

Recovery Act Implementation Update

Michigan State Housing Development Authority
Michigan Conference on Affordable Housing
June 2 & 3, 2009

MSHDA Panelists

- Steve Lathom, RDHI
- John Hundt, RDHI
- Chris LaGrand, Legal
- Norm Harrod, LIHTC Allocations

Agenda Overview

- ARRA provisions
- MSHDA implementation plans and status
- Q&A

American Recovery & Reinvestment Act (ARRA)

- Commonly known as *“the stimulus”*
- Signed into law on February 17, 2009
- Broad reaching bill (407 pages, nearly \$800 billion)
- Multiple provisions affect affordable housing and community development



Multifamily Housing Provisions Tax Credit Assistance Program (TCAP)

- “HOME” that isn’t HOME
- \$2.25 billion nationally, \$64 million to Michigan
- Project must have an award of LIHTC in FY 2007-2009 to qualify for TCAP
- Administered by HUD
- Deadlines:
 - Commitment: 75% by Feb 17, 2010
 - Expenditure: 75% by Feb 17, 2011
100% by Feb 17, 2012

Multifamily Housing Provisions Section 1602 Program

- Commonly known as “monetized credits”
- States can exchange credit ceiling for cash
- 40% of 2009 ceiling (\$78 million to Michigan) plus 100% of returned prior year credit (estimate of \$150-\$200 million to Michigan)
- Administered by Treasury
- Expenditure deadline: 100% by Dec 31, 2010

Initial MSHDA Response

- Preliminary Implementation Plan released March 25th
- Public Listening Session held on April 13th
- Aggressive use of website to publish updates, share information (michigan.gov/mshda click on ARRA):
 - ┆ Questions & Answers
 - ┆ Training Materials
 - ┆ Public Comments

Preliminary Plan: Priorities

- Maximize the value of ARRA resources
- Spur economic activity
- Improve quality, sustainability, and long-term impact of projects
- Recognize and honestly address economic and financial challenges ahead

Preliminary Plan: Caveats & Cautions

- Uncertainty remains (and will continue)
- Backlog too large to move simultaneously
- Need to balance federal rules, requirements, and deadlines

Recurring themes

- Need for realism
 - More conservative underwriting
- Need for speed
 - Hard equity is a key driver of funding decisions
- Need for flexibility
 - Constantly re-assess and adjust as needed
 - Waivers, substitution of funding sources, etc.
- Need for transparency
 - Website, conferences, hearings, mshdarecovery@michigan.gov email address, etc
 - Unprecedented reporting requirements to HUD, Treasury, GAO, recovery.gov, etc... not to mention media attention

*Preliminary Plan:
Four Program Areas*

What are you going to do about...

9% Equity Support Program

- ***... 9% credits from 2009 that have to be syndicated?***
- Renamed “9% Tax Credit Assistance Program” to avoid confusion with federal TCAP funds
- Check the box opportunity to request equity pricing support up to 25 cents per tax credit dollar
- Generally expect to fund with TCAP but may use other sources; set-aside up to \$35 million

9% Equity Support Program

What to Expect

- Program Notice and Application Materials planned for release week of June 8th
- Applicants limited to those who with 2009 applications for 9% LIHTC, both general and rolling round
- 30 day deadline to submit application
- Streamlined application document plus needed due diligence exhibits
- Presume use of TCAP, federal cross-cutting requirements except URA and Section 3
- **Provisional awards based on ability to produce hard equity**

9% Tax Credit Exchange Program

- ***... 9% credits from 2007/2008 that haven't been sold?***
- Opportunity to return credits and apply for cash assistance
- Requires re-underwriting based on new standards and ability to be viable within 85 cent exchange rate
- Tax exempt lending opportunity; stack 4% LIHTC with “9% monetized”
- Generally expect to fund with Section 1602 Program (i.e. monetized credits) but may use other sources

9% Tax Credit Exchange Program

What to Expect

- Program Notice and Application Materials planned for release week of June 8th
- Applicants limited to those who with 2007/2008 9% LIHTC reservations
- 30 day deadline to submit application
- Must return of credit reservation to apply
- Streamlined application document plus needed due diligence exhibits
- Presume use of Section 1602 Program

4% Equity Support Program

- *... the Authority's tax exempt lending programs?*
- Integrated into update Direct Lending Parameters (session on Wednesday at 10:15)
- Provides up to \$30 million, probably in TCAP, to provide subordinate financing
- Generally expect to fund with TCAP but will combined with other resources including HOME, NSP, Preservation Fund, and Section 1602 Program

4% Equity Support Program

What to Expect

- Program Notice planned for release week of June 8th
- Application materials those already used for Direct Lending
- No specific deadline for application, but note federal commitment and expenditure deadlines
- Presume use of TCAP, federal cross-cutting requirements except URA and Section 3
- Priority Selection Process in Direct Lending Parameters
 - ┌ Hard equity will be key factor
 - ┌ Favor preservation over new construction
 - ┌ Favor leverage

Reinvestment & Innovation Program

- ***... the existing portfolio of challenged projects?***
- Sustain projects for another 15 years without full refinance/re-syndication
- ***Still working through regulatory issues***
- Generally expect to fund with Section 1602 Program (i.e. monetized credits) but may use other sources

Reinvestment & Innovation Program

What to Expect

- Anticipates capital investments that improve quality, energy efficiency, and sustainability
- Take pressure off of replacement reserve deposits and improve financial performance
- Program notice will lag others by two to three weeks

What's been done so far?

Since Preliminary Implementation Plan

- HUD & Treasury rules and application materials released on May 4th
- Updated Direct Lending Parameters, affecting all ARRA resources, published May 7th, approved by MSHDA Board May 20th
 - Continuing to update, tweak, and accept comments
 - Comments due no later than June 9th
- Section 1602 application submitted and approved by Treasury on May 22nd
- TCAP application draft published for public comment on May 20th, submitted to HUD on May 27th

What's next?

- Program Notices and Application Materials during the week of June 8th for
 - 9% Equity Support Program
 - 9% Tax Credit Exchange Program
 - 4% Equity Support Program
- Reinvestment Program announcement should take 2-3 additional weeks
- 2009 9% LIHTC reviews ongoing

On the horizon...

- Additional June updates to Direct Lending Parameters
 - Technical revisions
 - Adjustments based on feedback
 - Conference Session Wednesday at 10:15
- QAP
 - Ongoing impact of HERA
 - Preparing for 2010
 - Conference Session Wednesday at 10:15

How to stay informed

- Website: michigan.gov/mshda click on American Recovery & Reinvestment Act
- LIHTC email list, also forwarded to MHC and CEDAM
- mshdarecovery@michigan.gov

Questions & Answers

Summary

Program	Project Class	Likely Funding Source
9% Equity Support	2009 9% LIHTC applicants	TCAP
9% TC Exchange	2007/2008 LIHTC awards	Sec 1602
4% Equity Support	Direct lending applicants	TCAP
Reinvestment	Existing affordable developments	Sec 1602