



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

GARY HEIDEL
ACTING EXECUTIVE DIRECTOR

DATE: May 27, 2022

TO: Interested Parties

FROM: John A. Hundt, Housing Development Manager *JAH*

SUBJECT: Special Round - Notice of Funding Availability (NOFA) of Supplemental Gap Funding for Pre-Round 15 Non-Board Approved Proposals

This message is intended to provide notice to interested parties of the Michigan State Housing Development Authority's Notice of Funding Availability (NOFA) in a special round. This special round will be held to help assist pre-Round 15 proposals without MSHDA Board approval with the funding gap caused by the recent interest rate hike and construction cost increases. To do this MSHDA is making available \$10 million of supplemental funding as described below.

ELIGIBLE PROPOSALS: Any proposal prior to Round 15 of the Gap Financing Program, that has not yet achieved MSHDA Board Approval.

SUPPLEMENTAL GAP SOURCES: \$10 million in gap funding from a combination of HOME, HTF, TCAP, MRF and possibly BMIR funds will be used for the eligible proposals. Where HOME or HTF can be used without negatively affecting with lower rents or triggering Davis Bacon, they will be used.

FINANCING TERMS: Same financing terms described under the previous funding rounds for the supplemental gap funding sources.

SUPPLEMENTAL GAP LIMITS/REQUIREMENTS: The following limits and requirements will apply:

- Supplemental funds will be limited to the lesser of the gap funding needed, or to increase the gap funds to an amount that increases the soft to hard debt ratio by up to 10% starting from where the proposal was last ranked, but after you plug in the new interest rate. For example, if your soft to hard debt ratio at the last posted ranking was 20%, then before making any other adjustments to the numbers, change the interest rate to the new rate and look to see what the new soft to hard debt ratio is. If the new ratio is 23.95%, then you would be eligible for an increase in gap funding to increase the ratio 10% from there, up to 33.95%.
- Proposals will not be allowed to reduce the amount of their existing contribution, and at a minimum must contribute at least 40% of the development fee amount.
- Proposals that obtain an award will be required to Initial Close within 6-months of commitment, or the proposal will be removed from the pipeline.

EVALUATION CRITERIA: If \$10 million is not enough funding to satisfy the gap funding needs of each of the pre-Round 15 proposals that have not achieved Board approval to date, the proposals will be awarded under a competitive ranking method. All applications will be reviewed and ranked with consideration given, but not limited to, the following criteria:

- a) Overall ratio of gap financing to hard debt from MSHDA

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- b) Level of per unit gap financing needed to complete the project
- c) Tax-exempt bond financing supported by the project

In general, the highest consideration will be given to those projects needing the least amount of overall MSHDA gap financing and/or those that can support the greatest amount of Tax-Exempt bond financing. Additionally, applicants should note that all requirements of the Lending Parameters and review criteria, including, but not limited to development team capacity and design quality will apply to the evaluation of all applications submitted under this NOFA:

ALLOCATION PROCES – SUPPLEMENTAL FUNDING ROUND TIME LIME:

May 27, 2022,	Release of NOFA.
June 10, 2022,	Submit Updated Proforma, and Updated TPB.
June 24, 2022,	Rankings released (if necessary).
July 7 th – September 1 st , 2022,	Must achieve Loan Committee Approval
July 14 th – September 15 th , 2022,	Must achieve Board Approval
December 13, 2022,	Must achieve Initial Closing

Note: Initial Closing must occur within 6-months of the June 10th initial package due date or funding will be withdrawn, unless held up due to MSHDA Legal workload.

Questions: Any questions about this notice may be directed to:

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