

# Approval & Draw Processes for Multi-family NSP2 Projects



# Overview



- **MSHDA Review Process (Predevelopment Phase)**
  - Underwriting Assistance
  - Income/Rent Limits
  - Escrow Closing
  - Due Diligence Review Package & Disbursement
- **Post-Closing (Construction Phase & Beyond)**
  - Pre-purchased Materials
  - Inspections
  - Draws
  - Ongoing Concerns
- **Resources**

# MSHDA Review Process



**UNDERWRITING ASSISTANCE**

**INCOME/RENT LIMITS**

**ESCROW CLOSING**

**DUE DILIGENCE REVIEW PACKAGE**

**DISBURSEMENT**

# Underwriting Assistance



- Underwriting assistance is available per request
- Provide MSHDA with documents:
  - Project Summary/Narrative, Site information
  - Development Team information
  - Environmental
  - Development Proforma, Operating Budget and budget comps
  - Trade Payment Breakdown (MSHDA form)
  - Confirmation of other financing – if applicable (commercial lender, etc.)
  - Schedule of construction/disbursements
- MSHDA prepares a short-form Staff Report

# Income & Rents



## Income Limits

- NSP2 restricts income for tenants income at 120% of Area Median Income (AMI).
- Low-Income Set Aside (LISA) units are restricted at 50% of AMI

## Determining Rents

- Rents should be based on subsidy levels (if any), marketability and long-term viability

# Rent Limits



- If it's a LIHTC or Tax-Exempt unit, the applicable tax credit rent at either 50% (LISA units) or 60% (all others) will apply
- If it's an 80%-120% AMI restricted unit, a 100% AMI rent WITHOUT any utility allowance will apply
- All others: 30% or 65% of adjusted calculated High HOME rent will apply
- If they are mixing NSP in a deal with local direct NSP the local government's definition of "affordable rents" from their substantial amendment

# Escrow Closing



- NSP2 loan documents executed
- MSHDA NSP2 addendum attached to covenant running with the land
- Assignment of mortgage executed by CM
- CM forwards to MSHDA documents to complete the Due Diligence Review Package

# Due Diligence Review Package



- Copy of Funding Agreement between CM & MSHDA
- NSP2 Multifamily Certification
- NSP2 Loan Documents
  - Developer Agreement/Commitment
  - Note
  - Mortgage
  - Assignment of Mortgage
  - Covenant running with the land including MSHDA addendum
  - Anti-lobbying certification
- MSHDA Grant/Staff Report
- Developer/Owner identity Org Docs

# Due Diligence Review Package Cont'



- **Title, Survey, and Zoning**
  - Marked-up commitment showing CM as proposed insured, and title in the name of the developer/owner
  - ALTA Boundary Survey using 2005 or 2011 Minimum Standard Detail Requirements
  - Municipal Zoning Letter
- **MSHDA Sign-Offs**
  - Environmental clearance
  - Section 3 compliance
  - Legal clearance
  - Affirmative Fair Housing Marketing Plan

# Disbursement



- MSHDA attorney will review the Due Diligence Review Package
- Disbursement of funds is authorized after the package is approved
- Commence Construction

# Post-Closing Construction Phase & Beyond



**PRE-PURCHASED MATERIALS**

**CONSTRUCTION INSPECTIONS**

**DRAWS PROCESS**

**ONGOING CONCERNS**

# Pre-Purchased Materials



- Reimbursement for pre-purchased materials is allowed after MSHDA approval if conditions are met with prior documentation (see MSHDA's policy)
  - Commencement within 60 days
  - Provide 100% performance bond
  - Supplier documents
  - List of stored materials, invoices, and address of storage
  - Must be covered by property insurance
  - May not be subject to lien by supplier
  - Tracking system

# Inspections



- Prior to closing provide MSHDA with:
  - Date of Preconstruction Meeting
  - Construction schedule
- Inspections will be performed by MSHDA staff periodically
  - Following Commencement
  - Every 1 to 2 months thereafter, or as necessary
  - Completion

# Draws



- Draws will be done through OPAL
  - Single FSR for MF projects if possible
- Projects receiving other funding from MSHDA will be handled on an individual basis
- MSHDA will review draws in conjunction with inspection reports

# Ongoing Concerns



- MSHDA will be involved in ensuring ongoing compliance
- Annual Reporting
  - Tenant information
  - Rents
- Inspections

# Resources



**[MSHDA FORMS & SAMPLE DOCUMENTS](#)**

**[MSHDA PRE-PURCHASE POLICY](#)**

**[HUD HOME RENT LIMITS](#)**

**[HUD MULTI-FAMILY RENTAL TOOLKIT](#)**

# Points of Contact



- Pre-closing – Housing Development Officer
- Post-closing – Closing Specialist
  - Kelly Vickers
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# Questions?

