



To: Andy Martin  
From: Dennis Sturtevant  
Re: Experience Point in 2016-17 QAP  
Date: February 4, 2016

I have revised my earlier memo regarding concerns about how the experience point provisions in the QAP might eventually erode non-profit participation in the LIHTC program. I was incorrect about how CAP provisions are applied in joint ventures but that issue was not my main point of concern. It is helpful to know that Dwelling Place and other developers can partner with other non-profits to assist them to be competitive in the LIHTC completion using only a portion of annual developer CAP equal to ownership interest in the joint venture, but I still maintain that this should not be necessary for many of the non-profits who are presently being disadvantaged by the experience point allocation in the QAP policy.

I remain concerned about how experience points are allocated and how the current policy may eventually affect the non-profit industry's role in state wide neighborhood revitalization strategies. Ensuring that the non-profit sector can maintain and grow its capacity to develop multi-family housing has been a cornerstone element in MSHDA's efforts since the 1980s.

Up to this point, CEDAM and many of its non-profit members, have articulated a position on this issue that acknowledges the importance of experience as an important factor in the success of a multi-family housing project but with some reservations about how the current policy addresses this issue. They have asked MSHDA to expand the time periods for projects that can be considered in the experience point calculations given the fact that most non-profits involved in multi-family housing production are more strategic and less prolific in production of this type of housing. They have also asked that MSHDA include development experience in non-LIHTC housing since the process for developing and managing a successful multi-family project is essentially comparable whether that experience is in the LIHTC program, a HUD program, Rural Development or another MSHDA program.

I believe that granting this request is not only reasonable but essential if long term non-profit participation in the LIHTC program is valued by MSHDA. Most non-profit developers of LIHTC housing create this type of housing within restricted geographic areas and generally only when there is strategic importance for such a project consistent with their mission. The housing being created is often not an end unto itself but part of a larger plan for revitalization of a neighborhood or to ensure availability of permanent supportive housing for a special target population they may already serve. These mission

based initiatives have historically been more difficult to achieve and at one time, nearly non-existent if one looks back to the early years at MSHDA when it was almost entirely dependent on for profit developers. I think it is fair to say that that the challenges faced **by urban neighborhoods in the 1970s and 1980's is what led to Terry Duvernay, as MSHDA's Executive Director at that time**, to initiate several historic capacity building programs focused on growing the non-**profit sector's** engagement with housing development. Indeed, CEDAM was founded out of these concerns and Dwelling Place owes its current position as one of the larger LIHTC developers in the state to those early programs.

I have chosen to write at this time to echo the recommendations being advocated by my colleagues but to also share some recent experiences which illustrate my point that an unintended consequence of the current policy may eventually be the erosion of non-profit participation in many of the MSHDA multi-family housing programs.

Dwelling Place is one of the larger nonprofit community development corporations in the state. More than 15 years ago we made a conscious choice to expand our geographic service area to become a multi-county CDC. While neighborhood revitalization and supportive housing are key components of our mission, our primary focus has always been production and management of affordable, multi-family housing. For us and perhaps a handful of other larger non-profit developers who somewhat regularly churn out developments, the current policy may have minimal effect on our competitiveness in the LIHTC rounds. On the other hand, for many CDCs across the state, production of multi-family housing may not be their primary focus or they may not operate this type of housing on a large scale. Consequently, they are at a distinct disadvantage to compete effectively when they want to introduce new multi-family projects, even when they may have had long and effective histories in housing related endeavors over many years.

In this past year we have been asked by 3 strong non-profit community development corporations in Grand Rapids to consider partnering with them on LIHTC projects for the primary purpose of preventing a loss of points for experience in development and management. LINC, ICCF and Genesis Nonprofit Housing Corporation have all approached Dwelling Place about the potential to partner with them on projects they have submitted in recent rounds or are about to submit in future rounds. Anyone familiar with these organizations knows that they have extensive housing and community development experience and have solid reputations as change agents in the work that they do. The idea that the projects these groups may be proposing cannot secure LIHTC funding for lack of experience is hard to imagine.

While Dwelling Place and other developers may be willing to aid our colleagues in their housing endeavors I think there needs to be more thought into what constitutes applicable experience. As I indicated earlier, many of these organizations have long histories of taking on some very challenging and sophisticated real estate initiatives which is not being accounted for in the current experience point allocation.

Eventually, I believe the experience points policy **will become its own "self-fulfilling prophecy"** as many of the non-profits who have historically performed well in the program, albeit on a sporadic basis, continue to lose out in the competition, score fewer

and fewer experience points and eventually give up entirely because of the costs associated with preparing a LIHTC application.

I doubt that anyone at MSHDA would agree that this would be a desirable outcome for the state but I think we may be heading in this direction unless something is done to adjust the experience point allocation process.

I appreciate the opportunity to share this perspective with you. I am not sure that we have really taken a serious look at the long term impact of this policy on the non-profit sector housing sector in Michigan and it has only become apparent to us because of the requests we have recently received to consider partnering on projects. Thank you for our consideration.

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