



STATE OF MICHIGAN

RICK SNYDER
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

SCOTT WOOSLEY, CFA
EXECUTIVE DIRECTOR

MEMORANDUM

DATE: DECEMBER 17, 2013
TO: INTERESTED PARTIES
FROM: ANDREW MARTIN, LIHTC ALLOCATIONS MANAGER
SUBJECT: LIHTC PROGRAM UPDATES & FEBRUARY 2014 ROUND CREDIT AVAILABILITY

This memo is intended to provide potential applicants and stakeholders interested in Michigan's Low Income Housing Tax Credit (LIHTC) program with updates to required application materials and to identify the amount of 9% LIHTC available for the February 2014 funding round.

APPLICATION MATERIAL UPDATES

ADDENDUM I & EXHIBIT CHECKLIST UPDATES:

Several updates have been made to the Addendum I and Exhibit Checklist to provide clarifications. These updates include:

- Exhibit 12A – Owner Experience: Added language to try to ensure all non-Authority programs listed as the program used to produce affordable housing are clearly identified and explained when necessary.
- Exhibit 18 – Tax Abatement: Added language to refer applicants to model tax abatement ordinances that are being made available on MSHDA's website and also included a hyperlink to the model ordinances.
- Exhibit 19 – Community Revitalization Plan: Added language to try to strengthen the requirements of what can be submitted to receive Community Revitalization Points. Please keep in mind that the intent of the Community Revitalization Plan points is not to just target the entire community where the project will be located, but the specific neighborhood where the project will be located as well.
- Exhibit 24 – Standard forms for the Architect's Certification for VISIBLE Units, Barrier Free Units, and Project Square Footage have been created and added to the Addendum I for submission in lieu of any previous certifications created by applicants.
- General Partner/Member Experience Certification: Clarified requirement that number of successful properties must be identified and the form must be signed to receive points.

TAX CREDIT APPLICATION UPDATES:

On December 17, 2013, the Authority released an updated version of the application to its

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website, which should be used for application submissions in the February 14, 2014 funding round. The updated application can also be viewed using the following link: [January 2013 LIHTC Program Application Update](#). The update was necessary to make the following adjustments:

- Inclusion of site work costs in the “Hard Construction Costs per Unit” calculation in Section N of the application.
- An adjustment to the Summary page was made to demonstrate total sources and uses on a per unit basis.
- The “Distribution of Rents” chart in Section I was adjusted so that rent collected from employee units was recognized as income.
- A note was added in Section C of the application to instruct the applicant to not enter a social security number of the contact person in the tax payer identification number field.
- Instructions were added to Section L to ensure that the applicant enters in the specific names of all funding sources in the project.
- Added a question to Section E relating to whether the land in the project will be acquired from a related party.

Additionally, please note that comments on how to improve this application to make it more user- friendly are welcomed and will be considered for incorporation in the next application update.

MISCELLANEOUS CLARIFICATIONS

- Commercial Income – As a general rule, commercial income will not be considered when determining project financial feasibility for the 15-year Compliance Period. It has been MSHDA’s experience that income generated from commercial space is generally not reliable for a 15-year period, and that generally income coming from these spaces can be quite inconsistent. Therefore, it is MSHDA’s position that the housing component should be able to demonstrate that it can operate on its own, without the inclusion of commercial income, to mitigate the risk of occupancy and income that may or may not come from commercial space. This helps to ensure that the housing component can continue to function regardless of what happens within the commercial space, a practice that is also followed by many equity investors.
- Non-Rental Income – In recent application submissions, presumably because of the need to use the floating credit rate, there has been a significant increase in the number of applications relying on large amounts of non-rental income. The amount shown in an application for non-rental income should be reasonable and should be based on what could realistically be expected for the property. If MSHDA determines that the amount shown is unreasonable based on comparable projects, the amount of non-rental income may be adjusted accordingly, and the project may be determined to be infeasible.
- Application Deadline – Please note the application due date for the February Funding Round is Friday, **February 14, 2014**, at 5:00 pm as a result of the 15th falling on a Saturday.

FEBRUARY 14, 2014 FUNDING ROUND CREDIT AVAILABILITY

The February 14, 2014 funding round will make approximately \$14.6 million in annual LIHTC available to eligible applications. Applicants are encouraged to review the 2013-2014 QAP for a description of the

allocation process to be followed in awarding the credit from the February round. Following is a breakdown of credit availability by Category:

Preservation Category	\$ 3,082,571
PSH Category	\$ 2,721,713
Open Category	\$ 2,629,875
Strategic Investment Category	\$ 2,476,525
Undesignated Category	\$ 3,714,788
Total Credit Available	\$ 14,625,472

Additionally, as outlined in the 2013-2014 QAP, allocations made from the Categories in the August 2013 funding round also counted toward fulfillment of a Statutory Set-Aside. Based on the allocations made from the August 2013 funding round, the set-aside requirements for the Nonprofit, Rural, Elderly, and Distressed each remain unmet. If these set-asides are not otherwise fulfilled from the allocations made from the Preservation Category, PSH Category, Open Category, and Strategic Investment Category (if applicable) listed above, the set-asides will be given priority for any allocations made from the Undesignated Category until the minimum amount required is satisfied. Below is a breakdown of the minimum amount of credit that will needed to fulfill the Nonprofit, Rural, Elderly, and Distressed set-asides:

Nonprofit	\$ 669,002
Rural	\$ 1,243,101
Elderly	\$ 1,180,754
Distressed	\$ 2,439,925

PSH PROJECTS SEEKING MSHDA HOME FUNDING

Applicants that are planning to submit a Permanent Supportive Housing (PSH) project for consideration in the PSH Category, and are also interested in the use of HOME funding from MSHDA for gap financing should submit an application to MSHDA at least 30 days in advance of the February 14, 2014 funding round. Requests for HOME funds for this purpose and any questions related to the HOME funding underwriting process may be directed to:

John Hundt
Housing Development Manager
Phone: (517)-241-7207
Email: hundtj1@michigan.gov

QUESTIONS

If you have any questions regarding any of the above items or general questions related to the February 2014 funding round, please contact LIHTC staff at (517) 373-6007.