



MEMORANDUM

TO: INTERESTED PARTIES
FROM: ELIZABETH A. RADEMACHER – LIHTC MANAGER
SUBJECT: LIHTC ALLOCATION ACTIVITY
DATE: OCTOBER 13, 2023

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

APPLICATION SUBMISSION

As stated in the 2024-2025 Qualified Allocation Plan (QAP), the MSHDA offices are not accepting hand-delivered applications. Applicants must submit their application electronically no later than 5 p.m. Eastern time, December 1, 2023. The electronic application portal will be available after November 15, 2023, via [the LIHTC website](#). Please note that MSHDA will not be accepting mailed applications for the December 1, 2023 funding round.

BASIS BOOST CRITERIA

After further review of the basis boost criteria in the 2024-2025 QAP, MSHDA will expand the criteria to include potential areas that have not otherwise been eligible in the past. Based on the current HUD methodology, there are census tracts in the state that meet the numerical qualifications to be Qualified Census Tracts but are not officially designated as such. Projects located within these tracts face many of the same costs as projects that are eligible for a basis boost and meet much of the same mission and goals.

The QAP allows MSHDA 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 timelier implementation and allows for the change to be completed before the December 1, 2023, funding round. Thus, MSHDA is taking this opportunity to post a notice of the following changes to Exhibit V of the 2024-2025 QAP:

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

Up to 30% Basis Boost:

2. Projects located in a QCT or DDA or census tracts listed on the MSHDA Census Tract list available at Tab J of the Combined Application for Rental Housing Programs.
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 Rural municipality, as per the USDA RD Multifamily Mapping Tool.
10. Projects that receive points under the Native American Housing section of the Scoring Criteria.

The rest of Exhibit V shall remain unchanged.

COMMUNITIES WITHOUT RECENT AWARDS

Developments located in counties that have not received recent awards and that will qualify for the Communities Without Recent Awards point items can be found at Tab TT. For projects that plan to apply in future rounds, please consult Tab TT – Communities without Recent Awards and/or the lists of reservations available at the [LIHTC page of the MSHDA website](#). The Additional Credit Funding Rounds are not considered in this metric.

EMERGING DEVELOPERS

MSHDA will release a memo in October 2023 to provide more information about the Strategic Category and Emerging Developers priority. Please review that memo for more information.

INCLUSIVE TENANT SELECTION PLAN

Please see Tab UU for additional guidance related to the Landlord/Owner Criminal Screening Criteria.

ON-SITE TENANT SERVICES

Services must be available to all tenants of the development. They must be provided on site and with a reasonable frequency, based on the size of the development and the type of service provided. For example, homeownership classes may be held weekly, biweekly, or monthly and still be considered

reasonable. Some on-site services that have costs to participants, such as physical and behavioral health services, which may be appropriately passed on to tenants. Other services may have a cost to the development but not to the participants. All services should be made affordable to the tenants and/or should provide connection to resources that may assist tenants in connecting to services. Again, any cost to the participant should be reasonable, based on the type of service being provided. Homeownership and financial literacy classes must have an on-site provider actively engaging the class. A webinar with on-site IT does not meet that requirement. Someone actively teaching the class or doing individual counseling would meet the requirement to qualify for points. All information should be clearly defined in the MOU with the entity that is providing and performing the on-site service to the development. If you have any questions about your specific plans, please contact the LIHTC department.

MARKET STUDY REVIEW PROCESS

MSHDA understands that in many cases, like 9% deals or 4% pass-through deals, the overall risk for MSHDA is reduced and is actually borne by other investors and/or lenders that will underwrite to their own market analytics. When this is the case, MSHDA will rely on the third-party market analyst's conclusions.

All applicants are required to follow MSHDA's market study application process, utilizing MSHDA's approved market study firms.

MSHDA will reserve the right to review the market study and note any issues or concerns. These will be reported to the applicant by the Office of Market Research and the applicant may choose to examine the issues or concerns in more detail, but this will be up to the applicant to decide how to use the information.

SET-ASIDE UNITS

Several scoring criteria include a requirement to set-aside units for various populations, including Native American Housing and households with a Tenant-Based Voucher. For those set-aside units, the development must keep sufficient tenant records as to verify that the units are being rented by households that meet the specific requirement(s). At initial lease-up and turnover, those units must be held open until the development team has made a documented good faith effort to lease the unit to an eligible applicant from the project's waiting list. After 60 days of documented good faith effort, the unit can then be rented to the next qualified household on the waiting list without regard to the set-aside requirement. The next available unit will then be subject to the set-aside.

TEMPORARY NEGATIVE POINTS

As outlined in the Third Amendment to the 2022-2023 Qualified Allocation Plan, projects that received additional credit in the December 2022 funding round were subject to temporary negative points in the October 2023 funding round. At the time the Third Amendment was approved, MSHDA had not yet contemplated moving the funding round from October to December. Due to the change in timing, those temporary negative points will be assessed in the December 2023 funding round. These negative points should be self-scored under item D.4 – Temporary Point Reduction.

URBAN/RURAL MAP

Please see Tab GG for more information.

Additionally, the updated scoring criteria document requires that an applicant type an “x” in the applicable box on the cover page in order to select an urban or rural area for the project. Scores on Tab A and B will not be reflected on the Quick Reference Sheet tab of the scoring document until a selection is made on the cover page.

OTHER UPDATES

Updates to various documents have been made and posted on MSHDA’s website pertaining to the LIHTC Program Application, Addendum I, Addendum III, Tab J – Eligible Census Tracts, Tab W - Policy Bulletins, Tab GG – Urban/Rural Map, Tab HH – Household Overburdened Census Tracts, Tab TT – Recent Awards, and Tab UU – Inclusive Tenant Selection Plan. Please review these updated documents and use them in future application submissions.

ADDITIONAL LIHTC ALLOCATION

On August 8, 2023, the Authority posted a memo and list to its website announcing the projects receiving an award of 9% LIHTC from the April 2023 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. Though the LIHTC staff appropriately reviewed the submissions, the Authority is announcing the award of one additional project from the April 2023 Funding Round:

Project Name	Location	# Units	Credit Amount	Owner Contact
Russell Woods Senior Living Community	Detroit	35	\$1,037,630	Fabiola Fleuranvil

A similar policy rationale for expanding the basis boost, as detailed earlier in this memorandum, is necessitating this award of funding to the Russell Woods Senior Living Community project. This project is in a census tract that meets all current-year numerical qualifiers for being a Qualified Census Tract; however, it does not qualify for the basis boost according to the HUD methodology. This award represents MSHDA recognizing the critical importance of the basis boost in allowing projects to be feasible, particularly with the level of current construction costs and the need for affordable housing. With the change in basis boost policy, other future developments may be able to benefit from this policy change as well. Authority staff have deemed it appropriate to allow consideration of the additional eligible but not Qualified Census Tracts as eligible for a basis boost going forward, and as such this project will be funded from the 2024 credit ceiling.

QUESTIONS

If you have any questions regarding any of the above items, the December 2023 funding round, or any general LIHTC questions, please contact Elizabeth Rademacher at rademachere3@michigan.gov or (517) 290-6732.