



STATE OF MICHIGAN

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

RICK SNYDER
GOVERNOR

EARL J. POLESKI
EXECUTIVE DIRECTOR

MEMORANDUM

DATE: MARCH 28, 2018
TO: INTERESTED PARTIES
FROM: CHAD BENSON, LIHTC ALLOCATIONS MANAGER
SUBJECT: LIHTC PROGRAM UPDATES

On March 23, 2018, the Consolidated Appropriations Act, 2018 (“Act”) was passed making two significant changes to the Low Income Housing Tax Credit (“LIHTC”) program, which are highlighted below in further detail.

INCREASE IN STATE HOUSING CREDIT CEILING

The Act approved a 12.5% increase in the State Housing Credit Ceiling for calendar years 2018, 2019, 2020, and 2021. This 12.5% increase results in approximately \$3 million of additional 9% LIHTC being made available for 2018, which MSHDA intends to make available as part of the April 2, 2018 Funding Round given that it will be the last round of funding for 2018 LIHTC. Therefore, the total amount of credit and the amounts available in the Categories and Set-Asides of the QAP are being increased to the amounts shown below. Please note that the numbers below are estimates based on the 2017 state population figure, as the 2018 population figure has not yet been released.

CATEGORIES:

Preservation Category	\$3,022,543
PSH Category	\$3,061,868
Open Category	\$3,159,187
Strategic Investment Category	\$368,615
<u>Undesignated Credit</u>	<u>\$4,002,922</u>
Total Credit Available:	\$13,615,135

SET-ASIDES:

Nonprofit Set-Aside	\$197,012
Elderly Set-Aside	\$146,587
Rural Set-Aside	\$1,549,762
Distressed Set-Aside	\$1,167,472

AVERAGE INCOME TEST FOR LOW-INCOME HOUSING CREDIT

The Act also allows for an average income test for LIHTC projects, by adding a third optional test to the 20-50 and 40-60 tests for projects. This third optional test is met if at least 40% of the residential units in the project are both rent-restricted and occupied by individuals whose income does not exceed the imputed income limit designated by the owner for that particular unit. The owner would designate the particular unit as either 20%, 30%, 40%, 50%, 60%, 70%, or 80% of Area Median Income (“AMI”) as long as the average of the units that are income and rent restricted does not exceed 60% of AMI. This provision is effective for elections made after the date of enactment.

There are obvious benefits to exploring the use of this provision to feasibly assist with deeply targeting units through leveraging rents that are above 60% AMI, where possible. This provision also has the ability to preserve 9% LIHTC resources in some cases where operating income from 70% or 80% AMI units can be generated to leverage additional non-LIHTC resources. MSHDA staff will be reviewing the impact of this change in an effort to issue further guidance as soon as possible regarding its use in LIHTC projects. Interested stakeholders with any suggestions on its use or questions about how it may be able to benefit their project are encouraged to contact Chad Benson at (517) 373-3433 or bensonc@michigan.gov.

QUESTIONS

If you have any questions regarding any of the above items or general questions related to the April 2, 2018 Funding Round, please contact LIHTC staff at (517) 373-6007.