



HAAN DEVELOPMENT

Multifamily & Commercial Development

February 18, 2020

Chad Benson
LIHTC Allocations Manager
Michigan State Housing Development Authority
735 E. Michigan Ave.
Lansing, MI 48912

Dear Mr. Benson,

G.A. Haan Development, L.L.C. (Haan Development) is proud of the partnership that we enjoy with the Michigan State Housing Development Authority (MSHDA). Haan Development is grateful for the opportunity to provide comments to MSHDA on the upcoming 2021-2022 Qualified Allocation Plan (QAP). Haan Development is also extremely proud to be located in and to serve rural Northern Michigan.

In fact, Haan Development was the last applicant to successfully score out in the Open category as a Rural project. That allocation of credit came out of the October 2017 funding round. Since that award, four funding rounds have passed and the only Rural project to be funded out of the Open category was a very small development that fit into the remainder of credit that was available that round. Not a single Rural project has been funded out of the Open category the first three rounds of the current QAP.

In those same four rounds since Jasperlite Senior Housing was awarded credit, Grand Rapids alone has received six allocations from the Open category and Detroit has received three. MSHDA has even had to resort to funding Rural projects out of the Undesignated category to meet the Rural set-aside the last two credit years, and the same may be the case this upcoming April as well. Haan Development believes that Rural projects are at a distinct disadvantage in the current QAP and the allocation evidence proves that inequality. To begin to remedy this in the 2021-2022 QAP, Haan Development offers the following solutions:

- **Rural Category**

As mentioned above, the current QAP puts Rural projects at a distinct disadvantage. No Rural project has yet been funded from the Open category in the three rounds under this QAP. Additionally, the Undesignated category has needed to be utilized to even meet the 10% Rural set-aside the last two credit years. This will continue to be the case if actions are not taken to remedy this situation. The recommendations listed below can begin to bridge the gap to make Rural communities more competitive, but Haan Development believes that the best way to ensure consistent allocations to Rural communities is to create a Rural category.

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MSHDA has seen a substantial increase in their credit ceiling over the last few years. The 2017-2018 QAP only anticipated an annual credit allocation of \$23,000,000, while MSHDA now receives over \$27,000,000 annually. With this increased credit allocation, the time is ripe for MSHDA to create an additional category dedicated to Rural projects without significantly affecting any other category. The distribution that Haan Development would recommend is shown in the following table, with a comparison to the 2017-2018 allocation:

	Proposed 2021-2022 QAP		2017-2018 QAP	
	%	\$	%	\$
Rural	20%	\$ 5,400,000	-	\$ -
Preservation	20%	\$ 5,400,000	25%	\$ 5,750,000
PSH	20%	\$ 5,400,000	25%	\$ 5,750,000
Open	20%	\$ 5,400,000	25%	\$ 5,750,000
Strategic	10%	\$ 2,700,000	10%	\$ 2,300,000
Undesignated	10%	\$ 2,700,000	15%	\$ 3,450,000
	100%	\$ 27,000,000	100%	\$ 23,000,000

Creating a Rural category would allow rural projects to compete against other rural projects. A distinct Rural category guarantees that the Undesignated category would not be needed to fulfill the Rural set-aside. It could also include a carveout for the preservation of Rural projects. A Rural category provides a consistent avenue to funding for these much needed projects which have not been able to be competitive in recent rounds through the normal allocation process. By having a category instead of simply a set-aside, it also assures that credit is allocated to Rural communities in each funding round.

- **Developments in Opportunity Zones or Rising Tide Communities**

Haan Development believes that while being located in an Opportunity Zone or Rising Tide Community could be a benefit to projects, a similar program exists which can provide substantial benefits to a development. The Redevelopment Ready Communities program run by the Michigan Economic Development Corporation (MEDC), MSHDA's sister agency, provides training and support to communities which are committed to offering transparent, predictable, and efficient development experiences.

This program involves a rigorous three-step process for a community to become certified as Redevelopment Ready, including requiring them to institute best practices. Communities can even identify sites that are available and that are priorities. There is also support and funding available from the MEDC for these communities. Haan Development believes that communities who become certified through this program should be rewarded for their efforts to attract development and institute streamlined approval processes. There are currently 38 such communities across the state.

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Haan Development recommends that Certified Redevelopment Ready Communities should be added as a three-point scoring option to this scoring category or replace the other scoring options. Furthermore, a bonus two points should be made available to projects located on Redevelopment Ready Sites identified by their community.

- **4%/9% Developments**

Haan Development believes that the 4%/9% Developments scoring category should be greatly reduced, if not eliminated entirely. This is another category which is only available to urban, high-rent areas with access to additional soft sources. It also adds another layer of complexity and risk to an already challenging process.

- **Affordable/Market Rent Differential**

The Affordable/Market Rent Differential is another scoring category which provides a distinct advantage to high-rent, urban communities. It is also extremely difficult to administer, requires much subjectivity on what is considered 'comparable', and places a great reliance on the market analyst. Haan Development believes this scoring item should be removed from the QAP.

- **Proximity to Transportation**

Haan Development agrees with the recommendations made by Woda Cooper Companies regarding the Proximity to Transportation scoring category in their letter to MSHDA dated October 25, 2019. MSHDA should use a tiered system as in fact they are already doing in evaluating this criterion. This could be further expanded and clarified with 5 points available for 7 days of transportation service per week, 4 points available for 6 days, and 3 points for 5 days.

Additionally, Haan Development agrees that projects that are designated as Rural should be able to receive the full 5 points for having a transportation service that operates at least 5 days per week.

Sincerely,



Benjamin W. Ide
Director of Development

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