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GOVERNOR

STATE OF MICHIGAN
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

EARL POLESKI
EXECUTIVE DIRECTOR

MEMORANDUM

DATE: AUGUST 15, 2017
TO: INTERESTED PARTIES
FROM: CHAD BENSON, LIHTC ALLOCATIONS MANAGER
SUBJECT: LIHTC PROGRAM UPDATES

This memo is intended to provide potential applicants and stakeholders interested in Michigan's Low Income Housing Tax Credit ("LIHTC") program with updates to the Michigan Qualified Allocation Plan and updates to various application materials.

UPDATES TO THE MICHIGAN QUALIFIED ALLOCATION PLAN ("QAP")

Prior to the April 3, 2017 LIHTC Funding Round, MSHDA determined that it was necessary to make some program adjustments to account for the changes in the equity market, which were not present when the 2017-2018 QAP was put into effect in July of 2016. At that time, average equity pricing was nearing \$1.00 per tax credit, which allowed the QAP to be conservative on the state-designated basis boost, while also allowing projects to be feasible with the fixed 9% rate and the robust equity pricing.

The 2017-2018 QAP was crafted in a way that allows MSHDA to make some administrative changes to the basis boost criteria without undertaking a full QAP amendment, which allows for more timely implementation and it allowed for the change to be completed before the April 3, 2017 Funding Round. Exhibit V of the 2017-2018 QAP states,

"Please note that MSHDA reserves the right to modify the State-Designated Basis Boost Policy on an as-needed basis, should market conditions dictate the necessity for a revision. Should a revision be necessary, MSHDA will work with stakeholders to come up with potential changes, with the objective of ensuring the criteria allow for feasible transactions in the current market, and will post a notice of the revision on its website in advance of the revision being active. This streamlined approach will allow for a quicker response to market forces and the changes to be effectuated in a timely manner."

After careful consideration, MSHDA has determined that, based on the current LIHTC equity market position, it is necessary to make the same program adjustments for the upcoming October 2, 2017 LIHTC Funding Round that were previously made for the April 3, 2017 LIHTC Funding Round. Therefore, MSHDA is taking this opportunity to post

a notice of the following changes to Exhibit V of the 2017-2018 QAP, which will be effective only for those projects that submit an application and are subsequently awarded in the upcoming October 2, 2017 funding round (MSHDA will evaluate the need to either keep the boost as-is or make further adjustments as needed going forward):

For projects eligible for 9% LIHTC, the following basis boost will be available:

Up to 20% Basis Boost:

1. Projects located in a QCT or DDA
2. Permanent Supportive Housing Projects
3. Deep income targeting – Projects restricting 10% of the total units to 30% AMI or less (in order to be eligible for the boost under this criteria, the 30% AMI units must not also have project based rental assistance associated with them)
4. Central Cities projects
5. Rural set-aside projects
6. Historic Projects – Projects that are completing a certified rehabilitation of an existing certified historic property listed either individually or as part of a district, on the National or State Historic Register. Project must also incorporate the use of the Historic Credit.
7. Projects with a Walk Score of greater than 90
8. Mixed income housing – Projects with no more than 60% of the total units being LIHTC units

SCORING CRITERIA

As outlined in Section G.1. and Section G.2. of the Scoring Criteria, the project data and inflation data used to determine the safe harbors within the Cost Reasonableness and Credit Efficiency sections of the Scoring Criteria has been updated to reflect the rolling total of the previous five years, as new data is now available following completion of the April 2017 funding round.

SECTION 811 PROGRAM

LIHTC Program Applicants who are interested in also utilizing the Section 811 Program through MSHDA should make sure to submit their application for Section 811 Funding no later than September 22, 2017 to ensure that MSHDA staff has an adequate amount of time to process the application prior to the October 2, 2017 Funding Round deadline. For additional questions relating to the Section 811 program, please contact Catherine Calkins at 517-373-1886. Catherine Calkins will be out of the office between September 1st and September 18th so interested parties should keep that in mind when seeking guidance pertaining to the Section 811 program.

QUESTIONS

If you have any questions regarding any of the above items or general questions related to the October 2017 funding round, please contact LIHTC staff at (517) 373-6007.