



MEMORANDUM

TO: INTERESTED PARTIES
FROM: ELIZABETH RADEMACHER – LIHTC MANAGER
SUBJECT: LIHTC ALLOCATION ACTIVITY
DATE: FEBRUARY 25, 2022

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

APPLICATION SUBMISSION

As stated in the 2022-2023 Qualified Allocation Plan (QAP), the MSHDA offices are not accepting hand-delivered applications. Applicants must submit their application electronically no later than 5:00pm Eastern time, April 1, 2022. The electronic application portal will be available after March 15, 2022, via the LIHTC website. Please note that MSHDA will not be accepting mailed applications for the April 1, 2022 funding round.

BASIS BOOST

MSHDA has had several conversations to discuss adding additional boost criteria. These conversations have focused on the need for a basis boost for rural and/or tribal projects that may not meet any of the other available boost criteria. These projects are facing similar costs as projects that are eligible for a basis boost and meet much of the same mission and goals. Additionally, recent federal initiatives have also focused on introducing a basis boost for the properties in rural and/or Native American areas.

The QAP allows MSHDA the right to modify the State-Designated Basis Boost Policy on an as-needed basis, by posting a notice to the website and without undertaking a full QAP amendment. This allows for more timely implementation and allows for the change to be completed before the April 1, 2022 Funding Round. Thus, MSHDA is taking this opportunity to post a notice of the following changes to Exhibit V of the 2022-2023 QAP:

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

Up to 20% Basis Boost:

2. Projects located in a QCT or DDA
3. Permanent Supportive Housing projects
4. Projects restricting 25% of the total units to 30% AMI or less (in order to be eligible for the boost under this criterion, the 30% AMI units must not also have project based rental assistance)
5. Projects that receive points under the Developments near Downtowns or Corridors section of the Scoring Criteria
6. USDA RD 515 Financed Developments
7. 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; or that the State Historic Preservation Office expects to be listed on the National or State Historic Register. Project must also incorporate the use of the Historic Credit and apply for Historic points
8. Affordable Assisted Living developments that qualify for the Affordable Assisted Living points in the Scoring Criteria
9. Projects located in a Balance of State municipality, as per MSHDA's Urban/Balance of State Map.
10. Projects that receive points under the Native American Housing section of the Scoring Criteria

The rest of Exhibit V shall remain unchanged.

SECOND EVALUATION

Section XI of the QAP describes the second evaluation of projects that have received an award of Low Income Housing Tax Credits (LIHTC). The second paragraph reads: “[I]n conjunction with meeting the 10% test, owners must submit the items in the 10% Certification Exhibit Checklist. Failure to provide such documentation may result in the allocation being rescinded.” Please note that this applies to all projects have received LIHTC, including 4% projects in MSHDA’s Direct Lending and Pass-Through Programs.

EDUCATION, HEALTH and WELL-BEING, AND ECONOMIC SECURITY UPDATE

As many are aware, Enterprise Community Partners retired the Opportunity360 platform on December 31, 2021. However, the 2022-2023 Qualified Allocation Plan (QAP) still uses the Education, Health and Well-being, and Economic Security metrics as a part of the scoring criteria. Enterprise has worked with MSHDA to provide a list of census tracts and Opportunity360 State Percentile Scores. MSHDA has updated this list as Tab Y of the Combined Application page. Any projects submitting in the April 2022 funding round should plan to use Tab Y as a resource if applying for the Education, Health and Well-being, and Economic Security points in the Scoring Criteria. Applicants must fill out the Scoring Criteria as applicable by the funding round deadline

but are not required to include Tab Y with their application. We anticipate using this same approach for each of the remaining funding rounds under the 2022-2023 QAP.

TENANT SERVICES

The 2022-2023 QAP and Scoring Criteria introduced a new point item, Tenant Services. As development teams and MSHDA staff have worked through the submissions for this point item, a few items related to Tenant Services require clarification for future submissions. These points are intended to award projects that are providing regular, on-site services to tenants and the community that are not already available within one mile of the development and which are being provided due to the development being in place. The points are not intended for amenities that are already available to the tenants and/or within one mile of the development. The services need to be meaningful and provide a service to the tenants that is not otherwise available. Projects taking points for Tenant Services are required to have a letter of support and/or MOU from the entity that is providing the service. This should not be a service coordinator but should be the entity responsible for providing the service.

SCORING CRITERIA

As outlined in Section E.1. of the Scoring Criteria, the project data and inflation data used to determine the safe harbors within the Cost Reasonableness with Credit Efficiency section 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 October 2021 Funding Round.

OTHER UPDATES

Updates to various documents have been made and posted on MSHDA's website pertaining to the LIHTC Program Application, the Addendum I, Tab L (General Partner/Member Experience Form), Tab M (Green Policy), Tab W (LIHTC Fee Schedule), and Tab Y (Opportunity360 Points) of the Combined Application. Please review these updated documents and utilize them in future application submissions.

ADDITIONAL LIHTC ALLOCATION

On December 15, 2021, the Authority posted a memo and list to its website announcing the projects receiving an award of 9% LIHTC from the October 2021 funding round. In conjunction with this, as is standard practice, applicants with projects not receiving an award of credit were given the results of their applications and the reasons why they did not receive an award. Through these discussions, the LIHTC staff discovered they had made an error during the initial review of one project's submission. The correction of that error led to the Authority determining the project was eligible for an award of credit. The purpose of this memo is to provide notice to stakeholders of the actions being taken to provide adequate consideration for that project. As such, the Authority is announcing the award of one additional project from the October 2021 Funding Round:

Project Name	Location	# Units	Credit Amount	Owner Contact
Annika Place	Traverse City	53	\$1,114,200	David Cooper, Jr.

This project will be funded from the 2022 credit ceiling. Due to the way credit was allocated in the October 2021 round, there was remaining credit that was yet not awarded. Because of that, this will not have an impact on the April 2022 funding round. Additionally, because this project will be receiving allocations of 2022 credit, the project will also be counted toward the applicable Categories and Set-Asides shown in the 2022-2023 QAP. While the Authority understands the concerns stakeholders may have with how this will impact the April 2022 funding round and availability of credit, it is the Authority's belief that this is the appropriate course of action to address the issues described above.

IRS DEADLINES

Owners of projects that are in the development process and that have received an allocation of LIHTC continue to face challenges with meeting certain project deadlines due to delays caused by COVID-19. The IRS recently released Notice 2022-05 to provide temporary relief from certain requirements under Section 42 of the Internal Revenue Code for qualified low-income housing projects. Within Notice 2022-05 was the ability of an Agency to extend deadlines of the 10% Test for Carryover Allocations and the Placed in Service Deadline. Notice 2022-05 allows the Agency to make this determination on an individual project basis. Owners with projects that qualify for either of these extensions should contact MSHDA as soon as possible to prepare the appropriate documentation.

The original dates referenced below refer to the project's original deadlines prior to any previous covid-related extension.

Original 10% date	Extended 10% Deadline
4/1/20-12/31/20	Original Date + 2 years
1/1/21-12/31/22	12/31/2022

Original PIS date	Original 10% date	Extended PIS Deadline
12/31/2020		12/31/2022
12/31/2021	before 4/1/20	12/31/2022
12/31/2021	4/1/20 - 12/31/20	12/31/2023
12/31/2022	1/1/21 - 12/31/21	12/31/2023

Interested parties should also see IRS Notice 2020-53, 2021-12 and IRS Revenue Procedures 2014-49, 2014-50, and 2018-58 pertaining to other project deadlines. Applicants that have projects that are struggling to meet other deadlines due to COVID-19 are encouraged to contact MSHDA in order to help explore available options. MSHDA recognizes that the timeline flexibility listed above is just the first of what may be many items that will need to be considered in order to assist projects through this time. MSHDA continues to be committed to determining the best ways to keep affordable housing developments moving forward. Further, if and when additional guidance is released by the IRS to address other project deadlines, MSHDA will inform interested parties on how that guidance will be implemented in Michigan.

QUESTIONS

If you have any questions regarding any of the above items, the April 2022 funding round, or any general LIHTC questions, please contact Elizabeth Rademacher at rademachere3@michigan.gov or (517) 290-6732.