderate-income persons. The Authority also gives borrowers the training for successful homeownership by requiring homeownership counseling at no cost to the borrowers. To support communities and avoid conflicts of interest, the Authority uses nonprofit agencies as homeownership counselors.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

None.

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF
SINGLE-FAMILY MORTGAGE REVENUE BONDS, 2020 SERIES A
IN AN AMOUNT NOT TO EXCEED \$300,000,000**

May 21, 2020

WHEREAS, the Members of the Michigan State Housing Development Authority (hereinafter referred to as the “Authority”), by Resolution adopted December 17, 1987, and as supplemented on January 28, 1988, October 12, 1995, January 30, 1997, May 24, 2006 and September 26, 2018 (hereinafter referred to as the “General Resolution”), have authorized the issuance of Single-Family Mortgage Revenue Bonds in one or more Series pursuant to a Series Resolution authorizing the issuance and sale of any such Series; and

WHEREAS, the Members of the Authority have determined that it is necessary and desirable that the Authority issue at this time a Series of Bonds to be designated “Single-Family Mortgage Revenue Bonds, 2020 Series A” to provide moneys to carry out the purposes of the Authority; and

WHEREAS, pursuant to Section 27(l) of the Act, the Authority proposes to delegate to the Executive Director, the Chief Financial Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chairperson or Vice Chairperson of the Authority (each, together with any person duly appointed and acting in such capacity, hereinafter individually referred to as an “Authorized Representative”) the power to determine certain terms and conditions of the 2020 Series A Bonds (as hereinafter defined), subject to limits established herein and in the General Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Members of the Authority as follows:

**ARTICLE I
AUTHORITY AND DEFINITIONS**

101. 2020 Series A Resolution. This resolution (hereinafter referred to as the “2020 Series A Resolution”) is adopted in accordance with the provisions of Article II of the General Resolution and pursuant to the authority contained in the Act.

102. Definitions.

All terms which are defined in Sections 103 and 104 of Article I of the General Resolution have the same meanings in this 2020 Series A Resolution including the preambles hereto.

“Agent Member” means a member of, or participant in, the Securities Depository.

“Capital Appreciation Bonds” means the 2020 Series A Bonds, if any, which are authorized as Capital Appreciation Bonds pursuant to Section 203 hereof, which do not provide for current interest payments and which are hereby designated Deferred Interest Bonds.

“Cede & Co.” means Cede & Co., the nominee of DTC, or any successor nominee of DTC with respect to the 2020 Series A Bonds.

“Closing Date” means the date on which the 2020 Series A Bonds are issued and delivered to the Purchasers, or designee(s), in exchange for payment by the Purchasers therefor.

“Down Payment Assistance Fund” means the Fund established pursuant to Article III of the 2003 Series B Resolution.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Letter(s) of Credit” means one or more unconditional irrevocable letters of credit issued by a domestic or foreign bank which qualifies as a Cash Equivalent under the General Resolution and which provides for a draw down in the full amount upon its expiration date at the option of the Authority in the absence of a renewal of such Letter(s) of Credit or if the Authority does not deliver to the Trustee a replacement Letter(s) of Credit.

“Loan Loss Fund” means the Loan Loss Fund established pursuant to the Loan Loss Fund Resolution.

“Loan Loss Fund Resolution” means the Authority’s Resolution Establishing Single-Family Loan Loss Fund adopted July 8, 1988, as supplemented on June 1, 1989 and April 30, 1997.

“1986 Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the 1986 Code herein shall be deemed to include the United States Treasury Regulations proposed or in effect thereunder and applicable to the 2020 Series A Bonds or the use of proceeds thereof, and also includes all amendments and successor provisions unless the context clearly requires otherwise.

“Purchase Contract” means, the contract of purchase between the Authority and the Underwriters with respect to the 2020 Series A Bonds.

“Purchasers” means the Underwriters.

“Representation Letter” means the blanket agreement of the Authority and the Trustee to comply with the operational arrangements of DTC and any similar agreement with respect to a successor Securities Depository.

“Rule” means Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12).

“Securities Depository” means DTC and its successors and assigns or if (i) the then-Securities Depository resigns from its functions as depository of the 2020 Series A Bonds or (ii) the Authority discontinues use of the then-Securities Depository pursuant to Section 403(c), any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the 2020 Series A Bonds and which is selected by the Authority.

“Serial Bonds” means the 2020 Series A Bonds, if any, which are authorized as Serial Bonds pursuant to Section 203 hereof.

“Super Sinker Bonds” means the 2020 Series A Bonds, if any, which are designated as Super Sinker Bonds in the Purchase Contract pursuant to Section 206(d) of this 2020 Series A Resolution.

“Surety Bond(s)” or “Surety” means one or more unconditional and irrevocable surety bonds issued by a domestic or foreign insurance company which (i) qualifies as a Cash Equivalent under the General Resolution, (ii) guarantees certain payments into the Capital Reserve Fund with respect to the Bonds as provided therein and subject to the limitations set forth therein, and (iii) is not subject to cancellation.

“Term Bonds” means the 2020 Series A Bonds, if any, which are authorized as Term Bonds pursuant to Section 203 hereof and which shall be subject to Sinking Fund Requirements as set forth in the Purchase Contract.

“2003 Series B Resolution” means the resolution of the Authority authorizing the issuance and sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B.

“2020 Series A Bonds” means the Bonds authorized by Article II of this 2020 Series A Resolution.

“2020 Series A Down Payment Assistance Loan Principal Prepayments” means any payment by a mortgagor or other recovery of principal on a 2020 Series A Down Payment Assistance Loan which is not applied on a scheduled installment of principal and interest on a 2020 Series A Down Payment Assistance Loan (including any deficiency in the payment of any scheduled installments of principal and interest then due and payable or interest paid in connection with a voluntary prepayment of a 2020 Series A Down Payment Assistance Loan) and the portion of any amounts received in connection with the liquidation of a defaulted 2020 Series A Down Payment Assistance Loan (whether through foreclosure, trustee’s sale or otherwise) or other payments representing such principal amounts, including payments from the sale of a 2020 Series A Down Payment Assistance Loan.

“2020 Series A Down Payment Assistance Loans” means (i) any loan financed or acquired with amounts received in connection with the issuance of the 2020 Series A Bonds or with other amounts made available by the Authority in respect of the 2020 Series A Bonds and deposited in the Down Payment Assistance Fund and pledged hereunder by the Authority in accordance with the

Act, evidenced by a mortgage note and secured by a mortgage and (ii) any instrument evidencing an ownership interest in such loans.

“2020 Series A Mortgage Loans” means all Mortgage Loans or portions of Mortgage Loans financed or acquired from the proceeds of or allocable to the 2020 Series A Bonds.

“Underwriters” means, collectively, RBC Capital Markets, LLC and such other underwriters as may be named in the Purchase Contract.

ARTICLE II AUTHORIZATION OF 2020 SERIES A BONDS

201. Principal Amount, Designation and Series. A Series of Bonds is hereby authorized to be issued and sold, pursuant to the provisions of the General Resolution in an aggregate original principal amount of not to exceed \$300,000,000, as established pursuant to Section 203 hereof. Such Series of Bonds shall be designated as “Single-Family Mortgage Revenue Bonds, 2020 Series A.”

202. Purposes. The purposes for which the 2020 Series A Bonds are being issued are (i) the financing and purchasing of Mortgage Loans; (ii) if required to satisfy the Capital Reserve Fund Requirement, the making of a deposit to the Capital Reserve Fund in respect of the 2020 Series A Bonds, except to the extent the Authority obtains and pledges to the Capital Reserve Fund Letter(s) of Credit and/or Surety Bond(s) which may be drawn upon or called upon for payment, as applicable, for the purposes of the Capital Reserve Fund; (iii) the making of a deposit to the Down Payment Assistance Fund in respect of the 2020 Series A Bonds, to the extent provided for in the Purchase Contract; and (iv) paying the costs of issuance of the 2020 Series A Bonds, to the extent provided for in the Purchase Contract.

203. Interest Rates, Principal Amounts and Maturity Dates. The 2020 Series A Bonds shall be dated and shall be issued on or before October 31, 2020, as approved by an Authorized Representative. The 2020 Series A Bonds shall be issued either as current interest bearing Bonds or as Capital Appreciation Bonds, or any combination thereof, as determined by an Authorized Representative. The 2020 Series A Bonds, other than Capital Appreciation Bonds, if any, shall bear interest from the date thereof to their maturity or prior redemption, such interest to be payable on June 1 and December 1 of each year, commencing December 1, 2020, or such other date as may be set forth in the Purchase Contract. Interest shall be calculated on the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months. Capital Appreciation Bonds, if any, shall not bear interest (except that the extent of the difference between the Original Principal Amount and the Appreciated Amount may be construed to be interest) prior to or on the date of maturity. In the event the Appreciated Amount is not paid or deemed to be paid by the Authority on the date when due by reason of maturity, such Capital Appreciation Bond shall bear interest on such Appreciated Amount from such date at the rate per annum equal to the approximate yield for such Capital Appreciation Bond, as set forth in the Purchase Contract, until such Appreciated Amount is paid or deemed to be paid by the Authority. The Appreciated Amount of each Capital Appreciation Bond as of any June 1 or December 1 shall be determined by dividing the

Principal Amount if Held to Maturity on the face thereof by Five Thousand Dollars (\$5,000) and multiplying the result thereof by the applicable amount set forth in the Purchase Contract.

Interest on the 2020 Series A Bonds shall be paid by the Trustee on each interest payment date to the person appearing on the registration books of the Authority maintained by the Trustee or its designee, as the registered owner of such 2020 Series A Bonds on the fifteenth (15th) day of the month preceding the interest payment date by check mailed to the registered owner at the address as it appears on the registration books, or to the designee, at the address of such designee.

The 2020 Series A Bonds may be issued in whole or in part as Serial Bonds which shall mature on June 1 and/or December 1 in the years and principal amounts and bear interest, in the case of 2020 Series A Bonds other than Capital Appreciation Bonds, or be issued in the Original Aggregate Principal Amounts, in the case of Capital Appreciation Bonds, as approved by an Authorized Representative. The principal amounts of the Serial Bonds, if any, the designation as current interest bearing Bonds or Capital Appreciation Bonds, the maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, shall be set forth in the Purchase Contract, and the approval of such principal amounts, designation as current interest bearing Bonds or Capital Appreciation Bonds, maturities, rates of interest, and Original Aggregate Principal Amounts, as applicable, of the Serial Bonds shall be evidenced by the execution of the Purchase Contract by the Authority.

The 2020 Series A Bonds may also be issued in whole or in part as Term Bonds which shall mature on June 1 and/or December 1 in the years and principal amounts and bear interest, in the case of 2020 Series A Bonds other than Capital Appreciation Bonds, or be issued in the Original Aggregate Principal Amounts, in the case of Capital Appreciation Bonds, as approved by an Authorized Representative. The principal amounts of the Term Bonds, if any, the designation of current interest bearing Bonds or Capital Appreciation Bonds, the maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, shall be set forth in the Purchase Contract, and the approval of the principal amounts, designation as current interest bearing Bonds or Capital Appreciation Bonds, maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, of the Term Bonds shall be evidenced by the execution of the Purchase Contract by the Authority.

The purchase price of the 2020 Series A Bonds and the compensation to be paid to the Underwriters with respect to the 2020 Series A Bonds shall be as approved by an Authorized Representative and shall be set forth in the Purchase Contract, and the approval of such purchase price and compensation shall be evidenced by the execution of the Purchase Contract by the Authority.

In making the determination with respect to interest rates, the Original Aggregate Principal Amounts of Capital Appreciation Bonds, designations as Serial Bonds or Term Bonds, Capital Appreciation Bonds and the maturities of the 2020 Series A Bonds, and with respect to the compensation to be paid to the Purchasers, the purchase price of the 2020 Series A Bonds and certain other matters, the Authorized Representative making such determinations shall be limited as follows:

(a) The rate of interest on any 2020 Series A Bond shall not exceed six percent (6.00%) per annum, unless such bond is initially sold to the Purchasers at a price in excess of the par amount thereof, in which case the yield on any such 2020 Series A Bond shall not exceed six percent (6.00%) per annum;

(b) The compensation to be paid to the Underwriters shall not be more than one percent (1.00%) of the original principal amount of the 2020 Series A Bonds;

(c) The schedule of maturities and the amount of each maturity for the 2020 Series A Bonds, taking into account the Sinking Fund Requirements, if any, established pursuant to Section 205 hereof, shall be established in a manner that will permit the Authorized Representative to file the Cash Flow Statement required by Section 608 of the General Resolution;

(d) The final maturity of the 2020 Series A Bonds shall not be later than December 1, 2052;

(e) The maximum amount of scheduled principal payments (adjusted for any previously scheduled Sinking Fund Requirements) and Sinking Fund Requirements due with respect to the 2020 Series A Bonds on any June 1 or December 1, excluding the accretion of any Capital Appreciation Bonds, shall not exceed Twenty Million Dollars (\$20,000,000);

(f) The proceeds of the 2020 Series A Bonds credited to the Down Payment Assistance Fund shall not exceed ten percent (10%) of the original principal amount of the 2020 Series A Bonds; and

(g) The Authority shall not sell the 2020 Series A Bonds to the Purchasers at a price of less than ninety-eight percent (98%) of the principal amount thereof, exclusive of any underwriter's discount.

204. Denominations, Numbers and Letters. The 2020 Series A Bonds, other than the Capital Appreciation Bonds, shall be issued as fully-registered bonds in the denominations of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2020 Series A Bonds. The Capital Appreciation Bonds shall be issued as fully-registered bonds in denominations which appreciate upon maturity to Five Thousand Dollars (\$5,000), as set forth in the Purchase Contract, or any integral multiple thereof. The 2020 Series A Bonds shall be numbered consecutively from 1 upwards, with such additional designations as shall be determined by an Authorized Representative.

205. Sinking Fund Redemption. The Term Bonds, if any, shall be subject to mandatory redemption in part on June 1 and/or December 1, at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, in the case of 2020 Series A Bonds other than Capital Appreciation Bonds, and the Appreciated Amount thereof, in the case of Capital Appreciation Bonds, in such years and such amounts as shall be approved by an Authorized Representative, which approval shall be evidenced by the Sinking Fund Requirements set forth in the Purchase Contract executed by the Authority (subject to reduction as provided in the General Resolution).

206. Special Redemptions.

(a) The 2020 Series A Bonds are redeemable, at any time in whole or in part, at the option of the Authority (except to the extent that the Authority is required to redeem 2020 Series A Bonds as set forth in subsection (b) or (d) below), at a Redemption Price equal to the principal amount (or, in the case of redemptions pursuant to clause (i) of this Section 206(a), for 2020 Series A Bonds initially purchased by the Purchasers at a price in excess of the principal amount thereof, a price not greater than the price paid by the Purchasers for such 2020 Series A Bonds) plus accrued interest to the redemption date in the case of 2020 Series A Bonds other than Capital Appreciation Bonds, and at the Appreciated Amount thereof in the case of Capital Appreciation Bonds, in a principal amount not in excess of the total of (i) 2020 Series A Bond proceeds remaining uncommitted to the financing of Mortgage Loans or 2020 Series A Down Payment Assistance Loans; (ii) Principal Prepayments (including Principal Prepayments in respect of Mortgage Loans financed from other Series of Bonds issued under the General Resolution); (iii) 2020 Series A Down Payment Assistance Loan Principal Prepayments; and (iv) Revenues available for redemption pursuant to Section 403(e)(1) of the General Resolution.

(b) Unless the Authority shall obtain a Counsel's Opinion from nationally recognized bond counsel to the effect that the failure of the Authority to so redeem will not adversely affect the exclusion of interest on the 2020 Series A Bonds from gross income for Federal income tax purposes, the Authority (i) shall redeem 2020 Series A Bonds within the forty-two (42) month period beginning on the date of issuance thereof, from proceeds of the 2020 Series A Bonds allocated to the financing of 2020 Series A Mortgage Loans and 2020 Series A Down Payment Assistance Loans which have not been used for such financing (except for an amount which is less than Two Hundred Fifty Thousand Dollars (\$250,000)), and (ii) shall redeem or pay scheduled principal maturities of the 2020 Series A Bonds not later than the close of the first semiannual period beginning after the date of receipt, from all Principal Prepayments and regularly scheduled principal repayments received and derived from 2020 Series A Mortgage Loans and from all 2020 Series A Down Payment Assistance Loan Principal Prepayments and regularly scheduled principal repayments received and derived from 2020 Series A Down Payment Assistance Loans on and after the tenth (10th) anniversary of the date of issuance of the 2020 Series A Bonds.

(c) With respect to redemptions pursuant to subsections (a) and (b) above, the 2020 Series A Bonds to be redeemed shall be selected from the Outstanding maturities of the 2020 Series A Bonds on such basis as shall be determined by the Authority, except as may be otherwise designated in the Purchase Contract.

(d) The Authority may designate in the Purchase Contract one or more maturities of the 2020 Series A Bonds as Super Sinker Bonds. The Super Sinker Bonds, if any, shall be subject to mandatory redemption as provided in the Purchase Contract.

207. Optional Redemption. The 2020 Series A Bonds shall be subject to redemption at any time on or after the date established by an Authorized Representative in the Purchase Contract (which date shall not be earlier than June 1, 2025) at the option of the Authority in any order of maturity from any moneys available therefor in whole or in part by lot within a maturity at the

applicable Redemption Prices (expressed as percentages of the principal amount thereof, in the case of 2020 Series A Bonds other than Capital Appreciation Bonds, and the Appreciated Amount thereof, in the case of Capital Appreciation Bonds) not to exceed one hundred five percent (105%) of the principal amount of the 2020 Series A Bonds so subject to optional redemption, on the dates of redemption, all as shall be established by an Authorized Representative in the Purchase Contract.

208. Conditional Notice of Optional Redemption and No Requirement to Have Funds on Hand. As provided for by Section 302 of the General Resolution, as may be supplemented as provided therein, and notwithstanding any provision in the General Resolution to the contrary, (i) the Authority shall not be required to have in the Redemption Fund, or otherwise available and set aside in the General Receipts Fund, an amount sufficient to effect the redemption of any 2020 Series A Bonds prior to the notice of optional redemption being sent by the Trustee, and (ii) any such notice of optional redemption of any 2020 Series A Bonds may, at the direction of an Authorized Representative, state that it is conditional in nature and may be rescinded at any time on or before the business day prior to the redemption date, together with the terms under which notice of any such rescission is to be provided to the Bondowners. If such notice is rescinded any such 2020 Series A Bonds that were subject to the notice of redemption shall remain Outstanding Bonds.

209. Sale of 2020 Series A Bonds. An Authorized Representative is authorized to negotiate, execute and deliver, on behalf of the Authority, the Purchase Contract, in substantially the form presented to this meeting, with such changes as an Authorized Representative deems necessary and desirable and not materially adverse to the Authority, for purchase of the 2020 Series A Bonds at the price(s) and with compensation to the Underwriters, all as set forth therein. Approval of the Purchase Contract, and the purchase price set forth therein, shall be evidenced by the execution of the Purchase Contract by an Authorized Representative.

210. Expenses. The Authority's Expenses with respect to the 2020 Series A Bonds for a Fiscal Year may not exceed an amount equal to one quarter of one percent (0.25%) of the greater of the aggregate principal amount of all Outstanding 2020 Series A Bonds or the aggregate principal amount of the outstanding 2020 Series A Mortgage Loans, all as of the first day of such Fiscal Year.

ARTICLE III REQUIREMENTS AND FUNDS

301. Debt Reserve Requirement. (a) The Debt Reserve Requirement with respect to the 2020 Series A Bonds is hereby determined to be an amount equal to four percent (4%) of the sum of (i) the outstanding principal balance of 2020 Series A Mortgage Loans and 2020 Series A Down Payment Assistance Loans allocated to the 2020 Series A Bonds (except 2020 Series A Mortgage Loans underlying certificates of the Government National Mortgage Association or the Federal National Mortgage Association), (ii) the amount on deposit in the 2020 Series A Bond Proceeds Fund and allocated to the purchase or financing of 2020 Series A Mortgage Loans (except 2020 Series A Mortgage Loans underlying certificates of the Government National Mortgage Association or the Federal National Mortgage Association), and (iii) the amount on deposit in the Down Payment Assistance Fund allocated to the 2020 Series A Bonds and the financing of 2020 Series A Down Payment Assistance Loans. The deposits to the Capital Reserve Fund made

and to be made pursuant to this 2020 Series A Resolution will be in the form of cash and Investment Obligations which may be used for the purposes of the Capital Reserve Fund; provided however, that the Authority may in lieu of or in replacement of or in addition to all or a portion of the deposits to the Capital Reserve Fund, obtain and pledge to the Capital Reserve Fund Letter(s) of Credit and/or Surety Bond(s), which Letter(s) of Credit or a portion thereof shall be exclusively available to be drawn on and which Surety Bond(s) or a portion thereof shall unconditionally and irrevocably guarantee payment for the purposes of the Capital Reserve Fund. Any moneys so replaced by Letter(s) of Credit and/or Surety Bond(s) or a portion thereof shall be withdrawn by the Trustee and deposited in the Bond Proceeds Fund. The amount of moneys on deposit in the Capital Reserve Fund, or the amount of Letter(s) of Credit pledged to and exclusively available to be drawn on or Surety Bond(s) pledged to unconditionally and irrevocably guarantee payment for the purposes of the Capital Reserve Fund which, when combined with any moneys on deposit therein, and any other Letter(s) of Credit pledged thereto and exclusively available to be drawn on or Surety Bond(s) which shall unconditionally and irrevocably guarantee payment for the purposes thereof, shall equal the Capital Reserve Fund Requirement.

(b) If at any time the Trustee is required by Section 407 of the General Resolution to transfer moneys from the Capital Reserve Fund to the Debt Service Fund, the Trustee shall make such transfer to the Debt Service Fund from any moneys which shall then be on deposit in the Capital Reserve Fund, and if the moneys in the Capital Reserve Fund are not sufficient to make up the deficiency in the Debt Service Fund, the Trustee shall make a draw under any Letter(s) of Credit or make a demand for payment under any Surety Bond(s) which may be pledged to the Capital Reserve Fund and deposit such proceeds to the Debt Service Fund to the extent of the deficiency in the Debt Service Fund.

302. The Loan Loss Fund.

(a) The repayment of the 2020 Series A Bonds shall be further secured by a pledge of the amounts on deposit in the Loan Loss Fund as created by the Loan Loss Fund Resolution. The 2020 Series A Resolution shall be deemed to be a Single-Family Bond Resolution for purposes of the Loan Loss Fund Resolution. The Loan Loss Fund Requirement with respect to the 2020 Series A Bonds shall be zero (\$0), and, accordingly, the Authority shall not be required to deposit any moneys into the Loan Loss Fund prior to the disbursement of proceeds from the Bond Proceeds Fund for the financing of a 2020 Series A Mortgage Loan.

(b) If at any time moneys in the General Receipts Fund are not sufficient to permit the transfer of moneys to the Debt Service Fund required by Section 403 of the General Resolution, the Trustee shall make up such a deficiency first, by the withdrawal and transfer to the Debt Service Fund of money from any amounts which shall then be on deposit in the Loan Loss Fund, and if the amount in the Loan Loss Fund is not sufficient to make up such deficiencies, and second by a draw under any Letter(s) of Credit or a demand for payment under any Surety Bond(s) which may be pledged to the Loan Loss Fund and the deposit of such proceeds to the Debt Service Fund. Furthermore, in the event there shall be on any date on which an interest or principal payment (including any Sinking Fund Requirement) shall be due, a deficiency in the amounts in the Debt Service Fund to be applied to the payment of liquidity fees, interest or principal or a Redemption Price of the Bonds pursuant to Section 404(a) or (b) of the General Resolution but prior to any

transfer to the Debt Service Fund from the Redemption Fund pursuant to Section 405 of the General Resolution or the Capital Reserve Fund pursuant to Section 406 of the General Resolution, the Trustee first shall make up such a deficiency by the withdrawal of moneys from the Loan Loss Fund and the transfer thereof to the Debt Service Fund, and second, if required, by a draw under any Letter(s) of Credit or a demand for payment under any Surety Bond(s) which may be pledged to the Loan Loss Fund and the transfer of such proceeds to the Debt Service Fund.

(c) Amounts on deposit in the Loan Loss Fund shall not be included in any calculation made in connection with any Cash Flow Statement or pursuant to Section 403(e)(3) of the General Resolution.

303. Deposits into Funds.

(a) The proceeds of the 2020 Series A Bonds shall be deposited into the Bond Proceeds Fund and shall be invested by the Trustee pursuant to instructions from the Authority only in Investment Obligations, which shall include, for purposes of this 2020 Series A Resolution, an investment agreement secured or unsecured as determined by an Authorized Representative, guaranteed by an institution whose debt securities are rated at least the then existing rating on the Bonds (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency. Proceeds of the 2020 Series A Bonds in an amount sufficient to satisfy the Capital Reserve Fund Requirement relating to the 2020 Series A Bonds shall be promptly transferred by the Trustee to the Capital Reserve Fund. In the event that the Authority shall elect to obtain and pledge to the Capital Reserve Fund Letter(s) of Credit and/or Surety Bond(s) in an amount sufficient to satisfy all or a portion of the Capital Reserve Fund Requirement in lieu of or in replacement of or in addition to the deposits to the Capital Reserve Fund, any moneys so replaced provided by 2020 Series A Bond proceeds shall be promptly withdrawn by the Trustee and paid to the Authority for deposit in the Bond Proceeds Fund. Proceeds of the 2020 Series A Bonds in an amount not to exceed the limitation set forth in this Resolution, and as set forth in the Purchase Contract, shall be promptly transferred by the Trustee to the Down Payment Assistance Fund.

(b) All moneys representing accrued interest on the 2020 Series A Bonds, if any, shall be deposited to the credit of the General Receipts Fund (to be applied to the payment of interest on the 2020 Series A Bonds on the first applicable interest payment date).

304. Tax Covenants.

(a) The Authority shall use the proceeds of the 2020 Series A Bonds in the manner which will comply with the requirements of the 1986 Code and other provisions of applicable federal income tax law. The Authority shall at all times perform all acts and things to the extent permitted by law and necessary and desirable in order to assure that interest paid on the 2020 Series A Bonds shall not be included in gross income for Federal income tax purposes, including compliance by the Authority with the notice requirements of Section 143(m)(7) of the 1986 Code unless the Authority shall obtain a Counsel's Opinion from nationally recognized bond counsel to the effect that the failure of the Authority to so comply with such notice requirements will not adversely affect the exclusion of interest on the 2020 Series A Bonds from gross income for Federal income tax purposes.

(b) The Authority shall pay such amounts to the United States of America at such times as is necessary to comply with Section 148(f) of the 1986 Code in respect of the 2020 Series A Bonds.

(c) The Authority further covenants and agrees that it will not take any action which will have the effect of causing interest on the 2020 Series A Bonds to become includable in gross income for Federal income tax purposes.

305. Series Program Determinations. Each newly originated 2020 Series A Mortgage Loan shall have the following terms, conditions, provisions and limitations:

(a) The promissory note for each 2020 Series A Mortgage Loan must be payable or endorsed to the Authority, and such 2020 Series A Mortgage Loan must (i) be originated in the name of the Authority, (ii) be assigned to the Authority, or (iii) be originated in the name of a nominee who shall register the Authority as the owner of a beneficial interest in such 2020 Series A Mortgage Loan, and such 2020 Series A Mortgage Loan must have a servicer that tracks servicing of such 2020 Series A Mortgage Loan pursuant to a written agreement with the Authority relating thereto;

(b) Each 2020 Series A Mortgage Loan (i) shall be for a term not exceeding thirty (30) years, (ii) shall have a rate or rates of interest fixed at the time of origination, and (iii) shall either have approximately equal monthly payments for each rate of interest borne by such 2020 Series A Mortgage Loan, or at the option of the Authority, shall have monthly payments that increase on a predetermined basis over the life of such 2020 Series A Mortgage Loan;

(c) Each 2020 Series A Mortgage Loan shall relate to a residence which shall be the principal residence of the mortgagor within a reasonable time after the closing of such 2020 Series A Mortgage Loan;

(d) Each 2020 Series A Mortgage Loan shall relate to a single-family residential structure or condominium unit;

(e) (1) Each 2020 Series A Mortgage Loan shall be insured under an insurance contract, or guaranteed under a guarantee agreement, requiring benefits to be paid to the Authority following default by the mortgagor in the payment of principal or interest on the 2020 Series A Mortgage Loan in an amount which, when combined with the down payment applicable to such 2020 Series A Mortgage Loan (irrespective of the source of funds therefor), is equal to an amount in excess of eighteen percent (18%) of the purchase price of the residence; provided, however, that any such insurance shall not be initially required or may be terminated when the principal balance of the 2020 Series A Mortgage Loan is eighty percent (80%) or less of the original purchase price of the residence; and

(2) If applicable law shall not permit the Authority, or if the Authority anticipates that applicable law will not permit it, to require a mortgagor under a 2020 Series A Mortgage Loan, or a person on behalf of such mortgagor, to pay for the mortgage insurance described in paragraph (1) of this subsection, then the Authority shall pay for such mortgage insurance from moneys available under the General Resolution or otherwise, except to the extent that:

(i) the Authority either:

(A) does not pay for such mortgage insurance from moneys available under the General Resolution or otherwise; or

(B) provides additional reserves, insurance, sureties or cash equivalents as security or makes other covenants regarding the 2020 Series A Bonds; and

(ii) the taking of the action described in clause (A) or (B) above, does not, by itself, or in combination with other factors, result in a reduction in the then-current unenhanced rating of the Bonds;

(f) The 2020 Series A Mortgage Loans shall be: (i) conventional mortgage loans, (ii) insured by the Federal Housing Administration, (iii) guaranteed by the United States Department of Veterans' Affairs, or (iv) guaranteed by the Rural Housing Service of the United States Department of Agriculture;

(g) A 2020 Series A Mortgage Loan shall be used for the purchase of a residence or both the purchase and rehabilitation of a residence; and

(h) The Authority shall not sell any 2020 Series A Mortgage Loans or 2020 Series A Down Payment Assistance Loans and use the proceeds of such sale to redeem 2020 Series A Bonds as provided in Section 206 hereof except for 2020 Series A Mortgage Loans or 2020 Series A Down Payment Assistance Loans (i) that are in default, (ii) that must be sold in order to preserve the exclusion of interest on the 2020 Series A Bonds from gross income for federal income tax purposes, or (iii) that do not comply with the Authority's Program requirements.

306. Covenant as to Disposition of Principal Prepayments and 2020 Series A Down Payment Assistance Loan Principal Prepayments. Subject to the provisions of Section 403 of the General Resolution and Section 206 hereof, the Authority shall direct the Trustee to transfer Revenues in an amount equal to and representing (a) the Principal Prepayments derived from 2020 Series A Mortgage Loans from the General Receipts Fund to the Redemption Fund or the Bond Proceeds Fund, provided that any such Revenues deposited in the Bond Proceeds Fund must be transferred to the Redemption Fund within twelve (12) months of such deposit if not used for the purpose of financing Mortgage Loans within such one-year period and (b) the 2020 Series A Down Payment Assistance Loan Principal Prepayments from the General Receipts Fund to the Redemption Fund or the Down Payment Assistance Fund, provided that any such Revenues deposited in the Down Payment Assistance Fund must be transferred to the Redemption Fund

within twelve (12) months of such deposit if not used for the purpose of financing 2020 Series A Down Payment Assistance Loans within such one-year period.

307. Down Payment Assistance Fund.

(a) Amounts on deposit in the Down Payment Assistance Fund shall be used as provided in this 2020 Series A Resolution with respect to moneys received by the Authority in connection with the issuance of the 2020 Series A Bonds.

(b) Amounts on deposit in the Down Payment Assistance Fund received by the Authority in connection with the issuance of the 2020 Series A Bonds, if any, and any additional amounts deposited by the Authority in the Down Payment Assistance Fund in respect of the 2020 Series A Bonds as hereinafter provided, if any, shall be used, upon Authority Request, to finance 2020 Series A Down Payment Assistance Loans. The Authority may, from time to time, direct that additional amounts be deposited in the Down Payment Assistance Fund in respect of the 2020 Series A Bonds from unrestricted Authority funds for the purpose of financing additional 2020 Series A Down Payment Assistance Loans. No amounts on deposit in the Down Payment Assistance Fund shall be used to finance Mortgage Loans. Each 2020 Series A Down Payment Assistance Loan shall have the following terms, conditions, provisions and limitations:

(i) Each 2020 Series A Down Payment Assistance Loan shall be made to provide down payment assistance only to a mortgagor who has received a Mortgage Loan;

(ii) Each 2020 Series A Down Payment Assistance Loan shall be evidenced by a promissory note and a mortgage document which has been properly recorded and constitutes a valid second lien on the property subject only to the mortgage securing the related Mortgage Loan and real property taxes or assessments not yet due;

(iii) The promissory note for each 2020 Series A Down Payment Assistance Loan must be payable or endorsed to the Authority and the 2020 Series A Down Payment Assistance Loan must be originated in the name of the Authority or be assigned to the Authority;

(iv) Each 2020 Series A Down Payment Assistance Loan shall be in a principal amount not to exceed Ten Thousand Dollars (\$10,000); and

(v) Each 2020 Series A Down Payment Assistance Loan shall be for a term not exceeding the term of the related Mortgage Loan, shall bear interest as determined by the Authority and shall be payable on the earliest of (A) the sale of the residence to which such 2020 Series A Down Payment Assistance Loan relates, (B) the maturity date thereof or (C) the date of payment in full of the related Mortgage Loan.

(c) Amounts on deposit in the Down Payment Assistance Fund may be transferred at any time, upon Authority Request, to the Bond Proceeds Fund.

(d) The Authority does hereby pledge, convey and assign the 2020 Series A Down Payment Assistance Loans as security for the payment of the Bonds and the interest and redemption premium, if any, thereon and for the equal and proportionate benefit and security from time to time, of the Owners of the Bonds without preference, priority or distinction as to lien or otherwise. Any 2020 Series A Down Payment Assistance Loans shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof, and neither this 2020 Series A Resolution nor any instruments by which a pledge is created need be recorded. All moneys received by or on behalf of the Authority representing principal and interest payments on the 2020 Series A Down Payment Assistance Loans including all 2020 Series A Down Payment Assistance Loan Principal Prepayments representing the same shall constitute “Revenues” for purposes of the General Resolution and shall be deposited in the General Receipts Fund.

(e) Amounts on deposit in the Down Payment Assistance Fund in respect of the 2020 Series A Down Payment Assistance Loans shall be taken into account when preparing a Cash Flow Statement in accordance with Section 608 of the General Resolution. In addition to the requirements for filing a Cash Flow Statement set forth in Section 608 of the General Resolution, the Authority shall file with the Trustee a current Cash Flow Statement prior to transferring amounts to the Down Payment Assistance Fund to finance 2020 Series A Down Payment Assistance Loans in excess of the amounts contemplated in the last Cash Flow Statement to be so transferred, or prior to applying amounts previously transferred to the Down Payment Assistance Fund to finance 2020 Series A Down Payment Assistance Loans on terms materially different from those assumed in the last Cash Flow Statement. Upon filing a Cash Flow Statement with the Trustee, the Authority shall thereafter administer its program for making 2020 Series A Down Payment Assistance Loans in all material respects in accordance with the assumptions set forth in such Cash Flow Statement. Except as necessary to dispose of defaulted 2020 Series A Down Payment Assistance Loans or to comply with tax covenants or requirements of the Authority relating to its program for making 2020 Series A Down Payment Assistance Loans, if the Cash Flow Statement delivered in connection with any sale of 2020 Series A Down Payment Assistance Loans at a price below book value does not project Revenues sufficient to pay Expenses and debt service on the Bonds when due in each bond year, an Authorized Representative must certify to the Trustee that the projected deficiency in each bond year is less than it would have been if all or a portion of the amounts transferred or used had been applied to the financing of 2020 Series A Down Payment Assistance Loans or invested in Investment Obligations on terms then available.

ARTICLE IV
FORMS, EXECUTION AND DELIVERY OF
2020 SERIES A BONDS

401. Forms of 2020 Series A Bonds. Subject to the provisions of the General Resolution, the form of the 2020 Series A Bonds and the Certificate of Authentication with respect thereto are hereby approved substantially in the forms attached as Exhibits A and B, respectively, with necessary or appropriate variations, omissions and insertions as are incidental to their numbers, denominations, maturities, interest rate or rates, redemption provisions and other details thereof.

402. Execution and Delivery of 2020 Series A Bonds. (a) The 2020 Series A Bonds shall be executed in the name of the Authority by the manual or facsimile signature of either its Chairperson or Executive Director and the corporate seal of the Authority (or a facsimile thereof) shall be impressed or imprinted thereon in accordance with the provisions of Section 204 of the General Resolution. The 2020 Series A Bonds shall be authenticated by the manual signature of an authorized signer of the Trustee.

(b) The 2020 Series A Bonds shall be delivered by an Authorized Representative to the Purchasers in New York, New York, Lansing, Michigan, or any other location mutually agreeable to the Authority and the Purchasers, upon payment of the purchase price plus accrued interest, if any, on the 2020 Series A Bonds from the date thereof to the date of delivery in immediately available Federal Reserve Funds available to the Authority at the time or times and place or places of delivery.

(c) Initially, one fully-registered 2020 Series A Bond (a “2020 Series A Bond”) for each maturity of 2020 Series A Bonds, in the aggregate principal amount of such maturity, shall be issued in the name of Cede & Co., as nominee of DTC.

403. Global Form; Securities Depository.

(a) Except as otherwise provided in this Section, the 2020 Series A Bonds shall be in the form of the 2020 Series A Bond, shall be registered in the name of the Securities Depository or its nominee and ownership thereof shall be maintained in book entry form by the Securities Depository for the account of the Agent Members thereof. Except as provided in subsection (c) of this Section, 2020 Series A Bonds may be transferred, in whole but not in part, only to the Securities Depository or a nominee of the Securities Depository, or to a successor Securities Depository selected by the Authority, or to a nominee of such successor Securities Depository.

(b) The Authority and the Trustee shall have no responsibility or obligation with respect to:

(i) the accuracy of the records of the Securities Depository or any Agent Member with respect to any beneficial ownership interest in the 2020 Series A Bonds;

(ii) the delivery to any Agent Member, beneficial owner of the 2020 Series A Bonds or other person, other than the Securities Depository, of any notice with respect to the 2020 Series A Bonds;

(iii) the payment to any Agent Member, beneficial owner of the Bonds or other person, other than the Securities Depository of any amount with respect to the principal of, premium, if any, or interest on, the 2020 Series A Bonds;

(iv) any consent given by Cede & Co. as Bondowner of the 2020 Series A Bonds or any successor nominee of a Securities Depository as Bondowner of such Bonds; or

(v) the selection by the Securities Depository or any Agent Member of any beneficial owners to receive payment if any 2020 Series A Bonds are redeemed in part.

So long as the certificates for the 2020 Series A Bonds are not issued pursuant to subsection (c) of this Section 403, the Authority and the Trustee may treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner of such 2020 Series A Bonds for all purposes whatsoever, including without limitation:

(1) the payment of principal, premium, if any, and interest on such 2020 Series A Bond;

(2) giving notices of redemption and other matters with respect to such 2020 Series A Bond; and

(3) registering transfers with respect to such 2020 Series A Bond.

(c) If at any time the Securities Depository notifies the Authority or the Trustee that it is unwilling or unable to continue as Securities Depository with respect to the 2020 Series A Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor Securities Depository is not appointed by the Authority within ninety (90) days after the Authority or the Trustee receives notice or becomes aware of such condition, as the case may be, subsections (a) and (b) of this Section shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the 2020 Series A Bonds as provided in subsection (d) below. In addition, the Authority may determine at any time that the 2020 Series A Bonds shall no longer be represented by global certificates and that the provisions of subsections (a) and (b) above shall no longer apply to the 2020 Series A Bonds. In any such event the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the 2020 Series A Bonds as provided in subsection (d) below.

(d) Certificates for the 2020 Series A Bonds issued in exchange for global certificates shall be registered in such names and authorized denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Authority and the Trustee. The Trustee shall deliver such certificates representing the 2020 Series A Bonds to the persons in whose names such 2020 Series A Bonds are so registered as soon as practicable.

404. Conflict With Representation Letter. Notwithstanding any other provision of this 2020 Series A Resolution to the contrary, so long as any 2020 Series A Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or Redemption Price of and interest, if any, on such 2020 Series A Bond, and all notices with respect to such 2020 Series A Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

**ARTICLE V
MISCELLANEOUS**

501. Ratification of Actions. The actions of any Authorized Representative heretofore taken pursuant to the provisions of the General Resolution including, but not limited to: the publishing of notice and the conducting of a hearing with respect to the issuance of the 2020 Series A Bonds, the making of presentations to security rating agencies, the undertaking of discussions and negotiations with underwriters or groups of underwriters or purchasers regarding offers to purchase the 2020 Series A Bonds, be, and they hereby are, ratified and confirmed in all respects.

502. Authorization of Actions. (a) Any Authorized Representative is hereby authorized and directed to execute such other documents and certifications, and to perform such other acts as may be necessary or convenient for the proper sale, execution and delivery of the 2020 Series A Bonds subject to, and as may be required by the Purchase Contract, the General Resolution and this 2020 Series A Resolution.

(b) Any Authorized Representative is hereby authorized to pay from the General Operating Fund all funds necessary to pay the costs of issuance, including the Underwriters' fee and placement fee, if applicable, of the 2020 Series A Bonds not paid from the proceeds of the 2020 Series A Bonds, and to make the deposit of moneys, or obtain Letter(s) of Credit and/or Surety Bond(s), or an increase in the amount of existing Letter(s) of Credit and/or Surety Bond(s), as provided by Section 503 hereof.

(c) Any Authorized Representative is hereby authorized to pay from the General Operating Fund all amounts necessary to comply with Section 304(b).

503. Authorization of Procurement of Letter(s) of Credit and/or Surety Bond(s) and Execution of Reimbursement Agreement and/or Guaranty Agreement; Notice to the Trustee. Any Authorized Representative hereby is authorized to obtain Letter(s) of Credit and/or Surety Bond(s), to obtain an increase in the amount of existing Letter(s) of Credit and/or Surety Bonds or to obtain a replacement for existing Letter(s) of Credit and/or Surety Bond(s) for application in lieu of the deposit of moneys to the Capital Reserve Fund as specifically authorized in this 2020 Series A Resolution. In connection with the procurement of the foregoing Letter(s) of Credit and/or Surety Bond(s) or the increase in the amount of existing Letter(s) of Credit and/or Surety Bond(s), the Authorized Representative is authorized, if necessary, to negotiate and execute a reimbursement agreement, or, if necessary, an amendment to any existing reimbursement agreement, with a banking institution, or a guaranty agreement, or, if necessary, an amendment to an existing guaranty agreement, with an insurance company, as appropriate. The annual fees (in addition to any expense reimbursements) paid to the banking institution for the procurement of Letter(s) of Credit shall not exceed one half of one percent (0.5%) of the cumulative amount of the Letter(s) of Credit, the fee to be paid by the Authority for any Surety Bond(s) shall not exceed two percent (2%) of the Surety Bond Coverage relating thereto. The Authority shall give the Trustee sixty (60) days' written notice prior to the expiration of any Letter(s) of Credit obtained pursuant to this 2020 Series A Resolution.

504. Preliminary Official Statement. The form of the Preliminary Official Statement of the Authority with respect to the initial offering of the 2020 Series A Bonds, substantially in the form presented to this meeting, is hereby approved and the distribution thereof by the Underwriters is hereby authorized, with such changes, omissions, insertions and revisions as an Authorized Representative shall deem advisable or appropriate. The delivery of a certificate relating to the Preliminary Official Statement for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, is also approved.

505. Final Official Statement. The form of the Preliminary Official Statement of the Authority is hereby authorized and approved as the final Official Statement of the Authority, with such changes, omissions, insertions and revisions as an Authorized Representative shall deem advisable or appropriate. Any Authorized Representative is hereby authorized to execute such final Official Statement and deliver it to the Underwriters for distribution on behalf of the Authority.

506. Covenant as to Purchase of 2020 Series A Bonds. The Authority covenants that it shall require that a Mortgage Lender, mortgagor or “related person” as defined in Section 147 of the 1986 Code, shall not purchase 2020 Series A Bonds pursuant to any arrangement, formal or informal, in an amount related to a Mortgage Loan or 2020 Series A Down Payment Assistance Loan.

507. Trustee Not Responsible for Official Statement. The recitals, statements and representations contained in the Preliminary Official Statement and the Official Statement shall be taken and construed as made by and on the part of the Authority and not by the Trustee, and the Trustee assumes and shall be under no responsibility for the correctness of the same.

508. Notice of Redemption.

(a) At least thirty (30) days but no more than ninety (90) days before the redemption date of any 2020 Series A Bonds, the Trustee shall cause a notice of any redemption of 2020 Series A Bonds, either in whole or in part, to be sent by registered or certified mail or by overnight delivery, to the Securities Depository at least two (2) business days (a business day being a day when such Securities Depository is open for business) prior to the date of general mailing of any notice of redemption.

(b) In addition, a second duplicate notice in writing shall be mailed by certified mail, postage prepaid, return receipt requested, to any registered owner of 2020 Series A Bonds to be redeemed who has not presented and surrendered such 2020 Series A Bonds to the Trustee for redemption within thirty (30) days after the date of redemption.

(c) In addition to the requirements set forth in Section 302 of the General Resolution, a notice of any such redemption shall include the following information with respect to the 2020 Series A Bonds to be so redeemed: the complete title of the 2020 Series A Bonds, the CUSIP numbers of the 2020 Series A Bonds to be redeemed, the date of general mailing of such notice of redemption, the complete name of the Trustee including the telephone number for inquiries, the maturity date and the interest rate (if applicable) of the 2020 Series A Bonds.

(d) Failure to receive any such notices by any such registered owner shall not affect the validity of the proceedings for the redemption of the 2020 Series A Bonds.

509. Continuing Disclosure. The 2020 Series A Bonds are hereby made subject to the Second Master Continuing Disclosure Undertaking-Single Family Mortgage Revenue Bonds, dated as of April 1, 2019, and the Authority agrees to abide by the provisions thereof so long as any of the 2020 Series A Bonds are Outstanding.

510. Notices to Rating Agency. The Authority hereby covenants and agrees that it will send written notice to S&P at 55 Water Street, 38th Floor, New York, New York 10041 and to Moody's at 7 World Trade Center at 50 Greenwich Street, New York, New York 10007, of the occurrence of any of the following events with respect to the 2020 Series A Bonds:

- (a) any acceleration of payment of the principal of and interest on the 2020 Series A Bonds;
- (b) any amendments to this 2020 Series A Resolution or the General Resolution;
- (c) any successor to the Trustee under the General Resolution; and
- (d) any defeasance or redemption in whole of the 2020 Series A Bonds.

511. Effective Date. This 2020 Series A Resolution shall take effect immediately. If the 2020 Series A Bonds are not delivered to the Purchasers on or before October 31, 2020, the authority granted by this 2020 Series A Resolution shall lapse.

EXHIBIT A

[FORM OF 2020 SERIES A BOND]

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
SINGLE-FAMILY MORTGAGE REVENUE BOND, 2020 SERIES A

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
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REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT:

The Michigan State Housing Development Authority (the “Authority”), a public body corporate and politic, organized and existing under and by virtue of the laws of the State of Michigan, acknowledges itself indebted to, and for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above, on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, upon the presentation and surrender hereof at the principal corporate trust office of U.S. Bank National Association in St. Paul, Minnesota (the “Trustee”), as Trustee under the Resolution of the Authority adopted December 17, 1987, authorizing the issuance of Michigan State Housing Development Authority Single-Family Mortgage Revenue Bonds, as amended and supplemented (the “General Resolution”), or its successor as Trustee, and to pay to the registered owner by check or draft mailed to the registered owner on the fifteenth (15th) day of the month preceding the interest payment date at such owner’s address as shown on the registration books of the Authority, as maintained by the Trustee, interest on such Principal Amount from the date hereof to the date of maturity or earlier redemption of this 2020 Series A Bond at the Interest Rate per annum specified above on _____, 20__, and semiannually thereafter on the first day of December and June. The principal or Redemption Price (as defined in the General Resolution) of this 2020 Series A Bond is payable upon presentation in any coin or currency of the United States of America which, on the respective dates of payment, shall be legal tender for the payment of public and private debts.

THE STATE OF MICHIGAN IS NOT LIABLE ON THIS 2020 SERIES A BOND AND THIS 2020 SERIES A BOND IS NOT A DEBT OF THE STATE OF MICHIGAN. THE AUTHORITY HAS NO TAXING POWER.

Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the hereinafter defined 2020 Series A Resolution.

Subject to any agreements now or hereafter made with the owners of any other notes or bonds of the Authority pledging any particular receipts or revenues, this 2020 Series A Bond is a general obligation of the Authority and the full faith and credit of the Authority are hereby pledged for the payment of the principal or Redemption Price of and interest on this 2020 Series A Bond. This 2020 Series A Bond is one of a duly authorized issue of Bonds of the Authority designated “Single-Family Mortgage Revenue Bonds” (the “Bonds”), issued and to be issued in various series under and pursuant to Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (herein called the “Act”), and under and pursuant to the General Resolution and a series resolution authorizing the issuance and sale of each such series. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series, in various principal amounts, may mature at different times, may bear interest, if any, at different rates and, subject to the provisions thereof, may otherwise vary. The aggregate principal amount of Bonds which may be issued under the General Resolution is not limited except as provided in the General Resolution, and all Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This 2020 Series A Bond is one of a series of Bonds designated “Single-Family Mortgage Revenue Bonds, 2020 Series A” (the “2020 Series A Bonds”) issued in the initial aggregate principal amount of _____ Dollars (\$ _____) under the General Resolution and the Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2020 Series A in an Amount not to Exceed \$ _____, adopted on May 21, 2020 (the “2020 Series A Resolution”) (the General Resolution and the 2020 Series A Resolution are collectively herein called the “Resolutions”). The proceeds of the 2020 Series A Bonds will be utilized by the Authority as provided in the Resolutions. The 2020 Series A Bonds will be secured by a pledge of the Pledged Property (as defined in the General Resolution) which includes the mortgage repayments required to be paid on the mortgage loans financed with the proceeds of the 2020 Series A Bonds, the Down Payment Assistance Fund established under the Authority’s Series Resolution Authorizing the Issuance and Sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B adopted on November 19, 2003 (the “2003 Series B Resolution”) and the repayments required to be paid on the down payment assistance loans financed with the proceeds of the 2020 Series A Bonds and will be further secured by the Loan Loss Fund established under the Authority’s Resolution Establishing Single-Family Loan Loss Fund adopted on July 8, 1988, as supplemented (the “Loan Loss Fund Resolution”). Copies of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution are on file in the office of the Authority and at the corporate trust office of the Trustee in Lansing, Michigan, and reference to the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution and any and all supplements thereto and modifications and amendments thereof and to the Act are made for a description of the pledges and covenants securing the 2020 Series A Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the 2020 Series A Bonds with respect thereto and the terms and conditions upon which the 2020 Series A Bonds are issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution, the

provisions of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution or any resolution amendatory thereof or supplemental thereto, may be modified or amended.

This 2020 Series A Bond is transferable, as provided in the Resolutions, only upon the books of the Authority kept for that purpose at the corporate trust office of the Trustee in Lansing, Michigan by the registered owner hereof in person, or by an attorney duly authorized in writing, upon the surrender of this 2020 Series A Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new registered 2020 Series A Bond or 2020 Series A Bonds, and in the same aggregate principal amount and of the same interest rate and maturity, shall be issued to the transferee in exchange therefor as provided in the Resolutions, and upon the payment of the charges, if any, therein prescribed.

The 2020 Series A Bonds are issuable in the form of fully-registered Bonds without coupons in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2020 Series A Bonds.

The 2020 Series A Bonds are subject to redemption prior to maturity as provided in the 2020 Series A Resolution. Notice of any such redemption shall be given to the registered owners of any 2020 Series A Bonds or portions thereof to be redeemed as provided in the 2020 Series A Resolution.

This 2020 Series A Bond shall not be valid or become obligatory for any purpose until the Trustee's Certificate of Authentication hereon shall have been executed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of Michigan and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 2020 Series A Bond, exist, have happened and have been performed in due time, form and manner as required by law, and that the issue of the 2020 Series A Bonds, together with all other indebtedness of the Authority is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Michigan State Housing Development Authority has caused this 2020 Series A Bond to be executed in its name by the facsimile signature of its Executive Director and its corporate seal (or a facsimile thereof) to be impressed or imprinted hereon, all as of the Date of Original Issue as set forth above.

MICHIGAN STATE HOUSING DEVELOPMENT
AUTHORITY

(Seal)

By _____
Its Executive Director

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2020 Series A Bonds described in the within-mentioned 2020 Series A Resolution.

U.S. BANK NATIONAL ASSOCIATION,
Trustee

By _____
Authorized Representative

Date of Authentication: _____

EXHIBIT B

[FORM OF 2020 SERIES A BOND (CAPITAL APPRECIATION BOND)]

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
SINGLE-FAMILY MORTGAGE REVENUE BOND, 2020 SERIES A
(CAPITAL APPRECIATION BOND)

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>Original Principal Amount per \$5,000 at Maturity</u>	<u>CUSIP</u>
Zero				

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT IF HELD TO MATURITY: _____

The Michigan State Housing Development Authority (the “Authority”), a public body corporate and politic, organized and existing under and by virtue of the laws of the State of Michigan, acknowledges itself indebted to, and for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, on the date the principal of this 2020 Series A Bond shall become payable, the Appreciated Amount (as defined in the 2020 Series A Resolution identified below) as hereinafter provided, upon the presentation and surrender hereof at the principal corporate trust office of U.S. Bank National Association in St. Paul, Minnesota (the “Trustee”), as Trustee under the Resolution of the Authority adopted December 17, 1987, authorizing the issuance of Michigan State Housing Development Authority Single-Family Mortgage Revenue Bonds, as amended and supplemented (the “General Resolution”), or its successor as Trustee. Unless this 2020 Series A Bond shall have been redeemed or an acceleration of its maturity shall have occurred, all as hereinafter provided, the Appreciated Amount of this 2020 Series A Bond shall become due on the Maturity Date specified above. The Appreciated Amount or Redemption Price (as defined in the General Resolution) of this 2020 Series A Bond is payable upon presentation in any coin or currency of the United States of America which, on the respective dates of payment, shall be legal tender for the payment of public and private debts. Interest shall not

be paid on this 2020 Series A Bond except in the case of the failure of the Authority to deposit the Appreciated Amount with the Trustee at the stated maturity hereof in which case such amount owing on this 2020 Series A Bond shall thereafter bear interest at the rate equal to the approximately yield established in the 2020 Series A Resolution from the date of such maturity until such amount plus interest is deposited with the Trustee.

THE STATE OF MICHIGAN IS NOT LIABLE ON THIS 2020 SERIES A BOND AND THIS 2020 SERIES A BOND IS NOT A DEBT OF THE STATE OF MICHIGAN. THE AUTHORITY HAS NO TAXING POWER.

Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the hereinafter defined 2020 Series A Resolution.

Subject to any agreements now or hereafter made with the owners of any other notes or bonds of the Authority pledging any particular receipts or revenues, this 2020 Series A Bond is a general obligation of the Authority and the full faith and credit of the Authority are hereby pledged for the payment of the principal or Redemption Price of and interest on this 2020 Series A Bond. This 2020 Series A Bond is one of a duly authorized issue of Bonds of the Authority designated “Single-Family Mortgage Revenue Bonds” (the “Bonds”), issued and to be issued in various series under and pursuant to Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (herein called the “Act”), and under and pursuant to the General Resolution and a series resolution authorizing the issuance and sale of each such series. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series, in various principal amounts, may mature at different times, may bear interest, if any, at different rates and, subject to the provisions thereof, may otherwise vary. The aggregate principal amount of Bonds which may be issued under the General Resolution is not limited except as provided in the General Resolution, and all Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This 2020 Series A Bond is one of a series of Bonds designated “Single-Family Mortgage Revenue Bonds, 2020 Series A” (the “2020 Series A Bonds”) issued in the initial aggregate principal amount of _____ Dollars (\$_____) under the General Resolution and the Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2020 Series A in an Amount not to Exceed \$_____, adopted on May 21, 2020 (the “2020 Series A Resolution”) (the General Resolution and the 2020 Series A Resolution are collectively herein called the “Resolutions”). The proceeds of the 2020 Series A Bonds will be utilized by the Authority as provided in the Resolutions. The 2020 Series A Bonds will be secured by a pledge of the Pledged Property (as defined in the General Resolution) which includes the mortgage repayments required to be paid on the mortgage loans financed with the proceeds of the 2020 Series A Bonds, the Down Payment Assistance Fund established under the Authority’s Series Resolution Authorizing the Issuance and Sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B adopted on November 19, 2003 (the “2003 Series B Resolution”) and the repayments required to be paid on the down payment assistance loans financed with the proceeds of the 2020 Series A Bonds and will be further secured by the Loan Loss Fund established under the Authority’s Resolution Establishing Single-Family Loan Loss Fund adopted on

July 8, 1988, as supplemented (the “Loan Loss Fund Resolution”). Copies of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution are on file in the office of the Authority and at the corporate trust office of the Trustee in Lansing, Michigan, and reference to the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution and any and all supplements thereto and modifications and amendments thereof and to the Act are made for a description of the pledges and covenants securing the 2020 Series A Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the 2020 Series A Bonds with respect thereto and the terms and conditions upon which the 2020 Series A Bonds are issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution, the provisions of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution or any resolution amendatory thereof or supplemental thereto, may be modified or amended.

This 2020 Series A Bond is transferable, as provided in the Resolutions, only upon the books of the Authority kept for that purpose at the corporate trust office of the Trustee by the registered owner hereof in person, or by an attorney duly authorized in writing, upon the surrender of this 2020 Series A Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new registered 2020 Series A Bond or 2020 Series A Bonds, of the same maturity and in the applicable aggregate Appreciated Amount, shall be issued to the transferee in exchange therefor as provided in the Resolutions, and upon the payment of the charges, if any, therein prescribed.

The 2020 Series A Bonds are issuable in the form of fully-registered Bonds without coupons in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2020 Series A Bonds.

The 2020 Series A Bonds are subject to redemption prior to maturity as provided in the 2020 Series A Resolution. Notice of any such redemption shall be given to the registered owners of any 2020 Series A Bonds or portions thereof to be redeemed as provided in the 2020 Series A Resolution.

The Appreciated Amount for this 2020 Series A Bond shall be determined as provided in the 2020 Series A Resolution.

This 2020 Series A Bond shall not be valid or become obligatory for any purpose until the Trustee’s Certificate of Authentication hereon shall have been executed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of Michigan and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 2020 Series A Bond, exist, have happened and have been performed in due time, form and manner as required by law, and that the issue of the 2020 Series A Bonds, together with all other indebtedness of the Authority is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Michigan State Housing Development Authority has caused this 2020 Series A Bond to be executed in its name by the facsimile signature of its

Executive Director and its corporate seal (or a facsimile thereof) to be impressed or imprinted hereon, all as of the Date of Original Issue as set forth above.

MICHIGAN STATE HOUSING DEVELOPMENT
AUTHORITY

(Seal)

By _____
Its Executive Director

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2020 Series A Bonds described in the within-mentioned 2020 Series A Resolution.

U.S. BANK NATIONAL ASSOCIATION,
Trustee

By _____
Authorized Representative

Date of Authentication:

[End of 2020 Series A Bond Forms]

4848-9855-4298.4

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF
SINGLE-FAMILY MORTGAGE REVENUE BONDS, 2020 SERIES B
(FEDERALLY TAXABLE) IN AN AMOUNT NOT TO EXCEED \$~~50,000,000~~100,000,000**

May 21, 2020

WHEREAS, the Members of the Michigan State Housing Development Authority (hereinafter referred to as the “Authority”), by Resolution adopted December 17, 1987, and as supplemented on January 28, 1988, October 12, 1995, January 30, 1997, May 24, 2006 and September 26, 2018 (hereinafter referred to as the “General Resolution”), have authorized the issuance of Single-Family Mortgage Revenue Bonds in one or more Series pursuant to a Series Resolution authorizing the issuance and sale of any such Series; and

WHEREAS, the Members of the Authority have determined that it is necessary and desirable that the Authority issue at this time a Series of Bonds to be designated “Single-Family Mortgage Revenue Bonds, 2020 Series B (Federally Taxable)” to provide moneys to carry out the purposes of the Authority; and

WHEREAS, pursuant to Section 27(l) of the Act, the Authority proposes to delegate to the Executive Director, the Chief Financial Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chairperson or Vice Chairperson of the Authority (each, together with any person duly appointed and acting in such capacity, hereinafter individually referred to as an “Authorized Representative”) the power to determine certain terms and conditions of the 2020 Series B Bonds (as hereinafter defined), subject to limits established herein and in the General Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Members of the Authority as follows:

**ARTICLE I
AUTHORITY AND DEFINITIONS**

101. 2020 Series B Resolution. This resolution (hereinafter referred to as the “2020 Series B Resolution”) is adopted in accordance with the provisions of Article II of the General Resolution and pursuant to the authority contained in the Act.

102. Definitions.

All terms which are defined in Sections 103 and 104 of Article I of the General Resolution have the same meanings in this 2020 Series B Resolution including the preambles hereto.

“Agent Member” means a member of, or participant in, the Securities Depository.

“Capital Appreciation Bonds” means the 2020 Series B Bonds, if any, which are authorized as Capital Appreciation Bonds pursuant to Section 203 hereof, which do not provide for current interest payments and which are hereby designated Deferred Interest Bonds.

“Cede & Co.” means Cede & Co., the nominee of DTC, or any successor nominee of DTC with respect to the 2020 Series B Bonds.

“Closing Date” means the date on which the 2020 Series B Bonds are issued and delivered to the Purchasers, or designee(s), in exchange for payment by the Purchasers therefor.

“Down Payment Assistance Fund” means the Fund established pursuant to Article III of the 2003 Series B Resolution.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Letter(s) of Credit” means one or more unconditional irrevocable letters of credit issued by a domestic or foreign bank which qualifies as a Cash Equivalent under the General Resolution and which provides for a draw down in the full amount upon its expiration date at the option of the Authority in the absence of a renewal of such Letter(s) of Credit or if the Authority does not deliver to the Trustee a replacement Letter(s) of Credit.

“Loan Loss Fund” means the Loan Loss Fund established pursuant to the Loan Loss Fund Resolution.

“Loan Loss Fund Resolution” means the Authority’s Resolution Establishing Single-Family Loan Loss Fund adopted July 8, 1988, as supplemented on June 1, 1989 and April 30, 1997.

“Purchase Contract” means, the contract of purchase between the Authority and the Underwriters with respect to the 2020 Series B Bonds.

“Purchasers” means the Underwriters.

“Representation Letter” means the blanket agreement of the Authority and the Trustee to comply with the operational arrangements of DTC and any similar agreement with respect to a successor Securities Depository.

“Rule” means Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12).

“Securities Depository” means DTC and its successors and assigns or if (i) the then-Securities Depository resigns from its functions as depository of the 2020 Series B Bonds or (ii) the Authority discontinues use of the then-Securities Depository pursuant to Section 403(c), any other securities depository which agrees to follow the procedures required to be followed by a

securities depository in connection with the 2020 Series B Bonds and which is selected by the Authority.

“Serial Bonds” means the 2020 Series B Bonds, if any, which are authorized as Serial Bonds pursuant to Section 203 hereof.

“Super Sinker Bonds” means the 2020 Series B Bonds, if any, which are designated as Super Sinker Bonds in the Purchase Contract pursuant to Section 206(d) of this 2020 Series B Resolution.

“Surety Bond(s)” or “Surety” means one or more unconditional and irrevocable surety bonds issued by a domestic or foreign insurance company which (i) qualifies as a Cash Equivalent under the General Resolution, (ii) guarantees certain payments into the Capital Reserve Fund with respect to the Bonds as provided therein and subject to the limitations set forth therein, and (iii) is not subject to cancellation.

“Term Bonds” means the 2020 Series B Bonds, if any, which are authorized as Term Bonds pursuant to Section 203 hereof and which shall be subject to Sinking Fund Requirements as set forth in the Purchase Contract.

“2003 Series B Resolution” means the resolution of the Authority authorizing the issuance and sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B.

“2020 Series B Bonds” means the Bonds authorized by Article II of this 2020 Series B Resolution.

“2020 Series B Down Payment Assistance Loan Principal Prepayments” means any payment by a mortgagor or other recovery of principal on a 2020 Series B Down Payment Assistance Loan which is not applied on a scheduled installment of principal and interest on a 2020 Series B Down Payment Assistance Loan (including any deficiency in the payment of any scheduled installments of principal and interest then due and payable or interest paid in connection with a voluntary prepayment of a 2020 Series B Down Payment Assistance Loan) and the portion of any amounts received in connection with the liquidation of a defaulted 2020 Series B Down Payment Assistance Loan (whether through foreclosure, trustee’s sale or otherwise) or other payments representing such principal amounts, including payments from the sale of a 2020 Series B Down Payment Assistance Loan.

“2020 Series B Down Payment Assistance Loans” means (i) any loan financed or acquired with amounts received in connection with the issuance of the 2020 Series B Bonds or with other amounts made available by the Authority in respect of the 2020 Series B Bonds and deposited in the Down Payment Assistance Fund and pledged hereunder by the Authority in accordance with the Act, evidenced by a mortgage note and secured by a mortgage and (ii) any instrument evidencing an ownership interest in such loans.

“2020 Series B Mortgage Loans” means all Mortgage Loans or portions of Mortgage Loans, including 2020 Series B Home Improvement Mortgage Loans, financed or acquired from the proceeds of or allocable to the 2020 Series B Bonds.

“Underwriters” means, collectively, RBC Capital Markets, LLC and such other underwriters as may be named in the Purchase Contract.

ARTICLE II AUTHORIZATION OF 2020 SERIES B BONDS

201. Principal Amount, Designation and Series. A Series of Bonds is hereby authorized to be issued and sold, pursuant to the provisions of the General Resolution in an aggregate original principal amount of not to exceed \$~~50,000,000~~100,000,000, as established pursuant to Section 203 hereof. Such Series of Bonds shall be designated as “Single-Family Mortgage Revenue Bonds, 2020 Series B (Federally Taxable).”

202. Purposes. The purposes for which the 2020 Series B Bonds are being issued are (i) the financing and purchasing of Mortgage Loans; (ii) if required to satisfy the Capital Reserve Fund Requirement, the making of a deposit to the Capital Reserve Fund in respect of the 2020 Series B Bonds, except to the extent the Authority obtains and pledges to the Capital Reserve Fund Letter(s) of Credit and/or Surety Bond(s) which may be drawn upon or called upon for payment, as applicable, for the purposes of the Capital Reserve Fund; (iii) the making of a deposit to the Down Payment Assistance Fund in respect of the 2020 Series B Bonds, to the extent provided for in the Purchase Contract; and (iv) paying the costs of issuance of the 2020 Series B Bonds, to the extent provided for in the Purchase Contract.

203. Interest Rates, Principal Amounts and Maturity Dates. The 2020 Series B Bonds shall be dated and shall be issued on or before October 31, 2020, as approved by an Authorized Representative. The 2020 Series B Bonds shall be issued either as current interest bearing Bonds or as Capital Appreciation Bonds, or any combination thereof, as determined by an Authorized Representative. The 2020 Series B Bonds, other than Capital Appreciation Bonds, if any, shall bear interest from the date thereof to their maturity or prior redemption, such interest to be payable on June 1 and December 1 of each year, commencing December 1, 2020, or such other date as may be set forth in the Purchase Contract. Interest shall be calculated on the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months. Capital Appreciation Bonds, if any, shall not bear interest (except that the extent of the difference between the Original Principal Amount and the Appreciated Amount may be construed to be interest) prior to or on the date of maturity. In the event the Appreciated Amount is not paid or deemed to be paid by the Authority on the date when due by reason of maturity, such Capital Appreciation Bond shall bear interest on such Appreciated Amount from such date at the rate per annum equal to the approximate yield for such Capital Appreciation Bond, as set forth in the Purchase Contract, until such Appreciated Amount is paid or deemed to be paid by the Authority. The Appreciated Amount of each Capital Appreciation Bond as of any June 1 or December 1 shall be determined by dividing the Principal Amount if Held to Maturity on the face thereof by Five Thousand Dollars (\$5,000) and multiplying the result thereof by the applicable amount set forth in the Purchase Contract.

each Capital Appreciation Bond as of any June 1 or December 1 shall be determined by dividing the Principal Amount if Held to Maturity on the face thereof by Five Thousand Dollars (\$5,000) and multiplying the result thereof by the applicable amount set forth in the Purchase Contract.

Interest on the 2020 Series B Bonds shall be paid by the Trustee on each interest payment date to the person appearing on the registration books of the Authority maintained by the Trustee or its designee, as the registered owner of such 2020 Series B Bonds on the fifteenth (15th) day of the month preceding the interest payment date by check mailed to the registered owner at the address as it appears on the registration books, or to the designee, at the address of such designee.

The 2020 Series B Bonds may be issued in whole or in part as Serial Bonds which shall mature on June 1 and/or December 1 in the years and principal amounts and bear interest, in the case of 2020 Series B Bonds other than Capital Appreciation Bonds, or be issued in the Original Aggregate Principal Amounts, in the case of Capital Appreciation Bonds, as approved by an Authorized Representative. The principal amounts of the Serial Bonds, if any, the designation as current interest bearing Bonds or Capital Appreciation Bonds, the maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, shall be set forth in the Purchase Contract, and the approval of such principal amounts, designation as current interest bearing Bonds or Capital Appreciation Bonds, maturities, rates of interest, and Original Aggregate Principal Amounts, as applicable, of the Serial Bonds shall be evidenced by the execution of the Purchase Contract by the Authority.

The 2020 Series B Bonds may also be issued in whole or in part as Term Bonds which shall mature on June 1 and/or December 1 in the years and principal amounts and bear interest, in the case of 2020 Series B Bonds other than Capital Appreciation Bonds, or be issued in the Original Aggregate Principal Amounts, in the case of Capital Appreciation Bonds, as approved by an Authorized Representative. The principal amounts of the Term Bonds, if any, the designation of current interest bearing Bonds or Capital Appreciation Bonds, the maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, shall be set forth in the Purchase Contract, and the approval of the principal amounts, designation as current interest bearing Bonds or Capital Appreciation Bonds, maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, of the Term Bonds shall be evidenced by the execution of the Purchase Contract by the Authority.

The purchase price of the 2020 Series B Bonds and the compensation to be paid to the Underwriters with respect to the 2020 Series B Bonds shall be as approved by an Authorized Representative and shall be set forth in the Purchase Contract, and the approval of such purchase price and compensation shall be evidenced by the execution of the Purchase Contract by the Authority.

In making the determination with respect to interest rates, the Original Aggregate Principal Amounts of Capital Appreciation Bonds, designations as Serial Bonds or Term Bonds, Capital Appreciation Bonds and the maturities of the 2020 Series B Bonds, and with respect to the compensation to be paid to the Purchasers, the purchase price of the 2020 Series B Bonds and certain other matters, the Authorized Representative making such determinations shall be limited as follows:

(a) The rate of interest on any 2020 Series B Bond shall not exceed eight percent (8.00%) per annum, unless such bond is initially sold to the Purchasers at a price in excess of the par amount thereof, in which case the yield on any such 2020 Series B Bond shall not exceed eight percent (8.00%) per annum;

(b) The compensation to be paid to the Underwriters shall not be more than one percent (1.00%) of the original principal amount of the 2020 Series B Bonds;

(c) The schedule of maturities and the amount of each maturity for the 2020 Series B Bonds, taking into account the Sinking Fund Requirements, if any, established pursuant to Section 205 hereof, shall be established in a manner that will permit the Authorized Representative to file the Cash Flow Statement required by Section 608 of the General Resolution;

(d) The final maturity of the 2020 Series B Bonds shall not be later than December 1, 2052;

(e) The maximum amount of scheduled principal payments (adjusted for any previously scheduled Sinking Fund Requirements) and Sinking Fund Requirements due with respect to the 2020 Series B Bonds on any June 1 or December 1, excluding the accretion of any Capital Appreciation Bonds, shall not exceed ~~Five~~ Ten Million Dollars (~~\$5,000,000~~ 10,000,000);

(f) The proceeds of the 2020 Series B Bonds credited to the Down Payment Assistance Fund shall not exceed ten percent (10%) of the original principal amount of the 2020 Series B Bonds;

(g) The Authority shall not sell the 2020 Series B Bonds to the Purchasers at a price of less than ninety-eight percent (98%) of the principal amount thereof, exclusive of any underwriter's discount; and

(h) No more than Ten Million (\$10,000,000) of the proceeds of the 2020 Series B Bonds shall be used to finance or acquire 2020 Series B Home Improvement Mortgage Loans.

204. Denominations, Numbers and Letters. The 2020 Series B Bonds, other than the Capital Appreciation Bonds, shall be issued as fully-registered bonds in the denominations of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2020 Series B Bonds. The Capital Appreciation Bonds shall be issued as fully-registered bonds in denominations which appreciate upon maturity to Five Thousand Dollars (\$5,000), as set forth in the Purchase Contract, or any integral multiple thereof. The 2020 Series B Bonds shall be numbered consecutively from 1 upwards, with such additional designations as shall be determined by an Authorized Representative.

205. Sinking Fund Redemption. The Term Bonds, if any, shall be subject to mandatory redemption in part on June 1 and/or December 1, at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, in the case of 2020 Series B Bonds other than Capital Appreciation Bonds, and the Appreciated Amount thereof, in the case of Capital Appreciation Bonds, in such years and such amounts as shall be approved by an Authorized

(a) The rate of interest on any 2020 Series B Bond shall not exceed eight percent (8.00%) per annum, unless such bond is initially sold to the Purchasers at a price in excess of the par amount thereof, in which case the yield on any such 2020 Series B Bond shall not exceed eight percent (8.00%) per annum;

(b) The compensation to be paid to the Underwriters shall not be more than one percent (1.00%) of the original principal amount of the 2020 Series B Bonds;

(c) The schedule of maturities and the amount of each maturity for the 2020 Series B Bonds, taking into account the Sinking Fund Requirements, if any, established pursuant to Section 205 hereof, shall be established in a manner that will permit the Authorized Representative to file the Cash Flow Statement required by Section 608 of the General Resolution;

(d) The final maturity of the 2020 Series B Bonds shall not be later than December 1, 2052;

(e) The maximum amount of scheduled principal payments (adjusted for any previously scheduled Sinking Fund Requirements) and Sinking Fund Requirements due with respect to the 2020 Series B Bonds on any June 1 or December 1, excluding the accretion of any Capital Appreciation Bonds, shall not exceed Ten Million Dollars (\$10,000,000);

(f) The proceeds of the 2020 Series B Bonds credited to the Down Payment Assistance Fund shall not exceed ten percent (10%) of the original principal amount of the 2020 Series B Bonds;

(g) The Authority shall not sell the 2020 Series B Bonds to the Purchasers at a price of less than ninety-eight percent (98%) of the principal amount thereof, exclusive of any underwriter's discount; and

(h) No more than Ten Million (\$10,000,000) of the proceeds of the 2020 Series B Bonds shall be used to finance or acquire 2020 Series B Home Improvement Mortgage Loans.

204. Denominations, Numbers and Letters. The 2020 Series B Bonds, other than the Capital Appreciation Bonds, shall be issued as fully-registered bonds in the denominations of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2020 Series B Bonds. The Capital Appreciation Bonds shall be issued as fully-registered bonds in denominations which appreciate upon maturity to Five Thousand Dollars (\$5,000), as set forth in the Purchase Contract, or any integral multiple thereof. The 2020 Series B Bonds shall be numbered consecutively from 1 upwards, with such additional designations as shall be determined by an Authorized Representative.

205. Sinking Fund Redemption. The Term Bonds, if any, shall be subject to mandatory redemption in part on June 1 and/or December 1, at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, in the case of 2020 Series B Bonds other than Capital Appreciation Bonds, and the Appreciated Amount thereof, in the case of Capital Appreciation Bonds, in such years and such amounts as shall be approved by an Authorized

Representative, which approval shall be evidenced by the Sinking Fund Requirements set forth in the Purchase Contract executed by the Authority (subject to reduction as provided in the General Resolution).

206. Special Redemptions.

(a) The 2020 Series B Bonds are redeemable, at any time in whole or in part, at the option of the Authority (except to the extent that the Authority is required to redeem 2020 Series B Bonds as set forth in subsection (b) or (d) below), at a Redemption Price equal to the principal amount (or, in the case of redemptions pursuant to clause (i) of this Section 206(a), for 2020 Series B Bonds initially purchased by the Purchasers at a price in excess of the principal amount thereof, a price not greater than the price paid by the Purchasers for such 2020 Series B Bonds) plus accrued interest to the redemption date in the case of 2020 Series B Bonds other than Capital Appreciation Bonds, and at the Appreciated Amount thereof in the case of Capital Appreciation Bonds, in a principal amount not in excess of the total of (i) 2020 Series B Bond proceeds remaining uncommitted to the financing of Mortgage Loans or 2020 Series B Down Payment Assistance Loans; (ii) Principal Prepayments (including Principal Prepayments in respect of Mortgage Loans financed from other Series of Bonds issued under the General Resolution); (iii) 2020 Series B Down Payment Assistance Loan Principal Prepayments; and (iv) Revenues available for redemption pursuant to Section 403(e)(1) of the General Resolution.

(b) With respect to redemptions pursuant to subsection (a) above, the 2020 Series B Bonds to be redeemed shall be selected from the Outstanding maturities of the 2020 Series B Bonds on such basis as shall be determined by the Authority, except as may be otherwise designated in the Purchase Contract.

(c) The Authority may designate in the Purchase Contract one or more maturities of the 2020 Series B Bonds as Super Sinker Bonds. The Super Sinker Bonds, if any, shall be subject to mandatory redemption as provided in the Purchase Contract.

207. Optional Redemption. The 2020 Series B Bonds shall be subject to redemption at any time on or after the date established by an Authorized Representative in the Purchase Contract (which date shall not be earlier than June 1, 2025) at the option of the Authority in any order of maturity from any moneys available therefor in whole or in part by lot within a maturity at the applicable Redemption Prices (expressed as percentages of the principal amount thereof, in the case of 2020 Series B Bonds other than Capital Appreciation Bonds, and the Appreciated Amount thereof, in the case of Capital Appreciation Bonds) not to exceed one hundred five percent (105%) of the principal amount of the 2020 Series B Bonds so subject to optional redemption, on the dates of redemption, all as shall be established by an Authorized Representative in the Purchase Contract.

208. Conditional Notice of Optional Redemption and No Requirement to Have Funds on Hand. As provided for by Section 302 of the General Resolution, as may be supplemented as provided therein, and notwithstanding any provision in the General Resolution to the contrary, (i) the Authority shall not be required to have in the Redemption Fund, or otherwise available and set aside in the General Receipts Fund, an amount sufficient to effect the redemption of any 2020 Series B Bonds prior to the notice of optional redemption being sent by the Trustee, and (ii) any such notice of optional redemption of any 2020 Series B Bonds may, at

the direction of an Authorized Representative, state that it is conditional in nature and may be rescinded at any time on or before the business day prior to the redemption date, together with the terms under which notice of any such rescission is to be provided to the Bondowners. If such notice is rescinded any such 2020 Series B Bonds that were subject to the notice of redemption shall remain Outstanding Bonds.

209. Sale of 2020 Series B Bonds. An Authorized Representative is authorized to negotiate, execute and deliver, on behalf of the Authority, the Purchase Contract, in substantially the form presented to this meeting, with such changes as an Authorized Representative deems necessary and desirable and not materially adverse to the Authority, for purchase of the 2020 Series B Bonds at the price(s) and with compensation to the Underwriters, all as set forth therein. Approval of the Purchase Contract, and the purchase price set forth therein, shall be evidenced by the execution of the Purchase Contract by an Authorized Representative.

210. Expenses. The Authority's Expenses with respect to the 2020 Series B Bonds for a Fiscal Year may not exceed an amount equal to one quarter of one percent (0.25%) of the greater of the aggregate principal amount of all Outstanding 2020 Series B Bonds or the aggregate principal amount of the outstanding 2020 Series B Mortgage Loans, all as of the first day of such Fiscal Year.

ARTICLE III REQUIREMENTS AND FUNDS

301. Debt Reserve Requirement. (a) The Debt Reserve Requirement with respect to the 2020 Series B Bonds is hereby determined to be an amount equal to four percent (4%) of the sum of (i) the outstanding principal balance of 2020 Series B Mortgage Loans and 2020 Series B Down Payment Assistance Loans allocated to the 2020 Series B Bonds (except 2020 Series B Mortgage Loans underlying certificates of the Government National Mortgage Association or the Federal National Mortgage Association), (ii) the amount on deposit in the 2020 Series B Bond Proceeds Fund and allocated to the purchase or financing of 2020 Series B Mortgage Loans (except 2020 Series B Mortgage Loans underlying certificates of the Government National Mortgage Association or the Federal National Mortgage Association), and (iii) the amount on deposit in the Down Payment Assistance Fund allocated to the 2020 Series B Bonds and the financing of 2020 Series B Down Payment Assistance Loans. The deposits to the Capital Reserve Fund made and to be made pursuant to this 2020 Series B Resolution will be in the form of cash and Investment Obligations which may be used for the purposes of the Capital Reserve Fund; provided however, that the Authority may in lieu of or in replacement of or in addition to all or a portion of the deposits to the Capital Reserve Fund, obtain and pledge to the Capital Reserve Fund Letter(s) of Credit and/or Surety Bond(s), which Letter(s) of Credit or a portion thereof shall be exclusively available to be drawn on and which Surety Bond(s) or a portion thereof shall unconditionally and irrevocably guarantee payment for the purposes of the Capital Reserve Fund. Any moneys so replaced by Letter(s) of Credit and/or Surety Bond(s) or a portion thereof shall be withdrawn by the Trustee and deposited in the Bond Proceeds Fund. The amount of moneys on deposit in the Capital Reserve Fund, or the amount of Letter(s) of Credit pledged to and exclusively available to be drawn on or Surety Bond(s) pledged to unconditionally and irrevocably guarantee payment for the purposes of the Capital Reserve Fund which, when combined with any moneys on deposit therein, and any other Letter(s) of Credit pledged thereto and exclusively available to be drawn on or Surety Bond(s)

which shall unconditionally and irrevocably guarantee payment for the purposes thereof, shall equal the Capital Reserve Fund Requirement.

(b) If at any time the Trustee is required by Section 407 of the General Resolution to transfer moneys from the Capital Reserve Fund to the Debt Service Fund, the Trustee shall make such transfer to the Debt Service Fund from any moneys which shall then be on deposit in the Capital Reserve Fund, and if the moneys in the Capital Reserve Fund are not sufficient to make up the deficiency in the Debt Service Fund, the Trustee shall make a draw under any Letter(s) of Credit or make a demand for payment under any Surety Bond(s) which may be pledged to the Capital Reserve Fund and deposit such proceeds to the Debt Service Fund to the extent of the deficiency in the Debt Service Fund.

302. The Loan Loss Fund.

(a) The repayment of the 2020 Series B Bonds shall be further secured by a pledge of the amounts on deposit in the Loan Loss Fund as created by the Loan Loss Fund Resolution. The 2020 Series B Resolution shall be deemed to be a Single-Family Bond Resolution for purposes of the Loan Loss Fund Resolution. The Loan Loss Fund Requirement with respect to the 2020 Series B Bonds shall be zero (\$0), and, accordingly, the Authority shall not be required to deposit any moneys into the Loan Loss Fund prior to the disbursement of proceeds from the Bond Proceeds Fund for the financing of a 2020 Series B Mortgage Loan.

(b) If at any time moneys in the General Receipts Fund are not sufficient to permit the transfer of moneys to the Debt Service Fund required by Section 403 of the General Resolution, the Trustee shall make up such a deficiency first, by the withdrawal and transfer to the Debt Service Fund of money from any amounts which shall then be on deposit in the Loan Loss Fund, and if the amount in the Loan Loss Fund is not sufficient to make up such deficiencies, and second by a draw under any Letter(s) of Credit or a demand for payment under any Surety Bond(s) which may be pledged to the Loan Loss Fund and the deposit of such proceeds to the Debt Service Fund. Furthermore, in the event there shall be on any date on which an interest or principal payment (including any Sinking Fund Requirement) shall be due, a deficiency in the amounts in the Debt Service Fund to be applied to the payment of liquidity fees, interest or principal or a Redemption Price of the Bonds pursuant to Section 404(a) or (b) of the General Resolution but prior to any transfer to the Debt Service Fund from the Redemption Fund pursuant to Section 405 of the General Resolution or the Capital Reserve Fund pursuant to Section 406 of the General Resolution, the Trustee first shall make up such a deficiency by the withdrawal of moneys from the Loan Loss Fund and the transfer thereof to the Debt Service Fund, and second, if required, by a draw under any Letter(s) of Credit or a demand for payment under any Surety Bond(s) which may be pledged to the Loan Loss Fund and the transfer of such proceeds to the Debt Service Fund.

(c) Amounts on deposit in the Loan Loss Fund shall not be included in any calculation made in connection with any Cash Flow Statement or pursuant to Section 403(e)(3) of the General Resolution.

303. Deposits into Funds.

(a) The proceeds of the 2020 Series B Bonds shall be deposited into the Bond Proceeds Fund and shall be invested by the Trustee pursuant to instructions from the Authority only in Investment Obligations, which shall include, for purposes of this 2020 Series B Resolution, an investment agreement secured or unsecured as determined by an Authorized Representative, guaranteed by an institution whose debt securities are rated at least the then existing rating on the Bonds (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency. Proceeds of the 2020 Series B Bonds in an amount sufficient to satisfy the Capital Reserve Fund Requirement relating to the 2020 Series B Bonds shall be promptly transferred by the Trustee to the Capital Reserve Fund. In the event that the Authority shall elect to obtain and pledge to the Capital Reserve Fund Letter(s) of Credit and/or Surety Bond(s) in an amount sufficient to satisfy all or a portion of the Capital Reserve Fund Requirement in lieu of or in replacement of or in addition to the deposits to the Capital Reserve Fund, any moneys so replaced provided by 2020 Series B Bond proceeds shall be promptly withdrawn by the Trustee and paid to the Authority for deposit in the Bond Proceeds Fund. Proceeds of the 2020 Series B Bonds in an amount not to exceed the limitation set forth in this Resolution, and as set forth in the Purchase Contract, shall be promptly transferred by the Trustee to the Down Payment Assistance Fund.

(b) All moneys representing accrued interest on the 2020 Series B Bonds, if any, shall be deposited to the credit of the General Receipts Fund (to be applied to the payment of interest on the 2020 Series B Bonds on the first applicable interest payment date).

304. Reserved.

305. Series Program Determinations. Each newly originated 2020 Series B Mortgage Loan shall have the following terms, conditions, provisions and limitations:

(a) The promissory note for each 2020 Series B Mortgage Loan must be payable or endorsed to the Authority, and such 2020 Series B Mortgage Loan must (i) be originated in the name of the Authority, (ii) be assigned to the Authority, or (iii) be originated in the name of a nominee who shall register the Authority as the owner of a beneficial interest in such 2020 Series B Mortgage Loan, and such 2020 Series B Mortgage Loan must have a servicer that tracks servicing of such 2020 Series B Mortgage Loan pursuant to a written agreement with the Authority relating thereto;

(b) Each 2020 Series B Mortgage Loan (i) shall be for a term not exceeding thirty (30) years, (ii) shall have a rate or rates of interest fixed at the time of origination, and (iii) shall either have approximately equal monthly payments for each rate of interest borne by such 2020 Series B Mortgage Loan, or at the option of the Authority, shall have monthly payments that increase on a predetermined basis over the life of such 2020 Series B Mortgage Loan;

(c) Each 2020 Series B Mortgage Loan shall relate to a residence which shall be the principal residence of the mortgagor within a reasonable time after the closing of such 2020 Series B Mortgage Loan;

(d) Each 2020 Series B Mortgage Loan shall relate to a single-family residential structure or condominium unit;

(e) (1) Except for 2020 Series B Mortgage Loans that are 2020 Series B Home Improvement Mortgage Loans, each 2020 Series B Mortgage Loan shall be insured under an insurance contract, or guaranteed under a guarantee agreement, requiring benefits to be paid to the Authority following default by the mortgagor in the payment of principal or interest on the 2020 Series B Mortgage Loan in an amount which, when combined with the down payment applicable to such 2020 Series B Mortgage Loan (irrespective of the source of funds therefor), is equal to an amount in excess of eighteen percent (18%) of the purchase price of the residence; provided, however, that any such insurance shall not be initially required or may be terminated when the principal balance of the 2020 Series B Mortgage Loan is eighty percent (80%) or less of the original purchase price of the residence; and

(2) If applicable law shall not permit the Authority, or if the Authority anticipates that applicable law will not permit it, to require a mortgagor under a 2020 Series B Mortgage Loan, or a person on behalf of such mortgagor, to pay for the mortgage insurance described in paragraph (1) of this subsection, then the Authority shall pay for such mortgage insurance from moneys available under the General Resolution or otherwise, except to the extent that:

(i) the Authority either:

(A) does not pay for such mortgage insurance from moneys available under the General Resolution or otherwise; or

(B) provides additional reserves, insurance, sureties or cash equivalents as security or makes other covenants regarding the 2020 Series B Bonds; and

(ii) the taking of the action described in clause (A) or (B) above, does not, by itself, or in combination with other factors, result in a reduction in the then-current unenhanced rating of the Bonds;

(f) Except for 2020 Series B Mortgage Loans that are 2020 Series B Home Improvement Mortgage Loans, the 2020 Series B Mortgage Loans shall be: (i) conventional mortgage loans, (ii) insured by the Federal Housing Administration, (iii) guaranteed by the United States Department of Veterans' Affairs, or (iv) guaranteed by the Rural Housing Service of the United States Department of Agriculture;

(g) Except for 2020 Series B Mortgage Loans that are 2020 Series B Home Improvement Mortgage Loans, a 2020 Series B Mortgage Loan shall be used for the purchase of a residence or both the purchase and rehabilitation of a residence;

(h) Each 2020 Series B Home Improvement Mortgage Loan shall be: (i) insured under the Federal Housing Administration Title 1 Property Improvement Loan Program, and (ii) used to finance improvements to a year-round residence located in Michigan;

(i) 2020 Series B Home Improvement Mortgage Loans are not required to be evidenced by a mortgage document that constitutes a first lien on the mortgaged property; and

(j) The Authority shall not sell any 2020 Series B Mortgage Loans or 2020 Series B Down Payment Assistance Loans and use the proceeds of such sale to redeem 2020 Series B Bonds as provided in Section 206 hereof except for 2020 Series B Mortgage Loans or 2020 Series B Down Payment Assistance Loans (i) that are in default or (ii) that do not comply with the Authority's Program requirements.

306. Covenant as to Disposition of Principal Prepayments and 2020 Series B Down Payment Assistance Loan Principal Prepayments. Subject to the provisions of Section 403 of the General Resolution and Section 206 hereof, the Authority shall direct the Trustee to transfer Revenues in an amount equal to and representing (a) the Principal Prepayments derived from 2020 Series B Mortgage Loans from the General Receipts Fund to the Redemption Fund or the Bond Proceeds Fund, provided that any such Revenues deposited in the Bond Proceeds Fund must be transferred to the Redemption Fund within twelve (12) months of such deposit if not used for the purpose of financing Mortgage Loans within such one-year period and (b) the 2020 Series B Down Payment Assistance Loan Principal Prepayments from the General Receipts Fund to the Redemption Fund or the Down Payment Assistance Fund, provided that any such Revenues deposited in the Down Payment Assistance Fund must be transferred to the Redemption Fund within twelve (12) months of such deposit if not used for the purpose of financing 2020 Series B Down Payment Assistance Loans within such one-year period.

307. Down Payment Assistance Fund.

(a) Amounts on deposit in the Down Payment Assistance Fund shall be used as provided in this 2020 Series B Resolution with respect to moneys received by the Authority in connection with the issuance of the 2020 Series B Bonds.

(b) Amounts on deposit in the Down Payment Assistance Fund received by the Authority in connection with the issuance of the 2020 Series B Bonds, if any, and any additional amounts deposited by the Authority in the Down Payment Assistance Fund in respect of the 2020 Series B Bonds as hereinafter provided, if any, shall be used, upon Authority Request, to finance 2020 Series B Down Payment Assistance Loans. The Authority may, from time to time, direct that additional amounts be deposited in the Down Payment Assistance Fund in respect of the 2020 Series B Bonds from unrestricted Authority funds for the purpose of financing additional 2020 Series B Down Payment Assistance Loans. No amounts on deposit in the Down Payment Assistance Fund shall be used to finance Mortgage Loans. Each 2020 Series B Down Payment Assistance Loan shall have the following terms, conditions, provisions and limitations:

(i) Each 2020 Series B Down Payment Assistance Loan shall be made to provide down payment assistance only to a mortgagor who has received a Mortgage Loan;

(ii) Each 2020 Series B Down Payment Assistance Loan shall be evidenced by a promissory note and a mortgage document which has been properly recorded and constitutes a valid second lien on the property subject only to the mortgage securing the related Mortgage Loan and real property taxes or assessments not yet due;

(iii) The promissory note for each 2020 Series B Down Payment Assistance Loan must be payable or endorsed to the Authority and the 2020 Series B Down Payment Assistance Loan must be originated in the name of the Authority or be assigned to the Authority;

(iv) Each 2020 Series B Down Payment Assistance Loan shall be in a principal amount not to exceed Ten Thousand Dollars (\$10,000); and

(v) Each 2020 Series B Down Payment Assistance Loan shall be for a term not exceeding the term of the related Mortgage Loan, shall bear interest as determined by the Authority and shall be payable on the earliest of (A) the sale of the residence to which such 2020 Series B Down Payment Assistance Loan relates, (B) the maturity date thereof or (C) the date of payment in full of the related Mortgage Loan.

(c) Amounts on deposit in the Down Payment Assistance Fund may be transferred at any time, upon Authority Request, to the Bond Proceeds Fund.

(d) The Authority does hereby pledge, convey and assign the 2020 Series B Down Payment Assistance Loans as security for the payment of the Bonds and the interest and redemption premium, if any, thereon and for the equal and proportionate benefit and security from time to time, of the Owners of the Bonds without preference, priority or distinction as to lien or otherwise. Any 2020 Series B Down Payment Assistance Loans shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof, and neither this 2020 Series B Resolution nor any instruments by which a pledge is created need be recorded. All moneys received by or on behalf of the Authority representing principal and interest payments on the 2020 Series B Down Payment Assistance Loans including all 2020 Series B Down Payment Assistance Loan Principal Prepayments representing the same shall constitute "Revenues" for purposes of the General Resolution and shall be deposited in the General Receipts Fund.

(e) Amounts on deposit in the Down Payment Assistance Fund in respect of the 2020 Series B Down Payment Assistance Loans shall be taken into account when preparing a Cash Flow Statement in accordance with Section 608 of the General Resolution. In addition to the requirements for filing a Cash Flow Statement set forth in Section 608 of the General Resolution, the Authority shall file with the Trustee a current Cash Flow Statement prior to transferring amounts to the Down Payment Assistance Fund to finance 2020 Series B Down Payment Assistance Loans in excess of the amounts contemplated in the last Cash Flow Statement to be so transferred, or prior to applying amounts previously transferred to the Down Payment Assistance Fund to finance 2020 Series B Down Payment Assistance Loans on terms materially different from those assumed in the last Cash Flow Statement. Upon filing a Cash Flow Statement with the Trustee, the Authority shall thereafter administer its program for making 2020 Series B Down Payment Assistance Loans

in all material respects in accordance with the assumptions set forth in such Cash Flow Statement. Except as necessary to dispose of defaulted 2020 Series B Down Payment Assistance Loans or to comply with requirements of the Authority relating to its program for making 2020 Series B Down Payment Assistance Loans, if the Cash Flow Statement delivered in connection with any sale of 2020 Series B Down Payment Assistance Loans at a price below book value does not project Revenues sufficient to pay Expenses and debt service on the Bonds when due in each bond year, an Authorized Representative must certify to the Trustee that the projected deficiency in each bond year is less than it would have been if all or a portion of the amounts transferred or used had been applied to the financing of 2020 Series B Down Payment Assistance Loans or invested in Investment Obligations on terms then available.

ARTICLE IV FORMS, EXECUTION AND DELIVERY OF 2020 SERIES B BONDS

401. Forms of 2020 Series B Bonds. Subject to the provisions of the General Resolution, the form of the 2020 Series B Bonds and the Certificate of Authentication with respect thereto are hereby approved substantially in the forms attached as Exhibits A and B, respectively, with necessary or appropriate variations, omissions and insertions as are incidental to their numbers, denominations, maturities, interest rate or rates, redemption provisions and other details thereof.

402. Execution and Delivery of 2020 Series B Bonds. (a) The 2020 Series B Bonds shall be executed in the name of the Authority by the manual or facsimile signature of either its Chairperson or Executive Director and the corporate seal of the Authority (or a facsimile thereof) shall be impressed or imprinted thereon in accordance with the provisions of Section 204 of the General Resolution. The 2020 Series B Bonds shall be authenticated by the manual signature of an authorized signer of the Trustee.

(b) The 2020 Series B Bonds shall be delivered by an Authorized Representative to the Purchasers in New York, New York, Lansing, Michigan, or any other location mutually agreeable to the Authority and the Purchasers, upon payment of the purchase price plus accrued interest, if any, on the 2020 Series B Bonds from the date thereof to the date of delivery in immediately available Federal Reserve Funds available to the Authority at the time or times and place or places of delivery.

(c) Initially, one fully-registered 2020 Series B Bond (a “2020 Series B Bond”) for each maturity of 2020 Series B Bonds, in the aggregate principal amount of such maturity, shall be issued in the name of Cede & Co., as nominee of DTC.

403. Global Form; Securities Depository.

(a) Except as otherwise provided in this Section, the 2020 Series B Bonds shall be in the form of the 2020 Series B Bond, shall be registered in the name of the Securities Depository or its nominee and ownership thereof shall be maintained in book entry form by the Securities Depository for the account of the Agent Members thereof. Except as provided in subsection (c) of this Section, 2020 Series B Bonds may be transferred, in whole but not in part, only to the Securities Depository

or a nominee of the Securities Depository, or to a successor Securities Depository selected by the Authority, or to a nominee of such successor Securities Depository.

(b) The Authority and the Trustee shall have no responsibility or obligation with respect to:

(i) the accuracy of the records of the Securities Depository or any Agent Member with respect to any beneficial ownership interest in the 2020 Series B Bonds;

(ii) the delivery to any Agent Member, beneficial owner of the 2020 Series B Bonds or other person, other than the Securities Depository, of any notice with respect to the 2020 Series B Bonds;

(iii) the payment to any Agent Member, beneficial owner of the Bonds or other person, other than the Securities Depository of any amount with respect to the principal of, premium, if any, or interest on, the 2020 Series B Bonds;

(iv) any consent given by Cede & Co. as Bondowner of the 2020 Series B Bonds or any successor nominee of a Securities Depository as Bondowner of such Bonds; or

(v) the selection by the Securities Depository or any Agent Member of any beneficial owners to receive payment if any 2020 Series B Bonds are redeemed in part.

So long as the certificates for the 2020 Series B Bonds are not issued pursuant to subsection (c) of this Section 403, the Authority and the Trustee may treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner of such 2020 Series B Bonds for all purposes whatsoever, including without limitation:

(1) the payment of principal, premium, if any, and interest on such 2020 Series B Bond;

(2) giving notices of redemption and other matters with respect to such 2020 Series B Bond; and

(3) registering transfers with respect to such 2020 Series B Bond.

(c) If at any time the Securities Depository notifies the Authority or the Trustee that it is unwilling or unable to continue as Securities Depository with respect to the 2020 Series B Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor Securities Depository is not appointed by the Authority within ninety (90) days after the Authority or the Trustee receives notice or becomes aware of such condition, as the case may be, subsections (a) and (b) of this Section shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the 2020 Series B Bonds as provided in subsection (d) below. In addition, the Authority may determine at any time that the 2020 Series B Bonds shall no longer be represented by global certificates and that the provisions of

subsections (a) and (b) above shall no longer apply to the 2020 Series B Bonds. In any such event the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the 2020 Series B Bonds as provided in subsection (d) below.

(d) Certificates for the 2020 Series B Bonds issued in exchange for global certificates shall be registered in such names and authorized denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Authority and the Trustee. The Trustee shall deliver such certificates representing the 2020 Series B Bonds to the persons in whose names such 2020 Series B Bonds are so registered as soon as practicable.

404. Conflict With Representation Letter. Notwithstanding any other provision of this 2020 Series B Resolution to the contrary, so long as any 2020 Series B Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or Redemption Price of and interest, if any, on such 2020 Series B Bond, and all notices with respect to such 2020 Series B Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

ARTICLE V MISCELLANEOUS

501. Ratification of Actions. The actions of any Authorized Representative heretofore taken pursuant to the provisions of the General Resolution including, but not limited to: the publishing of notice and the conducting of a hearing with respect to the issuance of the 2020 Series B Bonds, the making of presentations to security rating agencies, the undertaking of discussions and negotiations with underwriters or groups of underwriters or purchasers regarding offers to purchase the 2020 Series B Bonds, be, and they hereby are, ratified and confirmed in all respects.

502. Authorization of Actions. (a) Any Authorized Representative is hereby authorized and directed to execute such other documents and certifications, and to perform such other acts as may be necessary or convenient for the proper sale, execution and delivery of the 2020 Series B Bonds subject to, and as may be required by the Purchase Contract, the General Resolution and this 2020 Series B Resolution.

(b) Any Authorized Representative is hereby authorized to pay from the General Operating Fund all funds necessary to pay the costs of issuance, including the Underwriters' fee and placement fee, if applicable, of the 2020 Series B Bonds not paid from the proceeds of the 2020 Series B Bonds, and to make the deposit of moneys, or obtain Letter(s) of Credit and/or Surety Bond(s), or an increase in the amount of existing Letter(s) of Credit and/or Surety Bond(s), as provided by Section 503 hereof.

503. Authorization of Procurement of Letter(s) of Credit and/or Surety Bond(s) and Execution of Reimbursement Agreement and/or Guaranty Agreement; Notice to the Trustee.

Any Authorized Representative hereby is authorized to obtain Letter(s) of Credit and/or Surety Bond(s), to obtain an increase in the amount of existing Letter(s) of Credit and/or Surety Bonds or to obtain a replacement for existing Letter(s) of Credit and/or Surety Bond(s) for application in lieu of the deposit of moneys to the Capital Reserve Fund as specifically authorized in this 2020 Series B Resolution. In connection with the procurement of the foregoing Letter(s) of Credit and/or Surety Bond(s) or the increase in the amount of existing Letter(s) of Credit and/or Surety Bond(s), the Authorized Representative is authorized, if necessary, to negotiate and execute a reimbursement agreement, or, if necessary, an amendment to any existing reimbursement agreement, with a banking institution, or a guaranty agreement, or, if necessary, an amendment to an existing guaranty agreement, with an insurance company, as appropriate. The annual fees (in addition to any expense reimbursements) paid to the banking institution for the procurement of Letter(s) of Credit shall not exceed one half of one percent (0.5%) of the cumulative amount of the Letter(s) of Credit, the fee to be paid by the Authority for any Surety Bond(s) shall not exceed two percent (2%) of the Surety Bond Coverage relating thereto. The Authority shall give the Trustee sixty (60) days' written notice prior to the expiration of any Letter(s) of Credit obtained pursuant to this 2020 Series B Resolution.

504. Preliminary Official Statement. The form of the Preliminary Official Statement of the Authority with respect to the initial offering of the 2020 Series B Bonds, substantially in the form presented to this meeting, is hereby approved and the distribution thereof by the Underwriters is hereby authorized, with such changes, omissions, insertions and revisions as an Authorized Representative shall deem advisable or appropriate. The delivery of a certificate relating to the Preliminary Official Statement for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, is also approved.

505. Final Official Statement. The form of the Preliminary Official Statement of the Authority is hereby authorized and approved as the final Official Statement of the Authority, with such changes, omissions, insertions and revisions as an Authorized Representative shall deem advisable or appropriate. Any Authorized Representative is hereby authorized to execute such final Official Statement and deliver it to the Underwriters for distribution on behalf of the Authority.

506. Reserved.

507. Trustee Not Responsible for Official Statement. The recitals, statements and representations contained in the Preliminary Official Statement and the Official Statement shall be taken and construed as made by and on the part of the Authority and not by the Trustee, and the Trustee assumes and shall be under no responsibility for the correctness of the same.

508. Notice of Redemption.

(a) At least thirty (30) days but no more than ninety (90) days before the redemption date of any 2020 Series B Bonds, the Trustee shall cause a notice of any redemption of 2020 Series B Bonds, either in whole or in part, to be sent by registered or certified mail or by overnight delivery, to the Securities Depository at least two (2) business days (a business day being a day

when such Securities Depository is open for business) prior to the date of general mailing of any notice of redemption.

(b) In addition, a second duplicate notice in writing shall be mailed by certified mail, postage prepaid, return receipt requested, to any registered owner of 2020 Series B Bonds to be redeemed who has not presented and surrendered such 2020 Series B Bonds to the Trustee for redemption within thirty (30) days after the date of redemption.

(c) In addition to the requirements set forth in Section 302 of the General Resolution, a notice of any such redemption shall include the following information with respect to the 2020 Series B Bonds to be so redeemed: the complete title of the 2020 Series B Bonds, the CUSIP numbers of the 2020 Series B Bonds to be redeemed, the date of general mailing of such notice of redemption, the complete name of the Trustee including the telephone number for inquiries, the maturity date and the interest rate (if applicable) of the 2020 Series B Bonds.

(d) Failure to receive any such notices by any such registered owner shall not affect the validity of the proceedings for the redemption of the 2020 Series B Bonds.

509. Continuing Disclosure. The 2020 Series B Bonds are hereby made subject to the Second Master Continuing Disclosure Undertaking-Single Family Mortgage Revenue Bonds, dated as of April 1, 2019, and the Authority agrees to abide by the provisions thereof so long as any of the 2020 Series B Bonds are Outstanding.

510. Notices to Rating Agency. The Authority hereby covenants and agrees that it will send written notice to S&P at 55 Water Street, 38th Floor, New York, New York 10041 and to Moody's at 7 World Trade Center at 50 Greenwich Street, New York, New York 10007, of the occurrence of any of the following events with respect to the 2020 Series B Bonds:

- (a) any acceleration of payment of the principal of and interest on the 2020 Series B Bonds;
- (b) any amendments to this 2020 Series B Resolution or the General Resolution;
- (c) any successor to the Trustee under the General Resolution; and
- (d) any defeasance or redemption in whole of the 2020 Series B Bonds.

511. Effective Date. This 2020 Series B Resolution shall take effect immediately. If the 2020 Series B Bonds are not delivered to the Purchasers on or before October 31, 2020, the authority granted by this 2020 Series B Resolution shall lapse.

EXHIBIT A

[FORM OF 2020 SERIES B BOND]

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
SINGLE-FAMILY MORTGAGE REVENUE BOND, 2020 SERIES B
(FEDERALLY TAXABLE)

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
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REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT:

The Michigan State Housing Development Authority (the “Authority”), a public body corporate and politic, organized and existing under and by virtue of the laws of the State of Michigan, acknowledges itself indebted to, and for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above, on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, upon the presentation and surrender hereof at the principal corporate trust office of U.S. Bank National Association in St. Paul, Minnesota (the “Trustee”), as Trustee under the Resolution of the Authority adopted December 17, 1987, authorizing the issuance of Michigan State Housing Development Authority Single-Family Mortgage Revenue Bonds, as amended and supplemented (the “General Resolution”), or its successor as Trustee, and to pay to the registered owner by check or draft mailed to the registered owner on the fifteenth (15th) day of the month preceding the interest payment date at such owner’s address as shown on the registration books of the Authority, as maintained by the Trustee, interest on such Principal Amount from the date hereof to the date of maturity or earlier redemption of this 2020 Series B Bond at the Interest Rate per annum specified above on _____, 20__, and semiannually thereafter on the first day of December and June. The principal or Redemption Price (as defined in the General Resolution) of this 2020 Series B Bond is payable upon presentation in any coin or currency of the United States of America which, on the respective dates of payment, shall be legal tender for the payment of public and private debts.

THE STATE OF MICHIGAN IS NOT LIABLE ON THIS 2020 SERIES B BOND AND THIS 2020 SERIES B BOND IS NOT A DEBT OF THE STATE OF MICHIGAN. THE AUTHORITY HAS NO TAXING POWER.

Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the hereinafter defined 2020 Series B Resolution.

Subject to any agreements now or hereafter made with the owners of any other notes or bonds of the Authority pledging any particular receipts or revenues, this 2020 Series B Bond is a general obligation of the Authority and the full faith and credit of the Authority are hereby pledged for the payment of the principal or Redemption Price of and interest on this 2020 Series B Bond. This 2020 Series B Bond is one of a duly authorized issue of Bonds of the Authority designated “Single-Family Mortgage Revenue Bonds” (the “Bonds”), issued and to be issued in various series under and pursuant to Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (herein called the “Act”), and under and pursuant to the General Resolution and a series resolution authorizing the issuance and sale of each such series. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series, in various principal amounts, may mature at different times, may bear interest, if any, at different rates and, subject to the provisions thereof, may otherwise vary. The aggregate principal amount of Bonds which may be issued under the General Resolution is not limited except as provided in the General Resolution, and all Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This 2020 Series B Bond is one of a series of Bonds designated “Single-Family Mortgage Revenue Bonds, 2020 Series B (Federally Taxable)” (the “2020 Series B Bonds”) issued in the initial aggregate principal amount of _____ Dollars (\$ _____) under the General Resolution and the Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2020 Series B in an Amount not to Exceed \$ _____, adopted on May 21, 2020 (the “2020 Series B Resolution”) (the General Resolution and the 2020 Series B Resolution are collectively herein called the “Resolutions”). The proceeds of the 2020 Series B Bonds will be utilized by the Authority as provided in the Resolutions. The 2020 Series B Bonds will be secured by a pledge of the Pledged Property (as defined in the General Resolution) which includes the mortgage repayments required to be paid on the mortgage loans financed with the proceeds of the 2020 Series B Bonds, the Down Payment Assistance Fund established under the Authority’s Series Resolution Authorizing the Issuance and Sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B adopted on November 19, 2003 (the “2003 Series B Resolution”) and the repayments required to be paid on the down payment assistance loans financed with the proceeds of the 2020 Series B Bonds and will be further secured by the Loan Loss Fund established under the Authority’s Resolution Establishing Single-Family Loan Loss Fund adopted on July 8, 1988, as supplemented (the “Loan Loss Fund Resolution”). Copies of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution are on file in the office of the Authority and at the corporate trust office of the Trustee in Lansing, Michigan, and reference to the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution and any and all supplements thereto and modifications and amendments thereof and to the Act are made for a description of the pledges and covenants securing the 2020 Series B Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the 2020 Series B Bonds with respect thereto and the terms and conditions upon which the 2020 Series B Bonds are issued and may be issued thereunder. To the extent and in the manner permitted by the

terms of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution, the provisions of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution or any resolution amendatory thereof or supplemental thereto, may be modified or amended.

This 2020 Series B Bond is transferable, as provided in the Resolutions, only upon the books of the Authority kept for that purpose at the corporate trust office of the Trustee in Lansing, Michigan by the registered owner hereof in person, or by an attorney duly authorized in writing, upon the surrender of this 2020 Series B Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new registered 2020 Series B Bond or 2020 Series B Bonds, and in the same aggregate principal amount and of the same interest rate and maturity, shall be issued to the transferee in exchange therefor as provided in the Resolutions, and upon the payment of the charges, if any, therein prescribed.

The 2020 Series B Bonds are issuable in the form of fully-registered Bonds without coupons in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2020 Series B Bonds.

The 2020 Series B Bonds are subject to redemption prior to maturity as provided in the 2020 Series B Resolution. Notice of any such redemption shall be given to the registered owners of any 2020 Series B Bonds or portions thereof to be redeemed as provided in the 2020 Series B Resolution.

This 2020 Series B Bond shall not be valid or become obligatory for any purpose until the Trustee's Certificate of Authentication hereon shall have been executed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of Michigan and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 2020 Series B Bond, exist, have happened and have been performed in due time, form and manner as required by law, and that the issue of the 2020 Series B Bonds, together with all other indebtedness of the Authority is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Michigan State Housing Development Authority has caused this 2020 Series B Bond to be executed in its name by the facsimile signature of its Executive Director and its corporate seal (or a facsimile thereof) to be impressed or imprinted hereon, all as of the Date of Original Issue as set forth above.

MICHIGAN STATE HOUSING DEVELOPMENT
AUTHORITY

(Seal)

By _____
Its Executive Director

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2020 Series B Bonds described in the within-mentioned 2020 Series B Resolution.

U.S. BANK NATIONAL ASSOCIATION,
Trustee

By _____
Authorized Representative

Date of Authentication: _____

EXHIBIT B

[FORM OF 2020 SERIES B BOND (CAPITAL APPRECIATION BOND)]

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
SINGLE-FAMILY MORTGAGE REVENUE BOND, 2020 SERIES B
(FEDERALLY TAXABLE) (CAPITAL APPRECIATION BOND)

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>Original Principal Amount per \$5,000 at Maturity</u>	<u>CUSIP</u>
Zero				

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT IF HELD TO MATURITY: _____

The Michigan State Housing Development Authority (the “Authority”), a public body corporate and politic, organized and existing under and by virtue of the laws of the State of Michigan, acknowledges itself indebted to, and for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, on the date the principal of this 2020 Series B Bond shall become payable, the Appreciated Amount (as defined in the 2020 Series B Resolution identified below) as hereinafter provided, upon the presentation and surrender hereof at the principal corporate trust office of U.S. Bank National Association in St. Paul, Minnesota (the “Trustee”), as Trustee under the Resolution of the Authority adopted December 17, 1987, authorizing the issuance of Michigan State Housing Development Authority Single-Family Mortgage Revenue Bonds, as amended and supplemented (the “General Resolution”), or its successor as Trustee. Unless this 2020 Series B Bond shall have been redeemed or an acceleration of its maturity shall have occurred, all as hereinafter provided, the Appreciated Amount of this 2020 Series B Bond shall become due on the Maturity Date specified above. The Appreciated Amount or Redemption Price (as defined in the General Resolution) of this 2020 Series B Bond is payable upon presentation in any coin or currency of the United States of America which, on the respective dates of payment, shall be legal tender for the payment of public and private debts. Interest shall not

be paid on this 2020 Series B Bond except in the case of the failure of the Authority to deposit the Appreciated Amount with the Trustee at the stated maturity hereof in which case such amount owing on this 2020 Series B Bond shall thereafter bear interest at the rate equal to the approximately yield established in the 2020 Series B Resolution from the date of such maturity until such amount plus interest is deposited with the Trustee.

THE STATE OF MICHIGAN IS NOT LIABLE ON THIS 2020 SERIES B BOND AND THIS 2020 SERIES B BOND IS NOT A DEBT OF THE STATE OF MICHIGAN. THE AUTHORITY HAS NO TAXING POWER.

Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the hereinafter defined 2020 Series B Resolution.

Subject to any agreements now or hereafter made with the owners of any other notes or bonds of the Authority pledging any particular receipts or revenues, this 2020 Series B Bond is a general obligation of the Authority and the full faith and credit of the Authority are hereby pledged for the payment of the principal or Redemption Price of and interest on this 2020 Series B Bond. This 2020 Series B Bond is one of a duly authorized issue of Bonds of the Authority designated “Single-Family Mortgage Revenue Bonds” (the “Bonds”), issued and to be issued in various series under and pursuant to Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (herein called the “Act”), and under and pursuant to the General Resolution and a series resolution authorizing the issuance and sale of each such series. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series, in various principal amounts, may mature at different times, may bear interest, if any, at different rates and, subject to the provisions thereof, may otherwise vary. The aggregate principal amount of Bonds which may be issued under the General Resolution is not limited except as provided in the General Resolution, and all Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This 2020 Series B Bond is one of a series of Bonds designated “Single-Family Mortgage Revenue Bonds, 2020 Series B (Federally Taxable)” (the “2020 Series B Bonds”) issued in the initial aggregate principal amount of _____ Dollars (\$ _____) under the General Resolution and the Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2020 Series B in an Amount not to Exceed \$ _____, adopted on May 21, 2020 (the “2020 Series B Resolution”) (the General Resolution and the 2020 Series B Resolution are collectively herein called the “Resolutions”). The proceeds of the 2020 Series B Bonds will be utilized by the Authority as provided in the Resolutions. The 2020 Series B Bonds will be secured by a pledge of the Pledged Property (as defined in the General Resolution) which includes the mortgage repayments required to be paid on the mortgage loans financed with the proceeds of the 2020 Series B Bonds, the Down Payment Assistance Fund established under the Authority’s Series Resolution Authorizing the Issuance and Sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B adopted on November 19, 2003 (the “2003 Series B Resolution”) and the repayments required to be paid on the down payment assistance loans financed with the proceeds of the 2020 Series B Bonds and will be further secured by the Loan Loss Fund established under the Authority’s Resolution Establishing Single-Family Loan Loss Fund adopted on

July 8, 1988, as supplemented (the "Loan Loss Fund Resolution"). Copies of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution are on file in the office of the Authority and at the corporate trust office of the Trustee in Lansing, Michigan, and reference to the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution and any and all supplements thereto and modifications and amendments thereof and to the Act are made for a description of the pledges and covenants securing the 2020 Series B Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the 2020 Series B Bonds with respect thereto and the terms and conditions upon which the 2020 Series B Bonds are issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution, the provisions of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution or any resolution amendatory thereof or supplemental thereto, may be modified or amended.

This 2020 Series B Bond is transferable, as provided in the Resolutions, only upon the books of the Authority kept for that purpose at the corporate trust office of the Trustee by the registered owner hereof in person, or by an attorney duly authorized in writing, upon the surrender of this 2020 Series B Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new registered 2020 Series B Bond or 2020 Series B Bonds, of the same maturity and in the applicable aggregate Appreciated Amount, shall be issued to the transferee in exchange therefor as provided in the Resolutions, and upon the payment of the charges, if any, therein prescribed.

The 2020 Series B Bonds are issuable in the form of fully-registered Bonds without coupons in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2020 Series B Bonds.

The 2020 Series B Bonds are subject to redemption prior to maturity as provided in the 2020 Series B Resolution. Notice of any such redemption shall be given to the registered owners of any 2020 Series B Bonds or portions thereof to be redeemed as provided in the 2020 Series B Resolution.

The Appreciated Amount for this 2020 Series B Bond shall be determined as provided in the 2020 Series B Resolution.

This 2020 Series B Bond shall not be valid or become obligatory for any purpose until the Trustee's Certificate of Authentication hereon shall have been executed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of Michigan and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 2020 Series B Bond, exist, have happened and have been performed in due time, form and manner as required by law, and that the issue of the 2020 Series B Bonds, together with all other indebtedness of the Authority is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Michigan State Housing Development Authority has caused this 2020 Series B Bond to be executed in its name by the facsimile signature of its

Executive Director and its corporate seal (or a facsimile thereof) to be impressed or imprinted hereon, all as of the Date of Original Issue as set forth above.

MICHIGAN STATE HOUSING DEVELOPMENT
AUTHORITY

(Seal)

By _____
Its Executive Director

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2020 Series B Bonds described in the within-mentioned 2020 Series B Resolution.

U.S. BANK NATIONAL ASSOCIATION,
Trustee

By _____
Authorized Representative

Date of Authentication:

[End of 2020 Series B Bond Forms]

4839-9396-0890.5



M E M O R A N D U M

TO: Authority Members

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

DATE: May 21, 2020

RE: Approval of Professional Services Contract Amendment for Independent Contractual Housing Agents—Housing Choice Voucher Program

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (“the Authority”) adopt a resolution approving an amendment to the Professional Services Contract for Independent Contractual Housing Agents. The independent contractors provide services necessary for the administration of the Department of Housing and Urban Development (“HUD”) Housing Choice Voucher (“HCV”) Program throughout the state of Michigan.

EXECUTIVE SUMMARY:

On April 28, 2020, HUD issued through its Office of Public and Indian Housing (“PIH”) PIH Notice 2020-08 (CARES Act – HCV Program Administrative Fees) announcing additional appropriations for the HCV program under the Federal Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The additional funding provided to Public Housing Agencies (“PHAs”) is to be used for the purpose of preventing, preparing for, and responding to coronavirus, including maintaining normal operations and taking other necessary actions during the period the program is impacted by coronavirus.

SUMMARY OF CHANGES:

The Authority will receive nearly \$3.5 million in supplemental administrative fees under the CARES Act. The supplemental fee funding may be used only for two purposes: (1) any currently eligible HCV (including Mainstream voucher) administrative costs during the period that the program is impacted by coronavirus; and (2) new coronavirus-related activities, including activities to support or maintain the health and safety of assisted individuals and families, and costs related to the retention and support of participating owners. Currently eligible HCV administrative costs under purpose (1) include necessary upgrades to information technology or computer systems to

enhance telework capacities and overtime pay for PHA staff to carry-out HCV Program responsibilities.

Under the current Professional Services Contract, Independent Contractors receive \$26 per month for each participant in that contractor's administrative portfolio under a Housing Assistance Payment (HAP) contract. To compensate for the increase in costs associated with administering the HCV program due to the coronavirus, the Authority is proposing that a portion of the administrative fee funding received under the CARES Act be provided to Independent Contractors as identified below. This would represent a total payment of approximately \$728,000.

- Independent Contractors will receive a one-time special fee payment equivalent to \$26 for each participant assigned to the ~~contract~~ **contractor** and under a HAP contract as of May 31, 2020, for the purpose of preventing, preparing for, and responding to the coronavirus, including maintaining normal operations and taking other necessary actions during the period the program is impacted by the coronavirus.

The Authority is responding to the guidance issued by HUD under PIH Notice 2020-08 and providing the additional funding to support and maintain the health and safety of the entire community of assisted individuals and families in the HCV program.

ADVANCING THE MISSION AND COMMUNITY IMPACT/SUPPORT:

The Authority uses its HCV program to help meet the housing needs of those experiencing homelessness and other extremely low-income households. This is accomplished, in part, through contractual agreements with Independent Contractors. Partnering with contractors allows the Authority to more efficiently and effectively provide housing resources to a broad spectrum of low-income Michiganders. The services provided by the contractors include briefing participants and landlords on program requirements, determining applicant eligibility, case management, and physically inspecting rental properties to ensure compliance with HUD Housing Quality Standard ("HQS"). These activities are required by HUD as a condition of participation in HCV programs.

The coronavirus poses challenges for Independent Contractors to carry out the services listed above effectively and efficiently. Additional activities are required to ensure the needs of program participants are met, housing units comply with the HQS inspection and staffing levels remain adequate for normal operations. Compliance with HQS guidelines helps ensure that HCV participants are provided with quality housing. These activities have resulted in increased costs for contractors and include: purchasing personal protective equipment ("PPE") for staff to safely interact with participants and for inspecting program units; processing an increased number of requested income changes to properly adjust tenant rent due to loss of employment; providing alternative work locations, alternative hours of operations and paying overtime to staff to carry out an increase in activities; installing drop boxes in public offices for document delivery; and expanding telephone services to promptly address program participant concerns. Authority Rental Assistance unit staff, in weekly meetings with Independent Contractors held since the beginning of the COVID-19 crisis, have confirmed the increased costs and achieved consensus for this proposed contract amendment.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

None.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

**RESOLUTION AUTHORIZING AMENDMENT TO
PROFESSIONAL SERVICES CONTRACT FOR
INDEPENDENT CONTRACTUAL HOUSING AGENTS –
HOUSING CHOICE VOUCHER PROGRAM**

May 21, 2020

WHEREAS, the Michigan State Housing Development Authority (the "Authority"), pursuant to an agreement with the U.S. Department of Housing and Urban Development ("HUD"), administers the Section 8 Housing Choice Voucher assistance program (the "HCV"), for the jurisdiction of the State of Michigan; and

WHEREAS, on April 28, 2020, HUD issued through its Office of Public and Indian Housing ("PIH") PIH Notice 2020-08 (CARES Act – HCV Program Administrative Fees) announcing additional appropriations for the HCV program under the Federal Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which additional funding provided to the Authority is to be used for the purpose of preventing, preparing for, and responding to coronavirus impacts; and

WHEREAS, independent contractors ("Independent Contractor(s)") provide services necessary for the administration of the HCV Program throughout the state of Michigan; and

WHEREAS, the Authority has entered into a Professional Service Contract for Independent Contractual Housing Agents ("Professional Service Contract(s)") with each Independent Contractor who administers the HCV Program on behalf of the Authority; and

WHEREAS, the Acting Executive Director has recommended certain modifications to the respective Professional Services Contract(s) between the Authority and Independent Contractors for the administration of the HCV program, in accordance with said HUD guidance, as described in the accompanying memorandum and for the reasons set forth therein; and

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

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority that the Executive Director, the Chief Housing Solutions Officer, the Chief Financial Officer, the Director of Legal Affairs, or any person duly acting in such capacity, each is hereby authorized to enter into an amendment of the Professional Service Contract for Independent Contractual Housing Agents with each Independent Contractor as described in the accompanying memorandum.



M E M O R A N D U M

TO: Authority Members

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

DATE: May 21, 2020

RE: Cliffview Apartments, Development No. 124-2

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 the sale of the property, 3) authorize a waiver of a certain Multifamily Direct Lending Parameter regarding a payment in lieu of taxes (“PILOT”), 4) authorize tax-exempt bond and Mortgage Resource Fund (“MRF”) mortgage loans in the amounts set forth in this report, and 5) authorize the Executive Director, or an Authorized Officer of the Authority, to issue the Authority’s Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

PROJECT SUMMARY:

MSHDA No:	124-2
Development Name:	Cliffview Apartments
Development Location:	City of Rochester Hills, Oakland County, Michigan
Sponsor:	Higgins Group LLC
Mortgagor:	Cliffview II Limited Dividend Housing Association Limited Partnership
Number of Units:	117 affordable, 9 market rate
Total Development Cost:	\$13,231,505 \$13,233,778
TE Bond Construction Loan:	\$7,278,994 \$7,222,673
TE Bond Permanent Loan:	\$7,278,994 \$7,222,673
MSHDA Gap Funds (MRF Loan):	\$1,455,071 1,444,535
Equity Contribution (LIHTC)	\$2,992,880
Income from Operations	\$361,305
Transferred Reserves	\$842,193
Deferred Developer Fee	\$301,062 \$370,192

EXECUTIVE SUMMARY:

Cliffview Apartments is located at 1611 Cliffview Drive in Rochester Hills, Oakland County. The property is comprised of 10 buildings containing 126 one and two-bedroom apartments, a clubhouse and office building, as well as a maintenance garage. It was originally built with Authority financing in 1972 as an elderly Section 236 development and was subsequently preserved in 2004 under the Authority's Decoupling Program. In 2011, the general partnership interest was sold to the current owner. Later that year, the Department of Housing and Urban Development ("HUD") provided a waiver of the elderly-housing requirement, which was hampering the property's performance. Since that time, the property has been, and continues to be, available for general or family occupancy to persons with low and moderate income.

I am recommending Board approval for the following reasons:

- The development will be renovated, and the replacement reserve will be sufficiently funded to position Cliffview Apartments to provide quality affordable housing into the future.
- The sponsor has managed the development for many years and has owned it since 2011. The sponsor is in good standing with the Authority and has a long experience with this property.
- As a result of preserving this development, the Authority's existing loans totaling approximately \$5,713,641 will be repaid and a new tax-exempt bond mortgage loan and MRF loan will be issued.
- A performing property will remain in the Authority's portfolio.
- Due to the historical performance of the property, the risk to the Authority is minimal.

ADVANCING THE MISSION AND COMMUNITY IMPACT/SUPPORT:

- Advancing the Authority's Mission—preserving this development will serve the people of Michigan by maintaining quality housing and retaining affordable residential apartments in Oakland County for up to 50 years.
- Residential Impact—no displacement to existing residents will occur as a result of this preservation; renovation will be conducted in a manner to minimize disruption to current residents.
- Current and future residents will benefit from improved or upgraded housing units.
- The affordability period for these units ranges from 29 years to 50 years, depending on the funding source.
- Community support is evidenced by the City of Rochester expressing its intention to extend the existing PILOT to the new ownership entity.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

The Sponsor is requesting a tax-exempt mortgage loan as well as gap financing available under Round 11 of the Authority's HOME/MRF Gap Financing Program. Additional support will come from the sale of 4% Low-Income Housing Tax Credits ("LIHTCs").

The development currently has a PILOT from the City of Rochester Hills, which is in effect until 2053. The Authority will therefore offer a tax-exempt loan on terms that by Authority parameters

provide a 40-year amortization, but with a balloon-payment due for all loans in the 29th year or no later than 2050.

The MRF Loan will be coterminous with the Tax-Exempt Loan. The affordability-period for tenant rents, however, will continue beyond the balloon-payment date as a condition of compliance with the Authority bond financing.

Although no new PILOT term is anticipated, the City will need to revise the existing PILOT to extend it to the new mortgagor. This will require a waiver of the following Authority Multifamily Direct Lending Parameters concerning a PILOT, conditioned on the PILOT being found acceptable prior to the Authority's disbursement of any funds. The waived language reads as follows:

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



MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

May 21, 2020

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize the sale of the property, 3) authorize a waiver of a certain Multifamily Direct Lending Parameter regarding a payment in lieu of taxes ("PILOT"), 4) authorize tax-exempt bond and Mortgage Resource Fund ("MRF") mortgage loans in the amounts set forth in this report, and 5) authorize the Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

<u>MSHDA No.:</u>	124-2
<u>Development Name:</u>	Cliffview Apartments
<u>Development Location:</u>	City of Rochester Hills, Oakland County
<u>Sponsor:</u>	Higgins Group LLC
<u>Mortgagor:</u>	Cliffview II Limited Dividend Housing Association Limited Partnership
<u>TE Bond Const. & Perm Loans:</u>	\$7,278,994 \$7,222,673 (55.04 54.58% of TDC)
<u>MSHDA MRF Loan:</u>	\$1,455,071 \$1,444,535
<u>Total Development Cost:</u>	\$13,231,505 \$13,233,778
<u>Mortgage Term:</u>	40 Year amortization but with a balloon-payment due for all loans in the 29 th year.
<u>Interest Rate:</u>	4.625% for the tax-exempt bond loan and 3% simple interest for the MRF loan
<u>Program:</u>	Tax-Exempt Bond and Gap Financing Programs
<u>Number of Units:</u>	126 family units of rehabilitation.
<u>Unit Configuration:</u>	102 one-bedroom units and 24 two-bedroom units contained in 6 two-story buildings and 4 one-story buildings for family occupancy
<u>Builder:</u>	G. Fisher Construction Company
<u>Syndicator:</u>	Cinnaire
<u>Date Application Received:</u>	November 15, 2019
<u>HDO:</u>	JT Johnston

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

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

The Sponsor is requesting a tax-exempt mortgage loan as well as gap financing available under Round 11 of the Authority's HOME/MRF Gap Financing Program. Additional support will come from an investment related to the 4% Low-Income Housing Tax Credits ("LIHTCs").

The development currently has a PILOT from the City of Rochester Hills which is in effect until 2053. The Authority will therefore offer a tax-exempt loan with a 40-year amortization, but with a balloon-payment due for all loans in the 29th year or no later than 2050.

The MRF Loan will be coterminous with the tax-exempt loan. The affordability period for tenant rents will continue beyond the balloon-payment date to the extent necessary to comply with the Authority's bond financing and LIHTC regulatory agreement.

Although no new PILOT term is anticipated, the City will need to revise the existing PILOT to extend it to the new Mortgagor. This will require a waiver of the following Authority Multifamily Direct Lending Parameters concerning a PILOT, conditioned on the PILOT being found acceptable prior to the Authority's disbursement of any funds. The waived language reads as follows:

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

EXECUTIVE SUMMARY:

Cliffview Apartments is located at 1611 Cliffview Drive in Rochester Hills, Oakland County. The property is comprised of 10 buildings containing 126 one- and two-bedroom apartments, a clubhouse and office building, as well as a maintenance garage. It was originally built with Authority financing in 1972 as an elderly Section 236 development and was subsequently preserved in 2004 under the Authority's Decoupling Program. In 2011, the general partnership interest was sold to the current owner. Later that year, the Department of Housing and Urban Development ("HUD") provided a waiver of the elderly housing requirement, which was hampering the property's performance. Since that time, the property has been, and continues to be, available for general or family occupancy to persons with low and moderate income.

The tenant profile and income targeting currently in place is consistent with the structure proposed with this preservation.

Structure of the Transaction and Funding:

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

- A tax-exempt bond construction and permanent mortgage loan will be provided by the Authority (the "Mortgage Loan"). The Mortgage Loan will be in the amount of ~~\$7,278,994~~ **\$7,222,673** at 4.625% interest with 12-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 12-month construction loan term expires or such later date as determined by an Authorized Officer of the Authority (the "Permanent Financing Date").

Mortgage Feasibility/Commitment Staff Report
Cliffview Apartments, MSHDA No. 124-2
City of Rochester Hills, Oakland County
May 21,2020

- The permanent tax-exempt bond loan is based upon the current rents, less vacancy loss, payments to reserves and escrows, operating costs based on historical data unless modified by project improvements and construction and soft costs at levels appropriate for this specific transaction. The permanent loan includes a 1.15 debt service coverage ratio, an annual interest rate of 4.625%, with an amortization term of 40 years and a 29-year balloon commencing on the Permanent Financing Date and expiring not later than 2050. The Mortgage Loan will be funded on the Permanent Financing Date and will be in **First Position**.
- A subordinate loan using an Authority MRF Loan (the “MRF Loan”) in the amount of ~~\$1,455,071~~ **\$1,444,535** will be provided at 3% simple interest with payments initially deferred. (See Standard Condition No. 9). The MRF Loan will be in **Second Position**.
- Equity support comes from an investment related to 4% LIHTC in the estimated amount of \$2,992,880.
- 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 \$361,305.
- 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.
- Replacement Reserve escrow proceeds in the amount identified in the attached proforma will be transferred from the existing project to the new project to use as a source of funding.
- 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.
- The Sponsor has agreed to defer ~~\$304,062~~ **\$370,192** of the developer fee to help fill the remaining funding gap.

Scope of Rehabilitation:

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

- Resurface parking areas and drives

- Replace hot water heaters
- Replace some exterior doors, including sliding glass doors
- Repair brick masonry on exterior walls
- Install new windows
- Replace soffit and fascia
- Replace roofing
- Replace gutters and downspouts
- Repaint all common areas including clubhouse/office
- Refloor all common areas including clubhouse/office
- Replace all unit doors
- Repaint all units
- Replace flooring in all units
- Install new kitchen cabinetry, countertops, sinks, faucets and disposals
- Install new bathroom cabinetry, countertops, and fixtures
- Replace all unit electrical panels

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”). The number of restricted units is controlled by the number of eligible households in place at closing, estimated to be 92.85% of the units.

Protections for Existing Residents:

There will be no tenant displacement, and the preservation and renovation of the Development will not result in a rent increase that exceeds 5% for the existing tenants.

Site Selection:

The property is located in Rochester Hills and meets the Authority’s Site Selection Criteria.

Market Evaluation:

Authority Marketing Staff find the property has high historical occupancy and recommend it proceed as proposed.

Valuation of the Property:

An appraisal dated December 17, 2019 estimates the value at \$7,000,000.

CONDITIONS:

At or prior to (i) issuance of the Authority’s mortgage loan commitment (“Mortgage Loan Commitment”), (ii) the initial Mortgage Loan Closing (the “Initial Closing”), or (iii) such other date as may be specified herein, the new Mortgagor, the existing Mortgagor (Cliffview 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 \$2,992,880). 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 has been repaid. Thereafter, Limited Dividend Payments may increase 1% per annum until a cap of 25% per annum is reached.

2. Income Limits:

The income limitations for 126 units of this proposal are as follows:

- a. 117 units (~~93~~ **97** one-bedroom units and ~~24~~ **20** two-bedroom units) must be available for occupancy by households whose incomes do not exceed 60% MTSP income limits, adjusted for family size, until latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.
- b. 9 units (~~6~~ **5** one-bedroom units and ~~3~~ **4** 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 126 units is subject to the following limitations:

- a. The Total Housing Expense for 117 units (~~93~~ **97** one-bedroom apartments and ~~24~~ **20** 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.

- b. 9 units (~~6~~ 5 one-bedroom units and ~~3~~ 4 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.

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

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

4. Covenant Running with the Land:

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

5. Restriction on Prepayment and Subsequent Use:

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

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

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

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

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

6. Operating Assurance Reserve:

At Initial Closing, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to four (4) months' of estimated Development operating expenses (estimated to be ~~\$401,051~~ **\$404,930**). The OAR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority in accordance with the Authority's written policy on the use of the Operating Assurance Reserve, as amended from time to time. The OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. Replacement Reserve:

At Initial Closing, the Mortgagor must establish a replacement reserve fund ("Replacement Reserve") with an initial deposit in an amount of \$5,307 per unit. The Mortgagor must agree to make annual deposits to the Replacement Reserve, beginning on the Mortgage Cut-Off Date, at a minimum of \$300 per unit for the first year of operation, payable in monthly installments, with deposits in subsequent years to be the greater of (i) the prior year's deposit, increased by 3%, or (ii) a percentage of the Development's projected annual rental income or gross rent potential ("GRP") for the year using the percentage obtained by dividing the first year's deposit by the first year's GRP shown on the operating proforma for the Development attached hereto. The annual deposit to the Replacement Reserve may also be increased to any higher amount that is determined to be necessary by the Authority, based on a CNA and the Authority's Replacement Reserve policies. The Authority may update any CNA or obtain a new CNA every five years, or upon any frequency, as determined necessary by the Authority.

8. One Month's Gross Rent Potential:

At Initial Closing, the Mortgagor shall deposit an amount equal to one month's gross rent potential (~~\$95,448~~ **\$95,106**) into the Development's operating account.

9. Authority Subordinate Loan:

At Initial Closing, the Mortgagor must enter into agreements relating to the MRF Loan. The MRF Loan will be secured by a subordinate mortgage and will bear simple interest at 3% with a balloon payment due in the 29-year. No payments on the MRF Loan will be required until the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee, or (b) the 13th year following the commencement of amortization of the Mortgage Loan. Interest will continue to accrue on each loan until paid in full.

At the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee or (b) the 13th year following the date that Mortgage Loan amortization commences, repayment of the MRF Loan will be made from fifty percent (50%) of any surplus cash available for distribution. Such payments shall be applied first to accrued interest, then to current interest and principal and shall continue until the sale of the Development or refinancing of the Mortgage Loan, at which time the MRF Loan shall be due in full. In any event the MRF Loan shall be due in full on the first to occur of (a) sale of the Development or (b) the year 2050, whichever occurs first.

10. 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.

11. 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.

12. Trade Payment Breakdown:

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

13. 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).

14. 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.

15. Title Insurance Commitment and Survey:

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

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

16. 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.

17. Designation of Authority Funds:

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

18. 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

19. Guaranties:

At Initial Closing, the Sponsor, General Partner, and any entity receiving a developer fee in connection with the Development must deliver certain guaranties. The required guaranties include an operating deficit guaranty 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.

20. 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.

21. 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.

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

The 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"). The 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, the 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.

The 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.

23. 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. This agreement must be acceptable to the Authority's Director of Legal Affairs.

24. 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:

- 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. This includes but is not limited to:
 - Formal exercise of the November 12, 2019, Purchase Option for land control.
 - Full ALTA survey per Standard Condition 15 and resolution of all issues identified thereby.

2. PILOT Obtained Post-Commitment:

The development is currently subject to a PILOT agreement with the City of Rochester Hills that only applies to present ownership; the mortgagor has applied for transfer of the PILOT to the new owner. Prior to Initial Closing, the Mortgagor must obtain a transfer of the existing PILOT, in a form acceptable to the Director of Legal Affairs. If the Mortgagor does not obtain a transfer of the PILOT, the Development must be re-underwritten and if feasible, presented to the Board. If the Development obtains a PILOT representing a lower PILOT payment amount, any savings generated by the PILOT may be applied, at the sole discretion of an Authorized Officer of the Authority, to reduce one or all of the Authority's subordinate loans or be applied against any other obligation that the Mortgagor owes the Authority with any remainder deposited in the Development's Operating Reserve Cash account.

DEVELOPMENT TEAM AND SITE INFORMATION

I. MORTGAGOR: Cliffview II Limited Dividend Housing Association Limited Partnership

II. GUARANTOR(S):

A. Guarantor #1:

Name: Patrick Higgins
Address: 6724 Woodbank Drive
Bloomfield Hills, MI 48301

B. Guarantor #2:

Name: Dina Higgins
Address: 3440 N. Lake Shore Drive
9G
Chicago, IL 60657

III. DEVELOPMENT TEAM ANALYSIS:

A. Sponsor:

Name: Higgins Group LLC
Address: 1691 Cliffview Drive
Rochester Hills, MI 48306

Individuals Assigned: Patrick Higgins
Telephone: 248-379-5225
Fax: 313-831-2533
E-mail: patrick.higginsgroup@comcast.net

1. **Experience:** The Sponsor has experience with one Authority-financed development.

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

General Partner: Cliffview Apartments II, LLC 0.01%
Limited Partner: Cinnaire 99.99%

B. Architect:

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

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

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

2. **Architect's License:** License number 1301038876, exp. 10/31/2021.

C. Attorney:

Mortgage Feasibility/Commitment Staff Report
Cliffview Apartments, MSHDA No. 124-2
City of Rochester Hills, Oakland County
May 21,2020

Name: Loomis Ewert Parsley Davis & Gotting, PC
Address: 124 W. Allegan, 7th Floor
Lansing, MI 48933

Individual Assigned: Ted Rozeboom
Telephone: 517-318-9229
Fax: 517-482-4313
E-Mail: trozeboom@loomislaw.com

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

D. Builder:

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

Individual Assigned: John Gelle
Telephone: 248-855-3500
Fax: 248-855-2420
E-mail: JohnG@gfisherconst.com

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

E. Management and Marketing Agent:

Name: Higgins Group LLC
Address: 1691 Cliffview Drive
Rochester Hills, MI 48306

Individual Assigned: Patrick Higgins
Telephone: 248-379-5225
Fax: 313-831-2533
E-mail: patrick.higginsgroup@comcast.net

1. **Experience:** This firm has experience managing this Authority-financed development.

F. Development Team Recommendation: Acceptable

IV. SITE DATA:

- A. **Land Control/Purchase Price:**
Purchase Option agreement between Cliffview II Limited Dividend Housing Association Limited Partnership ("Buyer") and Cliffview Limited Dividend Housing

**Mortgage Feasibility/Commitment Staff Report
Cliffview Apartments, MSHDA No. 124-2
City of Rochester Hills, Oakland County
May 21,2020**

Association Limited Partnership (“Seller”) executed on November 12, 2019 with a purchase price of \$5,873,662 and an expiration date of June 30, 2020.

- B.** Site Location:
The site is located at 1611, 1631, 1641, and 1651 Cliffview Drive in the City of Rochester Hills, Oakland County.
- C.** Size of Site:
13.8 +/- acres.
- D.** Density:
Appropriate to the current use.
- E.** Physical Description:
1. Present Use: Multi-family residential.
 2. Existing Structures: 4 one-story buildings, 6 two-story buildings, one clubhouse/office building, and one maintenance garage.
 3. Relocation Requirements: None.
- F.** Zoning:
RM-1, Multiple-Family Residential District.
- G.** Contiguous Land Use:
1. North: Wooded and single-family residential
 2. South: Multi-family and single-family residential
 3. East: Multi-family residential
 4. West: Wooded and multi-family residential
- H.** Tax Information:
The development has a PILOT from the City of Rochester Hills and is requesting that PILOT be extended to the new mortgagor.
- I.** Utilities:
Gas: Consumers Energy
Electric: DTE Energy
Water & Sewer: City of Rochester Hills
- J.** Community Facilities:
1. Shopping:
Numerous grocery stores are located around the site with Kroger and a Gordon Food Service 1.9 miles to the south southwest, Hollywood Market and Papa Joe’s are less than 1 mile to the east, Busch’s Fresh Food Market

is approximately 4 miles to the west and another Kroger is approximately 4 miles to the east.

2. Recreation:
Katke-Cousins Golf Course is less than 5 miles to the southwest and a Great Oaks Country Club is 2 miles to the south; Bloomer Park is 4 miles to the southeast, Rochester Hills Public Library is less than 2 miles to the south, and Dinosaur Hill Nature Preserve is ½ mile just south of the site.
3. Public Transportation:
There is no public transportation in the City of Rochester Hills.
4. Road Systems
The site is located just north of West Tienken Road; North Rochester Road is located approximately 1 mile to the east and North Livernois Road is approximately 1 mile to the west.
5. Medical Services and other Nearby Amenities:
Ascension Providence Rochester Hospital is just over 2 miles to the south, and numerous restaurants, banks, and shops are located along North and South Rochester Road.
6. Description of Surrounding Neighborhood:
The location is primarily residential with both multi-family and single-family residences.
7. Local Community Expenditures Apparent:
Roads and walks are well maintained.
8. Indication of Local Support:
The City of Rochester Hills is expected to extend the current PILOT to the development's new owner.

V. ENVIRONMENTAL FACTORS:

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

VI. DESIGN AND COSTING STATUS:

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

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

VII. MARKET SUMMARY:

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

VIII. EQUAL OPPORTUNITY AND FAIR HOUSING:

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

IX. MANAGEMENT AND MARKETING:

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

X. FINANCIAL STATEMENTS:

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

XI. DEVELOPMENT SCHEDULING:

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

XII. ATTACHMENTS:

- A. Development Proforma

Mortgage Feasibility/Commitment Staff Report
Cliffview Apartments, MSHDA No. 124-2
City of Rochester Hills, Oakland County
May 21,2020

APPROVALS:

Jeffrey J. Sykes

Jeffrey J. Sykes
Chief Financial Officer

Date

Clarence L. Stone, Jr.

APPROVED
By Clarence Stone at 9:53 pm, May 19, 2020

Clarence L. Stone, Jr.
Director of Legal Affairs

Date

Gary Heidel

05/20/2020

Gary Heidel
Acting Executive Director

Date

Development Cliffview Apartments
 Financing Tax Exempt
 MSHDA No. 124-2
 Step Application
 Date 05/21/2020
 Type Preservation - LIHTC

Instructions

Income Limits for	Oakland County (Effective April 1,2020)					
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	16,500	18,840	21,210	23,550	25,440	27,300
40% of area median	22,000	25,120	28,280	31,400	33,920	36,400
50% of area median	27,500	31,400	35,350	39,250	42,400	45,500
60% of area median	33,000	37,680	42,420	47,100	50,880	54,600

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	Current	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense					
										Section 8 Contract Rent												
Market Family Rate Units Occupancy																						
A	5	Apartment	1	1.0	588	735	35	770	44,100		3.9%	4.0%	2,940	3.8%	0		N/A					
B	4	Apartment	2	1.0	716	839	39	878	40,272		3.5%	3.2%	2,864	3.7%	0		N/A					
									84,372	0	7.4%	7.1%	5,804	7.5%	0							
60% Family Area Median Income Units Occupancy																						
A	97	Apartment	1	1.0	588	735	35	770	855,540	0	75.0%	77.0%	57,036	73.9%	57,036		883					
B	20	Apartment	2	1.0	716	839	39	878	201,360	0	17.6%	15.9%	14,320	18.6%	14,320		1,060					
									1,056,900	0	92.6%	92.9%	71,356	92.5%	71,356							
Mgrs									0	0	0.0%	0.0%	0	0.0%	0							
													77,160		71,356							
Total Units	126																Gross Rent Potential	1,141,272	HOME Units SF/Total Units SF		0.0%	Within Range
Income Average	60.00%																Average Monthly Rent	755	# HOME Units/# Total Units		0.0%	Within Range
Set Aside	92.86%																Gross Square Footage	77,160				

Utility Allowances

	Tenant-Paid					Total	Override
	Electricity	A/C	Gas	Water/ Sewer	Other		
Annual Non-Rental Income							
Misc. and Interest						0	35
Laundry						0	39
Carports						0	
Other:						0	
Other:						0	
						0	
						0	
						0	
						0	

Total Income	Annual	Monthly
Rental Income	1,141,272	95,106
Non-Rental Income	15,825	1,319
Total Project Revenue	1,157,097	96,425

Development **Cliffview Apartments**
 Financing **Tax Exempt**
 MSHDA No. **124-2**
 Step **Application**
 Date **05/21/2020**
 Type **Preservation - LIHTC**

Mortgage Assumptions:

Debt Coverage Ratio **1.15**
 Mortgage Interest Rate **4.625%**
 Pay Rate **4.625%**
 Mortgage Term **40 years**
 Income from Operations **Yes**

Instructions

Total Development Income Potential

	Per Unit	Total
Annual Rental Income	9,058	1,141,272
Annual Non-Rental Income	126	15,825
Total Project Revenue	9,183	1,157,097

Total Development Expenses

Vacancy Loss	5.00% of annual rent potential	453	57,064
Management Fee	534 per unit per year	534	67,284
Administration		1,462	184,150
Project-paid Fuel		492	62,000
Common Electricity		119	15,000
Water and Sewer		397	50,000
Operating and Maintenance		1,495	188,400
Real Estate Taxes		0	0
Payment in Lieu of Taxes (PILOT)	0.00% Applied to: All Units	0	0
Insurance		312	39,267
Replacement Reserve	300 per unit per year	300	37,800
Other:		0	
Other:		0	

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

	% of Revenue		
Total Expenses	60.58%	5,563	700,965
Base Net Operating Income		3,620	456,132
Part A Mortgage Payment	34.28%	3,148	396,637
Part A Mortgage		57,323	7,222,673
Non MSHDA Financing Mortgage Payment		0	
Non MSHDA Financing Type:		0	
Base Project Cash Flow (excludes ODR)	5.14%	472	59,496

Override

Cash Flow Projections

Development Cliffview Apartments
Financing Tax Exempt
MSHDA No. 124-2
Step Application
Date 05/21/2020
Type Preservation - LIHTC

	Initial Inflator	Starting in Yr	Future Inflator	1	2	3	4	5	6	7	8	9	10
Income													
Annual Rental Income	1.0%	6	2.0%	1,141,272	1,152,685	1,164,212	1,175,854	1,187,612	1,211,364	1,235,592	1,260,304	1,285,510	1,311,220
Annual Non-Rental Income	1.0%	6	2.0%	15,825	15,983	16,143	16,305	16,468	16,797	17,133	17,476	17,825	18,182
Total Project Revenue				1,157,097	1,168,668	1,180,355	1,192,158	1,204,080	1,228,161	1,252,725	1,277,779	1,303,335	1,329,401
Expenses													
Vacancy Loss	5.0%	6	5.0%	57,064	57,634	58,211	58,793	59,381	60,568	61,780	63,015	64,275	65,561
Management Fee	3.0%	1	3.0%	67,284	69,303	71,382	73,523	75,729	78,001	80,341	82,751	85,233	87,790
Administration	3.0%	1	3.0%	184,150	189,675	195,365	201,226	207,262	213,480	219,885	226,481	233,276	240,274
Project-paid Fuel	3.0%	6	3.0%	62,000	63,860	65,776	67,749	69,782	71,875	74,031	76,252	78,540	80,896
Common Electricity	4.0%	6	3.0%	15,000	15,600	16,224	16,873	17,548	18,074	18,617	19,175	19,750	20,343
Water and Sewer	5.0%	6	5.0%	50,000	52,500	55,125	57,881	60,775	63,814	67,005	70,355	73,873	77,566
Operating and Maintenance	3.0%	1	3.0%	188,400	194,052	199,874	205,870	212,046	218,407	224,959	231,708	238,659	245,819
Real Estate Taxes	5.0%	1	5.0%	0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)				0	0	0	0	0	0	0	0	0	0
Insurance	3.0%	1	3.0%	39,267	40,445	41,658	42,908	44,195	45,521	46,887	48,293	49,742	51,235
Replacement Reserve	3.0%	1	3.0%	37,800	38,934	40,102	41,305	42,544	43,821	45,135	46,489	47,884	49,320
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses				700,965	722,002	743,716	766,128	789,262	813,562	838,639	864,520	891,233	918,805
Debt Service													
Debt Service Part A				396,637	396,637	396,637	396,637	396,637	396,637	396,637	396,637	396,637	396,637
Debt Service Conventional/Other Financing				0	0	0	0	0	0	0	0	0	0
Total Expenses				1,097,601	1,118,639	1,140,353	1,162,765	1,185,899	1,210,198	1,235,276	1,261,157	1,287,870	1,315,442
Cash Flow/(Deficit)			300477	59,496	50,029	40,002	29,394	18,181	17,963	17,449	16,622	15,465	13,960
Cash Flow Per Unit				472	397	317	233	144	143	138	132	123	111
Debt Coverage Ratio on Part A Loan				1.15	1.13	1.10	1.07	1.05	1.05	1.04	1.04	1.04	1.04
Debt Coverage Ratio on Conventional/Other Financing				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Rate on Reserves			3%	Average Cash Flow as % of Net Income									

Operating Deficit Reserve (ODR) Analysis													
Maintained Debt Coverage Ratio (Hard Debt)			1.00										
Maintained Operating Reserve (No Hard Debt)			250										
Initial Balance		Initial Deposit	39,062	39,062	40,234	41,441	42,685	43,965	45,284	46,643	48,042	49,483	50,968
Total Annual Draw to achieve 1.0 DCR			0	0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR			0	0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR			0	0	0	0	0	0	0	0	0	0	0
Interest			1,172	1,207	1,243	1,281	1,319	1,359	1,399	1,441	1,484	1,529	
Ending Balance at Maintained DCR			40,234	41,441	42,685	43,965	45,284	46,643	48,042	49,483	50,968	52,497	
Maintained Cash Flow Per Unit			472	397	317	233	144	143	138	132	123	111	
Maintained Debt Coverage Ratio on Part A Loan			1.15	1.13	1.10	1.07	1.05	1.05	1.04	1.04	1.04	1.04	
Maintained Debt Coverage Ratio on Conventional/Other			N/A										
Standard ODR			0										
Non-standard ODR			39,062										

Operating Assurance Reserve Analysis													
Required in Year:			1										
Initial Balance		Initial Deposit	365,867	365,867	376,843	388,148	399,793	411,787	424,140	436,865	449,970	463,470	477,374
Interest Income			10,976	11,305	11,644	11,994	12,354	12,724	13,106	13,499	13,904	14,321	
Ending Balance			376,843	388,148	399,793	411,787	424,140	436,865	449,970	463,470	477,374	491,695	

Deferred Developer Fee Analysis													
Initial Balance			2217219	370,192	310,696	260,668	220,666	191,272	173,091	155,128	137,679	121,057	105,593
Dev Fee Paid			300477	59,496	50,029	40,002	29,394	18,181	17,963	17,449	16,622	15,465	13,960
Ending Balance		Repaid in yr #N/A		310,696	260,668	220,666	191,272	173,091	155,128	137,679	121,057	105,593	91,633

Mortgage Resource Fund Loan													
Interest Rate on Subordinate Financing			3%										
Principal Amount of all MSHDA Soft Funds		Initial Balance	1,444,535	1,444,535	1,444,535	1,444,535	1,444,535	1,444,535	1,444,535	1,444,535	1,444,535	1,444,535	1,444,535
Current Yr Int			43,336	43,336	43,336	43,336	43,336	43,336	43,336	43,336	43,336	43,336	43,336
Accrued Int			0	43,336	86,672	130,008	173,344	216,680	260,016	303,352	346,688	390,024	
Subtotal		% of Cash Flow	1,487,871	1,531,207	1,574,543	1,617,879	1,661,215	1,704,551	1,747,887	1,791,223	1,834,559	1,877,895	
Annual Payment Due			0	0	0	0	0	0	0	0	0	0	0
Year End Balance			1,487,871	1,531,207	1,574,543	1,617,879	1,661,215	1,704,551	1,747,887	1,791,223	1,834,559	1,877,895	

Cash Flow Projections

	Initial Inflator	Starting in Yr	Future Inflator	11	12	13	14	15	16	17	18	19	20
Income													
Annual Rental Income	1.0%	6	2.0%	1,337,444	1,364,193	1,391,477	1,419,307	1,447,693	1,476,647	1,506,179	1,536,303	1,567,029	1,598,370
Annual Non-Rental Income	1.0%	6	2.0%	18,545	18,916	19,294	19,680	20,074	20,475	20,885	21,303	21,729	22,163
Total Project Revenue				1,355,989	1,383,109	1,410,771	1,438,987	1,467,767	1,497,122	1,527,064	1,557,606	1,588,758	1,620,533
Expenses													
Vacancy Loss	5.0%	6	5.0%	66,872	68,210	69,574	70,965	72,385	73,832	75,309	76,815	78,351	79,918
Management Fee	3.0%	1	3.0%	90,424	93,137	95,931	98,809	101,773	104,826	107,971	111,210	114,547	117,983
Administration	3.0%	1	3.0%	247,482	254,907	262,554	270,430	278,543	286,900	295,507	304,372	313,503	322,908
Project-paid Fuel	3.0%	6	3.0%	83,323	85,822	88,397	91,049	93,781	96,594	99,492	102,477	105,551	108,717
Common Electricity	4.0%	6	3.0%	20,953	21,582	22,229	22,896	23,583	24,290	25,019	25,770	26,543	27,339
Water and Sewer	5.0%	6	5.0%	81,445	85,517	89,793	94,282	98,997	103,946	109,144	114,601	120,331	126,348
Operating and Maintenance	3.0%	1	3.0%	253,194	260,790	268,613	276,672	284,972	293,521	302,327	311,396	320,738	330,361
Real Estate Taxes	5.0%	1	5.0%	0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)				0	0	0	0	0	0	0	0	0	0
Insurance	3.0%	1	3.0%	52,772	54,355	55,985	57,665	59,395	61,177	63,012	64,902	66,849	68,855
Replacement Reserve	3.0%	1	3.0%	50,800	52,324	53,894	55,511	57,176	58,891	60,658	62,478	64,352	66,283
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses				947,265	976,643	1,006,970	1,038,279	1,070,604	1,103,978	1,138,438	1,174,021	1,210,765	1,248,711
Debt Service													
Debt Service Part A				396,637	396,637	396,637	396,637	396,637	396,637	396,637	396,637	396,637	396,637
Debt Service Conventional/Other Financing				0	0	0	0	0	0	0	0	0	0
Total Expenses				1,343,901	1,373,280	1,403,607	1,434,916	1,467,241	1,500,615	1,535,075	1,570,658	1,607,402	1,645,348
Cash Flow/(Deficit)		300477		12,088	9,830	7,164	4,071	526	(3,493)	(8,011)	(13,052)	(18,645)	(24,815)
Cash Flow Per Unit				96	78	57	32	4	(28)	(64)	(104)	(148)	(197)
Debt Coverage Ratio on Part A Loan				1.03	1.02	1.02	1.01	1.00	0.99	0.98	0.97	0.95	0.94
Debt Coverage Ratio on Conventional/Other Financing				N/A									

Interest Rate on Reserves **3%**

Operating Deficit Reserve (ODR) Analysis

Maintained Debt Coverage Ratio (Hard Debt)	1.00
Maintained Operating Reserve (No Hard Debt)	250
Initial Deposit	39,062
Initial Balance	39,062
Total Annual Draw to achieve 1.0 DCR	0
Total Annual Deposit to achieve Maintained DCR	0
Total 1.0 DCR and Maintained DCR	0
Interest	1,575
Ending Balance at Maintained DCR	54,072
Maintained Cash Flow Per Unit	96
Maintained Debt Coverage Ratio on Part A Loan	1.03
Maintained Debt Coverage Ratio on Conventional/Other	N/A
Standard ODR	0
Non-standard ODR	39,062

Operating Assurance Reserve Analysis

Required in Year:	1
Initial Deposit	365,867
Initial Balance	365,867
Interest Income	14,751
Ending Balance	506,446

Deferred Developer Fee Analysis

Initial Balance	2217219	91,633	79,545	69,715	62,551	58,480	57,955	57,955	57,955	57,955	57,955	57,955
Dev Fee Paid	300477	12,088	9,830	7,164	4,071	526	FALSE	FALSE	FALSE	FALSE	FALSE	FALSE
Ending Balance		79,545	69,715	62,551	58,480	57,955	57,955	57,955	57,955	57,955	57,955	57,955

Mortgage Resource Fund Loan

Interest Rate on Subordinate Financing	3%
Initial Balance	1,444,535
Principal Amount of all MSHDA Soft Funds	1,444,535
Current Yr Int	43,336
Accrued Int	433,360
Subtotal	1,921,231
Annual Payment Due	0
Year End Balance	1,921,231

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
CLIFFVIEW APARTMENTS, MSHDA DEVELOPMENT NO. 124-2
CITY OF ROCHESTER HILLS, OAKLAND COUNTY

May 21, 2020

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

WHEREAS, an Application for Mortgage Loan Feasibility has been filed with the Authority by Higgins Group LLC, a Michigan limited liability company (the "Applicant"), for the acquisition and rehabilitation of a multifamily housing project located in the City of Rochester Hills, Oakland County, Michigan, having an estimated total development cost of ~~Thirteen Million Two Hundred Thirty One Thousand Five Hundred and Five~~ **Thirteen Million Two Hundred Thirty-Three Thousand Seven Hundred Seventy-Eight** Dollars (~~\$13,231,505~~ **\$13,233,778**), a total estimated maximum mortgage loan amount of ~~Seven Million Two Hundred Seventy Eight Thousand Nine Hundred Ninety Four~~ **Seven Million Two Hundred Twenty-Two Thousand Six Hundred Seventy-Three** Dollars (~~\$7,278,994~~ **\$7,222,673**) and a Mortgage Resource Fund loan in the amount of ~~One Million Four Hundred Fifty Five Thousand Seventy One~~ **One Million Four Hundred Forty-Four Thousand Five Hundred Thirty-Five** Dollars (~~\$1,455,071~~ **\$1,444,535**) (hereinafter referred to as the "Application"); and

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

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

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

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

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

- c. The proposed housing project will meet a social need in the area in which it is to be located.
- d. A mortgage loan, or a mortgage loan not made by the Authority that is a federally-aided mortgage, can reasonably be anticipated to be obtained to provide financing for the proposed housing project.
- e. The proposed housing project is a feasible housing project.
- f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed ~~Eight Million Five Hundred Ninety Thousand~~ **Eight Million Five Hundred Twenty-Five Thousand** Dollars (~~\$8,590,000~~ **\$8,525,000**).

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

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

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

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

6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated May 21, 2020, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
RESOLUTION AUTHORIZING MORTGAGE LOAN
CLIFFVIEW APARTMENTS, MSHDA DEVELOPMENT NO. 124-2
CITY OF ROCHESTER HILLS, OAKLAND COUNTY

May 21, 2020

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

WHEREAS, an application (the "Application") has been filed with the Authority by Higgins Group LLC, a Michigan limited liability company (the "Applicant"), for a construction and permanent mortgage loan in the amount of ~~Seven Million Two Hundred Seventy-Eight Thousand Nine Hundred Ninety-Four~~ **Seven Million Two Hundred Twenty-Two Thousand Six Hundred Seventy-Three** Dollars (~~\$7,278,994~~ **\$7,222,673**), for the construction and permanent financing of a multi-family housing project having an estimated total development cost of ~~Thirteen Million Two Hundred Thirty-One Thousand Five Hundred Five~~ **Thirteen Million Two Hundred Thirty-Three Thousand Seven Hundred Seventy-Eight** Dollars (~~\$13,231,505~~ **\$13,233,778**), to be known as Cliffview Apartments, located in the City of Rochester Hills, Oakland County, Michigan, and to be owned by Cliffview II Limited Dividend Housing Association Limited Partnership (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a Mortgage Resource Fund loan in the estimated amount of ~~One Million Four Hundred Fifty-Five Thousand Seventy-One~~ **One Million Four Hundred Forty-Four Thousand Five Hundred Thirty-Five** Dollars (~~\$1,455,071~~ **\$1,444,535**) (the "Mortgage Resource Fund Loan"); and

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

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

- (a) The Mortgagor is an eligible applicant;
- (b) The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located thereby enhancing the viability of such housing;
- (c) The Applicant and the Mortgagor are reasonably expected to be able to achieve successful completion of the proposed housing project;
- (d) The proposed housing project will meet a social need in the area in which it is to

be located;

- (e) The proposed housing project may reasonably be expected to be marketed successfully;
- (f) All elements of the proposed housing project have been established in a manner consistent with the Authority's evaluation factors, except as otherwise provided herein;
- (g) The construction or rehabilitation will be undertaken in an economical manner and it will not be of elaborate design or materials; and
- (h) In light of the estimated total project cost of the proposed housing project, the amount of the mortgage loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation on the ratio of mortgage loan amount to estimated total project cost.

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

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

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

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

2. A construction and permanent mortgage loan (the "Mortgage Loan") be and it hereby is authorized and the Executive Director, the Chief Housing Investment Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chief Financial Officer, the Deputy Director of Finance or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction and permanent financing of the housing project in an amount not to exceed ~~Seven Million Two Hundred Seventy Eight Thousand Nine Hundred Ninety Four~~ **Seven Million Two Hundred Twenty-Two Thousand Six Hundred Seventy-Three** Dollars (\$~~7,278,994~~ **\$7,222,673**), to be amortized over a period of forty (40) years and payable over twenty-nine (29) years after amortization of principal commences, with a balloon payment of all accumulated principal and interest then-due payable in the 29th year, or in any event to be paid in full not later than 2050, and to bear interest at a rate of Four and 625/1000 percent (4.625%) per annum. The amount of proceeds of tax-exempt bonds issued or to be issued and allocated to the financing of this housing project shall not exceed ~~Eight Million Five Hundred Ninety Thousand~~ **Eight Million Five Hundred Twenty-Five Thousand** Dollars (~~\$8,590,000~~ **\$8,525,000**). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

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

Authorized Officer is hereby authorized to issue to the Applicant and the Mortgagor a commitment for a Mortgage Resource Fund Loan (together with the commitment for the Mortgage Loan, the "Mortgage Loan Commitment") in the estimated amount of ~~One Million Four Hundred Fifty Five Thousand Seventy One~~ **One Million Four Hundred Forty-Four Thousand Five Hundred Thirty-Five** Dollars (~~\$1,455,071~~ **\$1,444,535**), to have a term not to exceed fifty (50) years with a balloon payment of all accumulated principal and interest then-due payable in the 29th year, or in any event to be paid in full not later than 2050, and to bear interest at a rate of three percent (3%) per annum.

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

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

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

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

8. The Authority hereby waives Section VI.1.2 of the Multifamily Direct Lending Parameters adopted on June 28, 2017, requiring approval by the City of Rochester Hills of a payment in lieu of taxes for the development prior to the adoption of this resolution.

9. The Authority hereby approves the sale of the housing project to the Applicant, subject to the terms and conditions contained in the Staff Report and also subject to the issuance of a mortgage loan commitment by the Authority.

10. 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 May 21, 2020, which conditions are hereby incorporated by reference as if fully set forth herein.



MSHDA

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members
FROM: Gary Heidel, Acting Executive Director
DATE: May 21, 2020
RE: Pine Ridge Apartments, Development No. 3924

Gary Heidel

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, 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.

PROJECT SUMMARY:

MSHDA No:	3924
Development Name:	Pine Ridge Apartments
Development Location:	City of Marquette, Marquette County, Michigan
Sponsor:	Marquette Housing Commission
Mortgagor:	Pine Ridge Marquette Limited Dividend Housing Association Limited Partnership
Number of Units:	140 affordable family units
Total Development Cost:	\$18,880,346
TE Bond Construction Loan:	\$9,817,780
TE Bond Permanent Loan:	\$5,186,559
MSHDA Gap Funds:	\$490,000 HOME Funds; \$490,000 Mortgage Resource Funds
Sponsor Loans:	\$6,326,686
Deferred Developer Fee:	\$297,891

EXECUTIVE SUMMARY:

Pine Ridge Apartments consists of 140 family units in the City of Marquette in Michigan's Upper Peninsula (the "Development"). The property is owned by the Marquette Housing Commission. The Development operates under the Department of Housing and Urban Development's ("HUD") public housing program and currently receives subsidy through annual capital and operating funds. The Development will participate in the HUD Residential Assistance Demonstration ("RAD") program, which will allow for a new Housing Assistance Payment ("HAP") contract with a 20-year term for project-based Section 8.

In 2019, the Marquette Housing Commission partnered with Chesapeake Community Advisors as a development consultant for the proposed renovations. The existing apartments include a mix of 1, 2, and 3-bedroom units. In order to extend the useful life of the Development so it can continue to provide quality affordable housing, capital improvements are necessary. The renovation plan anticipates new kitchens, baths, unit fixtures, appliances, windows, mechanical systems, and site improvements. The new equipment and improvements will have a focus on energy efficiency.

The Sponsor does not have previous Authority experience; however, they have partnered with Chesapeake Community Advisors, which has a successful track record with Authority-financed developments. I am recommending Board approval for the following reasons:

- The Development's affordability will be extended for up to 50 years for all units.
- All units will be refurbished to meet the physical needs of the Development.
- Financing the Development results in a new earning asset for the Authority.
- As an existing family development with an excellent occupancy and operational history, this proposal should be low risk to the Authority.

ADVANCING THE MISSION AND COMMUNITY IMPACT/SUPPORT:

- Advancing the Authority's Mission—preserving this development will serve the people of Michigan by maintaining quality housing and retaining affordable residential apartments in Marquette County for up to 50 years.
- Pine Ridge Apartments will complete a RAD conversion, which will create 100% Section 8 units for all tenants.
- The development needs an extensive rehabilitation to continue providing safe, efficient units for all residents.
- Residential Impact—no displacement to existing residents will occur as a result of this preservation; renovation will be conducted in a manner to minimize disruption to current residents.
- Community support is evidenced by the City of Marquette granting a 4% PILOT.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

The Sponsor is working with HUD to approve the RAD conversion. HUD has issued an initial Commitment to enter into a Housing Assistance Payment ("CHAP"). The expectation is that the RAD conversion will be completed, and the CHAP will be approved around July 1, 2020, simultaneously with the Authority closing.



MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

May 21, 2020

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize tax-exempt bond and Mortgage Resource Fund ("MRF") mortgage loans in the amounts set forth in this report, and 3) authorize the Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

<u>MSHDA No.:</u>	3924
<u>Development Name:</u>	Pine Ridge Apartments
<u>Development Location:</u>	City of Marquette, Marquette County
<u>Sponsor:</u>	Marquette Housing Commission
<u>Mortgagor:</u>	Pine Ridge Marquette Limited Dividend Housing Association Limited Partnership
<u>TE Bond Construction Loan:</u>	\$9,817,780 (52% of TDC)
<u>TE Bond Permanent Loan:</u>	\$5,186,559
<u>MSHDA HOME Loan:</u>	\$490,000
<u>MSHDA MRF Loan:</u>	\$490,000
<u>Total Development Cost:</u>	\$18,880,346
<u>Mortgage Term:</u>	40 years for the tax-exempt bond loan; 50 years for the HOME loan; 50 years for the MRF loan
<u>Interest Rate:</u>	4.625% for the tax-exempt bond loan; 1% simple interest for the HOME loan and 3% simple interest for the MRF loan
<u>Program:</u>	Tax-Exempt Bond and Gap Financing Programs
<u>Number of Units:</u>	140 family units of rehabilitation
<u>Unit Configuration:</u>	135 one-bedroom, one-bathroom units; 5 two-bedroom, one bath units
<u>Builder:</u>	First Contracting, Inc.
<u>Syndicator:</u>	Cinnaire
<u>Date Application Received:</u>	November 15, 2019
<u>HDO:</u>	Ryan Koenigsknecht

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

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

The Sponsor is working with Department of Housing and Urban Development (“HUD”) to approve the Residential Assistance Demonstration (“RAD”) conversion. HUD has issued an initial Commitment to enter into a Housing Assistance Payment (“CHAP”). The expectation is that the RAD conversion will be completed, and the CHAP will be approved around July 2020, simultaneously with the Authority closing.

EXECUTIVE SUMMARY:

Pine Ridge Apartments consists of 140 family units in the City of Marquette in Michigan’s Upper Peninsula (the “Development”). The property is owned by the Marquette Housing Commission. The Development operates under the HUD’s public housing program and currently receives subsidy through annual capital and operating funds. The Development will participate in the HUD RAD program which will allow for a new Housing Assistance Payment (“HAP”) contract with a 20-year term for project-based Section 8.

In 2019, the Marquette Housing Commission partnered with Chesapeake Community Advisors as a development consultant for the proposed renovations. The existing apartments include a mix of 1, 2, and 3-bedroom units. In order to extend the useful life of the Development so it can continue to provide quality affordable housing, capital improvements are necessary. The renovation plan anticipates new kitchens, baths, unit fixtures, appliances, windows, mechanical systems, and site improvements. The new equipment and improvements will have a focus on energy efficiency.

Structure of the Transaction and Funding:

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

- A tax-exempt bond construction loan and a permanent mortgage loan will be provided by the Authority (the “Mortgage Loan”). The construction loan will be in the amount of \$9,817,780 at 4.625% interest with an 18-month term (a 12-month construction term and a 6-month holding period), which will be used to bridge an extended equity pay-in period. Interest only payments will be required under the construction loan. The amount by which the construction loan exceeds the permanent loan will be due on the first day of the month following the month in which the 18-month construction loan term expires or such later date determined by an Authorized Officer of the Authority (the “Permanent Financing Date”).
- A permanent loan will be provided by the Authority in the amount of \$5,186,559. The permanent loan is based upon the current rents, less vacancy loss, payments to reserves and escrows, operating costs based on historical data unless modified by project improvements and construction and soft costs at levels appropriate for this specific transaction. The permanent loan includes a 1.15 debt service coverage ratio, an annual interest rate of 4.625%, 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 Mortgage Resource Fund Loan (the “MRF Loan”) in the amount of \$490,000 will be provided at 3% simple interest with payments initially deferred. The MRF Loan will be in **Second Position**.

**Mortgage Feasibility/Commitment Staff Report
Pine Ridge Apartments, MSHDA No. 3924
City of Marquette, Marquette County
May 21, 2020**

- A subordinate loan using HOME funds (the “HOME Loan”) in the amount of \$490,000 will be provided at 1% simple interest with payments initially deferred. The HOME Loan will be in **Third Position**.
- The Sponsor is providing a loan in the amount of \$971,686. See Special Condition No 2.
- The Seller is providing a seller’s note in the amount of \$5,355,000. See Special Condition No. 3.
- Equity support comes from an investment related to the 4% LIHTC in the estimate amount of \$5,578,576.
- A HUD RAD conversion will convert all 140 into a new 20-year HAP Contract providing rental subsidy for all tenants.
- 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 absorption period in the amount of \$510,634.
- The Sponsor has agreed to defer \$297,891 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.

Scope of Rehabilitation:

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

- Provide 10 barrier-free parking spots
- Stripe and seal coat both parking lots
- Privacy fence between property and neighbors to the east
- Add security cameras to the parking lot
- Repair irrigation system
- Update landscaping
- Complete remodel of kitchens including appliances and finishes
- Replace doors with rated wood door, new spring-loaded hinges, peep, remove and replace

- lockset and deadbolt
- Replace hollow core wood door and frames for all bathroom doors
- Paint all walls and ceilings
- Replace tubs
- Replace kitchen ranges
- Replace refrigerators
- Replace thermostats with Danfoss valve type
- Replace call systems
- Replace lighting fixtures with LED for all apartments
- Replace boilers, controls, pumps, chemical feed pumps, combustion air damper
- Provide maintenance to domestic hot water and pumps
- Replace generator
- Replace all panels including apartment panels
- Periodic repairs to the security system
- Replace phone-based entry intercom system
- Repair soffits
- Replace all 380 windows including partial window replacement in community room

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”). 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. There will be no tenant displacement as a result of this transaction, and all tenant households will receive Section 8 assistance.

Site Selection:

The site is acceptable according to MSHDA’s Chief Marketing Analyst.

Market Evaluation:

The market study has been reviewed and approved by the Authority’s Chief Market Analyst.

Valuation of the Property:

An appraisal dated November 1, 2019 estimates the value at \$5,855,000.

CONDITIONS:

At or prior to (i) issuance of the Authority’s mortgage loan commitment (“Mortgage Loan Commitment”), (ii) the initial Mortgage Loan Closing (the “Initial Closing”), or (iii) such other date as may be specified herein, the new Mortgagor and other members of the Development team, where

appropriate, must satisfy each of the following conditions by entering into a written agreement or providing documentation acceptable to the Authority:

Standard Conditions:

1. Limitation for Return on Equity:

For each year of the Development's operation, beginning in the year in which the Mortgage Cut-Off Date occurs, payments are limited to twelve percent (12%) of the Mortgagor's equity. For purposes of distributions, the Mortgagor's equity will be the sum of (i) the equity; (ii) the brownfield tax credit equity; (iii) the historic tax credit equity; (iv) general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority (estimated to be a total of \$5,578,576). 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 HAP Contract has terminated or expired. Thereafter, Limited Dividend Payments shall not exceed 25% per annum.

2. Income Limits:

The income limitations for 140 units of this proposal are as follows:

- a. 4 units have been designated as Low-HOME units and during the Period of Affordability required under the HOME program (15 years) must be available for occupancy by households whose incomes do not exceed 50% of the HOME published area median income as determined by HUD, adjusted for family size.
- b. 140 units (135 one-bedroom units, 5 two-bedroom units) must be occupied or available for occupancy by households whose incomes do not exceed the income limits in the HAP Contract for so long as the HAP Contract between the Mortgagor and the Authority is in effect (including extensions and renewals), or for such longer period as determined by HUD.
- c. 140 units (135 one-bedroom units, 5 two-bedroom units) must be available for occupancy by households whose incomes do not exceed 60% MTSP income limits, adjusted for family size, until latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

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 140 units is subject

to the following limitations:

- a. During the Period of Affordability required under the HOME program (15 years), the Total Housing Expense for the 4 Low-HOME units may not exceed the "Low-HOME Rent Limit" for the unit established and published annually by HUD.
- b. So long as the HAP Contract remains in effect, the Mortgagor agrees to establish and maintain rents for all HAP-assisted units (135 one-bedroom units, 5 two-bedroom units) ("Contract Rents") that comply with the rent levels established by the HAP Contract and that do not exceed the rent levels approved by HUD.
- c. The Total Housing Expense for all 140 units (135 one-bedroom units, 5 two-bedroom units), may not exceed one-twelfth ($1/12^{\text{th}}$) of 30% of the MTSP 60% of area median income adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

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

For the initial lease term of the first household occupying each rent restricted unit in the Development the initial rent may not exceed 105% of the rent approved in this Mortgage Loan Feasibility/Commitment Staff Report. 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 4 months' of estimated Development operating expenses (estimated to be \$375,648). The OAR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority in accordance with the Authority's written policy on the use of the Operating Assurance Reserve, as amended from time to time. The OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. Replacement Reserve:

At Initial Closing, the Mortgagor must establish a replacement reserve fund ("Replacement Reserve") with an initial deposit in an amount of \$6,060 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 (\$88,525) into the Development's operating account.

10. Authority Subordinate Loan(s):

At Initial Closing, the Mortgagor must enter into written agreements relating to the MRF Loan and the HOME Loan. The MRF Loan and the HOME Loan will each be secured by a subordinate mortgage. The HOME Loan will bear simple interest at 1% with a 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 Design and Construction Manager.

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 disbursement, comprehensive, survey and such other endorsements as deemed necessary by the Authority's Director of Legal Affairs. The updated title commitment must contain only exceptions to the insurance acceptable to the Authority's Director of Legal Affairs.

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

19. Organizational Documents/Equity Pay-In Schedule:

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

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

20. Designation of Authority Funds:

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

21. Management & Marketing:

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

- a. Management Agreement
- b. Marketing/Construction Transition Plan

22. Guaranties:

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

23. Financial Statements:

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

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

24. Future Contributions:

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

25. Ownership of Development Reserves:

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

26. Section 8 Required Approvals - HUD and MSHDA:

This transaction is subject to certain HUD approvals including, but not limited to 1) the RAD Conversion and HAP Contract and 2) previous participation approval (HUD Form 2530) for the Mortgagor, its partners, and property management agent. Prior to the Initial Closing, the

HUD approvals must be obtained and must be consistent with the loan structure and intent of the transaction as described in this report. The approvals by HUD are subject to review and concurrence by the Authority's Director of Legal Affairs. The Mortgagor must enter into all agreements as may be required by HUD and to abide by all terms, conditions, and requirements of the Section 8 Program and all other Authority rules, guidelines, and procedures as required under the Regulatory Agreement.

27. HAP Extension:

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

28. HUD Authority to Use Grant Funds:

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

29. HUD Subsidy Layering Review:

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

30. Application for Disbursement:

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

31. Uniform Relocation Act Compliance:

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

32. 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, and the Housing Choice Voucher Program.

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. Sponsor Loan:

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

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

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

3. Seller's Note:

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

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

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

DEVELOPMENT TEAM AND SITE INFORMATION

I. **MORTGAGOR:** Pine Ridge Marquette Limited Dividend Housing Association
Limited Partnership

II. **GUARANTOR(S):**

A. **Guarantor #1:**

Name: Marquette Housing Commission
Address: 316 Pine Street
Marquette, MI 49855

III. **DEVELOPMENT TEAM ANALYSIS:**

A. **Sponsor:**

Name: Marquette Housing Commission
Address: 316 Pine Street
Marquette, MI 49855

Individuals Assigned: Sharon Maki
Telephone: 906-226-7559
E-mail: smaki@mqthc.org

1. **Experience:** The Sponsor does not have experience working on Authority-financed developments. They are partnering with Chesapeake Community Advisors as a consultant who does have experience working on MSHDA financed developments.

2. **Interest in the Mortgagor and Members:**
Affordable Housing Solutions of the Upper Peninsula – 0.01%; Cinnaire 99.99%

B. **Architect:**

Name: MCSA Group, Inc.
Address: 529 Greenwood Avenue S.E.
East Grand Rapids, MI 49506

Individual Assigned: Kathleen Waters
Telephone: 616-451-1935
E-Mail: kwaters@mcsagroup.com

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

2. **Architect's License:** License number 1301052402, exp. 10/31/2021.

C. **Attorney:**

Name: Warner Norcross + Judd LLP
Address: 120 N. Washington Square
Suite 410
Lansing, MI 48933

Individual Assigned: Tracey Lackman
Telephone: 517-679-7400
E-Mail: tlackman@wnj.com

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

D. **Builder:**

Name: First Contracting, Inc.
Address: 701 S. Main Street
Ovid, MI 48866

Individual Assigned: Brian Fleming
Telephone: 989-834-1500
E-mail: brian@firstcontracting.net

1. **Experience:** The firm has previous experience in constructing Authority-financed developments.
2. **State Licensing Board Registration:** License number 2101137238, with an expiration date of 5/31/2020.

E. **Management and Marketing Agent:**

Name: Marquette Housing Commission
Address: 316 Pine Street
Marquette, MI 49855

Individual Assigned: Sharon Maki
Telephone: 906-226-7559
E-mail: smaki@mqthc.org

1. **Experience:** This firm does not have experience managing Authority-financed developments specifically with tax credits involved. The Marquette Housing Commission plans to manage the day to day operations onsite but will contract with KMG Prestige to ensure they adhere to all the compliance issues associated with LIHTC. The two organizations will split the project's management fee.

F. **Development Team Recommendation:** GO

IV. SITE DATA:

- A. Land Control/Purchase Price:**
Purchase Agreement that was submitted with an execution date of November 12, 2019 between Marquette Housing Commission (the “Seller”) and Pine Ridge Marquette Limited Dividend Housing Association Limited Partnership (the “Purchaser”) to expire one year from the execution date and a purchase price of \$5,855,000.
- B. Site Location:**
316 Pine Street, Marquette, MI 49855.
- C. Size of Site:**
Two land acres.
- D. Density:**
Appropriate for current use.
- E. Physical Description:**
1. Present Use: Multi-family residential.
 2. Existing Structures: 1 residential building, one storage building.
 3. Relocation Requirements: None.
- F. Zoning:**
Project is located in a Multi-Family Residential Zone.
- G. Contiguous Land Use:**
1. North: Single-family residential
 2. South: Single-family residential
 3. East: Single-family residential
 4. West: Single-family residential
- H. Tax Information:**
The project has obtained a 4% PILOT from the City of Marquette.
- I. Utilities:**
Gas – Semco Energy
Electricity – Marquette Board of Light and Power
Water/Sewer – City of Marquette
- J. Community Facilities:**

1. Shopping:
The site is located about a ¼ mile from a downtown district on Washington Street that has a few different shopping options.
2. Recreation:
Harbor Festival Park, Phil Niemisto Pocket Park, and Founders Landing are all located within a mile of the development.
3. Public Transportation:
Marquette County Transit Authority operates throughout Marquette County 365 days a year. They provide service with 9 fixed routes Monday-Saturday.
4. Road Systems
There are not many major roadways in the Upper Peninsula. The closest main road to the site is US 41.
5. Medical Services and other Nearby Amenities:
UP Health System is located less than a mile from the development.
6. Description of Surrounding Neighborhood:
The surrounding neighborhood is primarily single-family residential.
7. Local Community Expenditures Apparent:
None
8. Indication of Local Support:
The development has obtained a 4% PILOT from the City of Marquette.

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 Design and Construction Manager prior to initial closing. The management and marketing agent's Affirmative Fair Housing Marketing Plan has been approved.

IX. MANAGEMENT AND MARKETING:

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

X. FINANCIAL STATEMENTS:

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

XI. DEVELOPMENT SCHEDULING:

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

XII. ATTACHMENTS:

- A. Development Proforma

Mortgage Feasibility/Commitment Staff Report
Pine Ridge Apartments, MSHDA No. 3924
City of Marquette, Marquette County
May 21, 2020

APPROVALS:

 5-12-2020

Jeffrey J. Sykes Date
Chief Financial Officer

Clarence L. Stone, Jr. Digitally signed by Clarence L. Stone, Jr. 5/12/2020
Date: 2020.05.12 10:40:40 -04'00'

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

Gary Heidel Digitally signed by Gary Heidel 5/12/2020
Date: 2020.05.12
15:02:17 -04'00'

Gary Heidel Date
Acting Executive Director

Instructions

TOTAL DEVELOPMENT COSTS

	Per Unit	Total	% In Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Acquisition					
Land	964	135,000	0%	0	0
Existing Buildings	40,857	5,720,000	100%	5,720,000	0
Other:	0	0	0%	0	0
Subtotal	41,821	5,855,000			
Construction/Rehabilitation					
Off Site Improvements	0	0	100%	0	0
On-site Improvements	1,571	220,000	100%	220,000	0
Landscaping and Irrigation	250	35,000	100%	35,000	35,000
Structures	39,898	5,585,751	100%	5,585,751	5,585,751
Community Building and/or Maintenance Facility	0	0	100%	0	0
Construction not in Tax Credit basis (i.e. Carports and Commercial Space)	0	0	0%	0	0
General Requirements % of Contract	6.00%	2,503	100%	350,445	350,445
Builder Overhead % of Contract	2.00%	884	100%	123,824	123,824
Builder Profit % of Contract	6.00%	2,706	100%	378,901	378,901
Permits, Bond Premium, Tap Fees, Cost Cert.	443	62,000	100%	62,000	62,000
Other:	0	0	100%	0	0
Subtotal	48,257	6,755,921			
15% of acquisition and \$15,000/unit test: met					
Professional Fees					
Design Architect Fees	1,714	240,000	100%	240,000	240,000
Supervisory Architect Fees	500	70,000	100%	70,000	70,000
Engineering/Survey	357	50,000	100%	50,000	50,000
Legal Fees	750	105,000	100%	105,000	105,000
Subtotal	3,321	465,000			
Interim Construction Costs					
Property & Causality Insurance	464	65,000	80%	52,000	52,000
Construction Loan Interest	Override 790166	5,644	80%	632,133	632,133
Title Work	679	95,000	100%	95,000	0
Construction Taxes	0	0	80%	0	0
Investor 3rd Party Inspections	107	15,000	100%	15,000	15,000
Subtotal	6,894	965,166			
Permanent Financing					
Loan Commitment Fee to MSHDA	2%	1,543	0%	0	0
Other:	0	0	0%	0	0
Subtotal	1,543	215,956			
Other Costs (In Basis)					
Application Fee	14	2,000	100%	2,000	2,000
Market Study	46	6,500	100%	6,500	6,500
Environmental Studies	429	60,000	100%	60,000	60,000
Cost Certification	214	30,000	100%	30,000	30,000
Equipment and Furnishings	714	100,000	100%	100,000	0
Temporary Tenant Relocation	1,414	198,000	100%	198,000	198,000
Construction Contingency	4,826	675,592	85%	574,253	574,253
Appraisal and C.N.A.	236	33,000	100%	33,000	33,000
Building Permits not to be included in the const. contract	214	30,000	100%	30,000	30,000
Subtotal	8,108	1,135,092			
Other Costs (NOT In Basis)					
Start-up and Organization	129	18,000	0%	0	0
Tax Credit Fees (based on 2017 QAP)	39,694	39,693	0%	0	0
Compliance Monitoring Fee (based on 2017 QAP)	475	66,500	0%	0	0
Marketing Expense	4	500	0%	0	0
Syndication Legal Fees	357	50,000	0%	0	0
Rent Up Allowance	0	0	0%	0	0
Other:	0	0	0%	0	0
Subtotal	1,248	174,693			

Summary of Acquisition Price		As of	Construction Loan Term	
Attributed to Land	135,000	1st Mortgage Balance	Construction Contract	Months
Attributed to Existing Structure:	5,720,000	Subordinate Mortgage(s)	Holding Period (50% Test)	12
Other:	0	Subordinate Mortgage(s)	Construction Loan Period	6
Fixed Price to Seller	5,855,000	Subordinate Mortgage(s)		18
Premium/(Deficit) vs Existing Debt		5,855,000		

Appraised Value		Value As of:	Override
"Encumbered As-Is" value as determined by appraisal:		November 1, 2019	
Plus 5% of Appraised Value:	0		
LESS Fixed Price to the Seller:	5,855,000		
Surplus/(Gap)	0		

	Per Unit	Total	% In Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Project Reserves					
Operating Assurance Reserv	4.0 months	Funded in Cas	2,683	375,648	0%
Replacement Reserve		Required	6,060	848,366	0%
Operating Deficit Reserve		Not Required	0	0	0%
Rent Subsidy Reserve			0	0	0%
Syndicator Held Reserve			0	0	0%
Rent Lag Escrow			0	0	0%
Tax and Insurance Escrows			0	0	0%
Other:			0	0	0%
Other:			0	0	0%
Subtotal	8,743	1,224,014			

Miscellaneous					
Deposit to Development Operating Account (1MGRF Required)	632	88,525	0%	0	0
Other (Not in Basis):	0	0	0%	0	0
Other (In Basis):	0	0	100%	0	0
Other (In Basis):	0	0	100%	0	0
Subtotal	632	88,525			

Total Acquisition Costs	41,821	5,855,000			
Total Construction Hard Costs	48,257	6,755,921			
Total Non-Construction ("Soft") Costs	30,489	4,268,446			

Developer Overhead and Fee					
Maximum	2,000,979	14,293	2,000,979	2,000,979	100%
7.5% of Acquisition/Project Reserves	Override	5% Attribution Test			
15% of All Other Development Costs		met			
Total Development Cost	134,860	18,880,346			
			LIHTC Basis	Historic Basis	
			16,769,786	10,634,786	

TOTAL DEVELOPMENT SOURCES		% of TDC			Gap to Hard Debt
MSHDA Permanent Mortgage	27.47%	37,047	5,186,559		
Conventional/Other Mortgage	0.00%	0	0		
Equity Contribution from Tax Credit Syndication	29.55%	39,847	5,578,576		
MSHDA NSP Funds	0.00%	0	0		
MSHDA HOME or Housing Trust Funds	2.60%	3,500	490,000		
Mortgage Resource Funds	2.60%	3,500	490,000		
Other MSHDA:	0.00%	0	0		
Local HOME	0.00%	0	0		
Income from Operations	2.70%	3,647	510,634		
Other Equity	0.00%	0	0		
Transferred Reserves:	0.00%	0	0		
Other: Seller Note Loan	28.36%	38,250	5,355,000		Deferred Dev Fee
Other: Sponsor Loan MHC	5.15%	6,941	971,686		14.89%
Deferred Developer Fee	1.58%	2,128	297,891		
Total Permanent Sources			18,880,346		

Sources Equal Uses?		Balanced
Surplus/(Gap)		0
MSHDA Construction Loan		
Construction Loan Rate	4.625%	52.00%
Repaid from equity prior to final closing		70,127
		9,817,780
		4,631,221

Eligible Basis for LIHTC/TCAP		Value of LIHTC/TCAP		Existing Reserve Analysis:	
Acquisition	6,012,750	Acquisition	186,395	DCE Interest:	
Construction	13,984,146	Construction	433,509	Insurance:	
Acquisition Credit %	3.10%	Total Yr Credit	619,904	Taxes:	
Rehab/New Const Credit %	3.10%	Equity Price	\$0.9000	Rep. Reserve:	
Qualified Percentage	100.00%	Equity Effective Price	\$0.9000	ORC:	
QCT/DDA Basis Boost	130%	Equity Contribution	5,578,576	DCE Principal:	
Historic?	No			Other:	

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	5,578,576
Brownfield Equity	
Historic Tax Credit Equity	
General Partner Capital Contributions	
Other Equity Sources	
New Owner's Equity	5,578,576

Development Pine Ridge Apartments
 Financing Tax Exempt
 MSHDA No. 3924
 Step Commitment
 Date 05/21/2020
 Type Acquisition/Rehab

Mortgage Assumptions:

Debt Coverage Ratio 1.15
 Mortgage Interest Rate 4.625%
 Pay Rate 4.625%
 Mortgage Term 40 years
 Income from Operations Yes

Instructions

Total Development Income Potential

	Per Unit	Total
Annual Rental Income	7,588	1,062,300
Annual Non-Rental Income	123	17,250
Total Project Revenue	7,711	1,079,550

Total Development Expenses

Vacancy Loss	5.00% of annual rent potential	379	53,115
Management Fee	534 per unit per year	534	74,760
Administration		1,276	178,646
Project-paid Fuel		233	32,570
Common Electricity		557	78,000
Water and Sewer		332	46,500
Operating and Maintenance		1,363	190,813
Real Estate Taxes		172	24,100
Payment in Lieu of Taxes (PILOT)	Applied to: All Units	0	0
Insurance		225	31,500
Replacement Reserve	300 per unit per year	300	42,000
Other:		0	
Other:		0	

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

	% of Revenue		
Total Expenses	69.66%	5,371	752,004
Base Net Operating Income		2,340	327,546
Part A Mortgage Payment	26.38%	2,034	284,823
Part A Mortgage		37,047	5,186,559
Non MSHDA Financing Mortgage Payment		0	
Non MSHDA Financing Type:		0	
Base Project Cash Flow (excludes ODR)	3.96%	305	42,723

Override

Development Pine Ridge Apartments
 Financing Tax Exempt
 MSHDA No. 3924
 Stap Commitment
 Date 05/21/2020
 Type Acquisition/Rehab

Instructions

Income Limits for	Marquette County (Effective April 24, 2019)					
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	14,550	16,620	18,690	20,760	22,440	24,000
40% of area median	19,400	22,160	24,920	27,680	29,920	32,120
50% of area median	24,250	27,700	31,150	34,600	37,400	40,150
60% of area median	29,100	33,240	37,380	41,520	44,880	48,180

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	Current Section 8 Contract Rent	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense	Rent Limited By	Differential: Under/Over	Differential %	Effective AMI%	Contract Rent/Sq. Feet
60% Family																						
Area Median Income Units Occupancy																						
A	131	Apartment	1	1.0	650	628	0	628	987,216	615	92.9%	93.6%	85,150	92.8%	85,150		779	TC Rent	151	19.38%	48.4%	\$0.97
B	5	Apartment	2	1.0	800	749	0	749	44,940	733	4.2%	3.6%	4,000	4.4%	4,000		934	TC Rent	185	19.81%	48.1%	\$0.94
									1,032,156	2,259	97.2%	97.1%	89,150	97.2%	89,150							
50% Family																						
Area Median Income Units Occupancy																						
A	4	Apartment	1	1.0	650	628	0	628	30,144	615	2.8%	2.9%	2,600	2.8%	2,600	Low HOME	563	HOME Rent	(65)	-11.55%	48.4%	\$0.97
Total Units 140																						
Income Average 59.71%																						
Set Aside 100.00%																						
									Gross Rent Potential	1,062,300			HOME Units SF/Total Units SF	2.8%			Within Range					
									Average Monthly Rent	632			# HOME Units/# Total Units	2.9%			Within Range					
									Gross Square Footage	91,750												

Utility Allowances

Owner-Paid Owner-Paid Owner-Paid Owner-Paid

Annual Non-Rental Income	Electricity	A/C	Gas	Water/ Sewer	Other	Total	Overage
Misc. and Interest						0	
Laundry						0	
Carports						0	
Cell Phone Tower Rental Income						0	
						0	
						0	
						0	
						0	
						0	

Total Income	Annual	Monthly
Rental Income	1,062,300	88,525
Non-Rental Income	17,250	1,438
Total Project Revenue	1,079,550	89,963

Cash Flow Projections

Development Pine Ridge Apartments
Financing Tax Exempt
MSHDA No. 3924
Step Commitment
Date 05/21/2020
Type Acquisition/Rehab

	Initial Inflator	Starting in Yr	Future Inflator	1	2	3	4	5	6	7	8	9	10
Income													
Annual Rental Income	2.0%	6	2.0%	1,062,300	1,083,546	1,105,217	1,127,321	1,149,868	1,172,865	1,196,322	1,220,249	1,244,654	1,269,547
Annual Non-Rental Income	1.0%	6	2.0%	17,250	17,423	17,597	17,773	17,950	18,309	18,676	19,049	19,430	19,819
Total Project Revenue				1,079,550	1,100,969	1,122,814	1,145,094	1,167,818	1,191,174	1,214,998	1,239,298	1,264,084	1,289,366
Expenses													
Vacancy Loss	5.0%	6	3.0%	53,115	54,177	55,261	56,366	57,493	35,186	35,890	36,607	37,340	38,086
Management Fee	3.0%	1	3.0%	74,760	77,003	79,313	81,692	84,143	86,667	89,267	91,945	94,704	97,545
Administration	3.0%	1	3.0%	178,646	184,005	189,526	195,211	201,068	207,100	213,313	219,712	226,303	233,093
Project-paid Fuel	3.0%	6	3.0%	32,570	33,547	34,554	35,590	36,658	37,758	38,890	40,057	41,259	42,496
Common Electricity	4.0%	6	3.0%	78,000	81,120	84,365	87,739	91,249	93,986	96,806	99,710	102,702	105,783
Water and Sewer	5.0%	6	5.0%	46,500	48,825	51,266	53,830	56,521	59,347	62,314	65,430	68,702	72,137
Operating and Maintenance	3.0%	1	3.0%	190,813	196,537	202,434	208,507	214,762	221,205	227,841	234,676	241,716	248,968
Real Estate Taxes	3.0%	1	3.0%	24,100	24,823	25,568	26,335	27,125	27,939	28,777	29,640	30,529	31,445
Payment in Lieu of Taxes (PILOT)				0	0	0	0	0	0	0	0	0	0
Insurance	3.0%	1	3.0%	31,500	32,445	33,418	34,421	35,454	36,517	37,613	38,741	39,903	41,100
Replacement Reserve	3.0%	1	3.0%	42,000	43,260	44,558	45,895	47,271	48,690	50,150	51,655	53,204	54,800
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses				752,004	775,743	800,261	825,585	851,743	854,394	880,861	908,174	936,362	965,453
Debt Service													
Debt Service Part A				284,823	284,823	284,823	284,823	284,823	284,823	284,823	284,823	284,823	284,823
Debt Service Conventional/Other Financing				0	0	0	0	0	0	0	0	0	0
Total Expenses				1,036,827	1,060,566	1,085,084	1,110,408	1,136,566	1,139,216	1,165,683	1,192,996	1,221,184	1,250,276
Cash Flow/(Deficit)				42,723	40,403	37,730	34,686	31,252	51,958	49,315	46,301	42,900	39,090
Cash Flow Per Unit				305	289	269	248	223	371	352	331	306	279
Debt Coverage Ratio on Part A Loan				1.15	1.14	1.13	1.12	1.11	1.18	1.17	1.16	1.15	1.14
Debt Coverage Ratio on Conventional/Other Financing				N/A									

Interest Rate on Reserves **3%**

Average Cash Flow as % of Net Income

Operating Deficit Reserve (ODR) Analysis

Maintained Debt Coverage Ratio (Hard Debt)	1.00	
Maintained Operating Reserve (No Hard Debt)	250	
Initial Balance	30,039	Initial Deposit
Total Annual Draw to achieve 1.0 DCR	0	
Total Annual Deposit to achieve Maintained DCR	0	
Total 1.0 DCR and Maintained DCR	0	
Interest	901	928
Ending Balance at Maintained DCR	30,941	31,869
Maintained Cash Flow Per Unit	305	289
Maintained Debt Coverage Ratio on Part A Loan	1.15	1.14
Maintained Debt Coverage Ratio on Conventional/Other	N/A	N/A
Standard ODR	0	
Non-standard ODR	30,039	

Operating Assurance Reserve Analysis

Required in Year:	1	Initial Deposit
Initial Balance	345,609	
Interest Income	10,368	10,679
Ending Balance	355,977	366,656

Deferred Developer Fee Analysis

Initial Balance	297,891	255,168	214,765	177,035	142,349	111,097	59,139	9,824	0	0
Dev Fee Paid	42,723	40,403	37,730	34,686	31,252	51,958	49,315	9,824	0	0
Ending Balance	255,168	214,765	177,035	142,349	111,097	59,139	9,824	0	0	0

Mortgage Resource Fund Loan

Interest Rate on Subordinate Financing	3%	Initial Balance
Principal Amount of all MSHDA Soft Funds	490,000	
Current Yr Int	14,700	14,700
Accrued Int	0	14,700
Subtotal	% of Cash Flow	
Annual Payment Due	50%	
Year End Balance	504,700	519,400

Cash Flow Projections

	Initial Inflator	Starting in Yr	Future Inflator	11	12	13	14	15	16	17	18	19	20
Income													
Annual Rental Income	2.0%	6	2.0%	1,294,938	1,320,837	1,347,253	1,374,198	1,401,682	1,429,716	1,458,310	1,487,476	1,517,226	1,547,571
Annual Non-Rental Income	1.0%	6	2.0%	20,215	20,619	21,032	21,452	21,881	22,319	22,765	23,221	23,685	24,159
Total Project Revenue				1,315,153	1,341,456	1,368,285	1,395,651	1,423,564	1,452,035	1,481,076	1,510,697	1,540,911	1,571,729
Expenses													
Vacancy Loss	5.0%	6	3.0%	38,848	39,625	40,418	41,226	42,050	42,891	43,749	44,624	45,517	46,427
Management Fee	3.0%	1	3.0%	100,471	103,485	106,590	109,788	113,081	116,474	119,968	123,567	127,274	131,092
Administration	3.0%	1	3.0%	240,085	247,288	254,706	262,348	270,218	278,325	286,674	295,275	304,133	313,257
Project-paid Fuel	3.0%	6	3.0%	43,771	45,084	46,437	47,830	49,265	50,743	52,265	53,833	55,448	57,112
Common Electricity	4.0%	6	3.0%	108,956	112,225	115,591	119,059	122,631	126,310	130,099	134,002	138,022	142,163
Water and Sewer	5.0%	6	5.0%	75,744	79,531	83,507	87,683	92,067	96,670	101,504	106,579	111,908	117,503
Operating and Maintenance	3.0%	1	3.0%	256,437	264,130	272,054	280,215	288,622	297,280	306,199	315,385	324,846	334,592
Real Estate Taxes	3.0%	1	3.0%	32,388	33,360	34,361	35,392	36,453	37,547	38,673	39,834	41,029	42,259
Payment in Lieu of Taxes (PILOT)				0	0	0	0	0	0	0	0	0	0
Insurance	3.0%	1	3.0%	42,333	43,603	44,911	46,259	47,647	49,076	50,548	52,065	53,627	55,235
Replacement Reserve	3.0%	1	3.0%	56,444	58,138	59,882	61,678	63,529	65,435	67,398	69,420	71,502	73,647
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses				995,479	1,026,469	1,058,458	1,091,477	1,125,563	1,160,751	1,197,078	1,234,583	1,273,306	1,313,288
Debt Service													
Debt Service Part A				284,823	284,823	284,823	284,823	284,823	284,823	284,823	284,823	284,823	284,823
Debt Service Conventional/Other Financing				0	0	0	0	0	0	0	0	0	0
Total Expenses				1,280,301	1,311,292	1,343,280	1,376,300	1,410,386	1,445,574	1,481,901	1,519,405	1,558,128	1,598,110
Cash Flow/(Deficit)				34,852	30,164	25,005	19,351	13,178	6,462	(825)	(8,708)	(17,217)	(26,381)
Cash Flow Per Unit				249	215	179	138	94	46	(6)	(62)	(123)	(188)
Debt Coverage Ratio on Part A Loan				1.12	1.11	1.09	1.07	1.05	1.02	1.00	0.97	0.94	0.91
Debt Coverage Ratio on Conventional/Other Financing				N/A									

Interest Rate on Reserves **3%**

Operating Deficit Reserve (ODR) Analysis

Maintained Debt Coverage Ratio (Hard Debt)	1.00												
Maintained Operating Reserve (No Hard Debt)	250												
Initial Deposit	30,039												
Initial Balance	40,370	41,581	42,829	44,114	45,437	46,800	48,204	48,826	41,582	25,613			
Total Annual Draw to achieve 1.0 DCR	0	0	0	0	0	0	(825)	(8,708)	(17,217)	(26,381)			
Total Annual Deposit to achieve Maintained DCR	0	0	0	0	0	0	0	0	0	0			
Total 1.0 DCR and Maintained DCR	0	0	0	0	0	0	(825)	(8,708)	(17,217)	(26,381)			
Interest	1,211	1,247	1,285	1,323	1,363	1,404	1,446	1,465	1,247	768			
Ending Balance at Maintained DCR	41,581	42,829	44,114	45,437	46,800	48,204	48,826	41,582	25,613	(0)			
Maintained Cash Flow Per Unit	249	215	179	138	94	46	0	0	0	0			
Maintained Debt Coverage Ratio on Part A Loan	1.12	1.11	1.09	1.07	1.05	1.02	1.00	1.00	1.00	1.00			
Maintained Debt Coverage Ratio on Conventional/Other	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Standard ODR	0												
Non-standard ODR	30,039												

Operating Assurance Reserve Analysis

Required in Year:	1												
Initial Deposit	345,609												
Initial Balance	464,469	478,404	492,756	507,538	522,764	538,447	554,601	571,239	588,376	606,027			
Interest Income	13,934	14,352	14,783	15,226	15,683	16,153	16,638	17,137	17,651	18,181			
Ending Balance	478,404	492,756	507,538	522,764	538,447	554,601	571,239	588,376	606,027	624,208			

Deferred Developer Fee Analysis

Initial Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Dev Fee Paid	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

Mortgage Resource Fund Loan

Interest Rate on Subordinate Financing	3%												
Initial Balance	490,000												
Principal Amount of all MSHDA Soft Funds	490,000	490,000	490,000	490,000	490,000	490,000	490,000	490,000	490,000	490,000	490,000	490,000	490,000
Current Yr Int	14,700	14,700	14,700	14,700	14,700	14,700	14,700	14,700	14,700	14,700	14,700	14,700	14,700
Accrued Int	87,766	85,041	84,659	86,856	91,881	99,992	111,461	126,161	140,861	155,561			
Subtotal	592,466	589,741	589,359	591,556	596,581	604,692	616,161	630,861	645,561	660,261			
Annual Payment Due	17,426	15,082	12,502	9,675	6,589	3,231	0	0	0	0			
Year End Balance	575,041	574,659	576,856	581,881	589,992	601,461	616,161	630,861	645,561	660,261			

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
PINE RIDGE APARTMENTS, MSHDA DEVELOPMENT NO. 3924
CITY OF MARQUETTE, MARQUETTE COUNTY

May 21, 2020

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

WHEREAS, an Application for Mortgage Loan Feasibility has been filed with the Authority by the Marquette Housing Commission (the "Applicant") for a multifamily housing project to be located in the City of Marquette, Marquette County, Michigan, having an estimated total development cost of Eighteen Million Eight Hundred Eighty Thousand Three Hundred Forty-Six Dollars (\$18,880,346), a total estimated maximum mortgage loan amount of Nine Million Eight Hundred Seventeen Thousand Seven Hundred Eighty Dollars (\$9,817,780) and a Mortgage Resource Fund loan in the amount of Four Hundred Ninety Thousand Dollars (\$490,000) (hereinafter referred to as the "Application"); and

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

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

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

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

1. The following determinations be and they hereby are made:
 - a. The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located, thereby enhancing the viability of such housing.
 - b. The Applicant is reasonably expected to be able to achieve successful completion of the proposed housing project.
 - c. The proposed housing project will meet a social need in the area in which it is to be located.

- d. A mortgage loan, or a mortgage loan not made by the Authority that is a federally-aided mortgage, can reasonably be anticipated to be obtained to provide financing for the proposed housing project.
- e. The proposed housing project is a feasible housing project.
- f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Eleven Million Five Hundred Eighty-Five Thousand Dollars (\$11,585,000).

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

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

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

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

6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated May 21, 2020, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
RESOLUTION AUTHORIZING MORTGAGE LOAN
PINE RIDGE APARTMENTS, MSHDA DEVELOPMENT NO. 3924
CITY OF MARQUETTE, MARQUETTE COUNTY

May 21, 2020

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

WHEREAS, an application (the "Application") has been filed with the Authority by the Marquette Housing Commission (the "Applicant") for a construction mortgage loan in the amount of Nine Million Eight Hundred Seventeen Thousand Seven Hundred Eighty Dollars (\$9,817,780), and a permanent mortgage loan in the amount of Five Million One Hundred Eighty-Six Thousand Five Hundred Fifty-Nine Dollars (\$5,186,559), for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Eighteen Million Eight Hundred Eighty Thousand Three Hundred Forty-Six Dollars (\$18,880,346), to be known as Pine Ridge Apartments, located in the City of Marquette, Marquette County, Michigan, and to be owned by Pine Ridge Marquette Limited Dividend Housing Association Limited Partnership (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a Mortgage Resource Fund loan in the estimated amount of Four Hundred Ninety Thousand Dollars (\$490,000) (the "MRF Loan") and a mortgage loan under the HOME Investment Partnerships Program using HOME funds in the estimated amount of Four Hundred Ninety Thousand Dollars (\$490,000) (the "HOME Loan"); and

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

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

- (a) The Mortgagor is an eligible applicant;
- (b) The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located thereby enhancing the viability of such housing;
- (c) The Applicant and the Mortgagor are reasonably expected to be able to achieve successful completion of the proposed housing project;

- (d) The proposed housing project will meet a social need in the area in which it is to be located;
- (e) The proposed housing project may reasonably be expected to be marketed successfully;
- (f) All elements of the proposed housing project have been established in a manner consistent with the Authority's evaluation factors, except as otherwise provided herein;
- (g) The construction or rehabilitation will be undertaken in an economical manner and it will not be of elaborate design or materials; and
- (h) In light of the estimated total project cost of the proposed housing project, the amount of the mortgage loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation on the ratio of mortgage loan amount to estimated total project cost.

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

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

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

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

2. A construction and permanent mortgage loan (the "Mortgage Loan") be and it hereby is authorized and the Executive Director, the Chief Housing Investment Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chief Financial Officer, the Deputy Director of Finance or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction financing of the proposed housing project in an amount not to exceed Nine Million Eight Hundred Seventeen Thousand Seven Hundred Eighty Dollars (\$9,817,780), and permanent financing in an amount not to exceed Five Million One Hundred Eighty-Six Thousand Five Hundred Fifty-Nine Dollars (\$5,186,559), and to have a term of forty (40) years after amortization of principal commences and to bear interest at a rate of Four and 625/1000 percent (4.625%) 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 Eleven Million Five Hundred Eighty-Five Thousand Dollars (\$11,585,000). 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 Four Hundred Ninety Thousand Dollars (\$490,000), and to have a term not to exceed fifty (50) years and to bear interest at a rate of three percent (3%) per annum.

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

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

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

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

- (a) So long as the Housing Assistance Payments Contract or any other federal subsidy is in effect, the rate of return shall be twelve percent (12%) of the Mortgagor's equity, as determined by the Authority.
- (b) Following the expiration or termination of the Housing Assistance Payments Contract or other federal subsidy, the rate of return shall not exceed twenty-five percent (25%) of the Mortgagor's equity, as determined by the Authority.
- (b) 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 May 21, 2020, which conditions are hereby incorporated by reference as if fully set forth herein.



POLICY RE: SHORT-TERM MORTGAGE RELIEF MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY (“AUTHORITY”)-FINANCED PROPERTIES

May 21, 2020

Background:

The purpose of this policy is to establish a program for allowing Authority-financed properties to receive short-term payment relief due to the COVID-19 pandemic through an expedited approval process.

Currently, the Authority reviews requests for mortgage modifications and grants its approval on a case-by-case basis following an analysis of each request. These requests are approved by the Authority Board after approval by the Asset Review Committee. This process typically takes anywhere from 6 to 8 weeks before formal approval by the Authority Board.

In response to the current economic conditions¹, the Authority Board approved an amended and restated resolution dated April 23, 2020 delegating authority for short-term mortgage relief for Authority-financed properties to the Executive Director within the constraints of the resolution. This policy sets forth how the Executive Director, or any person duly authorized to act in such capacity, and staff will review requests for short-term mortgage relief from owners of Authority-financed properties.

Program:

This program allows owners of financially troubled, Authority-financed properties to request short-term relief for their Authority mortgage loans. The criteria below will be used to identify the properties that will be eligible for short-term mortgage relief under this policy, describe potential forms of relief, and the required assistance passed along to residents:

1. The property must be able to demonstrate the need for payment relief due to the effects of the pandemic. Financial indicators to consider include, but are not limited to:

¹ With the downturn of the Michigan economy due to the outbreak of the COVID-19 pandemic, some previously stable properties have had trouble sustaining feasible operations, while others that have struggled financially for years are also having issues with increased resident receivables, vacant units, and added costs associated with frequent cleaning and sanitizing interior common areas to ensure a safe environment for their residents. The rapid rise in unemployment has left many projects vulnerable to operating shortfalls with little warning.

- a. Increased vacancy
 - b. Increase in resident receivables
 - c. Increase in accounts payable
 - d. Decrease in supplemental income
2. The property owner/agents must provide information acceptable to the Authority which demonstrates financial distress arising from the COVID-19 pandemic. Owners/agents must also provide documentation of their commitment to working with residents who are delinquent on rent because of interruptions in employment.
3. Short-Term Relief can be classified in the following forms and be granted for no more than 12 months:
 - a. Principal Deferral – The principal portion of the monthly payment would be deferred. Interest and escrow payments are required to be paid as stated in the loan documents
 - b. Principal and Interest deferral – The full amount of the monthly debt service would be deferred.
 - c. Escrow Deferral – Payments to certain escrow accounts would be suspended
 - d. Access to Escrows – Allow distributions from certain escrow accounts not typically used for operating shortfalls
4. The owner of any project approved for short term relief must agree to the following:
 - a. Waive any resident late charges incurred due to nonpayment (or partial payment) of rent during the relief period.
 - b. Offer payment plans to residents upon request during the relief period.
 - c. Agree not to evict during the relief term any resident that could not pay rent due to a documented COVID-19 employment loss.
 - d. Document monthly how the owner or management agent is communicating with the project's residents.
 - e. Provide monthly rent rolls and any other requested reports to confirm collection of rent.

Each request must be submitted in writing to the Asset Management division and request must be accompanied by documentation that demonstrates the property meets the criteria above. If the property owner can demonstrate it has met the criteria, Authority staff will prepare and forward an Action Report to the Authority's Executive Director for final approval. The Executive Director will confirm his or her approval by signing the Action Report and returning the same to the Director of Asset Management and the Director of Legal Affairs. The Executive Director's approval is contingent on the project owner entering into any agreements or amendments to loan documents as determined by the Director of Legal Affairs.

The Executive Director will provide monthly reports to the Authority Board regarding any relief granted pursuant to this policy. The delegation of authority to the Executive Director to approve short-term mortgage relief under this policy expires June 1, 2021.

Approvals
Short Term Mortgage Relief Program

Dev. #	Development Name	Location	# Units	Family / Elderly	Date of Initial Request	Approval Date	Terms of Relief
1071	Deer Creek	Sturgis	40	Family	3/27/2020	4/9/2020	3 Month Principle Deferral
899	Baldwin House	Birmingham	131	Elderly	4/9/2020	4/13/2020	3 Month Principle Deferral
1016	American House North	Flint	126	Elderly	4/9/2020	4/13/2020	6 Month Principle and Escrow Deferral
1043	Belleview Place	Ionia	48	Family	4/20/2020	5/1/2020	6 Month Principle Deferral
3003	Belleview Place II	Ionia	48	Family	4/20/2020	5/1/2020	6 Month Principle Deferral



MSHDA

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Gary Heidel, Acting Executive Director

DATE: June 25, 2020

RE: The Michigan State Housing Development Authority's 2020 – 2021 Proposed Budget

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") review and comment on the Authority's 2020-2021 Budget (the "Budget").

EXECUTIVE SUMMARY:

The Budget was developed with input from all divisions within the Authority, the review of prior years' experience and consideration of the uncertainty created by the COVID pandemic. The Authority's Mission, Vision and Guiding Principles drive the creation of the Budget.

A few notable items include:

- Net Interest Income is up as loan balances are increasing. This is due to an increase in mortgage interest income from increasing mortgage balances. and higher returns on investments. These gains will be partially offset by lower returns on investments and an increase on interest expenses on bonds, as bonds outstanding have increased over the past year. Net Interest Income is generated while the Authority is meeting its Mission to provide quality affordable housing.
- Salaries and Fringes have decreased (\$1.2 million) due to the State Historic Preservation Office ("SHPO") transferring to Michigan Strategic Fund and the impact of the current State hiring freeze.
- Mortgage Servicing Fees continue to increase, primarily due to increased single-family mortgage balances and the anticipated higher cost of servicing delinquent loans.
- Provision for losses on mortgage loans have been increased (\$3.8 million) to take into consideration the economic impact of the COVID pandemic.

- The Authority is targeting a 1.00% return on Net Assets, bringing a budgeted increase in Net Assets of \$8.0 million.
- By targeting a 1.00% increase in Net Assets, the Authority can provide \$10.2 million in grants for the 2020-21 fiscal year.

ADVANCING THE MISSION AND COMMUNITY IMPACT/SUPPORT:

The Authority's annual budget was developed with consideration given to the Authority's Mission, Vision, and Guiding Principles and community impact/support. Below are a few examples.

People First

This Budget includes funding for an IT project that will increase communication and efficiency between Authority staff and multifamily developers. The IT project should lead to a more efficient review and underwriting process for affordable multifamily housing.

Diversity, Equity, and Inclusion

This Budget includes funding for contracts that will assist the Authority in the analysis of impediments to fair housing choices.

Decision Making

This Budget takes into consideration economic data and recent results to forecast Net Interest Income during a time of very little visibility. The COVID pandemic has influenced a more conservative view of the upcoming years production and reserves.

Partner Collaboration

This Budget increases Grant funds in an effort for the Authority to better assist our partners and customers address the unknown caused by the COVID pandemic.

The Authority generally awards grants to nonprofits and public bodies to support and impact communities and neighborhoods. Over the years, Authority grants have funded, among other activities, matches for emergency shelter grants, neighborhood stabilization efforts, and housing enhancement in low to moderate income areas.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

None.

**Michigan State Housing Development Authority
PROPOSED 2020-21 BUDGET
(000's Omitted)**

DRAFT

	PROPOSED BUDGET 20-21		ESTIMATED 12 MONTH 19-20	BUDGET 19-20	12 MONTH ESTIMATED VS. BUDGET	BUDGET INCREASE (DECREASE)	
Revenue:							
Net interest income	\$63,312	1	\$62,155	\$61,169	\$986	\$2,143	3000, 4000 & 8020
HCV/FSS fees	17,500	2	17,600	17,500	100	0	070-3050-435
Fees - Other federal programs	4,200	3	5,550	5,500	50	(1,300)	070-3050-(270-292), 650, 655, 855 & 890
Preservation fee income	2,291	4	3,250	550	2,700	1,741	093-6010
LHHC Fees	3,900	5	4,965	3,900	1,065	0	3110
Contract Administration fees	8,415	6	8,510	8,200	310	215	070-3050-445
Gain (loss) on retirement of bonds	1,560	7	2,645	200	2,445	1,360	4200
Gain (loss) on sale of investments	0	8	35	0	35	0	4100
Gain on sale of mortgages	960	9	1,120	400	720	560	4400
Miscellaneous income	3,540	10	7,350	7,212	138	(3,672)	3040, 3100, 4300, 6020 & 6100
Total Revenue	\$105,678		\$113,180	\$104,631	\$8,549	\$1,047	
Expenses:							
Operating Expenses:							
Salaries and fringes	\$33,890	11	\$34,526	\$35,188	(662)	(1,298)	(7010 - 7030)
Technical service contracts	5,743	12	5,702	5,520	182	223	7040
General contracts	1,411	13	619	1,420	(801)	(9)	7050
Rent, building depreciation and utilities	1,224	14	1,204	1,248	(44)	(24)	7120
Building maint, equipment purchase & rental	954	19	831	1,080	(249)	(126)	7140, 7290, 7300 & 7320
Computer	6,985	15	5,670	7,131	(1,461)	(146)	7130
State charges for Attorney General, Auditor							
General, Civil Service and admin	3,180	16	3,250	3,456	(206)	(276)	7150
Travel	348	17	348	360	(12)	(12)	7080
Telephone	228	17	228	252	(24)	(24)	7070
Supplies, printing and postage	288	17	288	408	(120)	(120)	7060 & 7100
Advertising and publicity	1,450	20	1,528	1,450	78	0	(7210 - 7230) & 7270
HCV contracted agents	9,530	21	9,444	9,530	(86)	0	7350
Memberships, subs., & research mat.	84	17	84	144	(60)	(60)	7180
Authority sponsored conf.	240	18	240	312	(72)	(72)	7110
Conference registration fees	96	17	96	96	0	0	7160
Temporary support	36	22	30	36	(6)	0	7200
Legal & insurance	480	23	460	420	40	60	7240 & 7260
Miscellaneous	444	17	3,744	276	3,468	168	7090, 7170, 7190 & 8040
Deferred loan origination costs	(1,380)	24	(1,125)	(1,380)	255	0	7800
Total Operating expenses	65,231		67,167	66,947	220	(1,716)	
Single Family & HIP Mortgage servicing/origination/FHA insurance fees	7,740	25	7,172	6,720	452	1,020	9200, 9300 & 9350 (200 & 035)
Costs of issuing & paying notes & bonds	2,700	26	3,175	2,700	475	0	(7500 - 7540)
Bond insurance, LOC & Liquidity fees	1,953	27	2,747	2,806	(59)	(853)	9330
Provision for losses on Mort. loans	8,600	28	10,140	4,800	5,340	3,800	9500
Rent Subsidies	540	29	(720)	660	(1,380)	(120)	(7700 - 7720)
Grants	10,235	30	9,360	9,360	0	875	9600
Homeownership Counseling	650	31	695	600	95	50	7330
Total expenses	\$97,649		\$99,736	\$94,593	\$5,143	\$3,056	
Net Increase in fund balance	\$8,029		\$13,444	\$10,038	\$3,406	(\$2,009)	

Notes 1 - 31 -- See pages following

802,900 Estimated Net Assets	<u>\$8,029</u>	1.00% Return on Net Assets
	\$0	

				SALARIES		
				MONTHLY	WITH	
MONTH	DAYS			SALARIES	LONGEVITY	\$34,485.28
July	23	8.78%				\$3,027.33
Aug	22	8.40%				\$2,895.71
Sept	21	8.02%				\$2,764.09
Oct	23	8.78%				\$3,149.64
Nov	21	8.02%				\$2,944.37
Dec	22	8.40%				\$2,953.62
Jan	23	8.78%				\$3,087.88
Feb	20	7.63%				\$2,685.11
Mar	22	8.40%				\$2,953.62
Apr	22	8.40%				\$2,953.62
May	21	8.02%				\$2,819.37
June	22	8.40%				\$2,953.62
TOTAL	262	100.00%		\$0.00	\$0.00	\$35,188.00
						35188
	Budget Total			\$35,983.00		
	October Longevity			<u>\$125.00</u>		
				\$35,858.00		

INTEREST INCOME

MONTH	MORTGAGE LOANS	INVESTMENTS	INTEREST EXPENSE	INTEREST INCOME
July	12,058	1,248	8,529	4,777
Aug	12,212	1,152	8,529	4,835
Sept	12,374	1,095	8,948	4,521
Oct	12,529	1,018	8,766	4,781
Nov	12,691	969	8,766	4,894
Dec	12,832	1,108	8,376	5,564
Jan	12,927	1,046	8,785	5,188
Feb	13,109	1,161	9,108	5,162
Mar	13,245	1,064	9,108	5,201
Apr	13,393	1,011	8,926	5,478
May	13,537	995	9,335	5,197
June	13,685	1,084	9,198	5,571
TOTAL	154,592	12,951	106,374	61,169

- (1) Net interest income is budgeted at \$63,312,000, which is \$2,143,000 more than was budgeted in FY 20. We anticipate lower rates earned on higher average balances for mortgage loans compared to FY 20. Lower interest rates received on higher average balances for investments are anticipated for FY 21. We anticipate bond interest expense to increase due to lower interest rates paid on higher bond balances in FY 21 over the budgeted amount in FY 20.

The components of interest income are estimated as follows:

	<u>Average Balance</u>	<u>Average Rate</u>	<u>Budget Amount</u>
Interest income:			
Mortgage loans	\$3,594,017,000	4.683 %	\$168,294,000
Investments	\$ 698,300,000	1.526 %	10,653,000
Interest expense on bonds	\$3,366,668,000	3.435 %	<u>(115,635,000)</u>
Net interest income			<u>\$ 63,312,000</u>

- (2) Housing Choice Voucher and Family Self Sufficiency Administration fees are expected to stay flat compared to the prior year’s budget.
- (3) Represents funds available for administering other federal programs, including the HOME Program* (\$1,600,000), CoC Program* (\$60,000), Section 811 Program* (\$80,000), ESG* (\$260,000), Hardest-Hit Fund* (\$1,500,000) and the Housing Trust Fund Program (\$700,000).
- (4) Budgeted amount includes preservation fees of 2,191,000 from anticipated prepayments on multifamily loans and \$100,000 of funds received from the required annual payments from projects surplus cash. The amount of preservation fee income could vary significantly from the budgeted amount. It is based on large payments from a small number of projects that are anticipated to prepay their multi-family loan. Actual prepayments may not take place or may exceed our expectations.
- (5) Fees for administering the Low Income Housing Tax Credit Program.
- (6) Fees expected to be received for administering the HUD Section 8 Contract Administration Program.
- (7) Whether a bond retirement results in a gain or loss depends on the interest rate of the bond called relative to the average rate on the issue from which the bond is being called. We are budgeting a gain of \$1,560,000 for 2021.
- (8) We have projected no gain from the sale of other long-term investments.
- (9) Gain on the sale of securitized single-family loans and REO multi-family loans.
- (10) Budget amount of \$3,540,000 includes fees expected to be received from administering the Mortgage Credit Certificate program (\$100,000)*, administrative oversight fees to be received from developments that have prepaid their mortgage loans (\$500,000)*, late fee/prepayment penalties on mortgages (\$1,000,000)*, amortization of asset management fees (\$380,000)*, fees for the issuance of limited obligation bonds (\$0), recognition of Below Market Interest Rate Program (\$1,129,000) and various smaller income items of (\$431,000).
- (11) Budget requests by Division are as follows:

Positions Filled	Cost
-----------------------------	-------------

Executive:

Director's Office	3.0	\$ 287,371
Deputy Director's Office	0.0	0
Governmental and Media Affairs	5.9	386,217
Compliance, Fraud & Internal Audit	9.0	608,130
Employee Services	3.0	278,769
Students & Co-ops	<u>1.4</u>	<u>42,000</u>
	22.3	\$1,602,487
Fringes (75%)		<u>1,201,865</u>
TOTAL		<u>\$2,804,352</u>

Operations:

Director's Office	4.0	\$ 370,056
Technical Support Services	9.0	665,174
Office Services	8.0	550,272
Human Resources	<u>4.0</u>	<u>326,208</u>
	25.0	\$1,911,710
Fringes (75%)		<u>1,433,783</u>
TOTAL		<u>\$3,345,493</u>

Finance:

Director's Office	2.0	\$ 228,156
Accounting & Investments	7.0	453,910
Single Family Servicing	3.8	211,147
Multi-Family Servicing	4.0	226,840
Audit	3.0	268,057
Operations – HVP	3.0	254,736
Students & Co-ops	<u>2.1</u>	<u>63,000</u>
	24.9	\$1,705,846
Fringes (75%)		<u>1,279,385</u>
TOTAL		<u>\$2,985,231</u>

Legal:

Director's Office	7.0	\$ 569,293
Staff Attorneys	7.0	689,332
Procurement	2.0	148,624
Students & Co-ops	<u>0.7</u>	<u>21,000</u>
	16.7	\$1,428,249
Fringes (75%)		<u>1,071,187</u>
TOTAL		<u>\$2,499,436</u>

(11) Budget requests by Division (continued)

	Positions Filled	Cost
Housing Initiatives:		
Director's Office	1.0	\$99,347

Southeast Michigan Outreach	6.0	538,892
Neighborhood Initiatives	6.0	484,437
Students & Co-ops	<u>1.4</u>	<u>31,000</u>
	14.4	\$1,153,676
Fringes (75%)		<u>865,257</u>
TOTAL		<u>\$2,018,933</u>

***Rental Assistance & Housing Solutions:**

Director's Office	4.0	\$379,139
Rent Assistance	28.6	2,057,098
Homeless Initiatives	9.0	639,346
Students & Co-ops	<u>2.8</u>	<u>84,000</u>
	44.4	\$3,159,583
Fringes (75%)		<u>2,369,687</u>
TOTAL		<u>\$5,529,270</u>

***Federally Funded**

Asset Management:

Director's Office	1.0	\$125,176
Transactions & Preservation	8.0	617,756
Core Operations Intake	9.0	636,234
Finance/Technology	4.0	322,366
Contract Administration/Operations Division	11.0	783,063
Compliance Monitoring	8.0	581,863
Students & Co-ops	<u>3.5</u>	<u>94,000</u>
	44.5	\$3,160,458
Fringes (75%)		<u>2,370,344</u>
TOTAL		<u>\$5,530,802</u>

Homeownership:

Director's Office	2.0	\$ 177,250
Single Family/MCC	16.0	1,046,151
Marketing	8.0	590,069
Foreclosure Prevention *	5.0	274,593
Students & Co-ops *	<u>0.0</u>	<u>0</u>

***Federally Funded**

	31.0	\$2,088,063
Fringes (75%)		<u>1,566,047</u>
TOTAL		<u>\$3,654,110</u>

(11) Budget requests by Division (continued)

	<u>Positions Filled</u>	<u>Cost</u>
Rental Development:		
Director's Office	6.0	\$435,432
Multi-family Development	6.0	504,732
Design and Construction Management	5.0	472,974
EEO and Construction Disbursements	5.0	417,057
Environmental Quality	2.0	186,709

Low Income Housing Tax Credit	6.0	376,466
Students & Co-ops	<u>0.7</u>	<u>10,000</u>
	30.7	\$2,403,370
Fringes (75%)		<u>1,802,528</u>
TOTAL		<u>\$4,205,898</u>

Total Salaries July 1, 2020	<u>253.9</u>	<u>\$18,613,442</u>
Total Fringes July 1, 2020		<u>\$13,960,083</u>

General increase effective October 1, 2020 (2% of base wages)		488,603
General increase effective April 1, 2021 (1% of base wages)		81,434

\$33,143,562

Summary of Costs:

Projected salary cost of positions		\$33,143,562
Vacant positions salaries (24)		1,961,977
Vacant positions fringes		1,471,483
Unfilled Vacant Positions (80%)		(2,746,768)
Estimated sick and annual leave accrual		<u>60,000</u>

Total budgeted salaries and fringes 20-21 \$33,890,254

(12) Production-related Contracts:

	<u>2020-21 Proposed Budget</u>	<u>2019-20 Budget</u>
Multi-Family:		
Design Review	\$48,000	25,000
Marketing	13,000	0
Environmental and Technical Resources	<u>70,000</u>	<u>70,000</u>
Sub total	\$131,000	\$95,000
Contract Administration*:		
Asset Management	\$3,520,000	\$3,215,000
Consulting	50,000	50,000
TRACS Processing	<u>950,000</u>	<u>815,000</u>
Sub total	\$4,520,000	\$4,080,000
Single Family Foreclosure Services	250,000	250,000
Environmental Legal Matters	40,000	40,000
Capital Needs and Project Assessments	82,000	123,000
TRACS Processing	245,000	440,000
Contractual Tenant File Audits/Physical Inspections	<u>475,000</u>	<u>492,000</u>
Total	<u>\$5,743,000</u>	<u>\$5,520,000</u>

*Additional contracts required for HUD Section 8 Contract Administration Program.

(13) General Contracts:

	<u>2020-21 Proposed Budget</u>	<u>2019-20 Budget</u>
Operations Contracts	\$ 153,000	\$100,000
Executive Contract	200,000	250,000
Legal Contracts	158,000	191,000
Housing Initiatives Contracts	275,000	280,000
Housing Voucher Program Contracts	462,000	229,000
SHPO Contracts	0	257,000
Miscellaneous	<u>163,000</u>	<u>113,000</u>
	<u>\$1,411,000</u>	<u>\$1,420,000</u>

(14) Office rent and utility charges by location are as follows:

	<u>Proposed Budget</u>
Rent:	
GM Building	384,000
Romney Building (H4HH) *	<u>102,000</u>
	\$486,000
Depreciation on 735 E. Michigan Avenue:	\$ 525,000
Utilities:	
735 E. Michigan Avenue	<u>\$ 213,000</u>
Total	<u>\$1,224,000</u>

* Federally Funded

(15) Computer:

	<u>2020-21 Proposed Budget</u>	<u>2019-20 Budget</u>
Emphasys system	\$1,958,000	\$1,900,000
Agate	775,000	775,000
DTMB	3,437,000	3,205,000
Smaller Ongoing Commitments	0	351,000
New IT Projects	<u>815,000</u>	<u>900,000</u>
	\$6,985,000	\$7,131,000

(16) State Charges include:

**Proposed
Budget**

Budget

	<u>20-21</u>	<u>19-20</u>
Attorney General	\$1,200,000	\$1,200,000
Auditor General	120,000	120,000
*Civil Service	600,000	636,000
*DTMB Support	252,000	240,000
*TED Admin	1,008,000	1,260,000
	<u>\$3,180,000</u>	<u>\$3,456,000</u>

(17) Prior year estimated actual amount. Miscellaneous Expenses had a one time fee of \$3,300,000 for SHPO transition. Without that transaction, the estimated actual would be \$444,000.

(18) Amount for Authority sponsored conferences.

(19) Amount includes expense for building maintenance, office equipment and rental.

(20) Advertising and publicity (needs updating)

	Proposed Budget <u>20-21</u>
Advertising	
Campaign – Media/PR/Creative	900,000
Video Creation	250,000
Misc. Advertising, Marketing, Promotion & Outreach Items	
	<u>300,000</u>
Total	<u>\$1,450,000</u>

(21) Reflects similar utilization of agents and fees paid to agents.

(22) Temporary clericals and laborers.

(23) Budget amount includes \$335,000 of legal fees and \$145,000 for insurance premiums. Legal fees and insurance premiums expected to be higher in FY 21.

(24) Represents the direct costs of originating multi-family loans. Pursuant to generally accepted accounting principles, the cost of making loans is deferred and amortized against interest income over the term of the loans.

(25) This is the breakdown of estimated Single Family/ HIP servicing, origination costs and FHA Insurance premiums. The Authority will assemble a team to investigate cost savings related to servicing fees.

	<u>20-21</u> <u>Budget</u>	<u>19-20</u> <u>Budget</u>
Single Family Servicing Fees -	\$6,000,000	\$5,000,000
HIP Servicing Fees -	105,000	125,000
Cost of Loan Origination (a) -	1,575,000	1,530,000
HIP Origination Fees -	10,000	15,000

HIP FHA Insurance Premiums -	<u>50,000</u>	<u>50,000</u>
Total	\$7,740,000	\$6,720,000

(a) Amortization of Service release premium, Incentive premium and Origination Fee

- (26) Staying flat compared to last year's estimated actual is budgeted because the number of bonds being issued will be similar to prior year.
- (27) A decrease over last year's estimated actual is budgeted because the number of bonds with liquidity facilities has decreased and so have the fees.
- (28) Assumes \$5,000,000 of write-offs and will increase current reserve balance by \$3,600,000.
- (29) Represents estimated expenditures for the Authority's rent subsidy programs that (1) provide up to a \$300 per unit per year subsidy for the total number of units in a project under the prior multi-family program (\$90,000), (2) provide a subsidy of up to \$400 per unit for each unit in a development under our taxable program so that some of the units can be afforded by very low income tenants who would otherwise be paying more than 40% of their income for rent (\$300,000), and (3) (\$220,000) for small size and security loans which are being expensed as paid due to the uncertainty of repayment. Excess subsidy repayments are estimated at (\$70,000).
- (30) Of the \$10,235,000, \$5,502,000 will be allocated to a number of programs that require a match in order for MSHDA to be eligible for Federal Funds. Sponsorships, in the amount of \$185,000, will be moved from Advertising to the Grants line item. The remaining \$4,548,000 Grant Funds will be allocated throughout the FY.
- (31) This counseling network is an ongoing responsibility of MSHDA with annual costs estimated at \$650,000.



Helping Michigan's Hardest-Hit Homeowners

APRIL 2020

HARDEST HIT PROGRAMS				
	# OF HOUSEHOLDS THIS MONTH	# OF CUMULATIVE HOUSEHOLDS 2010-CURRENT	MONEY SPENT THIS MONTH	CUMULATIVE MONEY SPENT 2010-CURRENT
MORTGAGE & TAX ASSISTANCE	37	38,784	\$223,041.26	\$302,651,237.87
BLIGHT ELIMINATION	435	22,079	\$8,763,375.40	\$359,042,941.90
Step Forward DPA	19	1,935	\$282,433.00	\$28,802,860.88

Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA)
 Step Forward Michigan
 PO Box 30632 • Lansing, MI 48909-8132
 Phone (866) 946-7432 • Fax (517) 636-6170
www.stepforwardmichigan.org



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

CURRENT AND HISTORICAL HOMEOWNERSHIP DATA

APRIL 2020



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

SINGLE FAMILY MORTGAGES

GOAL PURCHASED



Monthly Homeownership Production Report: APRIL 2020

Print on Legal-Size paper

MI HOME Loan Programs

Series /Date	Month	RESERVATIONS	APPLICATIONS RECEIVED	COMMITMENTS BEGINNING	COMMITMENTS ISSUED	Cancellations Reinstatements Net	Transfers IN or Adjustment	Transfers OUT or Adjustment	COMMITMENTS ENDING	PURCHASED #1	PURCHASED-DPA	#	PURCHASED Prior Total	PURCHASED NEW Total	1st + DPA TO DATE	NEWEST ALLOCATED
031	Apr-20	0	\$ -	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	\$ 10,000,000.00
6/26/2014 07-26-17	Mar-20	0	\$ -	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	remaining: \$ (13,092,639.00)
057	Apr-20	0	\$ -	5	\$541,605.00	16	\$1,982,791.00	0	\$0.00	1	\$100,953.00	-7	-\$733,208.00	10	\$1,350,536.00	\$ 300,000,000.00
4/15/2019	Mar-20	0	\$ -	1	\$100,152.00	62	\$7,224,582.00	1	\$100,152.00	-5	-\$374,509.00	0	\$100.00	-42	-\$4,967,534.00	remaining: \$ (8,182,920.00)
058	Apr-20	190	\$ 22,278,210.00	316	\$37,065,801.00	434	\$49,597,509.00	239	\$27,750,527.00	-3	-\$320,919.00	7	\$733,208.00	0	\$53,246.00	\$ 300,000,000.00
11/1/2019	Mar-20	513	\$ 63,675,194.00	274	\$30,776,282.00	446	\$50,771,292.00	280	\$31,906,091.00	-3	-\$204,298.00	42	\$4,967,534.00	0	-\$3,866.00	remaining: \$ 172,880,213.00
TOTAL	Apr-20	190	\$ 22,278,210.00	321	\$37,607,406.00	450	\$51,580,300.00	239	\$27,750,527.00	-3	-\$320,919.00	8	\$834,161.00	-7	-\$679,962.00	\$ 1,976,721.00

STEP FORWARD DPA Program

#255 Series /Date	Month	RESERVATIONS	Cancel/Rejects	Deleted	Total In Process	APPLICATIONS RECEIVED	COMMITMENTS ISSUED	PURCHASED-DPA FUNDED										
9/16/2019-R2	Apr-20	3	\$ 45,000.00	-1	\$ (15,000.00)	0	\$ -	19	\$ 285,000.00	6	\$ 90,000.00	7	\$ 105,000.00	19	\$ 282,433.00	425	\$ 6,328,000.11	Previous Total
9/24/2018	Mar-20	5	\$ 75,000.00	-5	\$ (75,000.00)	0	\$ -	36	\$ 540,000.00	12	\$ 180,000.00	12	\$ 180,000.00	29	\$ 430,722.00	444	\$ 6,610,433.11	Round 2 Total
																1491	\$ 22,192,427.77	Round 1 Total
																1935	\$ 28,802,860.88	GRAND Total

MI HOME FLEX Loan Program (MBS)

Series /Date	Month	RESERVATIONS	APPLICATIONS RECEIVED	COMMITMENTS BEGINNING	COMMITMENTS ISSUED	COMMITMENT Cancellations Reinstatements Net	COMMITMENT & PURCHASE IN/DEcrease Net	COMMITMENTS ENDING	PURCHASED #1	PURCHASED-DPA									
900	Apr-20	18	\$ 2,062,846.00	14	\$1,604,903.00	39	\$4,365,454.00	9	\$1,049,321.00	-1	-\$140,553.00	0	\$0.00	29	\$3,097,278.00	18	\$2,176,944.00	18	\$114,826.00
11/14/2013	Mar-20	26	\$ 2,566,883.00	15	\$1,557,228.00	43	\$4,601,004.00	14	\$1,499,695.00	0	\$0.00	0	\$0.00	39	\$4,365,454.00	18	\$1,735,245.00	18	\$115,263.00

MCC	RESERVATIONS	APPS RECEIVED	COMMITMENTS	CERTIFICATES					
212 MCC	Apr-20	14	\$ 1,616,739.00	14	\$ 1,833,905.00	14	\$ 1,833,905.00	24	\$ 3,372,459.00
9/18/2019	Mar-20	37	\$ 5,666,895.00	19	\$ 3,011,278.00	32	\$ 4,569,879.00	13	\$ 1,910,607.00

PIP Loans	Applications	Commitments	Purchased	
April-20	0	\$ -	0	\$ -
March-20	0	\$ -	2	\$ 39,474.00

2020 Board Calendar

January	
Voting Items	
1	
2	
3	

February	
Voting Items	
1	
2	
3	

March	
Voting Items	
1	Liquidity Facility
2	
3	
Discussion Items	
1	Strategic Plan: Mission/Vision
2	Bond Cap Legislation
3	Public Housing Plan

April	
Voting Items	
1	Public Housing Plan
2	
3	
Discussion Items	
1	Quarterly Financials
2	Single Family Bond Deal
3	
4	
5	

May	
Voting Items	
1	Single Family Bond Deal
2	
3	
Discussion Items	
1	2020-21 Budget
2	Short Term Relief Policy
3	
4	

June	
Voting Items	
1	2020-21 Budget
2	
3	
Discussion Items	
1	March Financials
2	Renewal of Short Term Bond Pass Through Program
3	Multifamily Bond Deal
4	

July	
Voting Items	
1	Renewal of Short Term Bond Pass Through Program
2	Multifamily Bond Deal
3	
Discussion Items	
1	Amendments to Direct Lending Loan Parameters
2	
3	
4	

August	
Voting Items	
1	
2	
3	
Discussion Items	
1	
2	
3	
4	

September	
Voting Items	
1	Amendments to Direct Lending Loan Parameters
2	
3	
Discussion Items	
1	Single Family Bond Deal
2	
3	
4	

October	
Voting Items	
1	Single Family Bond Deal
2	
3	
Discussion Items	
1	Approval of Board Meeting Schedule for 2021
2	
3	
4	

November	
Voting Items	
1	Approval of Board Meeting Schedule for 2021
2	
3	
Discussion Items	
1	Audited Year-End 6/30/2020 Financials
2	
3	
4	

December	
Voting Items	
1	
2	
3	
Discussion Items	
1	
2	
3	
4	