MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

A G E N D A

July 18, 2024 – 10:00 a.m.
735 East Michigan Avenue, Lansing, Michigan 48912
Cadillac Place, 3028 West Grand River, Room 4-602, Detroit, MI 48202
State Office Building, 701 South Elmwood Avenue, Traverse City, MI 49684
Microsoft Teams Conference Line: 248-509-0316 | Conference ID: 221 650 508#

Roll Call:

Public Comments:

Voting Issues:

Tab A Approval of Agenda

CONSENT AGENDA ITEMS

Consent Agenda ***(Tabs B and D through H are Consent Agenda items. They are considered routine and are to be voted on as a single item by the Authority. There will be no separate discussion of these Tabs; any Authority member, however, may remove any Tab or Tabs from the Consent Agenda prior to the vote by notifying the Chair. The remaining Tabs will then be considered on the Consent Agenda. Tabs removed from the Consent Agenda will be discussed individually.)***

Tab B Minutes – June 20, 2024, Board Meeting

~~Tab C Resolution Authorizing Amended and Restated Pass-Through Bond Program~~

Tab D Resolution Authorizing Renewal of Professional Services Contracts with Arthur J. Gallagher Risk Management Services, Inc.

Tab E Resolution Authorizing Grants from the Michigan Housing and Community Development Fund

Tab F Inducement Resolution **North Port Apartments,** City of Port Huron, St. Clair County **MSHDA No. 44c-216**

Tab G Inducement Resolution **Midblock,** City of Detroit, Wayne County **MSHDA No. 44c-208**

Tab H Inducement Resolution **4401 Rosa Parks,** City of Detroit, Wayne County **MSHDA No. 44c-215**

REGULAR VOTING ITEMS

Tab I Resolution Authorizing Loan, **Short-Term Credit Facility (Single-Family Program) 2024B** in amount not to exceed $150,000,000.

Tab J Michigan State Housing Development Authority Resolution Authorizing Issuance And Sale Of Michigan State Housing Development Authority Multifamily Housing Revenue Bonds, Series 2024 (**Avon Towers Project**) (Fannie Mae MBS-Secured) (Sustainable) To Finance A Project Loan To Avon Towers Preservation Limited Dividend Housing Association Limited Partnership, So As To Enable The Borrower To Acquire, Rehabilitate And Equip A Multi-Family Rental Housing Development, Authorizing The Execution Of The Bond Purchase Agreement, The Financing Agreement And The Indenture Of Trust Securing The Bonds, And Determining And Authorizing Other Matters Relative Thereto

Resolution Authorizing Loan, **Avon Towers, MSHDA No. 44c-214**, City of Rochester Hills, Oakland County

Tab K Resolution Determining Mortgage Loan Feasibility, **Gray Street II Apartments**, **MSHDA Development No. 3389-2**, City of Detroit, Wayne County

Resolution Authorizing Mortgage Loan, **Gray Street II Apartments**, **MSHDA Development No. 3389-2**, City of Detroit, Wayne County

Tab L Resolution Determining Mortgage Loan Feasibility, **Villa Esperanza Apartments, MSHDA Development No. 4124**, City of Wyoming, Kent County

Resolution Authorizing Mortgage Loan, **Villa Esperanza Apartments, MSHDA Development No. 4124**, City of Wyoming, Kent County

Tab M Resolution Determining Mortgage Loan Feasibility, **Elmdale Apartments, MSHDA Development No. 4145**, City of Grand Rapids, Kent County

Resolution Authorizing Mortgage Loan, **Elmdale Apartments, MSHDA Development No. 4145**, City of Grand Rapids, Kent County

Tab N Resolution Determining Mortgage Loan Feasibility, **Preston Townhomes, MSHDA Development No. 4132**, City of Detroit, Wayne County

Resolution Authorizing Mortgage Loan, **Preston Townhomes, MSHDA Development No. 4132**, City of Detroit, Wayne County

Tab O Resolution Determining Mortgage Loan Feasibility, **Wellspring, MSHDA Development No. 4123**, City of Southfield, Oakland County

Resolution Authorizing Mortgage Loan, **Wellspring, MSHDA Development No. 4123**, City of Southfield, Oakland County

Tab P Resolution Determining Mortgage Loan Feasibility, **Piety Hill 2, MSHDA Development No. 4021**, City of Detroit, Wayne County

Resolution Authorizing Mortgage Loan, **Piety Hill 2, MSHDA Development No. 4021**, City of Detroit, Wayne County

Tab Q Resolution Determining Mortgage Loan Feasibility, **Henry Street 4% Apartments, MSHDA Development No. 4020**, City of Detroit, Wayne County

Resolution Authorizing Mortgage Loan, **Henry Street 4% Apartments, MSHDA Development No. 4020**, City of Detroit, Wayne County

Tab R Resolution Authorizing Amended and Restated Pass-Through Bond Program

Closed Session

None

Discussion Issues:

None.

Remarks:

Chairperson

Executive Director

Reports:

Tab 1 Delegated Action Reports

Tab 2 Current and Historical Homeownership Data

Tab 3 Monthly Homeownership Production Report

Tab 4 MI 10K DPA Monthly Statistics (Map)

Tab 5 2024 Board Calendar

DRAFT

Michigan State Housing Development Authority
Minutes of Regular Authority Meeting
June 20, 2024 – 10:00 a.m.

AUTHORITY MEMBER(S) PRESENT: LANSING

Jonathan Bradford
Rachael Eubanks
Jennifer Grau
Susan Corbin
Michele Wildman for Quentin Messer

AUTHORITY MEMBER(S): ABSENT

Warren Call
Regina Bell
Tyrone Hamilton

ATTENDEES IN DETROIT

Sherry Hicks, MSHDA
Taura Brown, Detroit Eviction Defense

ATTENDEES IN TRAVERSE CITY

Tony Lentych, MSHDA

ATTENDEES IN LANSING

Amy Hovey, MSHDA
Clarence Stone, MSHDA
Lisa Ward, MSHDA
Laura King, MSHDA
Chad Benson, MSHDA
Mary Cook, MSHDA
Geoffrey Ehnis-Clark, MSHDA
Chris Hall, MSHDA
Jennifer Bowman, MSHDA
John Hundt, MSHDA
Chris Lussier, MSHDA
Daphne Wells, MSHDA
Mark Whitaker, MSHDA
Josh Pugh, MSHDA
Matt Bergeon, MSHDA
Deanna McMillan, MHT Housing
Jodie Mackie, MSHDA
Tonya Joy, MSHDA
Jim Davis, MSHDA
Tim Klont, MSHDA
Jeffrey Sykes, MSHDA
Anthony Amoroso, MSHDA
Katie Bach, MSHDA
Lisa Kemmis, MSHDA
Ange Muhuir, MSHDA
Liz Rademacher, MSHDA
Margaret Meyers, MSHDA

ATTENDEES ON MICROSOFT TEAMS

David Allen, MSHDA
Michael Binegar, MSHDA
Drew Brown, MSHDA
Tonya Coon, MSHDA
Lenore Costa, MSHDA
Pierre-Denise Gilliam, MSHDA
Camellia Crowell, MSHDA
Amber Martin, MSHDA
Amber McCray, MSHDA
Thomas McKee, MSDHA
Christine Miller, MSHDA
John Millhouse, AG
Trenton Mitchell, MSHDA
Frank Mostek, MSHDA

Mason Crozier, MSHDA
Amanda Curler, MSHDA
Roberta Douglass, MSHDA
Kathryn Evans, MSHDA
Zachary Herrmann, MSHDA
Jonathan Hilliker, MSHDA
Benjamin Honeyford, MSHDA
Marcel Jackson, MSHDA
Charlotte Johnson, MSHDA
Tonia Kaczmarczyk, MSHDA
Joseph Kelly, MSHDA
Laurie Kelly, MSHDA
Ashley Kreiner, MSHDA
Kevin Louis, MSHDA
Michael Naberhuis, MSHDA
Lila Nelson, MSHDA
Amy Patterson, AG
Damon Pline, MSHDA
Tera Poag, MSHDA
Cisco Potts, MSHDA
Karmen Robinson, MSHDA
Nicholas Shattuck, MSHDA
Christopher Schultz, MSHDA
Brandi Smith, MSHDA
Kathy VanHouten, MSHDA
Anna Vicari, MSHDA
Hilary Vigil, AG
Michael Vollick, MSHDA

Eight additional members of the public participated via the Conference Line: 248-509-0316, Conference ID: 221 650 508#. Chairperson Susan Corbin opened the meeting at 10:04 am. A quorum was established with the presence of Jonathan Bradford, Rachael Eubanks, Jennifer Grau, and Michele Wildman for Quenton Messer. Members were physically present in Lansing. Ms. Corbin proceeded to request public comments from participants both in-person and via Teams. Taura Brown representing the Detroit Eviction Defense commented in-person from Detroit on efforts to evict a tenant at Gardenview Apartments and whether the rehabilitation of Buersmeyer Manor is necessary. Gary Fiscus shared comments via the conference line on the need for more housing vouchers.

Meeting Announcements:

Ms. Corbin noted there was a goldenrod for Tab K (Resolution Authorizing Mortgage Loan Annika Place II, MSHDA Development No. 4117). Tab K was revised to adjust loan amounts to account for the deferred developer fee and total development costs.

Approval of Agenda:

Rachel Eubanks moved approval of **Tab A (Agenda)**. Jonathan Bradford supported. The agenda was approved.

Voting Items:

Consent Agenda (Tabs B –G):

Michelle Wildman moved approval of the Consent Agenda. Jennifer Grau supported. The Consent Agenda was approved.

The Consent Agenda included the following items:

Tab B Minutes – May 16, 2024 Board Meeting

Tab C Resolution Approving the Michigan State Housing Development Authority's 2024-25 Budget

Tab D Resolution Authorizing Grants from the Michigan Housing and Community Development Fund

Tab E Resolution Authorizing No-Cost Professional Services Contract Extension with ARC4Justice

Tab F Inducement Resolution **Cambridge Towers,** City of Detroit, Wayne County **MSHDA No. 44c-213**

Tab G Resolution Authorizing Mortgage Credit Certificate for Ange Muhire

Regular Voting Items:

Chad Benson, Director of Development, presented **Tab H,** Resolution Determining Mortgage Loan Feasibility, **Calumet Apartments and Townhomes, MSHDA Development No. 528-3**, City of Detroit, Wayne County and Resolution Authorizing Mortgage Loan, **Calumet Apartments and Townhomes, MSHDA Development No. 528-3**, City of Detroit, Wayne County. Mr. Benson reviewed the documents as detailed in the board docket.

Jonathan Bradford moved approval of **Tab H**. Jennifer Grau supported. The resolutions were approved.

Chad Benson, Director of Development, presented **Tab I**, Resolution Determining Mortgage Loan Feasibility, **Martin Gardens of Detroit, MSHDA Development No. 1195-2**, City of Detroit, Wayne County and Resolution Authorizing Mortgage Loan, **Martin Gardens of Detroit, MSHDA Development No. 1195-2,** City of Detroit, Wayne County. Mr. Benson reviewed the documents as detailed in the board docket.

Michelle Wildman moved approval of **Tab I**. Rachel Eubanks supported. The resolutions were approved.

Chad Benson, Director of Development, presented **Tab J**, Resolution Determining Mortgage Loan Feasibility, **Highland Park Housing Community, MSHDA Development No. 4142**, City of Highland Park, Wayne County and Resolution Authorizing Mortgage Loan, **Highland Park Housing Community, MSHDA Development No. 4142,** City of Highland Park, Wayne County. Mr. Benson reviewed the documents as detailed in the board docket.

Jennifer Grau moved approval of **Tab J**. Jonathan Bradford supported. The resolutions were approved.

Chad Benson, Director of Development, presented **Tab K,** Resolution Determining Mortgage Loan Feasibility, **Annika Place II, MSHDA Development No. 4117**, City of Traverse City, Grand Traverse County and Resolution Authorizing Mortgage Loan, **Annika Place II, MSHDA Development No. 4117**, City of Traverse City, Grand Traverse County. Mr. Benson reviewed the documents as detailed in the board docket.

Rachel Eubanks moved approval of **Tab K**. Susan Corbin supported. The resolutions were approved.

Chad Benson, Director of Development, presented **Tab L**, Resolution Determining Mortgage Loan Feasibility, **Corner at Wall Street, MSHDA Development No. 4121**, City of Benton Harbor, Berrien County and Resolution Authorizing Mortgage Loan, **Corner at Wall Street, MSHDA Development No. 4121,** City of Benton Harbor, Berrien County. Mr. Benson reviewed the documents as detailed in the board docket.

Jonathan Bradford moved approval of **Tab L**. Jennifer Grau supported. The resolutions were approved.

Chad Benson, Director of Development, presented **Tab M**, Resolution Determining Mortgage Loan Feasibility, **Verne Berry Place, MSHDA Development No. 1118-2**, City of Grand Rapids, Kent County and Resolution Authorizing Mortgage Loan, **Verne Berry Place, MSHDA Development No. 1118-2,** City of Grand Rapids, Kent County. Mr. Benson reviewed the documents as detailed in the board docket.

Jonathan Bradford moved approval of **Tab M**. Rachel Eubanks supported. The resolutions were approved.

Chad Benson, Director of Development, presented **Tab N**, Resolution Determining Mortgage Loan Feasibility, **206 North Washington, MSHDA Development No. 4114**, City of Ypsilanti, Washtenaw County and Resolution Authorizing Mortgage Loan, **206 North Washington, MSHDA Development No. 4114,** City of Ypsilanti, Washtenaw County. Mr. Benson reviewed the documents as detailed in the board docket.

Michelle Wildman moved approval of **Tab N**. Rachel Eubanks supported. The resolutions were approved.

Matthew Bergeon, Director of Asset Management presented**, Tab O,** Resolution of Authorizing Waiver of Mortgage Loan Prepayment Prohibition, **Romulus Tower, MSHDA Development No. 3030**, City of Detroit, Wayne County. Mr. Bergeon reviewed the documents as detailed in the board docket.

Jonathan Bradford moved approval of **Tab O**. Jennifer Grau supported. The resolution was approved.

Margaret Meyers, Director of Legal Transactions, presented**, Tab P,** Resolution Authorizing Execution of Closing Documents and One-Time Transfer from Mortgage Resource Fund for the Purchase of [redacted], City of Detroit, Wayne County, Michigan. Ms. Meyers reviewed the documents as detailed in the board docket.

Jennifer Grau moved approval of **Tab P**. Jonathan Bradford supported. The resolution was approved.

Chair's Report:

None.

Executive Director's Report:

Ms. Hovey addressed the public comments, thanking Ms. Brown and Mr. Fiscus for sharing their concerns. Ms. Hovey further stated that MSHDA will not be reopening the HCV program waiting list due to the reduction in HUD funding.

After the Executive Director's update, Ms. Corbin announced the following reports were included in the docket: **(Tab 1)** Current and Historical Homeownership Data; **(Tab 2)** Monthly Homeownership Production Report; **(Tab 3)** MI 10K DPA Monthly Statistics (Map); and **(Tab 4)** 2024 Board Calendar.

Ms. Corbin noted that the next regular board meeting would be July 18, 2024. She then requested a motion to adjourn the meeting. Rachel Eubanks moved to adjourn, and Jennifer Grau supported. The meeting adjourned at 10:40 am.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director *Amy Hovey*

DATE: July 18, 2024

RE: Resolution Authorizing Renewal of Professional Services Contracts with Arthur J. Gallagher Risk Management Services, Inc.

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") authorize two additional six-month extensions of the current professional services contract with Arthur J. Gallagher Risk Management Services, Inc. ("Contractor") for the additional cost of Twenty Thousand Dollars ($20,000.00).

ORIGINAL CONTRACT SUMMARY:

Name of Contractor:	Arthur J. Gallagher Risk Management Services, Inc.
Amount of Contract:	$10,000.00
Length of Contract:	6-Months
Extension Options:	Two, Six-Month periods
Request for Proposal Date:	November 22, 2021
Number of Bids Received:	One
MSHDA Division Requesting the Contract:	Legal

EXECUTIVE SUMMARY:

On June 22, 2022, the Authority executed a $10,000 contract with the Contractor for insurance-related consulting services. The contract has subsequently been extended on three occasions for a total aggregate contract amount of $40,000. The two recommended extensions will increase the total aggregate contract amount to $60,000, ensuring that the Authority staff and partners continue to have access to professional insurance consultation related to the Authority's construction and property rehabilitation lending programs and activities, including but not limited to property, liability, workers compensation, builders' risk, and crime and dishonesty insurance requirements. In addition, the Contractor will continue to provide the Authority with advice relating to its coverages on its Lansing office building, the imminent purchase of the Detroit office building, Errors & Omissions policy, etc.

The current Contractor has met all requirements of past contract. The Contractor has performed the following services:

- Provided periodic and ongoing technical information, assistance, and trainings to Authority staff on development of Authority's insurance guidelines and insurance requirement parameters.
- Provided periodic and ongoing technical information, assistance, and trainings to the Authority on market changes, new and obsolete insurance coverages, and industry trends including but not limited to captive insurance.
- Provided or assisted in preparing educational and advisory resources for stakeholders subject to insurance guidelines.
- Provided guidance, technical information, assistance, and training to the Authority staff on reviewing insurance certificates, policies and related questions pertaining to Authority financed developments or Authority owned properties.

ADVANCING THE MISSION AND COMMUNITY IMPACT/SUPPORT:

This contract supports the mission of ensuring all insurance policies are current, relevant to the housing market, and it reduces risk to the Authority.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

None

DRAFT

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING AMENDMENT TO EXTEND AND INCREASE CONTRACT FUNDING WITH ARTHUR J. GALLAGHER RISK MANAGEMENT SERVICES, INC.

July 18, 2024

WHEREAS, on or about June 22, 2023, the Michigan State Housing Development Authority (the "Authority") entered into a six (6) month professional services contract (the "Contract") with Arthur J. Gallagher Risk Management Services, Inc. ("Contractor") to provide the Authority with insurance-and risk-related consulting services; and

WHEREAS, the Authority's lending programs require borrowers to follow insurance guidelines, which guidelines must be regularly updated to reflect industry trends; complicated insurance matters regarding Authority borrowers frequently require expertise to resolve; and the Authority's own insurance needs, including the pending purchase of the Detroit office building, merit continued insurance and risk consultation; and

WHEREAS, for the reasons stated in the accompanying memorandum, the Chief Executive Officer and Executive Director recommends that the Authority authorize the execution of an Amendment to the Contract, extending the current contract for an additional six-months for an additional cost of $10,000, with the option to renew for an additional six-months at the Authority's discretion for an additional cost of $10,000, for a total aggregate cost over the life of the contract not to exceed $60,000; and

WHEREAS, the Civil Service Commission has reviewed and approved the Authority's request for the amendment to the contractual services; and

WHEREAS, the Authority concurs in the recommendation of the Chief Executive Officer and Executive Director.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority that the Chief Executive Officer and Executive Director, the Chief Legal Affairs Officer, the Chief Financial Officer, the Director of Finance, the Director of In-House Legal Services, or the Director of Legal Transactions (each an "Authorized Officer"), or any person duly acting in such capacity, each is hereby authorized to enter into an Amendment to the Contract with Arthur J. Gallagher Risk Management Services, Inc. to extend the Contract an additional six-months for an additional Ten Thousand Dollar ($10,000) cost, with an option to extend for an additional six-months at an additional cost of Ten Thousand Dollar ($10,000), which option may be exercised by an Authorized Officer, for a total aggregate contract amount not to exceed Sixty Thousand Dollars ($60,000).

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director *Amy Hovey*

DATE: July 18, 2024

RE: Housing and Community Development Fund—Approval of Grants Listed in Schedule A and Schedule B

<u>RECOMMENDATION:</u>

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt a resolution that authorizes the approval of the following grants funded by the Michigan Housing and Community Development Fund ("HCDF"):

- The American Rescue Plan Coronavirus State and Local Fiscal Recovery Funds ("ARPA-SLFRF") funded HCDF grants ("ARPA-SLFRF HCDF Grant(s)") listed in Schedule A of this Memorandum;
- The HCDF funded MI Neighborhood Program grants ("MI Neighborhood Grant(s)") listed in Schedule B of this Memorandum.

(The ARPA-SLFRF HCDF Grants and MI Neighborhood Grants are collectively referred to as the "HCDF Grants").

If approved by the Authority, the total amount of HCDF proceeds used to fund the Schedule A identified ARPA-SLFRF HCDF Grants will not exceed $505,000 and the Schedule B identified MI Neighborhood Grants will not exceed $1,458,899.

<u>EXECUTIVE SUMMARY:</u>

The State Housing Development Authority Act of 1966, Public Act 346 of 1966, Part 125.1458 et seq., as amended, charges the Authority with creating and implementing the HCDF Program for the purposes of developing and coordinating public and private resources to meet the affordable housing needs of low income, very low income, and extremely low-income households and to revitalize downtown areas and adjacent neighborhoods in the State of Michigan.

Effective March 30, 2022, the Michigan Legislature pursuant to the Public Act 53 of 2022, as amended, (the "2022 PA 53") appropriated $50 million dollars of United States Department of Treasury ARPA-SLFRF to the Authority's HCDF Program to expand access to affordable and attainable housing for populations or regions disproportionately impacted by the COVID-19 pandemic.

Effective February 13, 2024, the Michigan Legislature appropriated to the Authority, pursuant to Public Act 4 of 2023 ("2023 PA 4"), amending Public Act 281 of 1967, at MCL 206.695(1) et. seq., beginning with the 2022-2023 state fiscal year through the 2024-2025 state fiscal year, up to $50 million, if available, to the HCDF Program.

If approved, the HCDF Grants listed and recommended in Schedule A may be funded under the HCDF Program from the 2022 PA 53 appropriation and those listed and recommended in Schedule B may be funded under the HCDF Program from the 2023 PA 4 appropriation. The HCDF Grants have been evaluated by Authority staff for compliance with the HCDF Allocation Plan and requirements, which evaluations have been reviewed and approved by review committees comprised of Authority supervisory staff. The proposed HCDF Grants have been found to be acceptable for Authority approval and will be subject to the terms and conditions required for (a) either 2022 PA 53 or 2023 PA 4 appropriated HCDF funds as appropriate and (b) the execution of grant agreements and disbursement of the HCDF Grants.

ADVANCING THE AUTHORITY'S MISSION:

The proposed HCDF Grants will serve to expand access to affordable and attainable housing, address ongoing housing hardships of Michigan residents and support Michigan's Statewide Housing Plan implementation and priorities that address the housing needs of Michigan residents and support the Campaign to End Homelessness.

REGIONAL HOUSING PARTNERSHIPS:

The proposed HCDF Grants support the goals of the regional housing partnerships.

RESIDENT IMPACT:

None.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

None.

SCHEDULE A
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
AMERICAN RESECUE PLAN CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS (ARP-SLFRF)
HOUSING AND COMMUNITY DEVELOPMENT FUNDS (HCDF)
JULY 18, 2024 GRANTEE LIST

NAME OF GRANTEE	AMOUNT OF HCDF/SLFRF GRANT	REGION	LOCATION FOR SCOPE OF WORK	SCOPE OF WORK	HOMEOWNER/HOMEBUYER	RENTAL	PUBLIC AMENITY	TERM OF GRANT	USE OF FUNDS
Existing MICH Grantees	$505,000	Various	Various	DPA - Existing MICH Grantees	24	0	N/A	9/30/2024-4/30/2026	MICH funds are being utilized to construct and sell new units. All MICH assisted units are income restricted to households at or below 60% County Area Median Income (AMI) or 300% federal poverty level (FPL) whichever is stricter. **Existing MICH Grants will be amended to include down payment assistance and coverage for closing costs to facilitate sales and improve affordability**.
Total Approvals Requested	**$505,000**								

SCHEDULE B MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY HOUSING AND COMMUNITY DEVELOPMENT FUNDS (HCDF) MI NEIGHBORHOOD PROGRAM JULY 18, 2024 GRANTEE LIST								
NAME OF GRANTEE	**AMOUNT OF HCDF GRANT**	**REGION**	**LOCATION FOR SCOPE OF WORK**	**SCOPE OF WORK**	**HOMEOWNER/ HOMEBUYER**	**RENTAL**	**PUBLIC AMENITY**	**TERM OF GRANT**
City of Ironwood	75,000	Region A	City of Ironwood	1 PA	0	0	1	August 1, 2024 - July 31, 2026
Esky Home Builders	$160,000	Region B	Escanaba	4 Rehab	4	0	0	August 1, 2024 - July 31, 2026
Homestretch Nonprofit Housing Corporation	$458,000	Region D	Grand Traverse	4 new units 8 Rehab	12	0	0	August 1, 2024 - July 31, 2026
Village of Farwell	$40,000	Region G	Village of Farwell	1 PA	0	0	1	August 1, 2024 - July 31, 2026
Saginaw County Community Action Agency	$236,000	Region G	Saginaw	17 rehab	17	0	0	August 1, 2024 - July 31, 2026
City of Mt. Pleasant	$75,000	Region G	City of Mt. Pleasant	1 PA	0	0	1	August 1, 2024 - July 31, 2026
City of Vassar	$30,000	Region H	Village of Vassar	1 PA	0	0	1	August 1, 2024 - July 31, 2026
The City of Bronson	$73,899	Region J	Southwest	1 PA	0	0	1	August 1, 2024 - July 31, 2026
City of Monroe	$75,000	Region K	City of Monroe	1 PA	0	0	1	August 1, 2024 - July 31, 2026
Habitat for Humanity Huron Valley	$236,000	Region K	Washtenaw	2 Unoccupied Rehab	2	0	0	August 1, 2024 - July 31, 2026
TOTAL:	**$1,458,899**				**35**	**0**	**5**	

DRAFT

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING GRANTS FROM THE MICHIGAN HOUSING AND COMMUNITY DEVELOPMENT FUND

July 18, 2024

WHEREAS, Section 58a of Public Act 346 of 1966, as amended (the "Act") creates and establishes the Michigan Housing and Community Development Fund (the "HDCF") under the jurisdiction and control of the Michigan State Housing Development Authority (the "Authority"); and

WHEREAS, Section 58b(2) of the Act provides that the Authority will identify, select, and make financing available, in any amounts as the Authority determines, from the HCDF for housing for low income, very low income, and extremely low income households and for projects located in a downtown area or adjacent neighborhood, to Section 58(2)(d) defined eligible applicants for Section 58b(3) eligible projects and Section 58c eligible activities; and

WHEREAS, Authority staff and the Chief Executive Officer and Executive Director have reviewed the United States Department of Treasury ("Treasury") American Rescue Plan Coronavirus State and Local Fiscal Recovery Funds ("ARPA-SLFRF") funded HCDF grant proposals listed in Schedule A and recommend that the Authority adopt a resolution authorizing the funding of ARPA-SLFRF HCDF grants ("ARPA-SLFRF HCDF Grants") listed in Schedule A with ARPA-SLFRF funded HCDF proceeds as described in the accompanying memorandum; and

WHEREAS, Authority staff and the Chief Executive Officer and Executive Director have reviewed the MI Neighborhood Program grant proposals listed in Schedule B ("MI Neighborhood Grant(s)") and recommend that the Authority adopt a resolution authorizing the funding of MI Neighborhood Grant(s) listed in Schedule B with HCDF proceeds as described in the accompanying memorandum; and

WHEREAS, the ARPA-SLFRF HCDF Grants and MI Neighborhood Grants heretofore described will be hereafter collectively referred to as the "HCDF Grant(s)"; and

WHEREAS, the Authority concurs in the recommendation.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. That the Authority determines that the ARPA-SLFRF HCDF Grants shall be subject to Treasury ARPA-SLFRF requirements in addition the HCDF Grant requirements listed below.

2. That the Authority hereby determines that:

    a. the HCDF Grants shall be expended for one or more of the eligible activities outlined in the Authority's Act and permitted under Rule 125.190 of the Authority's General Rules; and

b. in the event that housing units are created or improved with HCDF Grants proceeds, at least twenty percent (20%) of the units in the housing project to be acquired, constructed, rehabilitated, or preserved with HCDF Grant funds are set aside for Low Income Households, as defined by the Act.

3. That the HCDF Grants are authorized to be used for the purposes and in the amounts set forth in the accompanying memorandum, subject to the conditions contained therein and to the execution of a Grant Agreement between the Authority and the grantees listed in Schedules A and B that shall include the following:

   a. a provision pursuant to Section 58d(a) providing that the owner and manager agree not to evict a tenant without just cause, as defined in MCL 125.694a;

   b. a provision pursuant to Section 58d(b) providing for the recapture or de-obligation of some or all of the HCDF Grant for any the reasons specified in Rule 125.196(4) of the Authority's General Rules; and

   c. as appropriate, Treasury ARPA-SLFRF provision(s) necessary for compliance with the requirements for use of ARPA-SLFRF funds; and

   d. performance metrics and reporting requirements as required by HCDF guidelines.

4. That, if an advance or any portion of any HCDF Grant is not used for the intended purpose due to conditions that make it impossible to use as stated herein, or if the grantee fails to use all or any portion of the HCDF Grant, any unused HCDF Grant proceeds that have been disbursed will be returned to the Authority immediately. All HCDF Grant proceeds that have not been used for approved HCDF Grant purposes within two (2) years of the date of this Resolution will be recaptured by the Authority and returned to the Authority's HCDF Fund.

5. That the Chief Executive Officer and Executive Director, the Chief Financial Officer, the Director of Finance, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, or any person duly appointed and acting in that capacity (each an “Authorized Officer”) or the Chief Strategy and Engagement Officer are each authorized to modify the terms of the HCDF Grant or take such action as, in the discretion of the Authorized Officer or the Chief Strategy and Engagement Officer, may be necessary to assure the administration of the Grant is in compliance with the Consolidated Act, the Act and the General Rules of the Authority, and to effectuate the proposals set forth in the accompanying memorandum. To ensure the efficient use of grant funds, an Authorized Officer or the Chief Strategy and Engagement Officer is authorized to substitute a HCDF grant with a grant from an alternate, duly authorized funding source.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director *Amy Hovey*

DATE: July 18, 2024

RE: North Port Apartments, Development No. 44c-216 (the "Development')

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt an inducement resolution with respect to the project described in the attached report.

PROJECT SUMMARY:

MSHDA No.:	44c-216
Development Name:	North Port Apartments
Development Location:	City of Port Huron, St. Clair County
Sponsor:	North Port GP, LLC
Borrower:	North Port Preservation Limited Dividend Housing Association, LLC
Number of Units:	249 elderly/family units (plus 2 employee units)
No. of Accessible Units:	13 accessible units
Construction Method:	Acquisition and Rehabilitation
Financing Program:	Limited Obligation Multifamily Housing Revenue Bonds issued under Section 44c
Total Development Cost:	$39,062,000
Aggregate Basis:	$35,836,627
Total Loan Amount:	$19,000,000 (53.02% of aggregate basis)
Credit Enhancement:	Cash collateral through FHA-insured Section 223(f) mortgage loan provided by Capital One, National Association

EXECUTIVE SUMMARY:

North Port GP, LLC (the "Sponsor") proposes to acquire and rehabilitate the Development, which consists of 249 affordable housing units located in the City of Port Huron, St. Clair County, Michigan. The Development will be acquired and rehabilitated/constructed using a construction loan financed with the proceeds of a single issue of bonds issued pursuant to Section 44c of the Authority's enabling act. The Development, as proposed, meets the requirements of Section 44c, and repayment of the bonds will be reasonably secure based on cash collateral intended to secure such repayment and held by the trustee for the bonds. The cash collateral will be sourced through the following: an FHA-insured Section 223(f) mortgage loan provided by Capital One, National Association.

I am recommending Board approval for the following reasons:

- The Developer's application satisfies the requirements for the issuance of an inducement resolution under Section 44c of the Authority's Act and the Amended and Restated Pass-Through Bond Program statement.
- 249 units of elderly housing will be rehabilitated in the Port Huron community.
- The repayment of the limited obligation bonds will be reasonably secure based on the proposed collateral.

ADVANCING THE AUTHORITY'S MISSION:

North Part will be located in Region H of the Statewide Housing Plan Regional Housing Partnerships, and this development supports the following goals of the Region H Action Plan:

- Goal 3.2: Increase access to stable and affordable quality housing options for households with extremely low incomes.
- Goal 4.1: increase the supply of the full spectrum of housing that is affordable and attainable to Michigan residents.
- Goal 4.4: Increase the rehabilitation and/or preservation of housing stock.
- Goal 5.1: Equitably expand the supply of affordable and accessible rental units statewide for older adults.

Approving an inducement resolution will allow this proposal to incur costs necessary for acquiring and rehabilitating the Development.

90% of the units will be reserved for tenants at 60% of Area Median Income. In addition, ten percent (10%) of the units must be targeted to households whose income is at or below 40% of Area Median Income.

Additional details are provided on page 2 of the Staff Report.

The Development is at risk of being removed from affordable housing stock due to an expiring restrictive use period and will be preserved with this new financing. Affordable housing in the Port Huron community will be preserved.

MUNICIPAL SUPPORT:

- The Development has been granted a tax exemption and payment in lieu of taxes under the Act.

COMMUNITY IMPACT:

- It is anticipated that the construction or rehabilitation of the Development will create 2 permanent jobs and 24 temporary jobs.

RESIDENT IMPACT:

- The residents will benefit from a comprehensive rehabilitation of the Development.
- Immediate and long-term capital needs of the Development will be addressed.
- Extensive interior and exterior improvements will be made which will include, but not be limited to, new flooring, energy-efficient appliances, water heaters, upgraded HVAC systems and plumbing fixtures, energy efficient windows and exterior doors and roof replacements (based on age).
- Renovations will allow the Development to meet UFAS/ADA/FHA accessibility requirements.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

None.

AMENDED AND RESTATED PASS-THROUGH BOND PROGRAM

INDUCEMENT RESOLUTION STAFF REPORT

July 18, 2024

RECOMMENDATION:

Adopt an inducement resolution with respect to the project described in this report.

PROJECT SUMMARY:

MSHDA No.:	44c-216
Development Name:	North Port Apartments
Development Location:	City of Port Huron, St. Clair County
Sponsor:	North Port GP, LLC
Borrower:	North Port Preservation Limited Dividend Housing Association, LLC
Number of Units:	249 elderly units (does not include 2 employee units)
No. of Accessible Units:	13 accessible units
Construction Method:	Acquisition and Rehabilitation
Financing Program:	Limited Obligation Multifamily Housing Revenue Bonds issued under Section 44c
Total Development Cost:	$39,062,000 (estimated)
Aggregate Basis:	$35,836,627
Total Loan Amount:	$19,000,000 (53.02% of aggregate basis)
Credit Enhancement:	Cash collateral through FHA-insured Section 223(f) mortgage loan provided by Capital One, National Association

The material contained in this staff report is submitted to the Authority for information only. The Authority does not underwrite Pass-Through Bond loans. To the extent that any information contained herein conflicts with the documents relating to the sale of the bonds and the making of the loan, the latter documents shall control.

PROGRAM DESCRIPTION:

Section 44c of Public Act 346 of 1966, as amended (the "Act"), authorizes the Authority to issue notes or bonds that are not general obligations of the Authority and are not backed by the moral obligation of the State. The bonds are "limited obligations" of the Authority with the security limited to the assets of the borrower, the project itself, and the credit enhancement arranged by the borrower. These are generally referred to as "Pass Through" bonds.

On July 20, 2023, the Authority re-authorized the Amended and Restated Pass-Through Bond Program, increasing the maximum allocation to $300 million in tax-exempt bond volume cap. This program imposes rent and income targeting requirements of either 40% at 60% of area median income or 20% at 50% of area median income and limits the bond allocation available per project and per sponsor. At least ten percent (10%) of the Development's units must be more deeply targeted to households whose income is at or below 40% of area median income. It also requires limited market and environmental reviews.

PROPOSAL SUMMARY:

The Borrower proposes to acquire and rehabilitate elderly apartment units on a site in Port Huron. Two hundred forty-nine (249) of the units in the development will be targeted to households with incomes at or below 60% of area median income, utilizing the new limits for Multifamily Tax Subsidy Projects as determined by HUD with respect to projects financed pursuant to Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), as further amended by the Housing and Economic Recovery Act of 2008 (P.L. 110-289) ("MTSP Limits"). At least ten percent (10%) of these units (26 units) must be more restricted to households with incomes at or below 40% of area median income, using the MTSP Limits.

CONDITIONS:

1. **Income Limits:**

   The Borrower must enter into a Regulatory Agreement with the Authority requiring that 223 of the units in the Development (111 one-bedroom, 92 two-bedroom, and 20 three-bedroom apartments/townhomes) must be rented or available for rental by tenants whose income does not exceed the 60% MTSP Limit , adjusted for family size. In addition, 26 units in the Development must be rented or available for rental by tenants whose income does not exceed the 40% MTSP Limit, adjusted for family size. These occupancy restrictions shall be contained in a covenant running with the land and shall remain in effect for the period that the Authority Bonds (as defined below) remain outstanding, but in no event for less than the period of time required by the terms of the Low Income Housing Tax Credit ("LIHTC") Regulatory Agreement or the period required by Section 142(d) of the Code. The remaining units will be rented without regard to household income.

   The income of the individuals and the area gross median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median gross income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of Treasury publishes its requirements, income of individuals shall be determined in accordance with the Section 8 regulations.

2. **Limitations on Rental Rates:**

The Regulatory Agreement must also require that the monthly Total Housing Expense (contract rent plus tenant-paid utilities) on 90% of the units in the Development may not exceed 30% of 1/12 of the 60% MTSP Limit, assuming occupancy by one and one-half persons per bedroom. The Total Housing Expense for the more deeply targeted units in the Development (26 units) may not exceed 30% of 1/12 of the 40% MTSP Limit, assuming occupancy by one and one-half persons per bedroom. These limitations on rental rates shall be contained in a covenant running with the land and shall remain in effect for the period that the Authority Bonds (as defined below) remain outstanding, but in no event for less than the period of time required by the terms of the LIHTC Regulatory Agreement.

For purposes of determining whether or not the rents paid by the tenants of the Development are within the required limits set forth in this Section 2, the amount of any Section 8 rental subsidy paid on behalf of a tenant with respect to any unit shall not be considered as rent paid by the tenant.

3. **Covenant Running with the Land:**

The Borrower must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the obligations to be issued to finance the loan (the "Bonds"). This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is 15 years after 50 percent of the residential units in the project are occupied, the first day on which no Bonds are outstanding with respect to the project, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates (the "Qualified Project Period"). Additionally, during the Qualified Project Period, the minimum set-aside requirements of the Code must be maintained, namely, at least forty percent (40%) of the units in the Development must be occupied or held available for occupancy by individuals whose income is lower than the MTSP Limits 60% income limit, adjusted for family size. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations.

4. **Limitation on Return on Equity:**

The Borrower must agree that its return on equity will be limited to 12 percent for the first 12-month period following substantial completion of the Development, with annual one percent increases thereafter, and to submit an annual financial statement evidencing its eligibility for return no later than 90 days after the close of the Borrower's fiscal year. The Borrower's return is fully cumulative. The amount of the Borrower's equity will be determined by the Authority.

5. **Bond and Tax Credit Requirements:**

At the Bond closing, the Borrower must enter into a Loan Agreement and a Trust Indenture which provides that all cash proceeds of the credit enhancement will be deposited with the trustee for the Bonds and shall be held and invested by the trustee in accordance with the Trust Indenture. The Borrower must certify in writing to the sources and uses involved in the financing of the Development and must also provide the Authority with an opinion of tax counsel, a Useful Life Certificate prepared by Borrower's accountants, and/or other evidence, as determined by the Authority's Chief Legal Affairs Officer, that respectively confirm that the structure of the transaction will permit the Borrower to claim the LIHTC 4% credit.

6. **Loan Agreement; Indemnification; Compliance Monitoring and Reporting Requirements:**

At closing, the Borrower must enter into a Loan Agreement with the Authority. In the Loan Agreement, the Borrower must agree to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of the financing, construction, ownership, or operation of the Development, or from the violation of any environmental laws. The Borrower must also agree to provide the Authority on or before September 1 of each year with a report in a form acceptable to the Authority, including such information as is required by Section 44c of the Act. The Borrower must also agree to participate in compliance monitoring activities relative to the Bonds and the tax credits allocated to the Development, as required by the Authority's Compliance Monitoring staff, and to pay an annual compliance monitoring fee not to exceed 0.25% of the outstanding principal amount of the Bonds. The form and substance of the Loan Agreement must be acceptable to the Authority's Chief Legal Affairs Officer.

7. **Closing and Organizational Documents:**

Prior to Bond closing, the Borrower must submit all of the documents relating to the sale of the limited obligation bonds and the making of the loan, including title and survey matters, and its organizational documents. All documents must be in compliance with the Authority's Act and acceptable to the Michigan Attorney General, the Authority's Bond counsel and the Authority's Chief Legal Affairs Officer.

8. **Credit Enhancement:**

Prior to the authorization of a commitment for issuance of the Bonds, the Borrower must submit a definitive commitment that the credit enhancement will be provided. The proposed credit enhancement instrument and any other additional security offered to the Authority must be acceptable to the Chief Financial Officer and the Chief Legal Affairs Officer.

9. **Financing Participants:**

Prior to the authorization of a commitment for issuance of the Bonds, the Chief Financial Officer and the Chief Legal Affairs Officer must have determined that the proposed development team members are acceptable.

10. **Equal Employment Opportunity:**

At Bond closing, the Borrower and the general contractor must include the Authority's form Appendix to Construction Contract with a Construction Contract that is acceptable to the Authority's Chief Legal Affairs Officer.

DEVELOPMENT TEAM AND PROJECT INFORMATION:

Sponsor and Borrower:

1.	**Sponsor:**	North Port GP, LLC 551 Fifth Avenue 23rd Floor New York, NY 10176
	Contact:	Scott Frye
	Phone:	216-393-8062
2.	**Borrower:**	North Port Preservation Limited Dividend Housing Association, LLC

Credit Enhancement:

The sponsor proposes cash collateral through an FHA-insured Section 223(f) mortgage loan provided by Capital One, National Association.

Bond Underwriter:	The Sturges Company (Michael Sturges)
Bond Counsel:	Dickinson Wright, PLLC (Craig Hammond)
Bond Trustee:	The Huntington National Bank (John Alexander)
Credit Enhancement Provider:	Capital One, National Association (Marcie Cugini)

Other Members of the Development Team:

Equity Partner:	The Huntington Community Development Corporation (Andrew Hugger)
Borrower's Counsel:	Honigman Miller Schwarz & Cohn (Steven Rypma)
Borrower's Accountant:	Novogradac & Company, LLP (Dirk Wallace)
Contractor:	Rose Community Builders, LLC (Christopher Edwards)
Property Management:	Rose Community Management (Lori Ricci)
Architect:	Fusco, Shaffer, & Pappas (James Pappas)
Rating Agency:	Moody’s

Sources and Uses of Funds:

FHA 223f Permanent Loan	$24,700,000

Income from Reinvested Bond Proceeds	1,282,500
GP Capital	100
Income from Operations	201,600
LIHTC Equity	11,856,679
Deferred Developer Fee	1,021,121
Total Sources of Funds	**$ 39,062,000**

Acquisition	$ 17,770,800
Construction/Rehabilitation	12,687,760
Professional Fees	605,000
Interim Construction Costs	2,460,850
Permanent Financing Costs	543,950
Other Costs	1,290,303
Reserves and Escrows	1,483,337
Syndication Costs	70,000
Developer Fee	2,100,000
Site Work	50,000
Total Uses of Funds	**$ 39,062,000**

<u>APPROVALS</u>:

Jeffrey J. Sykes — 7-11-24

Jeffrey Sykes, Chief Financial Officer — Date

Chad A. Benson — 7/12/2024

Chad Benson, Director of Development — Date

Clarence L. Stone, Jr. — 7/10/2024

Clarence L. Stone, Jr., Chief Legal Affairs Officer — Date

Amy Hovey — 07/12/24

Amy Hovey, Chief Executive Officer and Executive Director — Date

DRAFT
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

INDUCEMENT RESOLUTION
NORTH PORT APARTMENTS
PORT HURON, ST. CLAIR COUNTY
MSHDA No. 44c-216

July 18, 2024

WHEREAS, North Port GP, LLC (the "Applicant"), desires to acquire and substantially rehab a multifamily housing facility (the "Project") in the City of Port Huron, St. Clair County, Michigan; and

WHEREAS, the Applicant has applied to the Michigan State Housing Development Authority (the "Authority") for a loan in the amount of Nineteen Million Dollars ($19,000,000) (the "Loan") pursuant to Section 44c of Act No. 346 of the Public Acts of 1966, as amended (the "Act"), to be made to North Port Preservation Limited Dividend Housing Association, LLC or an eligible borrower entity to be formed under the Act (the "Borrower"), to finance the acquisition, construction and equipping of the Project, which constitutes a housing project as defined in the Act; and

WHEREAS, the Applicant has advised that the cost of the Project will not exceed Thirty-Nine Million Sixty-Two Thousand Dollars ($39,062,000); and

WHEREAS, the Act authorizes the Authority to loan monies to limited dividend housing associations for the construction and long-term financing of multifamily housing projects and to obtain the monies for such loans by the issuance of bonds in compliance with and pursuant to the terms and provisions of the Act; and

WHEREAS, it is necessary to assure the Applicant that the Authority intends to issue bonds (the "Bonds") upon meeting the requirements of the Act and the terms and conditions of this Resolution, it being the intent and purpose of the Authority in adopting this Resolution to provide the necessary official action with respect to the Bonds as will meet the requirements of the Internal Revenue Code and the regulations promulgated in connection therewith.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority that:

1. In order to comply with Treasury Regulation Section 1.150-2, the Authority makes the following declarations:

   (a) The Authority reasonably expects to authorize the Loan for the purpose of reimbursing the Borrower for the costs of and/or financing the acquisition and equipping of the Project as further described in the Borrower's application, and the terms of the Inducement Resolution Staff Report attached hereto and incorporated herein;

   (b) The Loan shall not be used to reimburse the Borrower for expenditures earlier than the date on which the Borrower pays such expenditures and not later than the date that is eighteen months after the later of (i) the date on which the Borrower has paid the expenditure, or (ii) the date on which the Project is placed in service, but in no event more than three (3) years after the expenditure is paid. All reimbursement of expenditures shall follow the procedures described in Treasury Regulation Section

1.150-2(d);

(c) No Loan proceeds paid to reimburse the Borrower for expenditures incurred in the acquisition and equipping of the Project shall be used in a manner described in Treasury Regulation Section 1.150-2(h) with respect to abusive use of such proceeds;

(d) The costs to be reimbursed must be "capital expenditures" as defined in Treasury Regulation Section 1.150-1(b), which are costs of a type that are properly chargeable to a capital account under Federal Income Tax principles; and

(e) The maximum amount of the Loan to the Borrower shall not exceed Nineteen Million Dollars ($19,000,000).

2. The Authority expects to authorize the Loan to the Borrower, subject to the Borrower's meeting the requirements of the Act, including without limitation, the requirements of Section 44c of the Act, the Authority's Amended and Restated Pass-Through Bond Program and the terms and conditions hereinafter set forth.

3. The Borrower shall submit a commitment from the proposed issuer of a credit enhancement with respect to the Bonds in a form and amount sufficient to assure the Authority that repayment of the Bonds issued will be reasonably secure.

4. The Borrower shall be obligated to make loan repayment in an amount sufficient to pay the principal, interest and premium, if any, of the Bonds, establish appropriate reserves, and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.

5. The Authority's obligation to make the Loan shall be conditioned upon the ability of the Authority to issue, sell and deliver the Bonds.

6. The Loan shall be evidenced by a loan agreement and secured by such instruments as are in form and substance satisfactory to the Authority, the Department of Attorney General of the State of Michigan and bond counsel to the Authority, which shall include such additional security as may be required by the purchaser of the Bonds.

7. Subject to compliance with the terms and conditions of this Resolution and any subsequent Resolution authorizing the Authority's loan commitment with respect to the Project, the Authority will authorize, pursuant to a Bond Resolution of the Authority, the issuance of the Bonds in a principal amount not exceeding Nineteen Million Dollars ($19,000,000) for the purposes of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds as aforesaid, and will enter into a loan agreement and related documents with the Borrower, which proceedings shall be subject to the approval of the Department of Attorney General of the State of Michigan, bond counsel to the Authority and the Michigan Department of Treasury.

8. The Bonds shall not be general obligations of the Authority but shall be payable as to principal, premium, if any, and interest solely from the proceeds of the payments to be made by or on behalf of the Borrower to the Authority (or to a trustee appointed by the Authority pursuant to the Bond Resolution), as provided in the Bond Resolution. The agreements relating to the Loan and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely clear and certain that under no circumstances will the Bonds or this Resolution be a debt of the State of Michigan, nor will the State of Michigan be liable

on the Bonds.

9. All costs and expenses involved in the authorization, issuance, sale and delivery of the Bonds and in the making of the Loan, including the fees and disbursements of bond counsel, shall be paid from Bond proceeds or by the Borrower and the proceedings and agreements relating thereto, as hereafter adopted and undertaken, shall so provide.

10. The Chief Operating Officer and Executive Director, the Chief Financial Officer, the Director of Finance, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions and or any person duly authorized to act in such capacity (each an "Authorized Officer"), or any one of them acting alone, are hereby authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the Authority, with a Bond purchaser for the sale of the Bonds by the Authority.

11. Bond counsel to the Authority and the Department of Attorney General of the State of Michigan are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the Authority to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any Authorized Officer is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the Bond proceeds or by the Borrower.

12. Issuance of the Bonds shall be subject to the conditions contained in the Inducement Resolution Staff Report accompanying this Resolution.

13. All resolutions and parts of resolutions that conflict with the provisions of this Resolution are hereby rescinded.

14. This Resolution does not constitute a commitment of the Authority to loan funds under Section 44c(6) of the Act and does not serve as a reservation or allocation of bonding capability.

15. The Authority hereby determines that the likely benefit of the Project to the community or the proposed residents of the Project merits the use of Authority limited obligation bonds as a financing source for the proposed acquisition and construction of the Project.

16. This Resolution shall take effect immediately.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director Amy Hovey

DATE: July 18, 2024

RE: Midblock, Development No. 44c-208 (the "Development')

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt an inducement resolution with respect to the project described in the attached report.

PROJECT SUMMARY:

MSHDA No.:	44c-208
Development Name:	Midblock
Development Location:	City of Detroit, Wayne County
Sponsor:	American Community Developers, Inc.
Borrower:	Brush Watson Unit 1 2019 Limited Dividend Housing Association L.L.C.
Number of Units:	184 family units
No. of Accessible Units:	19
Construction Method:	New Construction
Financing Program:	Limited Obligation Multifamily Housing Revenue Bonds issued under Section 44c
Authority PA 5 Gap Fund Grant:	$12,917,450
Total Development Cost:	$75,329,813 (estimated)
Aggregate Basis:	$66,162,988
Total Loan Amount:	$34,404,753 (52% of aggregate basis)
Credit Enhancement:	The credit enhancement will be cash collateral from the following sources: (a) Comerica Bank loan, (b) MCFAH loan sourced from Wayne County funds, and (c) City of Detroit Loan.

EXECUTIVE SUMMARY:

American Community Developers, Inc. ("Sponsor") proposes to construct 184 affordable housing units located in the City of Detroit, Wayne County, Michigan (the “Development”). The Development will be constructed using a construction loan financed with the proceeds of a single issue of bonds issued pursuant to Section 44c of the Authority’s enabling act. The Development, as proposed, meets the requirements of Section 44c, and repayment of the bonds will be reasonably secure based on cash collateral intended to secure such repayment and held by the trustee for the bonds.

The Sponsor was founded in 1980, with a mission to create and preserve market rate and affordable housing that is high-quality and sustainable. To date, the Sponsor’s portfolio includes 103 properties located in Michigan and ten other states. (The proposed Development is a revised project originally proposed as “Mid” in 2021 and subsequently revised to propose construction of 184 units versus the originally proposed 61 units).

The credit enhancement will be cash collateral from the following sources: (a) Comerica Bank loan, (b) MCFAH loan sourced from Wayne County funds, and (c) City of Detroit Loan.

I am recommending Board approval for the following reasons:

- The Developer’s application satisfies the requirements for the issuance of an inducement resolution under Section 44c of the Authority’s Act and the Amended and Restated Pass-Through Bond Program statement.
- 184 units of housing, inclusive of 170 units of rent restricted housing, will be newly constructed in the City of Detroit.
- The repayment of the limited obligation bonds will be reasonably secure based on the proposed collateral.

ADVANCING THE AUTHORITY’S MISSION:

Midblock will be located in Region O of the Statewide Housing Plan Regional Housing Partnerships, and this development supports the following goals of the Region O Action Plan:

- Goal 3.2: increase access to stable and affordable quality housing options for households with extremely low incomes.
- Goal 4.1: increase the supply of the full spectrum of housing that is affordable and attainable to Michigan residents.
- Goal 4.6: increase missing middle and workforce housing stock to facilitate greater housing choice.
- Goal 5.1: equitably expand the supply of affordable and accessible rental units statewide for older adults.

The Development is comprised of 184 units. 170 units will be targeted to households with incomes at or below 80% of area median income. In addition, 60% (147 units) of the total units will be targeted to households with incomes at or below 60% of area median income and 10% (19 units) of the total units will be targeted to households with incomes at or below 40% of area median income. Additional details are provided in the Staff Report.

MUNICIPAL SUPPORT:

- The City of Detroit and Wayne County have both committed funds to this project and the City of Detroit is expected to provide a PILOT.

COMMUNITY IMPACT:

- It is anticipated that the construction of the Development will create 43 temporary jobs. During the estimated 20-month construction period. It is estimated that St. Clair Construction Company will engage a work force of approximately 40 construction workers.

RESIDENT IMPACT:

- The City of Detroit and Wayne County will benefit from the construction of new, affordable housing units.
- The property will employ a site manager, maintenance person and the equivalent of one full-time security person.
- The community will be invited to engage in a public hearing (TEFRA Hearing) regarding the bond funding preceded by a public notice.
- Authority staff will ask the sponsor to hold a meeting with community groups to discuss the Development.

AMENDED AND RESTATED PASS-THROUGH BOND PROGRAM

INDUCEMENT RESOLUTION STAFF REPORT

July 18, 2024

RECOMMENDATION:

Adopt an inducement resolution with respect to the project described in this report.

PROJECT SUMMARY:

MSHDA No.:	44c-208
Development Name:	Midblock
Development Location:	City of Detroit, Wayne County
Sponsor:	American Community Developers, Inc.
Borrower:	Brush Watson Unit 1 2019 Limited Dividend Housing Association L.L.C.
Number of Units:	184 family units
No. of Accessible Units:	19
Construction Method:	New Construction
Financing Program:	Limited Obligation Multifamily Housing Revenue Bonds issued under Section 44c
Authority PA 5 Gap Fund Grant:	$12,917,450
Total Development Cost:	$75,329,813 (estimated)
Aggregate Basis:	$66,162,988
Total Loan Amount:	$34,404,753 (52% of aggregate basis)
Credit Enhancement:	The credit enhancement will be cash collateral from the following sources: (a) Comerica Bank loan, (b) Multifamily Coalition for Affordable Housing ("MCFAH") loan sourced from Wayne County funds, and (c) City of Detroit Loan.

The material contained in this staff report is submitted to the Authority for information only. The Authority does not underwrite Pass-Through Bond loans. To the extent that any information contained herein conflicts with the documents relating to the sale of the bonds and the making of the loan, the latter documents shall control.

PROGRAM DESCRIPTION:

Section 44c of Public Act 346 of 1966, as amended (the "Act"), authorizes the Authority to issue notes or bonds that are not general obligations of the Authority and are not backed by the moral obligation of the State. The bonds are "limited obligations" of the Authority with the security limited to the assets of the borrower, the project itself, and the credit enhancement arranged by the borrower. These are generally referred to as "Pass Through" bonds.

On July 20, 2023, the Authority re-authorized the Amended and Restated Pass-Through Bond Program, increasing the maximum allocation to $300 million in tax-exempt bond volume cap. This program imposes rent and income targeting requirements of either 40% at 60% of area median income or 20% at 50% of area median income and limits the bond allocation available per project and per sponsor. At least ten percent (10%) of the Development's total number of units must be more deeply targeted to households whose income is at or below 40% of area median income. It also requires limited market and environmental reviews.

PROPOSAL SUMMARY:

The Borrower proposes to construct one hundred eighty-four (184) undesignated apartment units on a site in the City of Detroit, Wayne County, Michigan. The sponsor has elected to utilize the "Average Income Test for Low-Income Housing Tax Credit" ("Income Averaging") Income Averaging was permanently established as a third minimum-set-aside election for Housing Credit developments and became available in March 2018. This election allows developments to target units to households with rent and income up to 80% of AMI if the average AMI level of the affordable units in the project is 60% AMI or less. For this proposal, there are 9 units at 30% of AMI, 10 units at 40% of AMI, 148 units at 60% AMI, 13 units at 80% AMI, and 14 market-rate units.

CONDITIONS:

1. **Income Limits:**

The Borrower must enter into a Regulatory Agreement with the Authority requiring that one hundred forty seven (147) of the units in the Development (91 studio units, 25 one-bedroom, and 31 two-bedroom units) must be rented or available for rental by tenants whose income does not exceed the 60% income limit for Multifamily Tax Subsidy Projects as determined by HUD with respect to projects financed pursuant to Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), as further amended by the Housing and Economic Recovery Act of 2008 (P.L. 110-289) ("MTSP Limits"), adjusted for family size. In addition, nine (9) units (2 studio units and 7 one-bedroom units) in the Development must be rented or available for rental by tenants whose income does not exceed the 30% MTSP Limit, adjusted for family size, ten (10) units (6 studio units, 2 one-bedroom units, and 2 two-bedroom units) in the Development must be rented or available for rental by tenants whose income does not exceed the 40% MTSP Limit, adjusted for family size. Twenty-three (23) units (14 studio units, 4 one-bedroom units, and 5 two-bedroom units) in the Development must be rented or available for rental by tenants whose income does not exceed the 80% MTSP limit. These occupancy restrictions shall be contained in a covenant running with the land and shall remain in effect for the period that the Authority Bonds (as defined below) remain outstanding, but in no event for less than the period of time required by the terms of the Low Income Housing Tax Credit ("LIHTC")

Regulatory Agreement or the period required by Section 142(d) of the Code. The remaining fourteen (14) units will not be income restricted.

The income of the individuals and the area gross median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median gross income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of Treasury publishes its requirements, income of individuals shall be determined in accordance with the Section 8 regulations.

2. **Limitations on Rental Rates:**

The Regulatory Agreement must also require that the monthly Total Housing Expense (contract rent plus tenant-paid utilities) on one hundred forty-seven (147) of the units (91 studio units, 25 one-bedroom, and 31 two-bedroom units) in the Development may not exceed 30% of 1/12 of the 60% MTSP Limit, assuming occupancy by one and one-half persons per bedroom. The Total Housing Expense for the more deeply targeted units in the Development: nine (9) units (2 studio units and 7 one-bedroom units) may not exceed 30% of 1/12 of the 30% MTSP Limit, assuming occupancy by one and one-half persons per bedroom, and ten (10) units (6 studio units, 2 one-bedroom units, and 2 two-bedroom units) may not exceed 30% of 1/12 of the 40% MTSP Limit, assuming occupancy by one and one-half persons per bedroom. The Total Housing Expense for twenty-three (23) units (14 studio units, 4 one-bedroom units, and 5 two-bedroom units) in the Development may not exceed 30% of 1/12 of the 80% MTSP Limit. These limitations on rental rates shall be contained in a covenant running with the land and shall remain in effect for the period that the Authority Bonds (as defined below) remain outstanding, but in no event for less than the period of time required by the terms of the LIHTC Regulatory Agreement, known as the Extended Use Period (the "EUP"). The remaining fourteen (14) units will be rented at market rate.

For purposes of determining whether or not the rents paid by the tenants of the Development are within the required limits set forth in this Section 2, the amount of any Section 8 rental subsidy paid on behalf of a tenant with respect to any unit shall not be considered as rent paid by the tenant.

3. **Covenant Running with the Land:**

The Borrower must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the obligations to be issued to finance the loan (the "Bonds"). This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is 15 years after 50 percent of the residential units in the project are occupied, the first day on which no Bonds are outstanding with respect to the project, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates (the "Qualified Project Period"). Additionally, during the Qualified Project Period, the minimum set-aside requirements of the Code must be maintained, namely, at least forty percent (40%) of the units in the Development must be occupied or held available for occupancy by individuals whose income is lower than the MTSP Limits 60% income limit, adjusted for family size. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations.

4. **Limitation on Return on Equity:**

The Borrower must agree that its return on equity will be limited to 12 percent for the first 12-month period following substantial completion of the Development, with annual one percent increases thereafter until a cap of 25% is reached, and to submit an annual financial statement evidencing its eligibility for return no later than 90 days after the close of the Borrower's fiscal year. The Borrower's return is fully cumulative. The amount of the Borrower's equity will be determined by the Authority.

5. **Bond and Tax Credit Requirements:**

At the Bond closing, the Borrower must enter into a Loan Agreement and a Trust Indenture which provides that all cash proceeds of the credit enhancement will be deposited with the trustee for the Bonds and shall be held and invested by the trustee in accordance with the Trust Indenture. The Borrower must certify in writing to the sources and uses involved in the financing of the Development and must also provide the Authority with an opinion of tax counsel, a Useful Life Certificate prepared by Borrower's accountants, and/or other evidence, as determined by the Authority's Chief Legal Affairs Officer, that respectively confirm that the structure of the transaction will permit the Borrower to claim the LIHTC 4% credit.

6. **Loan Agreement; Indemnification; Compliance Monitoring and Reporting Requirements:**

At closing, the Borrower must enter into a Loan Agreement with the Authority. In the Loan Agreement, the Borrower must agree to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of the financing, construction, ownership, or operation of the Development, or from the violation of any environmental laws. The Borrower must also agree to provide the Authority on or before September 1 of each year with a report in a form acceptable to the Authority, including such information as is required by Section 44c of the Act. The Borrower must also agree to participate in compliance monitoring activities relative to the Bonds and the tax credits allocated to the Development, as required by the Authority's Compliance Monitoring staff, and to pay an annual compliance monitoring fee not to exceed 0.25% of the outstanding principal amount of the Bonds. The form and substance of the Loan Agreement must be acceptable to the Authority's Chief Legal Affairs Officer.

7. **Closing and Organizational Documents:**

Prior to Bond closing, the Borrower must submit all of the documents relating to the sale of the limited obligation bonds and the making of the loan, including title and survey matters, and its organizational documents. All documents must be in compliance with the

Authority's Act and acceptable to the Michigan Attorney General, the Authority's Bond counsel and the Authority's Chief Legal Affairs Officer.

8. **Credit Enhancement:**

Prior to the authorization of a commitment for issuance of the Bonds, the Borrower must submit a definitive commitment that the credit enhancement will be provided. The proposed credit enhancement instrument and any other additional security offered to the Authority must be acceptable to the Chief Financial Officer and the Chief Legal Affairs Officer.

9. **Financing Participants:**

Prior to the authorization of a commitment for issuance of the Bonds, the Chief Financial Officer and the Chief Legal Affairs Officer must have determined that the proposed development team members are acceptable.

10. **Equal Employment Opportunity:**

Prior to Bond closing, the general contractor must submit an equal employment opportunity plan pursuant to Section 46 of the Act, which must be approved by the Authority's Equal Employment Opportunity Officer. At Bond closing, the Borrower and the general contractor must enter into an agreement regarding the enforcement and monitoring of the plan acceptable to the Authority's Chief Legal Affairs Officer.

DEVELOPMENT TEAM AND PROJECT INFORMATION:

Sponsor and Borrower:

1. **Sponsor:** American Community Developers, Inc.
20250 Harper Avenue
Detroit, Michigan 48225

Contact: Gerald A. Krueger
Phone: (313) 881-8150

Contact: Mike Essian
Phone: 313-458-5611

2. **Borrower:** Brush Watson Unit 1 2019 Limited Dividend Housing Association L.L.C.

Credit Enhancement:

The sponsor proposes cash collateral from the following sources: (a) Comerica Bank loan, (b) MCFAH loan sourced from Wayne County funds, and (c) City of Detroit Loan.

Bond Underwriter: The Sturges Company (Mike Sturges)

Bond Counsel: Dickinson Wright (Craig Hammond)

Bond Trustee: Huntington National Bank (John Alexander)

Credit Enhancement Provider: Comerica Bank (TBD)
MCFAH (TBD)
City of Detroit (TBD)

Other Members of the Development Team:

Equity Partner:	City Real Estate Advisors, Inc.(TBD)
Borrower's Counsel:	Kotz Sangster Wysocki P.C. (Jeffrey S. Sternberg)
Borrower's Accountant:	Schreiber Advisors, P.C. (Michael Schreiber)
Contractor:	St. Clair Construction Company (Nathan S. Hindle)
Property Management:	Independent Management Services (Frank Carswell)
Architect:	DesignWerks Architecture, LLC (Paul F. Weber)
Rating Agency:	Moody’s (TBD)

Sources and Uses of Funds:

FHA 223(f) Permanent Loan	12,524,178
MSHDA PA5 Gap Fund Grant	12,917,450
City of Detroit Funds	3,000,000
Wayne County Funds	4,500,000
LIHTC Equity	27,599,680
Deferred Developer Fee	4,875,466
Developer Cash Flow Note	9,916,075
Total Sources of Funds	**$ 75,329,813**

Land Purchase	1,000
Site Work	9,076,290
Construction/Rehabilitation	45,741,182
Professional Fees	1,182,500
Interim Construction Costs	5,878,101
Reserves and Escrows	1,252,873
Syndication Costs	0
Tax Credit & Bond Financing Application Fees	385,930
Other Costs	2,081,415
Developer Fee	9,730,522
Total Uses of Funds	**$ 75,329,813**

APPROVALS:

Jeffrey J Sykes 7-11-24

Jeffrey Sykes, Chief Financial Officer Date

Chad A. Benson 7/12/2024

Chad Benson, Director of Development Date

Clarence L. Stone, Jr. 7/11/2-24

Clarence L. Stone, Jr., Chief Legal Affairs Officer Date

Amy Hovey 07/12/24

Amy Hovey, Chief Executive Officer and Executive Director Date

DRAFT
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

INDUCEMENT RESOLUTION
MIDBLOCK
CITY OF DETROIT, WAYNE COUNTY
MSHDA No. 44c-208

July 18, 2024

WHEREAS, American Community Developers, Inc. (the "Applicant"), desires to construct a multifamily housing facility (the "Project") in the City of Detroit, Wayne County, Michigan; and

WHEREAS, the Applicant has applied to the Michigan State Housing Development Authority (the "Authority") for a loan in the amount of Thirty-Four Million Four Hundred Four Thousand Seven Hundred Fifty-Three Dollars ($34,404,753) (the "Loan") pursuant to Section 44c of Act No. 346 of the Public Acts of 1966, as amended (the "Act"), to be made to Brush Watson Unit 1 2019 Limited Dividend Housing Association L.L.C.(the "Borrower"), to finance the acquisition, construction and equipping of the Project, which constitutes a housing project as defined in the Act; and

WHEREAS, the Applicant has advised that the cost of the Project will not exceed Seventy-Five Million Three Hundred Twenty-Nine Thousand Eight Hundred Thirteen Dollars ($75,329,813); and

WHEREAS, the Act authorizes the Authority to loan monies to limited dividend housing associations for the construction and long-term financing of multifamily housing projects and to obtain the monies for such loans by the issuance of bonds in compliance with and pursuant to the terms and provisions of the Act; and

WHEREAS, it is necessary to assure the Applicant that the Authority intends to issue bonds (the "Bonds") upon meeting the requirements of the Act and the terms and conditions of this Resolution, it being the intent and purpose of the Authority in adopting this Resolution to provide the necessary official action with respect to the Bonds as will meet the requirements of the Internal Revenue Code and the regulations promulgated in connection therewith.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority that:

1. In order to comply with Treasury Regulation Section 1.150-2, the Authority makes the following declarations:

    (a) The Authority reasonably expects to authorize the Loan for the purpose of reimbursing the Borrower for the costs of and/or financing the acquisition and equipping of the Project as further described in the Borrower's application, and the terms of the Inducement Resolution Staff Report attached hereto and incorporated herein;

    (b) The Loan shall not be used to reimburse the Borrower for expenditures earlier than the date on which the Borrower pays such expenditures and not later than the date that is eighteen months after the later of (i) the date on which the Borrower has paid the expenditure, or (ii) the date on which the Project is placed in service, but in no event more than three (3) years after the expenditure is paid. All reimbursement of expenditures shall follow the procedures described in Treasury Regulation Section

1.150-2(d);

(c) No Loan proceeds paid to reimburse the Borrower for expenditures incurred in the acquisition and equipping of the Project shall be used in a manner described in Treasury Regulation Section 1.150-2(h) with respect to abusive use of such proceeds;

(d) The costs to be reimbursed must be "capital expenditures" as defined in Treasury Regulation Section 1.150-1(b), which are costs of a type that are properly chargeable to a capital account under Federal Income Tax principles; and

(e) The maximum amount of the Loan to the Borrower shall not exceed Thirty-Four Million Four Hundred Four Thousand Seven Hundred Fifty-Three Dollars ($34,404,753).

2. The Authority expects to authorize the Loan to the Borrower, subject to the Borrower's meeting the requirements of the Act, including without limitation, the requirements of Section 44c of the Act, the Authority's Amended and Restated Pass-Through Bond Program and the terms and conditions hereinafter set forth.

3. The Borrower shall submit a commitment from the proposed issuer of a credit enhancement with respect to the Bonds in a form and amount sufficient to assure the Authority that repayment of the Bonds issued will be reasonably secure.

4. The Borrower shall be obligated to make loan repayment in an amount sufficient to pay the principal, interest and premium, if any, of the Bonds, establish appropriate reserves, and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.

5. The Authority's obligation to make the Loan shall be conditioned upon the ability of the Authority to issue, sell and deliver the Bonds.

6. The Loan shall be evidenced by a loan agreement and secured by such instruments as are in form and substance satisfactory to the Authority, the Department of Attorney General of the State of Michigan and bond counsel to the Authority, which shall include such additional security as may be required by the purchaser of the Bonds.

7. Subject to compliance with the terms and conditions of this Resolution and any subsequent Resolution authorizing the Authority's loan commitment with respect to the Project, the Authority will authorize, pursuant to a Bond Resolution of the Authority, the issuance of the Bonds in a principal amount not exceeding Thirty-Four Million Four Hundred Four Thousand Seven Hundred Fifty-Three Dollars ($34,404,753) for the purposes of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds as aforesaid, and will enter into a loan agreement and related documents with the Borrower, which proceedings shall be subject to the approval of the Department of Attorney General of the State of Michigan, bond counsel to the Authority and the Michigan Department of Treasury.

8. The Bonds shall not be general obligations of the Authority but shall be payable as to principal, premium, if any, and interest solely from the proceeds of the payments to be made by or on behalf of the Borrower to the Authority (or to a trustee appointed by the Authority pursuant to the Bond Resolution), as provided in the Bond Resolution. The agreements relating to the Loan and the issuance of the Bonds shall contain such provisions as will be

necessary to make absolutely clear and certain that under no circumstances will the Bonds or this Resolution be a debt of the State of Michigan, nor will the State of Michigan be liable on the Bonds.

9. All costs and expenses involved in the authorization, issuance, sale and delivery of the Bonds and in the making of the Loan, including the fees and disbursements of bond counsel, shall be paid from Bond proceeds or by the Borrower and the proceedings and agreements relating thereto, as hereafter adopted and undertaken, shall so provide.

10. The Chief Executive Officer and Executive Director, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in such capacity (each an "Authorized Officer"), or any one of them acting alone, are hereby authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the Authority, with a Bond purchaser for the sale of the Bonds by the Authority.

11. Bond counsel to the Authority and the Department of Attorney General of the State of Michigan are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the Authority to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any Authorized Officer is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the Bond proceeds or by the Borrower.

12. Issuance of the Bonds shall be subject to the conditions contained in the Inducement Resolution Staff Report accompanying this Resolution.

13. All resolutions and parts of resolutions that conflict with the provisions of this Resolution are hereby rescinded.

14. This Resolution does not constitute a commitment of the Authority to loan funds under Section 44c(6) of the Act and does not serve as a reservation or allocation of bonding capability.

15. The Authority hereby determines that the likely benefit of the Project to the community or the proposed residents of the Project merits the use of Authority limited obligation bonds as a financing source for the proposed acquisition and construction of the Project.

16. This Resolution shall take effect immediately.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director Amy Hovey

DATE: July 18, 2024

RE: 4401 Rosa Parks, Development No. 44c-215 (the "Development')

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt an inducement resolution with respect to the project described in the attached report.

PROJECT SUMMARY:

MSHDA No.:	44c-215
Development Name:	4401 Rosa Parks
Development Location:	City of Detroit, Wayne County
Sponsor:	Cinnaire Solutions Corporation
Borrower:	4401 Rosa Parks 4 Limited Dividend Housing Association Limited Partnership
Number of Units:	36 family units
No. of Accessible Units:	4 accessible units
Construction Method:	New Construction
Financing Program:	Limited Obligation Multifamily Housing Revenue Bonds issued under Section 44c
Total Development Cost:	$15,044,146
Aggregate Basis:	$14,056,019
Total Loan Amount:	$8,050,000 (55.68% of aggregate basis)
Credit Enhancement:	Cash collateral from a construction loan made by Independent Bank, a HOME loan made by the City of Detroit and a Port Authority grant.

EXECUTIVE SUMMARY:

Cinnaire Solutions Corporation (the "Sponsor") proposes to construct the Development, which will consist of 36 affordable housing units located in the City of Detroit, Wayne County, Michigan. The Development will be acquired and constructed using a construction loan financed with the proceeds of a single issue of bonds issued pursuant to Section 44c of the Authority's enabling act. The Development, as proposed, meets the requirements of Section 44c, and repayment of the bonds will be reasonably secure based on cash collateral intended to secure such repayment and held by the trustee for the bonds. The cash collateral will be sourced through the following: a construction loan made by Independent Bank, a HOME loan made by the City of Detroit and a Port Authority grant.

I am recommending Board approval for the following reasons:

- The Developer's application satisfies the requirements for the issuance of an inducement resolution under Section 44c of the Authority's Act and the Amended and Restated Pass-Through Bond Program statement.
- 36 units of family housing will be newly constructed in the Woodbridge neighborhood in the City of Detroit.
- The repayment of the limited obligation bonds will be reasonably secure based on the proposed collateral.

ADVANCING THE AUTHORITY'S MISSION:

Rosa Parks will be located in Region O of the Statewide Housing Plan Regional Housing Partnerships, and this development supports the following goals of the Region O Action Plan:

- Goal 3.2: Increase access to stable and affordable quality housing options for households with extremely low incomes.
- Goal 4.1: increase the supply of the full spectrum of housing that is affordable and attainable to Michigan residents.

11 of the units will be reserved for tenants at or below 60% of area median income, and 5 units will be reserved for tenants at or below 50% of area median income. In addition, 8 of the units will receive project-based rental subsidy from the Detroit Housing Commission and will be reserved for tenants at or below 30% of area median income. 12 units will be available for tenants up to 80% of area median income.

MUNICIPAL SUPPORT:

- The City of Detroit supports the approval of a 4% Payment in Lieu of Taxes (PILOT) for this Development, with a final PILOT determination subject to the City's Board of Assessors review and Detroit City Council approval.
- The municipality has rezoned the property to allow the development of this project.
- The Detroit Housing Commission is providing 8 Project Based Vouchers to assist residents who meet the 30% area median income limit requirement.

COMMUNITY IMPACT:

- It is anticipated that the construction or rehabilitation of the Development will create 3 permanent jobs and 50 temporary jobs.

RESIDENT IMPACT:

- The City of Detroit and Wayne County will benefit from the construction of new, affordable housing units.
- The community will be invited to engage in a public hearing (TEFRA Hearing) regarding the bond funding preceded by a public notice.
- Authority staff will ask the sponsor to hold a meeting with community groups to discuss the Development.

RESIDENT IMPACT:

- The Woodbridge community will benefit from the construction of new, affordable housing units.
- The Development will include the following amenities:
    - Controlled entry with intercom and key fob access
    - An elevator
    - A community room
    - A picnic area
    - 49 surface parking stalls (included in rent) plus 2 accessible parking spaces and 1 van accessible parking space

- Unit amenities and building attributes will generally include the following:
    - Dishwasher, microwave, self-cleaning oven and frost-free refrigerator
    - In-unit washer/dryer
    - Coat closet
    - Window blinds
    - Central air conditioning

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

AMENDED AND RESTATED PASS-THROUGH BOND PROGRAM

INDUCEMENT RESOLUTION STAFF REPORT

July 18, 2024

RECOMMENDATION:

Adopt an inducement resolution with respect to the project described in this report.

PROJECT SUMMARY:

MSHDA No.:	44c-215
Development Name:	4401 Rosa Parks
Development Location:	City of Detroit, Wayne County
Sponsor:	Cinnaire Solutions Corporation
Borrower:	4401 Rosa Parks 4 Limited Dividend Housing Association Limited Partnership
Number of Units:	36 family units
No. of Accessible Units:	4 accessible units
Construction Method:	New Construction
Financing Program:	Limited Obligation Multifamily Housing Revenue Bonds issued under Section 44c
Total Development Cost:	$15,044,146 (estimated)
Aggregate Basis:	$14,056,019
Total Loan Amount:	$8,050,000 (55.68% of aggregate basis)
Credit Enhancement:	Cash collateral from a construction loan made by Independent Bank, a HOME loan made by the City of Detroit and a Port Authority grant.

The material contained in this staff report is submitted to the Authority for information only. The Authority does not underwrite Pass-Through Bond loans. To the extent that any information contained herein conflicts with the documents relating to the sale of the bonds and the making of the loan, the latter documents shall control.

PROGRAM DESCRIPTION:

Section 44c of Public Act 346 of 1966, as amended (the "Act"), authorizes the Authority to issue notes or bonds that are not general obligations of the Authority and are not backed by the moral obligation of the State. The bonds are "limited obligations" of the Authority with the security limited to the assets of the borrower, the project itself, and the credit enhancement arranged by the borrower. These are generally referred to as "Pass Through" bonds.

On July 20, 2023, the Authority re-authorized the Amended and Restated Pass-Through Bond Program, increasing the maximum allocation to $300 million in tax-exempt bond volume cap. This program imposes rent and income targeting requirements of either 40% at 60% of area median income or 20% at 50% of area median income and limits the bond allocation available per project and per sponsor. At least ten percent (10%) of the Development's total units must be more deeply targeted to households whose income is at or below 40% of area median income. It also requires limited market and environmental reviews.

PROPOSAL SUMMARY:

The Borrower proposes to acquire and construct 36 family apartment units on a site in the City of Detroit, Wayne County. The Borrower has elected to utilize the “Average Income Test for Low-Income Housing Tax Credit.” For this proposal, there will be 8 units reserved for households with incomes at or below 30% of area median income, 5 units reserved for households with incomes at or below 50% of area median income, 11 units available for households with incomes at or below 60% of area median income, and 12 units available for households at or below 80% of area median income, using the new MTSP Limits (as defined below).

CONDITIONS:

1. **Income Limits:**

   The Borrower must enter into a Regulatory Agreement with the Authority requiring that eleven (11) of the units in the Development (5 one-bedroom and 6 two-bedroom apartments) must be rented or available for rental by tenants whose income does not exceed the 60% income limit for Multifamily Tax Subsidy Projects as determined by HUD with respect to projects financed pursuant to Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), as further amended by the Housing and Economic Recovery Act of 2008 (P.L. 110-289) ("MTSP Limits"), adjusted for family size. In addition, five (5) units (3 one-bedroom and 2 two-bedroom apartments) must be rented or available for rental by tenants whose income does not exceed the 50% MTSP Limit, adjusted for family size, and at least eight (8) units (8 one-bedroom apartments) in the Development must be rented or available for rental by tenants whose income does not exceed the 40% MTSP Limit, adjusted for family size. Twelve (12) units (7 one-bedroom and 5 two-bedroom apartments) in the Development may be rented or available for rental by tenants whose income does not exceed the 80% MTSP limit, so long as the average area median income, based on the MTSP Limits, for all of the affordable units at the Development does not exceed the 60% MTSP Limit. These occupancy restrictions shall be contained in a covenant running with the land and shall remain in effect for the period that the Authority Bonds (as defined below) remain outstanding, but in no event for less than the period of time required by the terms of the Low-Income Housing Tax Credit ("LIHTC") Regulatory Agreement, or the period required by Section 142(d) of the Code.

The income of the individuals and the area gross median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median gross income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of Treasury publishes its requirements, income of individuals shall be determined in accordance with the Section 8 regulations.

2. **<u>Limitations on Rental Rates:</u>**

The Regulatory Agreement must also require that the monthly Total Housing Expense (contract rent plus tenant-paid utilities) on eleven (11) of the units in the Development may not exceed 30% of 1/12 of the 60% MTSP Limit, assuming occupancy by one and one-half persons per bedroom. The monthly Total Housing Expense (contract rent plus tenant-paid utilities) on five (5) units in the Development may not exceed 30% of 1/12 of the 50% MTSP Limit, assuming occupancy by one and one-half persons per bedroom .The Total Housing Expense for the more deeply targeted units in the Development (8 units) may not exceed 30% of 1/12 of the 30% MTSP Limit, assuming occupancy by one and one-half persons per bedroom. The Total Housing Expense for twelve (12) units in the Development may not exceed 30% of 1/12 of the 80% MTSP Limit. These limitations on rental rates shall be contained in a covenant running with the land and shall remain in effect for the period that the Authority Bonds (as defined below) remain outstanding, but in no event for less than the period of time required by the terms of the LIHTC Regulatory Agreement, known as the Extended Use Period (the "EUP").

For purposes of determining whether or not the rents paid by the tenants of the Development are within the required limits set forth in this Section 2, the amount of any Section 8 rental subsidy paid on behalf of a tenant with respect to any unit shall not be considered as rent paid by the tenant.

3. **<u>Covenant Running with the Land:</u>**

The Borrower must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the obligations to be issued to finance the loan (the "Bonds"). This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is 15 years after 50 percent of the residential units in the project are occupied, the first day on which no Bonds are outstanding with respect to the project, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates (the "Qualified Project Period"). Additionally, during the Qualified Project Period, the minimum set-aside requirements of the Code must be maintained, namely, at least forty percent (40%) of the units in the Development must be occupied or held available for occupancy by individuals whose income is lower than the MTSP Limits 60% income limit, adjusted for family size. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations.

4. **Limitation on Return on Equity:**

The Borrower must agree that its return on equity will be limited to 12 percent for the first 12-month period following substantial completion of the Development, with annual one percent increases thereafter, and to submit an annual financial statement evidencing its eligibility for return no later than 90 days after the close of the Borrower's fiscal year. The Borrower's return is fully cumulative. The amount of the Borrower's equity will be determined by the Authority.

5. **Bond and Tax Credit Requirements:**

At the Bond closing, the Borrower must enter into a Loan Agreement and a Trust Indenture which provides that all cash proceeds of the credit enhancement will be deposited with the trustee for the Bonds and shall be held and invested by the trustee in accordance with the Trust Indenture. The Borrower must certify in writing to the sources and uses involved in the financing of the Development and must also provide the Authority with an opinion of tax counsel, a Useful Life Certificate prepared by Borrower's accountants, and/or other evidence, as determined by the Authority's Chief Legal Affairs Officer, that respectively confirm that the structure of the transaction will permit the Borrower to claim the LIHTC 4% credit.

6. **Loan Agreement; Indemnification; Compliance Monitoring and Reporting Requirements:**

At closing, the Borrower must enter into a Loan Agreement with the Authority. In the Loan Agreement, the Borrower must agree to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of the financing, construction, ownership, or operation of the Development, or from the violation of any environmental laws. The Borrower must also agree to provide the Authority on or before September 1 of each year with a report in a form acceptable to the Authority, including such information as is required by Section 44c of the Act. The Borrower must also agree to participate in compliance monitoring activities relative to the Bonds and the tax credits allocated to the Development, as required by the Authority's Compliance Monitoring staff, and to pay an annual compliance monitoring fee not to exceed 0.25% of the outstanding principal amount of the Bonds. The form and substance of the Loan Agreement must be acceptable to the Authority's Chief Legal Affairs Officer.

7. **Closing and Organizational Documents:**

Prior to Bond closing, the Borrower must submit all of the documents relating to the sale of the limited obligation bonds and the making of the loan, including title and survey matters, and its organizational documents. All documents must be in compliance with the Authority's Act and acceptable to the Michigan Attorney General, the Authority's Bond counsel and the Authority's Chief Legal Affairs Officer.

8. **Credit Enhancement:**

Prior to the authorization of a commitment for issuance of the Bonds, the Borrower must submit a definitive commitment that the credit enhancement will be provided. The proposed credit enhancement instrument and any other additional security offered to the Authority must be acceptable to the Chief Financial Officer and the Chief Legal Affairs Officer.

9. **Financing Participants:**

Prior to the authorization of a commitment for issuance of the Bonds, the Chief Financial Officer and Chief Legal Affairs Officer must have determined that the proposed development team members are acceptable.

10. **Equal Employment Opportunity:**

At Bond closing, the Borrower and the general contractor must include the Authority's form Appendix to Construction Contract with the Construction Contract that is acceptable to the Authority's Chief Legal Affairs Officer.

DEVELOPMENT TEAM AND PROJECT INFORMATION:

Sponsor and Borrower:

1.	**Sponsor:**	Cinnaire Solutions Corporation 1118 S. Washington Avenue Lansing, Michigan 48910
	Contact:	Christopher Laurent
	Phone:	608-234-5291
2.	**Borrower:**	4401 Rosa Parks 4 Limited Dividend Housing Association Limited Partnership

Credit Enhancement:

Sponsor proposes cash collateral from a construction loan made by Independent Bank ($7,830,000), a HOME loan made by the City of Detroit ($2,500,000) and a Port Authority grant in the amount of $200,000.

Bond Underwriter: The Sturges Company (Mike Sturges)

Bond Counsel: Dickinson Wright, PLLC (Craig Hammond)

Bond Trustee: The Huntington National Bank (John Alexander)

Credit Enhancement Provider: Independent Bank (Jason Blain)

Other Members of the Development Team:

Equity Partner:	Cinnaire (Ben Stehouwer)
Borrower's Counsel:	Dykema Gossett PLLC (Rochelle Lento)
Borrower's Accountant:	Dauby O'Conner & Zaleski, LLC (Cody Sherrier)

Contractor:	Continental Construction Management (T. Van Fox)
Property Management:	Elite Property Management, LLC (Kim Hagood)
Architect:	Christian Hurttienne Architects (Brian Hurttienne)
Rating Agency:	Moody's Investors Service (TBD)

Sources and Uses of Funds:

Independent Bank Permanent Loan	$2,064,983
City of Detroit HOME Loan	2,500,000
Port Authority Grant	200,000
Sponsor Loan	1,441,443
MSHDA Pass-Through Gap Funds	2,343,221
LIHTC Equity	6,128,593
Deferred Developer Fee	365,906
Total Sources of Funds	**$15,044,146**

Land	$207,000
Construction	10,268,524
Professional Fees	644,502
Interim Construction Costs	849,061
Reserves and Escrows	336,123
Syndication Costs	85,000
Permanent Financing Fees	331,300
Marketing, Environmental, Tax Credit Fees	389,497
Developer Fee	1,933,139
Total Uses of Funds	**$15,044,146**

APPROVALS:

Jeffrey J Sykes 7-11-24

Jeffrey Sykes, Chief Financial Officer Date

Chad A. Benson 7/12/2024

Chad Benson, Director of Development Date

Clarence L. Stone, Jr. 7/11/2024

Clarence L. Stone, Jr., Chief Legal Affairs Officer Date

Amy Hovey 07/12/24

Amy Hovey, Chief Executive Officer and Executive Director Date

DRAFT
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

INDUCEMENT RESOLUTION
4401 ROSA PARKS
CITY OF DETROIT, WAYNE COUNTY
MSHDA No. 44c-215

July 18, 2024

WHEREAS, Cinnaire Solutions Corporation (the "Applicant"), desires to acquire and construct a multifamily housing facility (the "Project") in the City of Detroit, Wayne County, Michigan; and

WHEREAS, the Applicant has applied to the Michigan State Housing Development Authority (the "Authority") for a loan in the amount of Eight Million Fifty Thousand Dollars ($8,050,000) (the "Loan") pursuant to Section 44c of Act No. 346 of the Public Acts of 1966, as amended (the "Act"), to be made to 4401 Rosa Parks 4 Limited Dividend Housing Association Limited Partnership or an eligible borrower entity to be formed under the Act (the "Borrower"), to finance the acquisition, construction and equipping of the Project, which constitutes a housing project as defined in the Act; and

WHEREAS, the Applicant has advised that the cost of the Project will not exceed Fifteen Million Forty-Four Thousand One Hundred Forty-Six Dollars ($15,044,146); and

WHEREAS, the Act authorizes the Authority to loan monies to limited dividend housing associations for the construction and long-term financing of multifamily housing projects and to obtain the monies for such loans by the issuance of bonds in compliance with and pursuant to the terms and provisions of the Act; and

WHEREAS, it is necessary to assure the Applicant that the Authority intends to issue bonds (the "Bonds") upon meeting the requirements of the Act and the terms and conditions of this Resolution, it being the intent and purpose of the Authority in adopting this Resolution to provide the necessary official action with respect to the Bonds as will meet the requirements of the Internal Revenue Code and the regulations promulgated in connection therewith.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority that:

1. In order to comply with Treasury Regulation Section 1.150-2, the Authority makes the following declarations:

    (a) The Authority reasonably expects to authorize the Loan for the purpose of reimbursing the Borrower for the costs of and/or financing the acquisition and equipping of the Project as further described in the Borrower's application, and the terms of the Inducement Resolution Staff Report attached hereto and incorporated herein;

    (b) The Loan shall not be used to reimburse the Borrower for expenditures earlier than the date on which the Borrower pays such expenditures and not later than the date that is eighteen months after the later of (i) the date on which the Borrower has paid the expenditure, or (ii) the date on which the Project is placed in service, but in no event more than three (3) years after the expenditure is paid. All reimbursement of expenditures shall follow the procedures described in Treasury Regulation Section 1.150-2(d);

(c) No Loan proceeds paid to reimburse the Borrower for expenditures incurred in the acquisition and equipping of the Project shall be used in a manner described in Treasury Regulation Section 1.150-2(h) with respect to abusive use of such proceeds;

(d) The costs to be reimbursed must be "capital expenditures" as defined in Treasury Regulation Section 1.150-1(b), which are costs of a type that are properly chargeable to a capital account under Federal Income Tax principles; and

(e) The maximum amount of the Loan to the Borrower shall not exceed Eight Million Fifty Thousand Dollars ($8,050,000).

2. The Authority expects to authorize the Loan to the Borrower, subject to the Borrower's meeting the requirements of the Act, including without limitation, the requirements of Section 44c of the Act, the Authority's Amended and Restated Pass-Through Bond Program and the terms and conditions hereinafter set forth.

3. The Borrower shall submit a commitment from the proposed issuer of a credit enhancement with respect to the Bonds in a form and amount sufficient to assure the Authority that repayment of the Bonds issued will be reasonably secure.

4. The Borrower shall be obligated to make loan repayment in an amount sufficient to pay the principal, interest and premium, if any, of the Bonds, establish appropriate reserves, and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.

5. The Authority's obligation to make the Loan shall be conditioned upon the ability of the Authority to issue, sell and deliver the Bonds.

6. The Loan shall be evidenced by a loan agreement and secured by such instruments as are in form and substance satisfactory to the Authority, the Department of Attorney General of the State of Michigan and bond counsel to the Authority, which shall include such additional security as may be required by the purchaser of the Bonds.

7. Subject to compliance with the terms and conditions of this Resolution and any subsequent Resolution authorizing the Authority's loan commitment with respect to the Project, the Authority will authorize, pursuant to a Bond Resolution of the Authority, the issuance of the Bonds in a principal amount not exceeding Eight Million Fifty Thousand Dollars ($8,050,000) for the purposes of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds as aforesaid, and will enter into a loan agreement and related documents with the Borrower, which proceedings shall be subject to the approval of the Department of Attorney General of the State of Michigan, bond counsel to the Authority and the Michigan Department of Treasury.

8. The Bonds shall not be general obligations of the Authority but shall be payable as to principal, premium, if any, and interest solely from the proceeds of the payments to be made by or on behalf of the Borrower to the Authority (or to a trustee appointed by the

Authority pursuant to the Bond Resolution), as provided in the Bond Resolution. The agreements relating to the Loan and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely clear and certain that under no circumstances will the Bonds or this Resolution be a debt of the State of Michigan, nor will the State of Michigan be liable on the Bonds.

9. All costs and expenses involved in the authorization, issuance, sale and delivery of the Bonds and in the making of the Loan, including the fees and disbursements of bond counsel, shall be paid from Bond proceeds or by the Borrower and the proceedings and agreements relating thereto, as hereafter adopted and undertaken, shall so provide.

10. The Chief Executive Officer and Executive Director, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in such capacity (each an "Authorized Officer"), or any one of them acting alone, are hereby authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the Authority, with a Bond purchaser for the sale of the Bonds by the Authority.

11. Bond counsel to the Authority and the Department of Attorney General of the State of Michigan are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the Authority to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any Authorized Officer is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the Bond proceeds or by the Borrower.

12. Issuance of the Bonds shall be subject to the conditions contained in the Inducement Resolution Staff Report accompanying this Resolution.

13. All resolutions and parts of resolutions that conflict with the provisions of this Resolution are hereby rescinded.

14. This Resolution does not constitute a commitment of the Authority to loan funds under Section 44c(6) of the Act and does not serve as a reservation or allocation of bonding capability.

15. The Authority hereby determines that the likely benefit of the Project to the community or the proposed residents of the Project merits the use of Authority limited obligation bonds as a financing source for the proposed acquisition and construction of the Project.

16. This Resolution shall take effect immediately.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director Amy Hovey

DATE: July 18, 2024

RE: Short-Term Credit Facility (Single-Family Program) 2024B

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") approve the attached resolution authorizing Authority staff to enter into a Short-Term Credit Facility with Royal Bank of Canada ("RBC") to borrow $150 million to finance the purchases of single-family mortgage loans and down payment assistance ("DPA") loans (the "Short-Term Credit Facility").

EXECUTIVE SUMMARY:

Typically, the Authority issues bonds to fund the purchase of single-family mortgages, including DPA loans. From time to time, the Authority uses its general operating and/or Mortgage Resource funds until a bond issue closes. Currently, the Authority has a revolving line of credit with US Bank ("US Bank RLOC") in an amount not to exceed $100 million. These funds have been fully drawn.

This additional borrowing through the Short-Term Credit Facility with RBC will allow the Authority to continue purchasing single-family mortgages and DPA loans until permanent financing is in place. The Authority plans to issue Single Family Mortgage Revenue Bonds in September 2024, at which time the US Bank RLOC and the Short-Term Credit Facility with RBC will be paid in full.

I am seeking approval to enter into a Short-Term Credit Facility with RBC to borrow up to $150 million for the purchase of single-family mortgages and DPA loans. The Authority plans to borrow the funds in two draws: $75 million on July 19th and $75 million on August 21st. The Authority will pay RBC the Secured Overnight Financing Rate ("SOFR") plus 70 basis points on the amounts drawn down. The Short-Term Credit Facility must be repaid by October 15, 2024, and can be repaid anytime without penalty.

Authority staff intend to seek authorization at the Authority's meeting on September 19, 2024, to issue Single-Family Mortgage Revenue Bonds. The proceeds from this future bond issue will be used to repay the Short-Term Credit Facility and the US Bank RLOC and fund the purchase of future single-family mortgage loans and DPA loans.

ADVANCING THE AUTHORITY'S MISSION:

The Short-Term Credit Facility with RBC will enable the Authority to purchase single-family mortgages and DPA loans. It will also allow the Authority to continue its strategic goal of supporting access to homeownership opportunities for low- and moderate-income persons. The Authority gives borrowers training for successful homeownership by requiring homeownership counseling at no cost to the borrowers.

COMMUNITY ENGAGEMENT/IMPACT:

Community engagement is not applicable to the Short-Term Credit Facility. Communities throughout Michigan, however, will be impacted by providing low and moderate-income persons access to affordable single-family mortgages, DPA loans, and homeownership counseling.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

None.

DRAFT
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
RESOLUTION AUTHORIZING SHORT-TERM CREDIT FACILITY
(SINGLE-FAMILY PROGRAM) 2024B
IN AN AMOUNT NOT TO EXCEED $150,000,000

July 18, 2024

WHEREAS, the Members of the Michigan State Housing Development Authority (the "Authority") have determined that it is necessary and desirable for the Authority to borrow an amount not to exceed $150,000,000 pursuant to the terms of this resolution (the "Authorizing Resolution") to carry out the purposes of the Authority; and

WHEREAS, the Bank (as defined below) has agreed to extend the Loan to the Authority in an aggregate principal amount not to exceed $150,000,000 pursuant to the terms set forth in the Loan Agreement and as further described in this Authorizing Resolution; and

WHEREAS, the obligation of the Authority to repay the Loan will be evidenced by the Promissory Note; and

WHEREAS, pursuant to the terms and conditions set forth in the Loan Agreement between the Bank and the Authority, together with the related Promissory Note, the Authority will agree to make payments under the Loan Agreement as and when due; and

WHEREAS, pursuant to Section 27(l) of the Act, the Authority proposes to delegate to the Chief Executive Officer and Executive Director, Chief Financial Officer, the Director of Finance, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chairperson or the Vice Chairperson of the Authority or any person duly authorized to act in any of the foregoing capacities (each, together with any person duly appointed and acting in such capacity, individually referred to as an "Authorized Representative") the power to determine certain terms and conditions of the Loan, the Loan Agreement and the Promissory Note, subject to the limits and conditions established in this Authorizing Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Members of the Michigan State Housing Development Authority as follows:

ARTICLE I
AUTHORITY AND DEFINITIONS

101. Authority for Authorizing Resolution. This Authorizing Resolution is adopted pursuant to the authorization contained in the Act.

102. Definitions. In addition to terms that are defined elsewhere in this Authorizing Resolution, the following words and terms, unless the context otherwise requires, shall have the following meanings:

"Act" means Act 346, Michigan Public Acts of 1966, as amended.

"Bank" means Royal Bank of Canada, acting through a branch located at 200 Vesey Street, New York, New York.

"Loan" means the one or more loans authorized by this Authorizing Resolution in an aggregate principal amount not to exceed $150,000,000 that shall be evidenced by the Loan Agreement and the Promissory Note.

"Loan Agreement" means the Term Loan Agreement between the Authority and the Bank, substantially in the form presented at this meeting.

"Promissory Note" means the Promissory Note provided for by the Loan Agreement, the form of which is attached as an exhibit to the Loan Agreement.

ARTICLE II
AUTHORIZATION OF LOAN

201. Principal Amount. The Authority hereby authorizes the Loan in an aggregate principal amount not to exceed $150,000,000, and subject to the terms and conditions of this Authorizing Resolution.

202. Purposes. The Authority shall use the proceeds of the Loan for the purposes of (a) financing and purchasing new or existing single-family mortgage loans and down payment assistance loans; and (b) to the extent approved by an Authorized Representative, paying the costs related to establishing and documenting the Loan.

203. Parameters for the Loan. Interest shall accrue and be payable on the Loan in the manner set forth in the Loan Agreement and the Promissory Note, and as approved by an Authorized Representative. The Loan may be disbursed in one or more installments, as set forth in the Loan Agreement. The maturity date of the Loan shall be as set forth in the Loan Agreement and the Promissory Note, and as approved by an Authorized Representative. The terms of the Loan shall be subject to the following parameters:

(a) Maximum Principal Amount of the Loan. The aggregate principal amount of the Loan shall not exceed $150,000,000;

(b) Maturity Date of the Loan. The initial maturity date of the Loan as stated in the Loan Agreement and Promissory Note shall not be later than November 30, 2024;

(c) Initial Interest Rate. The interest rate on the Loan shall be a floating rate, based on the Secured Overnight Financing Rate index (so long as it remains available), and otherwise as agreed upon between the Lender and the Authority as set forth in the Loan Agreement, plus a spread, but such spread shall not exceed seventy basis points (0.70%) based on the Authority's current general obligation credit rating. Such spread may increase if the Authority's general obligation credit rating decreases, but in no event shall such spread exceed one hundred fifteen basis points (1.15%) except in such circumstances when the Authority is in default under the Loan Agreement;

(d) Periodic Payments of Interest on the Loan. The Promissory Note and Loan Agreement shall require payments of interest on a periodic basis, but in no event shall such payments be less frequent than semi-annually; and

(e) Commitment Fee and Default Interest Rate. The Loan shall include a Commitment Fee and Default Rate, both as defined and described in the form of the Loan Agreement presented to the Authority at this meeting.

204. General Obligation of the Authority. The Loan shall be a general obligation of the Authority, payable out of the revenues or money of the Authority, and shall not be secured by any specific assets.

205. Prepayment. The Authority shall be allowed to prepay the Loan as set forth in the Loan Agreement.

206. Final Version of Loan Agreement and Promissory Note. The Loan Agreement and the Promissory Note, each in the form presented at this meeting, are hereby approved. Each Authorized Representative is authorized to negotiate, execute and deliver, on behalf of the Authority, the Loan Agreement and the Promissory Note, in substantially the forms presented at this meeting, with such changes as such Authorized Representative deems necessary and desirable and not materially adverse to the Authority, and subject to the provisions of this Authorizing Resolution. Approval of the Loan Agreement and the Promissory Note, and the terms set forth therein, shall be evidenced by the execution of the Loan Agreement and the Promissory Note by an Authorized Representative.

ARTICLE III
DEPOSIT AND USE OF LOAN PROCEEDS

301. Deposit of Loan Proceeds. The proceeds of the Loan shall be deposited in an account designated by an Authorized Representative.

302. Use of Loan Proceeds. The use of the Loan proceeds shall be subject to the restrictions set forth in the Loan Agreement and in this Authorizing Resolution.

ARTICLE IV
EXECUTION AND DELIVERY OF PROMISSORY NOTE

401. Execution and Delivery of Promissory Note. The Promissory Note shall be executed in the name of the Authority by an Authorized Representative. The Promissory Note shall be delivered by an Authorized Representative to the Bank at a location mutually agreeable to the Authority and the Bank.

ARTICLE V
MISCELLANEOUS

501. **Ratification of Actions.** The actions of any Authorized Representative previously taken pursuant to the provisions of this Authorizing Resolution including, but not limited to the undertaking of discussions and negotiations with the Bank regarding the Loan, are hereby ratified and confirmed in all respects.

502. **Additional Actions.** (a) Any Authorized Representative is hereby authorized and directed to execute such other documents and certifications, and to perform such other acts as may be necessary or convenient for the proper execution and delivery of the Loan Agreement and the Promissory Note, subject to the terms and conditions of this Authorizing Resolution.

(b) Any Authorized Representative is hereby authorized to pay from the Authority's general operating fund all funds necessary to pay the costs related to establishing and documenting the Loan.

503. **Effective Date.** This Authorizing Resolution shall take effect immediately. If the Loan Agreement and the Promissory Note are not delivered to the Bank on or before July 31, 2024, the authorization granted by this Authorizing Resolution shall lapse.

4896-0474-6701.5

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director Amy Hovey

DATE: July 18, 2024

RE: Avon Towers, Development No. 44c-214 (the “Development”)

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the “Authority”) 1) adopt a resolution authorizing the issuance of a loan (the “Loan”) with respect to the project described in the attached report; and 2) adopt a resolution authorizing the issuance of bonds, the proceeds of which will finance the Loan.

PROJECT SUMMARY:

MSHDA No.:	44c-214
Development Name:	Avon Towers
Development Location:	City of Rochester Hills, Oakland County
Eligible Distressed Area:	No
Sponsor:	Related Affordable, LLC
Borrower:	Avon Towers Preservation Limited Dividend Housing Association Limited Partnership
Number of Units:	125 elderly units
Number of Accessible Units:	7 accessible units
Construction Method:	Acquisition and Substantial Rehabilitation
Financing Program:	Limited Obligation Multifamily Housing Revenue Bonds issued under Section 44c
Total Development Cost:	$33,836,249 (estimated)
Total Loan Amount:	$20,427,000 (estimated 64.20% of aggregate basis); not to exceed $21,500,000
Credit Enhancement:	Mortgage-Backed Security (“MBS”) issued by Fannie Mae

EXECUTIVE SUMMARY:

Related Affordable, LLC (the "Sponsor") proposes to acquire and rehabilitate an existing 125 affordable housing units (the “Development”) located in the City of Rochester Hills, Oakland County, Michigan. The Development will be acquired and rehabilitated using a construction loan financed with the proceeds of a single issue of bonds issued pursuant to Section 44c of the

Authority's enabling act. The Development, as proposed, meets the requirements of Section 44c, and repayment of the bonds will be reasonably secure based on payments on the MBS issued by Fannie Mae. (Payments on the MBS are guaranteed by Fannie Mae.)

I am recommending Board approval for the following reasons:

- The Sponsor's application satisfies the requirements for the issuance of a commitment resolution under Section 44c of the Authority's Act and the Amended and Restated Pass-Through Bond Program statement.
- 125 units of elderly housing will be rehabilitated in the City of Rochester Hills.
- The repayment of the limited obligation bonds will be reasonably secure based on the proposed collateral.

ADVANCING THE AUTHORITY'S MISSION:

Avon Towers will be located in Region L of the Statewide Housing Plan Regional Housing Partnerships, and this development supports the following goals of the Region L Action Plan:

- Goal 3.2: Increase access to stable and affordable quality housing options for households with extremely low incomes.
- Goal 4.1: increase the supply of the full spectrum of housing that is affordable and attainable to Michigan residents.
- Goal 5.1: Equitably expand the supply of affordable and accessible rental units statewide for older adults.

The Development is comprised of 125 units (116 one-bedroom and 9 two-bedroom units). All 125 units will be targeted to households with incomes at or below 60% of area median income. In addition, 10% (13 units) of the units will be targeted to households with incomes at or below 40% of area median income. Additional details are provided on page 2 of the Staff Report.

MUNICIPAL SUPPORT:

- Municipal Support is demonstrated by the City of Rochester Hills authorizing the tax exemption and payment in lieu of taxes under the Act for the Development.

COMMUNITY ENGAGEMENT/IMPACT:

- It is anticipated that the rehabilitation of the Development will create 25 temporary construction-related jobs.
- The community was invited to engage in a public hearing (TEFRA Hearing) regarding the bond funding.
- The Sponsor held a meeting with residents and other interested community members to discuss the rehabilitation of the Development and will implement the following community recommendations:
    - Replacement of in-unit appliances.
    - Replacement of intercom system.
    - Improvement of exterior lighting, especially around parking lot.
    - Improvement of elevator performance.
    - Enhancement of outdoor patio space.

RESIDENT IMPACT:

- The residents will benefit from a comprehensive rehabilitation of the Development.

- Immediate and long-term capital needs of the Development will be addressed.
- Existing units will be “remodeled” or “rehabilitated” including “updates” to resident units, common spaces, and exterior envelope and grounds. Work will include:
  - Extensive interior improvements to 100% of the units that include, but are not limited to, vanities, cabinets, showers, toilets, counters, sinks, painting, flooring, doors, window treatments, lighting, and installation of water- and energy-efficient fixtures and appliances, and accessibility improvements.
  - Extensive common area improvements that include, but are not limited to, boilers, water heaters, elevators, painting, lighting, and access control.
  - Extensive exterior improvements that include, but are not limited to, building and site improvements, such as roofing, landscaping, lighting, parking repairs, brick repairs, installation of rooftop solar array, and site accessibility improvements.
- Residents will be temporarily displaced while in-unit construction work occurs. Affected residents will be relocated to a vacant furnished on-site unit until their unit is completed. If a vacant on-site unit is not available, a local hotel option will be provided at no charge to the resident. The Development will provide reimbursement for all reasonable out-of-pocket expenses the residents incur in connection with the cost of moving to and from the temporarily occupied housing. The property manager will be responsible for moving all resident belongings that are required during the rehabilitation, at the Development’s expense. Boxes and packing materials will be provided to all temporarily relocated residents, and packing assistance will be given to elderly and disabled residents.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

The Development benefits from a project-based Section 8 Housing Assistance Payments (“HAP”) contract with the U.S. Department of Housing and Urban Development (“HUD”) that provides rental subsidy for 100% of the units. The current HAP contract expires in 2024. The Sponsor has formed a new single-purpose entity, Avon Towers Preservation Limited Dividend Housing Association Limited Partnership (the “Borrower”), to acquire the Development and enter into a new 20-year Section 8 renewal contract. In addition, the Sponsor proposes that the Borrower enter into a regulatory agreement in connection with a Low Income Housing Tax Credit ("LIHTC") preservation transaction to maintain the affordability of the Development for current and future residents for at least 30 years. The new LIHTC regulatory agreement will apply affordability restrictions reserving 100% of the units for households earning up to 60% of AMI.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

AMENDED AND RESTATED PASS-THROUGH BOND PROGRAM

LOAN COMMITMENT STAFF REPORT

July 18, 2024

RECOMMENDATION:

Adopt a resolution authorizing the issuance of a loan commitment with respect to the project described in this report.

PROJECT SUMMARY

MSHDA No.:	44c-214
Development Name:	Avon Towers
Development Location:	City of Rochester Hills, Oakland County
Eligible Distressed Area:	No
Sponsor:	Related Affordable, LLC
Borrower:	Avon Towers Preservation Limited Dividend Housing Association Limited Partnership
Number of Units:	125 Elderly Units
Construction Method:	Acquisition and Substantial Rehabilitation
Financing Program:	Limited Obligation Multifamily Housing Revenue Bonds issued under Section 44c
Total Development Cost:	$33,836,249 (estimated)
Aggregate Basis:	$31,819,491
Total Loan Amount:	$20,427,000 (estimated 64.20% of aggregate basis); not to exceed $21,500,000
Credit Enhancement:	Mortgage-Backed Security ("MBS") issued by Fannie Mae
Commitment Fee:	2.0% of the Loan Amount

The material contained in this staff report is submitted to the Authority for information only. The Michigan State Housing Development Authority (the "Authority") does not underwrite Pass-Through Bond loans. To the extent that any information contained herein conflicts with the documents relating to the sale of the notes or bonds and the making of the loan, the latter documents shall control.

<u>PROGRAM DESCRIPTION:</u>

Section 44c of Public Act 346 of 1966, as amended (the "Act"), authorizes the Authority to issue notes and bonds that are not general obligations of the Authority and are not backed by the moral obligation of the State. The bonds are "limited obligations" of the Authority with the security limited to the assets of the borrower, the project itself, the credit enhancement arranged by the borrower, or some combination of these. These are generally referred to as "Pass-Through" bonds.

On July 20, 2023, the Authority re-authorized the Amended and Restated Pass-Through Bond Program, increasing the maximum allocation to $300 million in tax-exempt bond volume cap. This program imposes rent and income targeting requirements of either 40% at 60% of area median income or 20% at 50% of area median income and limits the bond allocation available per project and per sponsor. At least 10% of these units must be more deeply targeted to households whose income is at or below 40% of area median income. It also requires limited market and environmental reviews.

<u>PROPOSAL SUMMARY:</u>

Avon Towers Preservation Limited Dividend Housing Association Limited Partnership (the “Borrower”) proposes to acquire and rehabilitate 125 elderly apartment units on a site in the City of Rochester Hills, Oakland County, Michigan (the “Development”). All of the units in the development will be targeted to households with incomes at or below 60% of area median income, utilizing the new Multifamily Tax Subsidy Projects (“MTSP”) income limits. At least 10% of these units (13 units) must be more restricted to households with incomes at or below 40% of area median income, using the MTSP limits.

Authority staff has received and reviewed a commitment for the proposed credit enhancement and has determined that, if the proposed credit enhancement is delivered as set forth in the commitment, repayment of the Authority’s notes or bonds will be reasonably secure.

<u>CONDITIONS:</u>

1. **<u>Income Limits:</u>**

   The Borrower must enter into a Regulatory Agreement with the Authority requiring that 100% of the units in the Development (116 one-bedroom and 9 two-bedroom apartments) must be rented or available for rental by tenants whose income does not exceed the 60% income limit for Multifamily Tax Subsidy Projects as determined by HUD with respect to projects financed pursuant to Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), as further amended by the Housing and Economic Recovery Act of 2008 (P.L. 110-289) ("MTSP Limits"), adjusted for family size. In addition, 13 units (12 one-bedroom and 1 two-bedroom apartments) in the Development must be rented or available for rental by tenants whose income does not exceed the 40% MTSP limit, adjusted for family size. These occupancy restrictions shall be contained in a covenant running with the land and shall remain in effect for the period that the Authority obligations to be issued to finance the acquisition and construction or rehabilitation of the Development (the "Bonds") remain outstanding, but in no event for less than the period of time required by the terms of the Low Income Housing Tax Credit ("LIHTC") Regulatory Agreement or the period required by Section 142(d) of the Code.

The income of the individuals and the area gross median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median gross income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of Treasury publishes its requirements, income of individuals shall be determined in accordance with the Section 8 regulations.

2. **Limitations on Rental Rates:**

The Regulatory Agreement must also require that the monthly Total Housing Expense (contract rent plus tenant-paid utilities) on 100% of the units in the Development may not exceed 30% of 1/12 of the 60% MTSP Limit, assuming occupancy by one and one-half persons per bedroom. The Total Housing Expense for the more deeply targeted units in the Development (13 units) may not exceed 30% of 1/12 of the 40% MTSP Limit, assuming occupancy by one and one-half persons per bedroom. These limitations on rental rates shall be contained in a covenant running with the land and shall remain in effect for the period that the Authority Bonds (as defined below) remain outstanding, but in no event for less than the period of time required by the terms of the LIHTC Regulatory Agreement, known as the Extended Use Period (the "EUP").

For purposes of determining whether or not the rents paid by the tenants of the Development are within the required limits set forth in this Section 2, the amount of any Section 8 rental subsidy paid on behalf of a tenant with respect to any unit shall not be considered as rent paid by the tenant.

3. **Covenant Running with the Land:**

The Borrower must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the Bonds. This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is 15 years after 50% of the residential units in the project are occupied, the first day on which no Bonds are outstanding with respect to the project, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates (the "Qualified Project Period"). Additionally, during the Qualified Project Period, the minimum set-aside requirements of the Code must be maintained, namely, at least 40% of the units in the Development must be occupied or held available for occupancy by individuals whose income is lower than the MTSP Limits 60% income limit, adjusted for family size. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations.

4. **Limitation on Return on Equity:**

The Borrower must agree that its return on equity will be limited to 12% for the first 12-month period following substantial completion of the Development, with annual 1% increases thereafter until a cap of 25% is reached, and to submit an annual financial statement evidencing its eligibility for return no later than 90 days after the close of the Borrower's fiscal year. The Borrower's return is fully cumulative. The amount of the Borrower's equity will be determined by the Authority.

5. **Bond and Tax Credit Requirements:**

At the Bond closing, the Borrower must enter into a Financing Agreement and an Indenture of Trust which provide for disbursement, custody, and handling of funds, including bond proceeds and proceeds of the Fannie Mae Mortgage-Backed Security serving as credit enhancement. The Borrower must certify in writing to the sources and uses involved in the financing of the Development and must also provide the Authority with an opinion of tax counsel, a Useful Life Certificate prepared by the Borrower's accountants, and/or such other evidence, as determined by the Authority's Chief Legal Affairs Officer or the Director of Legal Transactions, that respectively confirm that the structure of the transaction will permit the Borrower to claim the LIHTC 4% credit.

6. **Financing Agreement; Indemnification; Compliance Monitoring and Reporting Requirements:**

At the Bond closing, the Borrower must enter into a Financing Agreement with the Authority and the Trustee. In the Financing Agreement, the Borrower must agree to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of the financing, construction, ownership, or operation of the Development, or from the violation of any environmental laws. The Borrower must also agree to provide the Authority on or before September 1 of each year with a report in a form acceptable to the Authority, including such information as is required by Section 44c of the Act. The Borrower must also agree to participate in compliance monitoring activities relative to the Bonds and the tax credits allocated to the Development, as required by the Authority's Compliance Monitoring staff, and to pay an annual compliance monitoring fee not to exceed 0.25% of the outstanding principal amount of the Bonds. The form and substance of the Financing Agreement must be acceptable to the Authority's Chief Legal Affairs Officer or the Director of Legal Transactions.

7. **Closing and Organizational Documents:**

Prior to Bond closing, the Borrower must submit all of the documents relating to the sale of the limited obligation bonds and the making of the loan, including title and survey matters, and its organizational documents. All documents must be in compliance with the Authority’s Act and acceptable to the Michigan Attorney General, the Authority's Bond counsel and the Authority’s Chief Legal Affairs Officer or the Director of Legal Transactions.

8. **Equal Employment Opportunity:**

At Bond closing, the Borrower and the general contractor must include the Authority's form Equal Employment Opportunity Appendix to Construction Contract with the Construction Contract that is acceptable to the Authority's Chief Legal Affairs Officer or the Director of Legal Transactions.

9. **LIHTC Regulatory Agreement:**

Following the Placed-in-Service Date, the Borrower must enter into an LIHTC Regulatory Agreement in a form required by the Authority.

DEVELOPMENT TEAM AND PROJECT INFORMATION:

Sponsor and Borrower:

1. **Sponsor:** Related Affordable, LLC
30 Hudson Yards, 72nd Floor
New York, NY 10001

Contact: David Pearson
Phone: (212) 801-3738
Email: dpearson@related.com

2. **Borrower:** Avon Towers Preservation Limited Dividend Housing Association Limited Partnership

Credit Enhancement:

Mortgage-backed security issued by Fannie Mae.

Bond Underwriter: Wells Fargo Securities

Bond Counsel: Miller Canfield (Kristin Nied)

Bond Trustee: Zions Bancorporation, National Association (Bob Cafarelli)

Credit Enhancement Provider: Fannie Mae

Other Members of the Development Team:

Equity Partner:	Enterprise Community Partners
Borrower’s Counsel:	Taft Stettinius & Hollister LLP (Trey Brice)
Mortgage Lender:	Wells Fargo Bank, National Association (Justin Shackleford)
Borrower's Accountant:	Dauby, O’Connor & Zaleski (Nancy Morton)
Project Attorney:	Levitt & Boccio, LLP (David Boccio)
Contractor:	LR Contracting Company (Don Biernacki)

Property Management:	PK Management, LLC (Jenee McClain-Bankhead)
Architect:	Fusco, Shaffer & Pappas, Inc. (James T. Pappas)
Rating Agency:	Moody's Investors Service (Timothy Mone)

<u>Sources of Funds</u>:

Permanent Loan	$20,427,000
Income from Operations	$1,275,200
Deferred Developer Fee	$1,084,912
Equity Contribution from Investors	$10,928,592
Solar ITC Equity	$120,545
Total Sources of Funds	**$33,836,249**

<u>Uses of Funds:</u>

Land and Building Acquisition	$18,004,091
Site Work	$0
Construction Costs	$8,142,592
Contractor Fees	$1,005,134
Professional Fees	$611,657
Interim Construction Costs	$1,346,109
Permanent Financing	$779,818
Other Costs	$816,006
Syndication Costs	$231,147
Developer Fees	$2,099,999
Project Reserves	$799,696
Total Uses of Funds	**$33,836,249**

<u>APPROVALS</u>:

Jeffrey J Sykes 7-11-24

Jeffrey Sykes, Chief Financial Officer Date

Clarence L. Stone, Jr. 7/10/2024

Clarence L. Stone, Jr., Chief Legal Affairs Officer Date

Chad A. Benson 7/12/2024

Chad Benson, Director of Development Date

Amy Hovey 07/12/24

Amy Hovey, Chief Executive Officer and Executive Director Date

DRAFT
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING LOAN
AVON TOWERS, MSHDA No. 44c-214
CITY OF ROCHESTER HILLS, OAKLAND COUNTY

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized, under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (the "Act"), to make loans to qualified nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations, limited dividend housing associations, mobile home park corporations, and certain public bodies or agencies; and

WHEREAS, an application (the "Application") has been filed with the Authority by Related Affordable, LLC (the "Applicant") for a loan in an amount not to exceed Twenty-One Million Five Hundred Thousand Dollars ($21,500,000) (the "Loan") for the acquisition, rehabilitation, and equipping of a housing project having an estimated Total Development Cost of Thirty-Three Million Eight Hundred Thirty-Six Thousand Two Hundred Forty-Nine Dollars ($33,836,249), to be known as Avon Towers (the "Development"), located in the City of Rochester Hills, Oakland County, Michigan and to be owned by Avon Towers Preservation Limited Dividend Housing Association Limited Partnership (the "Borrower"); and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and her recommendation with respect thereto; and

WHEREAS, the Authority has reviewed the Application and the recommendations of the Chief Executive Officer and Executive Director and, on the basis of the Application and such recommendation, has made determinations that:

(a) The Borrower is an eligible applicant;

(b) The proposed housing project is eligible for financing under Section 44c of the Act;

(c) The Borrower has submitted evidence of a commitment to issue a credit enhancement in a form and amount sufficient to assure the Authority that its loan to the Borrower is reasonably secure;

(d) The Borrower has agreed to compensate, as it considers appropriate and at no cost to the Authority, any underwriters, trustees, counsel, and other professionals as are necessary to complete the financing of the proposed housing project;

(e) The Borrower has paid to the Authority its nonrefundable application fee;

(f) The amount of the loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation of loan amount; and

(g) Use of the bond authority from the State uniform volume cap for the project will not impair the ability of the Authority to carry out programs or finance housing developments or housing units which are targeted to lower income persons.

WHEREAS, Sections 82 and 93 of the Act provide that the Authority shall determine a reasonable and proper rate of return to limited dividend housing corporations and associations on their investment in a housing project.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Application be and it hereby is approved, subject to the terms and conditions of this Resolution, the Act, the General Rules of the Authority and the Loan Commitment Staff Report dated July 18, 2024 and attached hereto (the “Commitment Report”).

2. A loan (the "Loan") be and it hereby is authorized and the Chairperson, Vice Chairperson, Chief Executive Officer and Executive Director, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in such capacity (each an "Authorized Officer"), or any one of them acting alone, are authorized to issue to the Applicant and the Borrower the Authority's loan commitment (the "Commitment") for the construction and permanent financing of the proposed housing project, with the Loan to have an initial principal amount not to exceed Twenty-One Million Five Hundred Thousand Dollars ($21,500,000), to have a term not to exceed forty (40) years from the first day of the month following the date the Authority issues the Loan, and to bear interest at a rate not to exceed twelve and no/100 percent (12%) per annum. Any Authorized Officer is authorized to modify or waive any condition or provision contained in the Commitment.

3. This Resolution and issuance of the Commitment are based on the information obtained from the Applicant. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or changes in any materially adverse respect, this Resolution, together with the Commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded.

4. Notwithstanding passage of this Resolution or execution of any documents in anticipation of the closing of the proposed Loan, no contractual rights to receive the Loan authorized herein shall arise unless and until an Authorized Officer shall have issued the Commitment and the Applicant shall have agreed in writing within fifteen days after receipt thereof, to the terms and conditions contained therein.

5. Availability of funds for financing the construction and permanent loan of the proposed housing project is subject to the Authority's ability to sell its limited obligation notes or bonds in the amount and at a rate or rates of interest and at a sufficient length of maturity, as determined by the Executive Director, necessary to make the Loan.

6. In accordance with Sections 93(b) and 44c(12) of the Act, the maximum reasonable and proper rate of return on the investment in the Development be and it hereby is determined to be twelve and no/100 percent (12%) for the first twelve (12) months of operation of the Development following substantial completion. The allowable rate of return shall be increased by one and no/100 percent (1%) for each twelve (12) month period after the first twelve (12) months, up to a maximum of twenty-five and no/100 percent (25%) per annum. Any return less than the allowable rate in any preceding period may be received in any subsequent period on a cumulative basis.

7. The Loan shall be subject to, and the Commitment shall contain, the conditions set

forth in the Commitment Report attached hereto, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
RESOLUTION AUTHORIZING ISSUANCE AND SALE OF MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY MULTIFAMILY HOUSING REVENUE BONDS, SERIES 2024 (AVON TOWERS PROJECT) (FANNIE MAE MBS-SECURED) (SUSTAINABLE) TO FINANCE A PROJECT LOAN TO AVON TOWERS PRESERVATION LIMITED DIVIDEND HOUSING ASSOCIATION LIMITED PARTNERSHIP, SO AS TO ENABLE THE BORROWER TO ACQUIRE, REHABILITATE AND EQUIP A MULTI-FAMILY RENTAL HOUSING DEVELOPMENT, AUTHORIZING THE EXECUTION OF THE BOND PURCHASE AGREEMENT, THE FINANCING AGREEMENT AND THE INDENTURE OF TRUST SECURING THE BONDS, AND DETERMINING AND AUTHORIZING OTHER MATTERS RELATIVE THERETO

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized by Act 346, Michigan Public Acts, 1966, as amended (the "Act"), to issue bonds for the purpose of making loans to limited dividend housing associations (as defined in the Act) to provide financing for multi-family housing projects (as defined in the Act); and

WHEREAS, Avon Towers Preservation Limited Dividend Housing Association Limited Partnership, a Michigan limited partnership (the "Borrower"), is a limited dividend housing association (as defined in the Act); and

WHEREAS, the Borrower has applied to the Authority for a loan in a maximum amount of Twenty-One Million Five Hundred Thousand dollars ($21,500,000) to finance the costs of acquiring, constructing, rehabilitating, improving and equipping a multi-family rental housing development for the elderly, located in the City of Rochester Hills, Oakland County, Michigan (the "Project"); and

WHEREAS, the Authority proposes to issue its Multifamily Housing Revenue Bonds, Series 2024 (Avon Towers Project) (Fannie Mae MBS-Secured) (Sustainable) in an aggregate principal amount not to exceed $21,500,000 (the "Bonds") pursuant to this Resolution and the Indenture of Trust, dated as of August 1, 2024 (the "Indenture"), between the Authority and Zions Bancorporation, National Association, as Trustee (the "Trustee"), to obtain funds to lend to the Borrower, pursuant to a Financing Agreement, dated as of August 1, 2024 (the "Financing Agreement"), among the Authority, the Borrower and the Trustee to finance the costs of the Project (the "Project Loan"); and

WHEREAS, the Authority has determined that making the Project Loan requested by the Borrower and issuing and selling the Bonds, as hereinafter provided, will promote and serve the intended purposes of, and in all respects will conform to the provisions and requirements of, the Act and the rules of the Authority; and

WHEREAS, Wells Fargo Bank, National Association (the "Mortgage Lender") has agreed to make a mortgage loan to the Borrower (the "Mortgage Loan"), which will be evidenced by a mortgage note from the Borrower in favor of the Mortgage Lender and secured by a mortgage on the Project from the Borrower to the Mortgage Lender; and

WHEREAS, pursuant to Section 27(*l*) of the Act, the Authority proposes to delegate to the Chairperson, Vice Chairperson, Chief Executive Officer and Executive Director, Chief Financial Officer, Director of Finance, Chief Legal Affairs Officer, Director of Legal Transactions and Director of In-House Legal Services of the Authority or any person duly authorized to act in such capacity (each hereinafter individually referred to as an "Authorized Officer") the power to determine certain terms and conditions of the Bonds, subject to the limitations established herein.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority, as follows:

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the Project Loan requested by the Borrower and thereby assisting in the financing of the acquisition, rehabilitation and equipping of the Project, the issuance of the Bonds in an aggregate principal amount not to exceed $21,500,000 is authorized. The Bonds shall be designated "*Michigan State Housing Development Authority Multifamily Housing Revenue Bonds, Series 2024 (Avon Towers Project) (Fannie Mae MBS-Secured) (Sustainable),*" shall be issuable only in fully registered form, substantially as set forth in the Indenture; shall be numbered in such manner as determined by the Trustee in order to distinguish each Bond from any other Bond; shall be in Authorized Denominations; shall be dated as of the date of delivery and shall bear interest from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their date.

The terms for optional and mandatory redemption of the Bonds and the transfer and registration provisions for the Bonds shall be as provided in the Indenture and the form of the Bonds attached to the Indenture, with such modifications as may be approved by an Authorized Officer.

The Bonds shall be issued pursuant to this Resolution and the Indenture in substantially the form on file with the Chief Executive Officer and Executive Director, with such changes as may be acceptable to an Authorized Officer of the Authority.

The Bonds and the interest obligation thereon shall never constitute a debt or general obligation of the State of Michigan or the Authority within the meaning of any constitutional or statutory provision or limitation, and shall never constitute nor give rise to a charge against the general credit or taxing powers of the State of Michigan or the general funds or assets of the Authority (including funds relating to other Authority loans or activities) but shall be a limited obligation, and not a general obligation, of the Authority payable solely from those certain revenues derived from the Financing Agreement and otherwise as provided in the Indenture, including revenues from a single mortgage pass-through certificate guaranteed as to principal and interest by Fannie Mae (the "MBS") and backed by the Mortgage Loan, and moneys and investments on deposit in the Bond Proceeds Fund and Revenue Fund therein (collectively, the "Credit Enhancement"). The Authority hereby approves the Credit Enhancement and determines that repayment of the Bonds thereby will be reasonably secure.

SECTION 2. Application of Proceeds of Bonds. Immediately upon the receipt thereof, the proceeds of the sale of the Bonds shall be deposited in the applicable funds and accounts created pursuant to the Indenture as provided in the Indenture.

SECTION 3. No Capital Reserve Requirement. The Bonds of this issue shall not be secured by the capital reserve capital account of the Authority.

SECTION 4. Form of the Bonds. The form of the Bonds shall be substantially in the form attached to the Indenture, with such appropriate changes, omissions and insertions as are permitted or required by the Indenture or by subsequent action of an Authorized Officer.

SECTION 5. Execution of the Bonds. The Bonds shall bear the facsimile signature of the Chairperson or Chief Executive Officer and Executive Director of the Authority, shall have the official seal of the Authority (or a facsimile thereof) impressed or imprinted thereon, and shall be authenticated by the manual signature of an authorized signer of the Trustee.

SECTION 6. Approval of Financing Agreement and Indenture. The form of the Financing Agreement and the form of the Indenture on file with the Chief Executive Officer and Executive Director and on which an Authorized Officer has endorsed the date of adoption of this Resolution, with such changes as may be necessary or desirable, permitted by the Act or otherwise by law, and as any Authorized Officer deems are not materially adverse to the Authority, are hereby approved.

SECTION 7. Approval of the Regulatory Agreement. The form of the Regulatory Agreement, dated as of August 1, 2024 (the "Regulatory Agreement"), between the Authority and the Borrower, on file with the Chief Executive Officer and Executive Director and on which the date of adoption of this Resolution has been endorsed, with such changes as may be necessary or desirable, permitted by the Act or otherwise by law, and as any Authorized Officer deems are not materially adverse to the Authority, is hereby approved.

SECTION 8. Bond Purchase Agreement. Each Authorized Officer is severally authorized to negotiate, execute and deliver, on behalf of the Authority, a Bond Purchase Agreement with Wells Fargo Bank, National Association (the "Underwriter") in substantially the form on file with the Chief Executive Officer and Executive Director and on which the date of adoption of this Resolution has been endorsed, with such changes as may be necessary or desirable, permitted by the Act or otherwise by law, and as any Authorized Officer deems are not materially adverse to the Authority, together with such exhibits or appendices therein as are deemed necessary or desirable by such Authorized Officer and are permitted or required by the Act and otherwise by law.

SECTION 9. Preliminary Official Statement. The Preliminary Official Statement of the Authority with respect to the offering of the Bonds, substantially in the form presented to this meeting, is hereby approved and the distribution thereof by the Underwriter is hereby authorized, with such changes, omissions, insertions and revisions as an Authorized Officer shall deem advisable or appropriate.

SECTION 10. Final Official Statement. The form of Preliminary Official Statement of the Authority, substantially in the form presented to this meeting, is hereby authorized and approved as the final Official Statement of the Authority, with such changes, omissions, insertions and revisions as an Authorized Officer shall deem advisable or appropriate, and such final Official Statement is approved for distribution to the Underwriter.

SECTION 11. <u>Execution and/or Delivery of Financing Agreement, the Indenture, the Bond Purchase Agreement and the Regulatory Agreement and Changes Therein</u>. Each Authorized Officer is severally authorized to execute, seal in his discretion, deliver, and/or accept delivery, as appropriate, of the Financing Agreement, the Indenture, the Bond Purchase Agreement and the Regulatory Agreement in substantially the forms approved, with such changes as may be necessary or desirable, permitted by the Act or otherwise by law, and as any Authorized Officer deems are not materially adverse to the Authority.

SECTION 12. <u>Sale and Delivery of the Bonds</u>. The Bonds shall be sold by the Authority to the Underwriter pursuant to the Bond Purchase Agreement subject to the following conditions:

a) The maximum principal amount of the Bonds shall not exceed $21,500,000.

b) The interest rate on any of the Bonds shall not exceed 12.00%.

c) The maximum principal amount coming due on the Bonds in any calendar year shall not exceed $21,500,000.

d) The Bonds shall have stated maturities that are not later than forty years from the first day of the month following the date the Authority issues the Bonds.

e) The terms for optional and mandatory redemption of the Bonds shall be as set forth in the form of Indenture on file with the Chief Executive Officer and Executive Director.

f) Prior to the delivery of the Bonds, the Authority shall have received all fees provided in Section 44c of the Act.

The Bonds shall be delivered to the Underwriter as provided in the Indenture upon receipt of payment therefor and upon delivery to the Trustee of each of the following:

A. A certified copy of this Resolution.

B. An executed counterpart of the Financing Agreement.

C. An executed counterpart of the Indenture.

D. An executed counterpart of the Bond Purchase Agreement.

E. An executed counterpart of the Regulatory Agreement.

F. A deposit of immediately available funds from the Underwriter equal, in the aggregate, to the principal amount of the Bonds with the Trustee, which the Trustee shall use to purchase the MBS, or in the event the MBS is not delivered in accordance with the Indenture, to redeem the Bonds in whole at a price equal to the par amount thereof.

G. An opinion or opinions of Miller, Canfield, Paddock and Stone, P.L.C., as bond counsel to the Authority ("Bond Counsel"), dated as of the date of issuance of the Bonds, in form acceptable to the Chief Legal Affairs Officer and the Attorney General of the State of Michigan (the "Attorney General").

H. An opinion or opinions of the Attorney General dated as of the date of issuance of the Bonds, in form acceptable to the Chief Legal Affairs Officer.

I. An opinion or opinions of legal counsel for the Borrower, dated as of the date of issuance of the Bonds, in form acceptable to the Chief Legal Affairs Officer, Bond Counsel and the Attorney General.

J. A certificate dated the date of the issuance of the Bonds made by the Authority, based upon a certificate of similar import from the Borrower and upon certain use and occupancy restrictions relating to the Project, to the effect that the Bond proceeds will be used, and the Project will be operated, in a manner consistent with the requirements of the Internal Revenue Code of 1986, as amended, and the arbitrage regulations of the United States Department of Treasury.

K. Such additional certificates, instruments, opinions of counsel and other documents as the Underwriter, the Trustee, Bond Counsel or the Attorney General may reasonably deem necessary or desirable to evidence the truth and accuracy on the date of issuance of the Bonds, of the representations and warranties set forth in the Financing Agreement, the Indenture or the Bond Purchase Agreement, and such other matters as the Underwriter, Bond Counsel, the Borrower or the Attorney General may reasonably request.

SECTION 13. Approval of Filings and Submissions with Other Governmental Agents. Each Authorized Officer is severally authorized on behalf of the Authority to apply for such rulings, orders and approvals and file or submit such elections or other documents to any governmental agency in order that the Bonds may be validly issued and the interest on the Bonds may be exempt from federal income taxation. Applications for any such rulings, orders, approvals or elections previously submitted on behalf of the Authority are hereby ratified and confirmed.

SECTION 14. Authorization of Other Documents and Actions. An Authorized Officer, as well as counsel to the Authority, and each of them, are hereby authorized to execute and deliver such other certificates, documents, instruments, and opinions and other papers and to take such other actions as may be required by the Financing Agreement, the Indenture or the Bond Purchase Agreement, or as may be necessary or convenient to effectuate the sale and delivery of the Bonds and the closing of the Project Loan.

SECTION 15. Appointment of Trustee. Zions Bancorporation, National Association is hereby appointed Trustee under the Indenture.

SECTION 16. Conflict. All resolutions and parts of resolutions or other proceedings of the Authority in conflict herewith are repealed to the extent of such conflict.

SECTION 17. Effectiveness. This Resolution shall become effective upon adoption. If the Bonds are not sold and delivered on or before September 30, 2024, the authority granted by this Resolution shall lapse. In the event such sale and delivery occurs later than August 31, 2024, all references to August 1, 2024 herein may be permissibly changed to the month reflecting the actual date of delivery of the Bonds.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director Amy Hovey

DATE: July 18, 2024

RE: Gray Street II Apartments, Development No. 3389-2

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize the sale of the property and the assumption of the existing Section 1602 loan, 3) authorize tax-exempt bond construction and permanent mortgage loans as set forth below, 4) authorize a waiver of the Multifamily Direct Lending Parameters ("Parameters") regarding the payment in lieu of taxes ("PILOT"), and 5) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to Gray Street II Apartments, subject to the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024.

PROJECT SUMMARY:

MSHDA No:	3389-2
Development Name:	Gray Street II Apartments
Development Location:	City of Detroit, Wayne County
Sponsor:	Communities First, Inc.
Mortgagor:	Gray Street Affordable Housing Phase II Limited Dividend Housing Association Limited Partnership
Number of Units:	24 units affordable units
Number of Units Designated for Accessible Use:	2 accessible units
Occupancy Rate:	95.83%
Total Development Cost:	$9,475,447
TE Bond Construction Loan:	$4,927,232
TE Bond Permanent Loan:	$1,234,896
MSHDA Gap Funds (HOME-ARP Loan):	$2,902,893
MSHDA 1602 Loan Assumption:	$671,437
Other Funds:	
Low-Income Housing Tax Credit:	$2,507,833
Local HOME Assumption:	$859,017

Income from Operations:	$155,945
Transferred Reserves:	$668,036
Deferred Developer Fee:	$475,390

EXECUTIVE SUMMARY:

Originally established in 2005 as an affordable housing development with innovative programming, Gray Street Apartments consists of three separate properties that were developed in two phases on Kercheval, Springle and Gray Street in the far east side of the City of Detroit. Communities First, Inc. (the “Sponsor”), proposes to recapitalize and rehabilitate the second phase of Gray Street Apartments as Gray Street II Apartments (the "Development"). The Development was constructed in 2011 on a number of separate but mostly contiguous parcels, consisting of ten (10) townhomes with single car garages, located at 2124 – 2169 Springle Street and 12801 Kercheval Street, and a 2-story building containing three (3) commercial units of 1,000 square feet each and four (4) apartment units above the commercial space at 2169 – 2217 Gray Street. The original construction of the Development was funded in part by a Section 1602 Loan from the Authority, which is now in its 13th year of the 15-year Section 1602 compliance period. The Sponsor is seeking new financing utilizing tax-exempt bonds, low-income housing tax credits, and gap funding under the Authority’s PSH Gap Program to undertake a needed rehabilitation that will allow Gray Street II Apartments to continue providing affordable housing for the existing tenants and intended population for the long term. The Section 1602 loan will be assumed by the new mortgagor and the Section 1602 regulatory agreement will remain in place until the loan is fully forgiven in 2026. The Authority currently administers a Project-Based Voucher ("PBV") Housing Assistance Payments (HAP) contract that is in place for 100% of the units with a term expiring July 31, 2031, and will be eligible for a 20-year renewal. Although the property was granted a 10% PILOT by the City of Detroit in 2010, a new PILOT is being requested from the City of Detroit by the Sponsor. The Development is subject to an existing City of Detroit HOME loan in the amount of $859,017, which will be assumed by the new mortgagor and subordinated to the Authority's loans.

Gray Street II Apartments is a proposed rehab where all 24 units will target households earning up to 50% of the area median income (AMI) and will receive rental subsidy under a PBV HAP Contract from the Authority.

ADVANCING THE AUTHORITY’S MISSION:

Gray Street II Apartments is located within Region N of the Statewide Housing Plan Regional Housing Partnerships, and this development supports the following goals of the Region N Action Plan:

- **Goal 1.3:** increase the amount of housing that is accessible, safe, and healthy regardless of age, disability, or family size across all neighborhoods and communities.
- **Goal 3.1**: center equity for all and racial justice throughout the homelessness response system across Michigan.
- **Goal 3.2**: increase access to stable and affordable quality housing options for households with extremely low incomes.
- **Goal 4.4**: increase the rehabilitation and/or preservation of housing stock.

MUNICIPAL SUPPORT:

- The City of Detroit is expected to grant a new 10% PILOT.
- The City of Detroit has agreed to allow the mortgagor to assume the existing HOME loan in the amount of $859,017.

COMMUNITY ENGAGEMENT/IMPACT:

The Sponsor engaged the community by holding several community meetings beginning in the fall of 2022. The community/residents were presented with a draft plan and encouraged to provide recommendations on the project to gather comments and concerns.

This Development will impact the community by improving the quality of the existing units at Gray Street II Apartments. This investment will have a tremendously positive impact on the surrounding community by improving the housing stock on this site, making much needed capital improvements and addressing deferred maintenance needs. Preserving this affordable housing development for families in Detroit ensures the Development will remain a safe, good quality place for low-income Detroiters to call home for many years to come.

The community recommended that the renovation focus on several key areas of improvement categorized in four (4) areas:

- Programming, resources, and events
- Improvements to the physical environment
- Safety
- More homes.

In addition, the community and residents plan to re-establish the community garden on site and replace the aging playground with a new playground and are working to fund reinvestment in the project by addressing physical needs to be identified in a Capital Needs Assessment.

The Development team was able to implement all the community recommendations.

RESIDENT IMPACT:

- No residents will be displaced or encounter new income requirements due to the proposed rehabilitation and refinancing of the property.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

The existing Authority Section 1602 Loan will be assumed by the newly formed mortgagor, Gray Street Affordable Housing Phase II Limited Dividend Housing Association Limited Partnership. The Section 1602 Loan is forgivable, and the balance subject to recapture is reduced by 1/15 every year through the 15-year compliance period provided the existing LIHTC income and rent restrictions remain in place (or are more restrictive). Gray Street II Apartments has completed 13 years of the Section 1602 compliance period, and the remaining balance that is subject to recapture for non-compliance is $671,437.

U.S. Treasury Regulations require, among other matters, that buildings within a single tax-exempt bond funded project be situated on contiguous parcels in order to treat the buildings as a single qualified residential rental project. In its current configuration, Gray Street II Apartments does not meet this requirement because the buildings are situated on a number of parcels that may not all be contiguous. To comply with U.S. Treasury Regulations relating to tax-exempt bonds, the Authority's bond counsel advises the Authority to treat each non-contiguous parcel in Gray Street II Apartments as a distinct project, including having each project meet the minimum set-aside test set forth in Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"). The set-aside test requires at least 20% of the units be occupied by individuals earning 50% or less of area median gross income (the “20/50 test”) or at least 40% of the units be occupied by individuals earning 60% or less of area median gross income (the “40/60 test”). The Authority and the mortgagor must ensure the set-aside test is met in each project throughout the entire qualified project period established for the project under Section 142(d).

To enable Gray Street II Apartments to be financed with a single tax-exempt bond loan and secured by a single mortgage, the Authority's bond counsel also recommends the following:

- All projects must be owned by the same entity.
- The Authority must issue one tax-exempt mortgage note to finance the rehabilitation of the projects.
- Common area square footage must be rehabilitated with funds other than tax-exempt bond proceeds.
- Each of the projects must receive rehabilitation funding from tax-exempt bonds equal to at least 15% of their corresponding acquisition cost.
- The Authority may publish a single notice under the Tax Equity and Fiscal Responsibility Act (“TEFRA”).
- The projects may all be managed as one property.
- One tax credit award that covers all projects may be issued by the Authority.

The projects are comprised of the following in Detroit:

- Four two-story duplexes, including 8 townhome units at 2169, 2175, 2181, 2189, 2188, 2194, 2211 and 2217 Gray Street.
- Six two-story duplexes, including 12 townhome units at 2124, 2132, 2125, 2133, 2138, 2144, 2147, 2155, 2160, 2166, 2161 and 2169 Springle Street.
- Four apartment units in a single two-story building at 12801 Kercheval Street.

The Development will require a waiver of the following Parameter (Section VI I 2.) conditioned on the PILOT being found acceptable prior to the Authority's disbursement of any funds. See Special Condition No. 2.

- Proposals that do not include an approved PILOT arrangement will be underwritten based on the ad valorem taxes applicable to the property.
- For a proposal to be underwritten on the basis of a PILOT, the PILOT must be approved prior to Authority Board consideration.

This proposal also requires the Authority's approval for the sale of the property and the assumption of the Section 1602 Loan by the new mortgagor. The existing Section 1602 regulatory agreement will remain in place until the end of the initial compliance period.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

July 18, 2024

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize the sale of the property and the assumption of the existing Section 1602 loan, 3) authorize tax-exempt bond construction and permanent mortgage loans in the amounts set forth in this report, 4) authorize a waiver of the Multifamily Direct Lending Parameters ("Parameters") regarding the payment in lieu of taxes ("PILOT"), and 5) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

MSHDA No:	3389-2
Development Name:	Gray Street II Apartments
Development Location:	City of Detroit, Wayne County
Sponsor:	Communities First, Inc.
Mortgagor:	Gray Street Affordable Housing Phase II Limited Dividend Housing Association Limited Partnership
TE Bond Construction Loan:	$4,927,232 (52.00% of TDC)
TE Bond Permanent Loan:	$1,234,896
MSHDA Permanent HOME-ARP Loan:	$2,902,893
MSHDA 1602 Loan Assumption:	$671,437
Total Development Cost:	$9,475,447
Mortgage Amortization and Term:	40 years for the tax-exempt bond loan; 50 years for the HOME-ARP Loan
Interest Rate:	6.625% for the tax-exempt bond loan; 1% simple interest for the HOME-ARP
Program:	Tax-Exempt Bond and Gap Financing Programs
Number of Units:	24 family units of rehabilitation.
Accessible Units:	2 accessible units
Unit Configuration:	3 Two-Bedroom Apartments, 1 Three-Bedroom Apartment, 1 Two-bedroom Townhome, and 19 Three-Bedroom Townhomes
Builder:	O'Brien Construction Company, Inc.
Syndicator:	Cinnaire
Date Application Received:	05/01/2023
HDO:	Latasha Cole

Issuance of the Authority's Mortgage Loan Commitment is subject to fulfillment of all Authority processing and review requirements and obtaining all necessary staff approvals as required by the Authority's underwriting standards.

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

The existing Authority Section 1602 Loan will be assumed by the newly formed mortgagor, Gray Street Affordable Housing Phase II Limited Dividend Housing Association Limited Partnership. The Section 1602 Loan is forgivable and the balance subject to recapture is reduced by 1/15 every year through the 15-year compliance period provided the existing LIHTC income and rent restrictions remain in place (or are more restrictive). Gray Street II Apartments has completed 13 years of the Section 1602 compliance period and the remaining balance subject to recapture for non-compliance is $671,437.

U.S. Treasury Regulations require, among other matters, that buildings within a single tax-exempt bond funded project be situated on contiguous parcels in order to treat the buildings as a single qualified residential rental project. In its current configuration, Gray Street II Apartments, (the “Development”) does not meet this requirement because the buildings are situated on a number of parcels that may not all be contiguous. In order to comply with U.S. Treasury Regulations relating to tax-exempt bonds, the Authority’s bond counsel advises the Authority to treat each non-contiguous parcel in the Development as a distinct project, including having each project meet the minimum set-aside test set forth in Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"). The set-aside test requires at least 20% of the units be occupied by individuals earning 50% or less of area median gross income (the “20/50 test”) or at least 40% of the units be occupied by individuals earning 60% or less of area median gross income (the “40/60 test”). The Authority and the mortgagor must ensure the set-aside test is met in each project throughout the entire qualified project period established for the project under Section 142(d).

To enable the Development to be financed with a single tax-exempt bond loan and secured by a single mortgage, the Authority’s bond counsel also recommends the following:

- All projects must be owned by the same entity.
- The Authority must issue one tax-exempt mortgage note to finance the rehabilitation of the projects.
- Common area square footage must be rehabilitated with funds other than tax-exempt bond proceeds.
- Each of the projects must receive rehabilitation funding from tax-exempt bonds equal to at least 15% of their corresponding acquisition cost.
- The Authority may publish a single notice under the Tax Equity and Fiscal Responsibility Act (“TEFRA”).
- The projects may all be managed as one property.
- One tax credit award that covers all projects may be issued by the Authority.

The projects are comprised of the following in Detroit:

- Four (4) two-story, duplexes, including eight (8) townhome units at 2169, 2175, 2181, 2189, 2188, 2194, 2211 and 2217 Gray Street.
- Six (6) two-story, duplexes, including 12 townhome units at 2124, 2132, 2125, 2133, 2138, 2144, 2147, 2155, 2160, 2166, 2161 and 2169 Springle St.
- Four (4) apartment units in a single two-story building at 12801 Kercheval Street.

The Development will require a waiver of the following Parameter (Section VI I 2.) conditioned on the PILOT being found acceptable prior to the Authority's disbursement of any funds. See Special Condition No. 2.

- Proposals that do not include an approved PILOT arrangement will be underwritten based on the ad valorem taxes applicable to the property.
- For a proposal to be underwritten on the basis of a PILOT, the PILOT must be approved prior to Authority Board consideration.

This proposal also requires the Authority's approval for the sale of the Development and assumption of the Section 1602 Loan by the new mortgagor. The existing Section 1602 regulatory agreement will remain in place until the end of the initial compliance period.

EXECUTIVE SUMMARY:

Originally established in 2005 as an affordable housing development with innovative programming, Gray Street Apartments consists of three separate properties that were developed in two phases on Kercheval, Springle and Gray Street in the far east side of the City of Detroit. Communities First, Inc. (the "Sponsor"), proposes to recapitalize and rehabilitate the second phase of Gray Street Apartments as Gray Street II Apartments (the "Development"). The Development was constructed in 2011 on a number of separate but mostly contiguous parcels consisting of ten (10) townhomes with single car garages, located at 2124 – 2169 Springle Street and 12801 Kercheval Street, and a 2-story building containing three (3) commercial units of 1,000 square feet each and four (4) apartment units above the commercial space at 2169 – 2217 Gray Street. The original construction of the Development was funded in part by a Section 1602 Loan from the Authority which is now in its 13th year of the 15-year Section 1602 compliance period. The Sponsor is seeking new financing utilizing tax-exempt bonds, low-income housing tax credits, and gap funding under the Authority's PSH Gap Program to undertake a needed rehabilitation that will allow Gray Street II Apartments to continue providing affordable housing for the existing tenants and intended population for the long term. The Section 1602 loan will be assumed by the new mortgagor and the Section 1602 regulatory agreement will remain in place until the loan is fully forgiven in 2026. The Authority currently administers a Project-Based Voucher ("PBV") Housing Assistance Payments (HAP) contract that is in place for 100% of the units with a term expiring July 31, 2031, and will be eligible for a 20-year renewal. has Although the property was granted a 10% PILOT by the City of Detroit in 2010, a new PILOT is being requested from the City of Detroit by the Sponsor. The Development is subject to an existing City of Detroit HOME loan in the amount of $859,017, which will be assumed by the new mortgagor and subordinated to the Authority's loans.

Gray Street II Apartments is a proposed rehab where all 24 units will target households earning up to 50% of the area median income (AMI) and will receive rental subsidy under a PBV HAP Contract from the Authority.

Structure of the Transaction and Funding:

There are several elements to this transaction that are common to preservation transactions:

- A tax-exempt bond construction loan (the "Mortgage Loan") will be provided by the Authority in the amount of $4,927,232 at 6.625% interest with a 16-month term (a 10-month construction term and 6-month holding period), which will be used to bridge an extended equity pay-in period. Payments of interest only will be required during the construction loan. The principal balance of the construction loan must be reduced to the permanent loan amount on the first day of the month following the month in which the 16-month construction loan term expires or such later date as is established by an Authorized Officer of the Authority (the "Permanent Financing Date"). The construction Mortgage Loan will be in **First Position**.

- A permanent Mortgage Loan will be provided by the Authority in the amount of $1,234,896. The permanent loan amount is based upon the current rents, less vacancy loss, payments to reserves and escrows, operating costs based on historical data unless modified by project improvements and construction and soft costs at levels appropriate for this specific transaction. The permanent loan is based on a 1.2% debt service coverage ratio, an annual interest rate of 6.625%, with a fully amortizing term of 40 years commencing on the Permanent Financing Date. The permanent Mortgage Loan will be in **First Position**.

- A forgivable Section1602 Loan (the "Section 1602 Loan") with a current balance subject to recapture for non-compliance of $671,437 will remain in place and be assumed by the mortgagor. The Section 1602 Loan will be in **Third Position**.

- A permanent subordinate loan using Authority HOME-ARP funds (the "HOME-ARP Loan") in the amount of $2,902,893 will be provided at 1% simple interest with payments initially deferred. The HOME-ARP Loan will be in **Second Position**.

- The City of Detroit will assume a HOME Loan in the amount of $859,017. This loan will be in **Fourth Position**. See Special Condition No. 3.

- Equity support comes from an investment related to the 4% LIHTC in the estimated amount of $2,507,833.

- Income from operations will be used as a source of funding to make the interest only payments and the tax and insurance payments during the construction period in the amount of $155,945.

- The Sponsor has agreed to defer $475,390 of the developer fee to help fill the remaining funding gap.

- The development was previously awarded a PBV HAP Contract by the Authority for twenty-four (24) PBVs. The term of the PBV HAP Contract will expire in July 2031, and at that time the development will be eligible for a 20-year renewal.

- An amount equal to one month's gross rent potential will be funded in the Development's operating account.

- An operating assurance reserve ("OAR") will be required in the amount identified in the attached proforma. The reserve will be capitalized at closing in an amount which, along with accumulated interest, is expected to meet the Development's unanticipated operating needs. This reserve will be held by the Authority.

- The Development will be renovated, and a new replacement reserve requirement will be imposed, based upon a capital needs assessment ("CNA"), to ensure an extension of the useful life of the property and to maintain an excellent quality of life for the residents. At closing, the Mortgagor must deposit the amount determined necessary to satisfy the requirements of the Authority-approved CNA over a 20-year period. This reserve will be held by the Authority.

- The existing supportive services reserve in the amount of $634,192 will be transferred from the existing to the new project for the same purpose.

- Tax and insurance escrow proceeds in the amount identified in the attached proforma will be transferred from the existing project to the new project to fund a new tax and insurance escrow account.

- The PBV HAP contract will be transferred to the Mortgagor and will continue to provide deep subsidy assistance for all of the assisted units.

Scope of Rehabilitation:

The following improvements to the property are included in the Scope of Work:

Repair Surface
Replace Building Mechanical
Replace Building Electrical
Replace Building Exteriors
Replace Lobbies
Repair Mail Facilities
Repair Maintenance Shop
Repair Possible Community Room or Leased Space (12809 Kercheval Avenue)
Repair Communities First, Inc. Program Space (12805 Kercheval Avenue)
Repair Management/Maintenance Offices (12801 Kercheval Avenue)
Repair Office/Program Space Restrooms
Repair Living Area Finishes
Repair Kitchens
Repair Bathrooms
New In-Unit Mechanical
New In-Unit Electrical

Affordability Requirements:

The Authority's tax-exempt bond regulatory agreement will require all the dwelling units in the property to remain occupied by households with incomes at or below 60% of the new MTSP income limits (as defined below), adjusted for family size. The number of restricted units is controlled by the number of eligible households in place at closing, estimated to be 100% of the units. 24 units will be further restricted to the income limits required by the PBV HAP Contract.

Protections for Existing Residents:

The preservation and renovation of the Development will not result in a rent increase for the existing tenants. There will be no tenant displacement as a result of this transaction. The existing Supportive Services Reserve will be transferred to the new deal to fund the service needs of the homeless population.

Site Selection:

The site has been reviewed by Authority staff and the Authority's Manager of the Office of Market Research has indicated that the site meets the Authority's current site selection criteria.

Market Evaluation:

The unit mix as well as the amenities package and rent levels have been approved by the Manager of the Office of Market Research, Rental Development Division.

Valuation of the Property:

An appraisal dated May 31, 2023, estimates the value of the development site at $2,730,000.

CONDITIONS:

At or prior to (i) issuance of the Authority's mortgage loan commitment ("Mortgage Loan Commitment"), (ii) the initial Mortgage Loan Closing (the "Initial Closing"), or (iii) such other date as may be specified herein, the new Mortgagor, the existing Mortgagor (Gray Street Phase II Limited Dividend Housing Association, LLC, the "Seller") and other members of the Development team, where appropriate, must satisfy each of the following conditions by entering into a written agreement or providing documentation acceptable to the Authority:

Standard Conditions:

1. **Limitation for Return on Equity:**

   For each year of the Development's operation, beginning in the year in which the Mortgage Cut-Off Date occurs, as determined by the Authority, payments are limited to twelve percent (12%) of the Mortgagor's equity. Following expiration of the HAP Contract, the Mortgagor's rate of return shall not exceed twenty-five percent (25%) per annum. For purposes of distributions, the Mortgagor's equity will be the sum of (i) the LIHTC equity; (ii) the brownfield tax credit equity; (iii) the historic tax credit equity; (iv) general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority, unless HUD or other federal regulations require a different calculation. All such payments shall be referred to as "Limited Dividend Payments." The Mortgagor's return shall be fully cumulative.

2. **Income Limits:**

   The income limitations for 24 units of this proposal are as follows:

   a. Six (6) units (2 two-bedroom and 4 three-bedroom units) have been designated as Low-HOME units and during the Period of Affordability required under the HOME program (15 years) must be available for occupancy by households whose incomes do not exceed the Low HOME income limit as published by HUD, adjusted for family size.

b. Nine (9) units have been designated as HOME-ARP units (9 three-bedroom townhome units) and during the Period of Affordability required under the HOME-ARP program (15 years) must be available for occupancy by households whose incomes do not exceed the 30% MTSP Limit (as defined below), adjusted for family size.

c. 24 units (4 two-bedroom units and 20 three-bedroom units) must be occupied or available for occupancy by households whose incomes do not exceed the income limits in the PBV HAP Contract for so long as the PBV HAP Contract between the Mortgagor and the Authority is in effect (including extensions and renewals), or for such longer period as determined by HUD.

d. 24 units (4 two-bedroom units and 20 three-bedroom units) must be occupied or available for occupancy by households whose incomes do not exceed 60% of area median income, utilizing the Multifamily Tax Subsidy Projects income limits, as determined by HUD, with respect to projects financed pursuant to Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), as further amended by the Housing and Economic Recovery Act of 2008 (P.L. 110-289) ("MTSP Limits"), adjusted for family size. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

The six (6) Low HOME units received their HOME funding from the City of Detroit, and the Authority is not responsible for the HOME compliance monitoring or oversight of the occupancy or the regulations applicable to these HOME units.

To the extent units within the Development are subject to multiple sets of income limits, the most restrictive income limit will apply so long as the applicable term of affordability continues.

The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size.

3. Limitations on Rental Rates:

The Total Housing Expense (contract rent plus tenant-paid utilities) for 24 units is subject to the following limitations:

a. During the Period of Affordability required under the HOME program (15 years), the Total Housing Expense for the 6 Low-HOME units may not exceed the "Low-HOME Rent Limit" for the unit established and published annually by HUD.

b. During the Period of Affordability required under the HOME-ARP program (15 years), the Total Housing Expense for the nine (9) HOME-ARP units may not exceed one-twelfth (1/12th) of 30% of the 30% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom.

c. So long as the PBV HAP Contract remains in effect, the Mortgagor agrees to establish and maintain rents for all 24 HAP-assisted units (4 two-bedroom units, and 20 three-bedroom units) that comply with the rent levels established by the PBV HAP Contract and that do not exceed the rent levels approved by HUD.

d. The Total Housing Expense for all 24 units (4 two-bedroom units and 20 three-bedroom), may not exceed one-twelfth ($1/12^{th}$) of 30% of the 60% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

The Authority is not responsible for the compliance monitoring or oversight of the HOME rents charged for or the regulations applicable to the City of Detroit HOME units.

To the extent units within the Development are subject to multiple sets of rent limits, the most restrictive rent limit will apply so long as the applicable term of affordability continues.

For the initial lease term of the first household occupying each rent-restricted unit in the Development the initial rent may not exceed 105% of the rent approved in this Mortgage Loan Feasibility/Commitment Staff Report. Rental increases on occupied units during any 12-month period that do not receive rental subsidy under the PBV HAP Contract will be limited to not more than 5% of the rent paid by the resident household at the beginning of that annual period. Exceptions to these limitations may be granted by the Authority’s Director of Asset Management for extraordinary increases in project operating expenses (exclusive of limited dividend payments) or mortgage loan increases to fund cost overruns pursuant to the Authority's policy on Mortgage Loan increases. Rents on vacated units may be increased to the maximum level permissible by the applicable programs. Rents and utility allowances must be approved annually by the Authority’s Division of Asset Management.

4. <u>Covenant Running with the Land</u>:

The Mortgagor must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the obligations issued or to be issued to finance the Mortgage Loan. This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is 15 years after the date on which 50% of the residential units in the Development are occupied, the first day on which no bonds are outstanding with respect to the project, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations. Additionally, if LIHTC is awarded to the Development, the Mortgagor must agree to subject the property to the extended low-income use commitment required by Section 42 of the Internal Revenue Code.

5. <u>Restriction on Prepayment and Subsequent Use</u>:

The Mortgage Loan is eligible for prepayment after the expiration of fifteen (15) years after the commencement of amortization. The Mortgagor must provide the Authority with at least 60 days' written notice prior to any such prepayment.

In the event of a prepayment, however, the Mortgagor must pay a prepayment fee equal to the sum of:

a. 1% of the balance being prepaid;
b. Any bond call premium, prepayment or swap penalty, or any other cost that the Authority incurs to prepay the bonds or notes that were used to fund the Mortgage Loan; and
c. Any loss of debt service spread between the Mortgage Loan and the bonds used to finance the loan from the date of the prepayment through the end of the 20^{th} year of amortization.

Once the Mortgagor has been approved for the early prepayment of the underlying loan, it must sign an agreement with the Authority stating it is responsible for the cost of terminating the swap. The Mortgagor can then choose the timing of the termination and participate in the transaction with the swap counterparty. The swap counterparty will quote the cost of terminating the swap and the Mortgagor will have the ability to execute the transaction or cancel at its sole discretion. If the Mortgagor chooses not to terminate the swap, it will forfeit the right to prepay the Mortgage Loan.

Subordinate loans are eligible to prepay at any time upon 60 days prior written notice to the Authority, but prepayment may not extinguish federal affordability and compliance requirements.

6. <u>Operating Assurance Reserve:</u>

At Initial Closing, the Mortgagor shall fund an OAR in the amount equal to 4 months of estimated Development operating expenses (estimated to be $127,415). The OAR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority in accordance with the Authority's written policy on the use of the Operating Assurance Reserve, as amended from time to time. The OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. <u>Replacement Reserve:</u>

At Initial Closing, the Mortgagor must establish a Replacement Reserve fund with an initial deposit in an amount of $35,643 per unit. The Mortgagor must agree to make annual deposits to the Replacement Reserve, beginning on the Mortgage Cut-Off Date, at a minimum of $300 per unit for the first year of operation, payable in monthly installments, with deposits in subsequent years to be the greater of (i) the prior year’s deposit, increased by 3%, or (ii) a percentage of the Development’s projected annual rental income or gross rent potential ("GRP") for the year using the percentage obtained by dividing the first year's deposit by the first year's GRP shown on the operating proforma for the Development attached hereto. The annual deposit to the Replacement Reserve may also be increased to any higher amount that is determined to be necessary by the Authority, based on a CNA and the Authority's Replacement Reserve policies. The Authority may update any CNA or obtain a new CNA every five years, or upon any frequency, as determined necessary by the Authority.

8. One Month's Gross Rent Potential:

At Initial Closing, the Mortgagor shall deposit an amount equal to one month's gross rent potential ($33,160) into the Development's operating account.

9. Authority Subordinate Loan(s):

At Initial Closing, the Mortgagor must enter into agreements relating to the permanent HOME-ARP Loan. The HOME-ARP Loan will be secured by a subordinate mortgage and will bear simple interest at 1% with a 50-year term. No payments on the HOME-ARP Loan will be required until the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee, or (b) the 13th year following the commencement of amortization of the Mortgage Loan. Interest will continue to accrue on each loan until paid in full.

At the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee or (b) the 13th year following the date that Mortgage Loan amortization commences, repayment of the HOME-ARP Loan will be made from fifty percent (50%) of any surplus cash available for distribution. Such payments shall be applied first to accrued interest, then to current interest and principal and shall continue until the sale of the Development or refinancing of the Mortgage Loan, at which time the HOME-ARP Loan, shall be due in full. If the HOME-ARP Loan is still outstanding, then following repayment of the Mortgage Loan and continuing on the first day of every month thereafter, the Mortgagor shall make monthly payments of principal and interest equal to the monthly payments that were required on the Mortgage Loan on the first day of every month until the HOME-ARP Loan is paid in full, sale of the Development or the date that is 50 years from date of Initial Closing, whichever occurs first.

10. Architectural Plans and Specifications; Contractor's Qualification Statement:

Prior to Mortgage Loan Commitment, the architect must submit architectural drawings and specifications that address all design review comments, acceptable to the Authority's Chief Architect and the Director of Development.

Prior to Mortgage Loan Commitment, the general contractor must submit AIA Document A305 as required by the Authority's Chief Architect.

11. Owner/Architect Agreement:

Prior to Mortgage Loan Commitment, the Mortgagor must provide the Authority with an executed Owner-Architect Agreement acceptable in form and substance to the Chief Legal

Affairs Officer.

12. **Trade Payment Breakdown:**

Prior to Mortgage Loan Commitment, the general contractor must submit a signed Trade Payment Breakdown acceptable to the Authority's Chief Construction Manager.

13. **Section 3 Requirements:**

Prior to Mortgage Loan Commitment, the general contractor must agree to comply with all federal Section 3 hiring requirements. The general contractor must provide a copy of the contractor's "Section 3 Hiring Plan" which must be reviewed and found acceptable to the Authority's Section 3 Compliance Officer. In addition, the general contractor must agree to adhere to follow-up reporting requirements as established by the Authority.

14. **Equal Opportunity and Fair Housing:**

Prior to Mortgage Loan Commitment, the management and marketing agent's Affirmative Fair Housing Marketing Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer for Fair Housing Requirements.

In addition, prior to Mortgage Loan Commitment, the general contractor's Equal Employment Opportunity Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer.

15. **Davis-Bacon and Cross-cutting Federal Requirements:**

The general contractor will be required to comply with all federal prevailing wage requirements, the requirements of the Davis-Bacon and Related Acts, and other applicable federal regulations as required under the terms of the HOME-ARP Program, and the Housing Choice Voucher Program.

16. **Cost Certification:**

The contractor's cost certification must be submitted within 90 days following the completion of construction, and the Mortgagor's cost certification must be submitted within 90 days following the Mortgage Cut-off Date. For LIHTC, the owner is obligated to submit cost certifications applicable to itself and the contractor prior to issuance of IRS form 8609 (see LIHTC Program Cost Certification Guidelines).

17. **Environmental Review and Indemnification:**

Prior to Mortgage Loan Commitment, the Mortgagor must address any outstanding environmental issues, in form and substance acceptable to the Authority's Environmental Review Officer.

At Initial Closing, the Mortgagor must enter an agreement to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of any violation of environmental laws. The indemnification agreement must be acceptable to the Chief Legal Affairs Officer.

18. <u>Title Insurance Commitment and Survey:</u>

Prior to Mortgage Loan Commitment, the Mortgagor must provide an updated title insurance commitment, including zoning, pending disbursement, comprehensive, survey and such other endorsements as deemed necessary by the Authority's Chief Legal Affairs Officer. The updated title commitment must contain only exceptions to the insurance acceptable to the Authority's Chief Legal Affairs Officer.

Additionally, prior to Mortgage Loan Commitment, the Mortgagor must provide a surveyor's certificate of facts together with an ALTA survey certified to the 2021 minimum standards, and that appropriately reflects all easements, rights of way, and other issues noted on the title insurance commitment. All documents must be acceptable to the Chief Legal Affairs Officer.

19. <u>Organizational Documents/Equity Pay-In Schedule:</u>

Prior to Mortgage Loan Commitment, the Mortgagor must submit a substantially final form syndication partnership agreement, including an equity pay-in schedule, that is acceptable in form and substance to the Director of Development and Chief Legal Affairs Officer.

At or prior to Initial Closing, the final, executed syndication partnership agreement must become effective and the initial installment of equity must be paid in an amount approved by the Director of Development.

20. <u>Designation of Authority Funds:</u>

The Authority reserves the express right, in its sole discretion, to substitute alternate subordinate funding sources.

21. <u>Management & Marketing:</u>

Prior to Mortgage Loan Commitment, the management and marketing agent must submit the following documents, which must be found acceptable to the Director of Asset Management:

a. Management Agreement
b. Marketing/Construction Transition Plan

22. <u>Guaranties:</u>

At Initial Closing, the Sponsor, General Partner, and any entity receiving a developer fee in connection with the Development must deliver certain guaranties. The required guaranties include a guaranty of HOME-ARP recapture liability, a guaranty of Section 1602 recapture liability, an operating deficit guaranty and a performance completion guaranty. The required guaranties, the terms thereof and the parties who shall be required to deliver the guaranty must be determined and approved by the Authority's Director of Development.

23. <u>Financial Statements:</u>

Prior to Mortgage Loan Commitment, financial statements for the Sponsor, the guarantor(s) and the general contractor must be reviewed and found acceptable by the Authority's Chief Financial Officer.

If prior to Initial Closing the financial statements that were approved by the Authority become more than six months old, the Sponsor, the guarantor(s) and/or the general contractor must provide the Authority with updated financial statements meeting Authority requirements upon request.

24. Future Contributions:

To ensure the Authority is contributing the least amount of funding necessary to achieve project feasibility, any decrease in Development costs or future contributions not included in the Development proforma may, at the Authority's discretion, be utilized to reduce, in equal proportions, any deferred developer fee and Authority soft funds.

25. Existing Reserves:

At Initial Closing, the Mortgagor and the Seller must agree to and confirm the Authority's ownership of the existing reserves, with the exception of the tax and insurance escrow and the Supportive Services Reserve. (The existing reserves, excluding funds in the tax and insurance escrow and the Supportive Services Reserve, shall be referred to as "Net Existing Reserves.") As required by the Authority's Gap Financing Program, the Net Existing Reserves will be captured by the Authority at Initial Closing. This agreement must be acceptable to the Authority's Chief Legal Affairs Officer and the Authority's Director of Asset Management. The Net Existing Reserves captured by the Authority will not be available to settle or reconcile its accounts payable or to pay any accumulated and/or current year unpaid limited dividend payments.

26. Seller Responsibilities & Surplus Cash/Cumulative Limited Dividend Payment Waiver:

The Seller is responsible for all Development payables due up to the date that Seller's loan is repaid, and ownership of the Development is transferred to Buyer (the "Closing Date"). The Seller must settle its accounts payable on or before the Closing Date and reconcile those amounts in a manner acceptable to the Authority's Director of Asset Management. Within thirty (30) days after the Closing Date, the Seller must submit copies of records and other documents as required by the Authority's Asset Management Division to account for any surplus cash that the Seller may be holding and must remit that cash to the Authority.

The Seller waives any and all rights to any limited dividend payments, unpaid or accrued, cumulative or noncumulative, to which it may have been entitled for the time prior to and including the Closing Date.

27. Transfer and Ownership of Development Reserves:

At Initial Closing, the Development's existing tax and insurance escrows and the Supportive Services Reserve will be transferred to the account of the Mortgagor. In addition, the Mortgagor must enter into an agreement confirming the Authority's ultimate ownership of excess cash reserves, escrows, and accounts as may exist at the time the Authority's mortgage loans are paid off or the Development is sold or refinanced. This agreement must be acceptable to the Authority's Chief Legal Affairs Officer.

28. HAP Extension:

At Initial Closing, the Mortgagor must enter into an agreement to apply for and accept any HAP or other HUD subsidy extensions available in the future, subject to Authority approval.

29. Services for Residents:

Twenty-four (24) of the units in the Development will be designated as Permanent Supportive Housing (PSH) units and must be marketed to those experiencing homelessness, as defined in the Authority's Addendum III. At or prior to Initial Closing, the Mortgagor must enter into an MOU with local service providers and a Supportive Services Agreement to provide support services as described in Addendum III for these tenants for so long as the Mortgagor receives assistance under the HAP contract. The agreement must be acceptable to the Chief Legal Affairs Officer. The cost of these services must be paid from other than loan proceeds, Development operating income and residual receipts.

30. HUD Authority to Use Grant Funds:

Prior to Mortgage Loan Commitment, the Authority must receive HUD's Authority to Use Grant Funds (HUD 7015.16) in connection with the proposed HOME-ARP Loan from the Authority or confirmation that the Development is categorically excluded from NEPA review.

31. HUD Subsidy Layering Review:

Prior to Initial Closing, the subsidy layering review must be performed by Authority staff and must be submitted to HUD for approval. The subsidy layering approval is subject to review and approval by the Authority's Director of Development.

32. Application for Disbursement:

Prior to Initial Closing, the Mortgagor must submit an "Application for Disbursement" along with supporting documentation, which must be found acceptable to the Authority's Director of Development.

33. Uniform Relocation Act Compliance:

If the Development is occupied at Initial Closing and any occupants of the Development will be displaced and/or relocated as a result of the rehabilitation of the Development, then the Mortgagor and/or the Sponsor shall ensure compliance with all requirements of the Uniform Relocation Act and implementing regulations as set forth in 24 CFR Part 42 and 49 CFR Part 24, as well as 24 CFR §570.606. Such compliance shall be at the Mortgagor's or Sponsor's sole cost and expense. Prior to Final Closing, the Mortgagor must submit documentation that it has complied with all requirements of the Uniform Relocation Act. This documentation must be found acceptable by the Authority's Director of Development.

Special Conditions:

1. **Legal Requirements:**

   The Mortgagor and/or Sponsor must submit documentation acceptable to the Authority's Chief Legal Affairs Officer for the items listed below:

   - Update the title commitment and provide all necessary endorsements, and submit a corrected Owner-Architect Agreement.
   - Prior to Initial Closing, the Michigan Attorney General's Office must complete its review of the transaction and provide the Chief Legal Affairs Officer its recommendation.
   - Any other documentation as required by the Chief Legal Affairs Officer, including acceptable evidence of insurance, permits, licenses, zoning approvals, utility availability, payment and performance bonds and other closing requirements.

2. **PILOT Obtained Post-Commitment:**

   The Development has been underwritten with a 10% PILOT indicating support from the municipality. Before Initial Closing, an amended PILOT ordinance acceptable in language, form and substance to the Authority's Chief Legal Affairs Officer must be provided. If the Development does not obtain a PILOT as described above, the Development must be re-underwritten and if feasible, presented to the Board. If the Development obtains a PILOT representing a lower PILOT payment amount, any savings generated by the PILOT may be applied, at the sole discretion of an Authorized Officer of the Authority, to reduce one or all of the Authority's subordinate loans or be applied against any other obligation that the Mortgagor owes the Authority with any remainder deposited in the Development's Operating Reserve Cash account.

3. **City of Detroit HOME Loan Assumption:**

   Prior to Initial Closing, the Mortgagor must submit substantially final documents for the assumption and subordination to the Authority's loans of the City of Detroit 's HOME Loan as well as either a termination or amendment of the City's HOME Affordable Housing Restriction that are acceptable to the Authority's Chief Legal Affairs Officer.

4. **Bond Requirements:**

   At or prior to initial Mortgage Closing, the Mortgagor shall submit documentation satisfactory to the Chief Legal Affairs Officer evidencing compliance with the requirements for a single, tax-exempt bond loan.

   The tax-exempt bond loan financing of the rehabilitation of the two projects shall be evidenced by one mortgage note and one mortgage loan.

   All common area square footage (including without limitation office space, club house facilities and shared parking) must be rehabilitated with funds other than tax-exempt bond proceeds. Final determinations regarding common area square footage shall be made by the Authority's Chief Construction Manager.

Each of the projects must receive rehabilitation funding from tax-exempt bonds equal to at least 15% of its acquisition cost.

Throughout the Qualified Project Period of the tax-exempt bonds, as defined in IRS Section 142(d)(2)(A), the Mortgagor and the Authority must ensure that the minimum set-aside test found in IRS Section 142(d) is met for each of the projects.

5. **Supportive Service Reserve:**

At or prior to Mortgage Loan closing, the Mortgagor must enter into an agreement and establish a Supportive Service Reserve (SSR) with the Authority with an initial deposit of $634,192 due at initial closing. The SSR will be funded in cash, held and controlled by the Authority, and will be invested and reinvested by the Authority's Office of Finance. Interest earned on this reserve, if any, shall become part of this reserve and shall be treated and disbursed in the same way. At such time as the Authority's Mortgage Loans and all other financial obligations to the Authority are paid in full, the remaining balance of the SSR, if any, including all interest that has accumulated, will be captured by the Authority.

6. **Commercial Space Acceptable Use:**

Prior to Initial Closing, the Mortgagor must agree in writing to acknowledge that proposed commercial uses will be subject to approval of the Authority and will be compatible with the primary residential function of the building offering "basic domestic needs." The agreement must be acceptable in form and substance to the Authority's Chief Legal Affairs Officer.

DEVELOPMENT TEAM AND SITE INFORMATION

I. MORTGAGOR: Gray Street Affordable Housing Phase II Limited Dividend Housing Association Limited Partnership

II. GUARANTOR(S):

A. Guarantor #1:

Name: Communities First, Inc.
Address: 415 W. Court St.
Flint, MI 48503

III. DEVELOPMENT TEAM ANALYSIS:

A. Sponsor:

Name: Communities First, Inc.
Address: 415 W. Court St.
Flint, MI 48503

Individuals Assigned: Glenn Wilson
Telephone: 810-422-5358
E-mail: gwilson@communitiesfirstinc.org

1. **Experience**: The Sponsor has experience working on Authority-financed developments.

2. **Interest in the Mortgagor and Members**: Communities First, Inc. 100% Primary Partnership

B. **Architect**:

Name: Urban Colab Architecture, L.3.C.
Address: 801 Maxine St.
Flint, MI 48503

Individual Assigned: Kurt Neisweinder
Telephone: 810-824-8414
E-Mail: kurt@urbancolab.design

1. **Experience**: Architect has previous experience with Authority-financed developments.

2. **Architect's License**: License number 23219140851, exp. 08/31/2025.

C. **Attorney**:

Name: Dykema Gossett P.L.L.C.
Address: 400 Renaissance Center
Detroit, MI 48203

Individual Assigned: Rochelle E. Lento
Telephone: 313-568-5322
E-Mail: rlentol@dykema.com

1. **Experience**: This firm has experience in closing Authority-financed developments.

D. **Builder**:

Name: O'Brien Construction Company, Inc.
Address: 966 Livernois Rd.
Troy, MI 48083

Individual Assigned: David Vivio
Telephone: 248-334-2470
E-mail: dvivio@obriencc.com

1. **Experience**: The firm has previous experience in constructing Authority-

financed developments.

2. **State Licensing Board Registration**: License number 2101179944, with an expiration date of 05/31/2026.

E. Management and Marketing Agent:

Name:	Premier Property Management LLC
Address:	2325 W. Shiawassee Fenton, MI 48430
Individual Assigned:	Robert Beale
Telephone:	810-629-9500
E-mail:	rbeale@4premier.net

1. **Experience:** This firm has significant experience managing Authority-financed developments.

F. Development Team Recommendation: GO

IV. SITE DATA:

A. Land Control/Purchase Price:
$2,730,000

B. Site Location:
(Four individual duplex's) 2169, 2175, 2181, 2189, 2188, 2194, 2211 and 2217 Gray Street.
(Six individual duplex's) 2124, 2132, 2125, 2133, 2138, 2144, 2147, 2155, 2160, 2166, 2161 and 2169 Springle Street.
(Four apartment units) 12801 Kercheval Street.

C. Size of Site:
Approximately +/- 2.13 Acres

D. Density:
Deemed Appropriate

E. Physical Description:
1. Present Use: Multi-Family Residential
2. Existing Structures: Ten 2-story Duplexes containing two townhome-style units and one apartment-style building containing 4 units with commercial space, totaling Eleven Buildings
3. Relocation Requirements: No

F. Zoning:
12801 Kercheval zoned as B4 (General Business) 2124 – 2169 Springle and 2169 – 2217 Gray Streets zoned as R2 (Two-Family Residential).

G. Contiguous Land Use:

1. North: Multifamily
2. South: Single-Family
3. East: Single-Family
4. West: Single-Family

H. Tax Information:
The development currently has a PILOT, and a new one is expected to be provided to the preserved development by the City of Detroit.

I. Utilities:

a. DTE Energy gas
b. DTE Electric
c. City of Detroit Water and Sewage

J. Community Facilities: Walk Score of 44

1. Shopping:
A & W Food Center within .6 miles of site, Dollar Tree within .6 miles of site, Aldi within .8 miles of site, Kroger within 2.3 miles of site
2. Recreation:
Owen Park 2.4 miles of site, Neff Park 2.7 miles of site, Heilmann Recreation Center within 4.5 miles of site.
3. Public Transportation:
Detroit Public Transportation Bus Stops within .2 miles of site
4. Road Systems
Approximately .2 miles South of Conner St, 1 mile West of Jefferson Ave, 1.5 miles East of Mack Ave, 4 miles North of Interstate 94.
5. Medical Services and other Nearby Amenities:
Beaumont Hospital, Grosse Pointe within 2.3 miles of site, Henry Ford Medical Center within 3.1 miles of site
6. Description of Surrounding Neighborhood:
Single family living
7. Local Community Expenditures Apparent:
None apparent
8. Indication of Local Support:
The Development currently has a 10% PILOT and with this preservation a new PILOT will be awarded.

V. ENVIRONMENTAL FACTORS:

A Phase I Environmental Site Assessment was submitted to the Authority and has been reviewed by the Authority's Environmental Manager. (See Standard Condition No. 17).

VI. DESIGN AND COSTING STATUS:

Architectural plans and specifications consistent with the scope of work have been reviewed by the Chief Architect. A response to all design review comments and the submission of corrected and final plans and specifications must be made prior to initial closing.

This proposal will satisfy the State of Michigan barrier-free requirements, the Authority's policy regarding accessibility and non-discrimination for the disabled, the Fair Housing Amendments Act of 1988, and the HOME requirements for barrier-free vision and hearing designed units. Construction documents must be acceptable to the Authority's Chief Architect.

VII. MARKET SUMMARY:

The market study has been reviewed by the Authority's Chief Market Analyst and found to be acceptable. The Authority's Chief Market Analyst has reviewed and approved the unit mix, rental structure, and unit amenities.

VIII. EQUAL OPPORTUNITY AND FAIR HOUSING:

The contractor's Equal Employment Opportunity Plan is currently being reviewed and must be approved by the Authority's Chief Construction Manager prior to initial closing. The management and marketing agent's Affirmative Fair Housing Marketing Plan has been approved.

IX. MANAGEMENT AND MARKETING:

The management/marketing agent has submitted application-level management and marketing information, to be approved prior to initial closing by the Authority's Director of Asset Management.

X. FINANCIAL STATEMENTS:

The Sponsor's/guarantor's and the builder's financial statements have been submitted and are to be approved prior to initial closing by the Authority's Director of Rental Development.

XI. DEVELOPMENT SCHEDULING:

A. Mortgage Loan Commitment:	July	2024
B. Initial Closing and Disbursement:	October	2024
C. Construction Completion:	August	2025
D. Cut-Off Date:	February	2026

XII. ATTACHMENTS:

A. Development Proforma

APPROVALS:

Chad A. Benson 7/12/2024

Chad Benson Date
Director of Development

Anthony Lentych 7/11/2024

Tony Lentych Date
Chief Housing Investment Officer

Clarence L. Stone, Jr. 7/11/2024

Clarence L. Stone, Jr. Date
Chief Legal Affairs Officer

Amy Hovey 07/12/24

Amy Hovey Date
Chief Executive Officer and Executive Director

Development	Gray Street Apartments II
Financing	Tax Exempt
MSHDA No.	3389-2
Step	Commitment
Date	07/18/2024
Type	Acquisition/Rehab

Instructions

TOTAL DEVELOPMENT COSTS				Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Acquisition								
Land				5,833	140,000	0%	0	0
Existing Buildings				44,148	1,059,546	100%	1,059,546	0
Other: Assumed MSHDA 1602 & City HOME Loan				63,769	1,530,454	0%	0	0
			Subtotal	**113,750**	**2,730,000**			
Construction/Rehabilitation								
Off Site Improvements				0		100%	0	0
On-site Improvements				13,007	312,179	100%	312,179	0
Landscaping and Irrigation				0	0	100%	0	0
Structures				87,058	2,089,382	100%	2,089,382	2,089,382
Community Building and/or Maintenance Facility				0		100%	0	0
Construction not in Tax Credit basis (i.e.Carports and Commercial Space)				0		0%	0	0
General Requirements	% of Contract	6.00%	Within Range	6,004	144,094	100%	144,094	144,094
Builder Overhead	% of Contract	2.00%	Within Range	2,121	50,913	100%	50,913	50,913
Builder Profit	% of Contract	6.00%	Within Range	6,491	155,794	100%	155,794	155,794
Bond Premium, Tap Fees, Cost Cert.				1,770	42,480	100%	42,480	42,480
Other:				0		100%	0	0
			Subtotal	**116,452**	**2,794,842**			
			15% of acquisition and $15,000/unit test:		**met**			
Professional Fees								
Design Architect Fees				1,833	44,000	100%	44,000	44,000
Supervisory Architect Fees				458	11,000	100%	11,000	11,000
Engineering/Survey				1,042	25,000	100%	25,000	25,000
Legal Fees				3,125	75,000	100%	75,000	75,000
			Subtotal	**6,458**	**155,000**			
Interim Construction Costs								
Property & Casualty Insurance				1,667	40,000	100%	40,000	40,000
Construction Loan Interest	Override		308,315	12,846	308,315	63%	192,697	192,697
Title Work				1,875	45,000	100%	45,000	0
Construction Taxes				625	15,000	100%	15,000	15,000
Permits				1,458	35,000	100%	35,000	35,000
			Subtotal	**18,471**	**443,315**			
Permanent Financing								
Loan Commitment Fee to MSHDA			2%	7,085	170,031	0%	0	0
Other:				0		0%	0	0
			Subtotal	**7,085**	**170,031**			
Other Costs (In Basis)								
Application Fee				83	2,000	100%	2,000	2,000
Market Study				271	6,500	100%	6,500	6,500
Environmental Studies				833	20,000	100%	20,000	20,000
Cost Certification				625	15,000	100%	15,000	15,000
Equipment and Furnishings				1,042	25,000	100%	25,000	0
Temporary Tenant Relocation				6,250	150,000	100%	150,000	150,000
Construction Contingency				9,375	225,000	100%	225,000	225,000
Appraisal and C.N.A.				354	8,500	100%	8,500	8,500
Other:				0		100%	0	0
			Subtotal	**18,833**	**452,000**			
Oth Start-up and Organization				208	5,000	0%	0	0
Tax Credit Fees (based on 2022 QAP)		19,606	Within Range	817	19,606	0%	0	0
Compliance Monitoring Fee (based on 2022 QAP)				475	11,400	0%	0	0
Marketing Expense				0		0%	0	0
Syndication Legal Fees				2,500	60,000	0%	0	0
Rent Up Allowance		months		0	0	0%	0	0
Other:				0		0%	0	0
			Subtotal	**4,000**	**96,006**			

			Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis	OAR Funded Yr 1	4 Month OAR
Project Reserves									
Operating Assurance Reserve	4.0 months	Funded in Cash	5,309	127,415	0%	0	0	127,415	127,415
Replacement Reserve		Required	35,643	855,424	0%	0	0		
Operating Deficit Reserve		Not Required	0	0	0%	0	0		
Rent Subsidy Reserve			0	0	0%	0	0		
Syndicator Held Reserve			0	0	0%	0	0		
Rent Lag Escrow			0	0	0%	0	0		
Tax and Insurance Escrows			1,410	33,844	0%	0	0		
Other: Supportive Service Reserve			26,425	634,192	0%	0	0		
Other:			0		0%	0	0		
		Subtotal	**68,786**	**1,650,875**					
Miscellaneous									
Deposit to Development Operating Account (1MGRP)		Required	1,382	33,160	0%	0	0		
Other (Not in Basis):			0	0	0%	0	0		
Other (In Basis):			0	0	100%	0	0		
Other (In Basis):			0	0	100%	0	0		
		Subtotal	**1,382**	**33,160**					
Total Acquisition Costs			**113,750**	**2,730,000**					
Total Construction Hard Costs			**116,452**	**2,794,842**					
Total Non-Construction ("Soft") Costs			**125,016**	**3,000,387**					

Developer Overhead and Fee

Maximum	950,219		39,592	950,219
7.5%	of Acquisition/Project Reserves	Override		**5% Attribution Test**
15%	of All Other Development Costs			**met**

Developer fee: 100% in basis; Tax Credit Basis 950,219; Historic TC Basis 950,219

	Per Unit	Total	LIHTC Basis	Historic Basis	Aggregate Basis
Total Development Cost	**394,810**	**9,475,447**	**5,739,304**	**4,297,579**	**5,879,304**

TOTAL DEVELOPMENT SOURCES	% of TDC	Per Unit	Total
MSHDA Permanent Mortgage	FALSE	51,454	1,234,896
Conventional/Other Mortgage	0.00%	0	0
Equity Contribution From Tax Credit Syndication	26.47%	104,493	2,507,833
MSHDA NSP Funds	0.00%	0	
MSHDA HOME	0.00%	0	
MSHDA 1602 Assumption	7.09%	27,977	671,437
MSHDA TCAP	0.00%	0	
MSHDA Housing Trust Funds	0.00%	0	
MSHDA CERA	0.00%	0	
MSHDA HOME-ARP	30.64%	120,954	2,902,893
MSHDA HCDF	0.00%	0	
Local HOME Assumption	9.07%	35,792	859,017
Income from Operations	1.65%	6,498	155,945
Other Equity	0.00%	0	
Transferred Reserves:	7.05%	27,835	668,036
Other:	0.00%	0	
Other:	0.00%	0	
Deferred Developer Fee	5.02%	19,808	475,390
Total Permanent Sources			**9,475,447**

# of Units	Gap to Hard Debt Ratio	Home Subsidy Limit	HOME Unit Mix	HTF Unit Mix
0.00	357.34%	1,524,759	1 Two Bedroom	0 Two Bedroom, 1 Bath, 1
6.00		**HTF Subsidy Limit**	1 Two Bedroom	0 Two Bedroom, 1.5 Bath
			1 Three Bedroo	0 Three Bedroom, 2 Bath,
0.00				
0.00		0	3 Three Bedroo	0 Three Bedroom, 2 Bath,
0.00				
8.00				
0.00				

Deferred Dev Fee
50.03%

Sources Equal Uses?	**Balanced**
Surplus/(Gap)	**0**

MSHDA Construction Loan	**52.00%**	**205,301**	**4,927,232**
Construction Loan Rate	6.625%		
Repaid from equity prior to final closing			**3,692,336**

Summary of Acquisition Price		As of	August 11, 2023
Attributed to Land	140,000	1st Mortgage (Flagstar) Balance	1,292,538
Attributed to Existing Structures	1,059,546	MSHDA 1602 Loan	671,437
Other: Assumed MSHDA 1602	1,530,454	Subordinate Mortgage(s)	
Fixed Price to Seller	2,730,000	Existing Detroit Home Loan	859,017
		Premium/(Deficit) vs Existing Debt	**(92,992)**

Construction Loan Term	Months
Construction Contract	10
Holding Period (50% Test)	6
Rent Up Period	0
Construction Loan Period	16

Eligible Basis for LIHTC/TCAP	
Acquisition	1,119,523
Construction	6,005,714
Acquisition Credit %	4.00%
Rehab/New Const Credit %	4.00%
Qualified Percentage	100.00%
QCT/DDA Basis Boost	130%
Historic?	No

Value of LIHTC/TCAP		
Acquisition	44,781	
Construction	240,229	Override
Total Yr Credit	285,010	
Equity Price	$0.8800	
Equity Effective Price	$0.8800	Override
Equity Contribution	2,507,833	

Existing Reserve Analysis			
DCE Interest:		Exhisting MSHDA Supportive Service Rese	634,192
Insurance:	12,328	Reserves Captured by MSHDA	568,508
Taxes:	21,516	Tax/Ins Escrows transferred to project	33,844
Rep. Reserve	143,519		
ORC:			
Supporting Se	634,192		
Other:	424,989		

Appraised Value	Value As of:	May 31,2023
"Encumbered As-Is" value as determined by appraisal:		2,730,000
Plus 5% of Appraised Value:		0
LESS Fixed Price to the Seller:		2,730,000
Surplus/(Gap)	Within Range	**1**

Override

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	2,507,833
Brownfield Equity	
Historic Tax Credit Equity	
General Partner Capital Contributions	
Other Equity Sources	
New Owner's Equity	**2,507,833**

Development	Gray Street Apartments II
Financing	Tax Exempt
MSHDA No.	3389-2
Step	Commitment
Date	########
Type	Acquisition/Rehab

Instructions

Income Limits for	Wayne County				(Effective April 18,2022)	
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
0% of area median	18,810	21,480	24,180	26,850	29,010	31,170
0% of area median	25,080	28,640	32,240	35,800	38,680	41,560
0% of area median	31,350	35,800	40,300	44,750	48,350	51,950
0% of area median	37,620	42,960	48,360	53,700	58,020	62,340

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	Current Section 8 Contract Rent	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense
60%	Area Median Income Units																
30%	Tenant AMI Restriction (if different from rent restriction)																
Yes	MSHDA Project Based Voucher Units																
Family	Occupancy																
D	9	Townhome	3	2.0	1,916	1,403	351	1,754	151,524		38.1%	37.5%	17,244	41.1%	17,244	HOME-ARP	1,396
									151,524	0	38.1%	37.5%	17,244	41.1%	17,244		
60%	Area Median Income Units																
30%	Tenant AMI Restriction (if different from rent restriction)																
Yes	MSHDA Project Based Voucher Units																
Family	Occupancy																
A	2	Apartment	2	1.0	1,028	1,290	130	1,420	30,960	0	7.8%	8.3%	2,056	4.9%	2,056		1,209
D	7	Townhome	3	2.0	1,916	1,403	351	1,754	117,852	0	29.6%	29.2%	13,412	32.0%	13,412		1,396
									148,812	0	37.4%	37.5%	15,468	36.9%	15,468		
60%	Area Median Income Units																
30%	Tenant AMI Restriction (if different from rent restriction)																
Yes	MSHDA Project Based Voucher Units																
Family	Occupancy																
A	1	Apartment	2	1.0	1,028	1,264	130	1,394	15,168	0	3.8%	4.2%	1,028	2.4%	1,028	Low HOME	1,209
B	1	Townhome	2	1.5	1,185	1,129	265	1,394	13,548	0	3.4%	4.2%	1,185	2.8%	1,185	Low HOME	1,209
C	1	Apartment	3	2.0	1,300	1,581	156	1,737	18,972	0	4.8%	4.2%	1,300	3.1%	1,300	Low HOME	1,396
D	3	Townhome	3	2.0	1,916	1,386	351	1,737	49,896	0	12.5%	12.5%	5,748	13.7%	5,748	Low HOME	1,396
									97,584	0	24.5%	25.0%	9,261	22.1%	9,261		
Mgrs									0	0	0.0%	0.0%	0	0.0%	0		
													41,973		**41,973**		

Total Revenue Units	**24**
Manager Units	**0**
Income Average	60.00%
Set Aside	100.00%

Gross Rent Potential	**397,920**
Average Monthly Rent	**1,382**
Gross Square Footage	**41,973**

HOME Units SF/Total Units SF	22.1%	**Within Range**
# HOME Units/# Total Units	25.0%	**Within Range**

Utility Allowances

	Electricity	A/C	Gas	Water/ Sewer	Other	Total	Override
	Tenant-Paid	Tenant-Paid	Tenant-Paid	Owner-Paid			
A						0	130.00
B						0	265.00
C						0	156.00
D						0	351.00
E						0	
F						0	
G						0	
H						0	

Annual Non-Rental Income

Misc. and Interest	196
Laundry	
Carports	
Other: late/process fees, dama	3,106
Other:	
	3,302

Total Income	**Annual**	**Monthly**
Rental Income	397,920	33,160
Non-Rental Income	3,302	275
Total Project Revenue	401,222	33,435

Development Gray Street Apartments II
Financing Tax Exempt
MSHDA No. 3389-2
Step Commitment
Date 07/18/2024
Type Acquisition/Rehab

Replacement Reserve Analysis

Cost Inflation	103%
RR Period	20

Min. Deposit	16,800
15 Year	487,771
20 Year	855,424

Required Initial Deposit **855,424**
Per Unit **35,643**

Year	Starting Balance	RR Needs	Contribution	Net Annual Change	Interest	Ending Balance
1	855,424	1,000	7,200	6,200	25,663	887,287
2	887,287	10,472	7,416	(3,056)	26,619	910,849
3	910,849	2,829	7,638	4,809	27,325	942,984
4	942,984	2,914	7,868	4,954	28,290	976,227
5	976,227	1,126	8,104	6,978	29,287	1,012,492
6	1,012,492	25,068	8,347	(16,721)	30,375	1,026,145
7	1,026,145	133,528	8,597	(124,931)	30,784	931,999
8	931,999	35,278	8,855	(26,423)	27,960	933,536
9	933,536	36,377	9,121	(27,256)	28,006	934,286
10	934,286	34,078	9,394	(24,684)	28,029	937,631
11	937,631	122,023	9,676	(112,347)	28,129	853,413
12	853,413	54,243	9,966	(44,277)	25,602	834,739
13	834,739	124,492	10,265	(114,227)	25,042	745,554
14	745,554	98,371	10,573	(87,798)	22,367	680,123
15	680,123	138,626	10,891	(127,735)	20,404	**572,792**
16	572,792	176,161	11,217	(164,944)	17,184	425,032
17	425,032	171,896	11,554	(160,342)	12,751	277,441
18	277,441	96,622	11,901	(84,721)	8,323	201,042
19	201,042	134,940	12,258	(122,682)	6,031	84,391
20	84,391	99,548	12,625	(86,923)	2,532	**(0)**

Total Units	24
Interest Rate on Reserves	3%
Year 1 RR Deposits	300
Min Initial Deposit ($700/unit)	16800

Cash Flow Projections

Development Gray Street Apartments II
Financing Tax Exempt
MSHDA No. 3389-2
Step Commitment
Date 07/18/2024
Type Acquisition/Rehab

	Initial Inflator	Starting in Yr	Future Inflator	1	2	3	4	5	6	7	8	9	10
Income													
Annual Rental Income	2.0%	6	2.0%	397,920	405,878	413,996	422,276	430,721	439,336	448,123	457,085	466,227	475,551
Annual Non-Rental Income	2.0%	6	2.0%	3,302	3,368	3,435	3,504	3,574	3,645	3,718	3,793	3,868	3,946
Total Project Revenue				**401,222**	**409,246**	**417,431**	**425,780**	**434,295**	**442,981**	**451,841**	**460,878**	**470,095**	**479,497**
Expenses													
Vacancy Loss	9.9%	6	6.0%	39,434	40,223	41,027	41,848	42,684	26,360	26,887	27,425	27,974	28,533
Management Fee	3.0%	1	3.0%	15,216	15,672	16,143	16,627	17,126	17,640	18,169	18,714	19,275	19,853
Administration	3.0%	1	3.0%	60,288	62,097	63,960	65,878	67,855	69,890	71,987	74,147	76,371	78,662
Project-paid Fuel	3.0%	6	3.0%	2,661	2,741	2,823	2,908	2,995	3,085	3,177	3,273	3,371	3,472
Common Electricity	4.0%	6	3.0%	4,036	4,197	4,365	4,540	4,722	4,863	5,009	5,159	5,314	5,474
Water and Sewer	5.0%	6	5.0%	16,984	17,833	18,725	19,661	20,644	21,676	22,760	23,898	25,093	26,348
Operating and Maintenance	3.0%	1	3.0%	85,796	88,370	91,021	93,752	96,564	99,461	102,445	105,518	108,684	111,944
Real Estate Taxes	5.0%	1	5.0%	0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)				33,481	34,088	34,706	35,332	35,968	38,335	39,029	39,733	40,447	41,172
Insurance	3.0%	1	3.0%	10,823	11,148	11,482	11,827	12,181	12,547	12,923	13,311	13,710	14,122
Replacement Reserve	3.0%	1	3.0%	7,200	7,416	7,638	7,868	8,104	8,347	8,597	8,855	9,121	9,394
Other: Payroll Taxes, Health Insurance, misc taxe	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	0
Other: City of Detroit Payment	3.0%	1	3.0%	11,440	11,783	12,137	12,501	12,876	13,262	13,660	14,070	14,492	14,927
Subtotal: Operating Expenses				287,358	295,568	304,026	312,740	321,718	315,466	324,644	334,103	343,852	353,901
Debt Service													
Debt Service Part A				94,886	94,886	94,886	94,886	94,886	94,886	94,886	94,886	94,886	94,886
Debt Service Conventional/Other Financing				0	0	0	0	0	0	0	0	0	0
Total Expenses				**382,244**	**390,454**	**398,912**	**407,626**	**416,604**	**410,352**	**419,530**	**428,989**	**438,738**	**448,787**
Cash Flow/(Deficit)				**18,977**	**18,792**	**18,519**	**18,153**	**17,691**	**32,629**	**32,311**	**31,889**	**31,357**	**30,710**
Cash Flow Per Unit				791	783	772	756	737	1,360	1,346	1,329	1,307	1,280
Debt Coverage Ratio on Part A Loan				1.20	1.20	1.20	1.19	1.19	1.34	1.34	1.34	1.33	1.32
Debt Coverage Ratio on Conventional/Other Financing				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Interest Rate on Reserves 3%

Average Cash Flow as % of Net Income

Operating Deficit Reserve (ODR) Analaysis												
Maintained Debt Coverage Ratio (Hard Debt)	1.00											
Maintained Operating Reserve (No Hard Debt)	250	Initial Deposit										
Initial Balance		0	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR			0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR			0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR			0	0	0	0	0	0	0	0	0	0
Interest			0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR			0	0	0	0	0	0	0	0	0	0
Maintained Cash Flow Per Unit			791	783	772	756	737	1,360	1,346	1,329	1,307	1,280
Maintained Debt Coverage Ratio on Part A Loan			1.20	1.20	1.20	1.19	1.19	1.34	1.34	1.34	1.33	1.32
Maintained Debt Coverage Ratio on Conventional/Other			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR		0										
Non-standard ODR		0										

Operating Assurance Reserve Analysis		127,415										
Required in Year:	1	Initial Deposit										
Initial Balance		127,415	127,415	131,237	135,174	139,230	143,407	147,709	152,140	156,704	161,405	166,247
Interest Income			3,822	3,937	4,055	4,177	4,302	4,431	4,564	4,701	4,842	4,987
Ending Balance			131,237	135,174	139,230	143,407	147,709	152,140	156,704	161,405	166,247	171,235

Deferred Developer Fee Analysis											
Initial Balance		475,390	456,413	437,621	419,102	400,949	383,258	350,629	318,318	286,430	255,073
Dev Fee Paid		18,977	18,792	18,519	18,153	17,691	32,629	32,311	31,889	31,357	30,710
Ending Balance	Repaid in y 0	456,413	437,621	419,102	400,949	383,258	350,629	318,318	286,430	255,073	224,363

Mortgage Resource Fund Loan												
Interest Rate on Subordinate Financing	3%	Initial Balance										
Principal Amount of all MSHDA Soft Funds		671,437	671,437	671,437	671,437	671,437	671,437	671,437	671,437	671,437	671,437	671,437
Current Yr Int			20,143	20,143	20,143	20,143	20,143	20,143	20,143	20,143	20,143	20,143
Accrued Int			0	20,143	40,286	60,429	80,572	100,715	120,859	141,002	161,145	181,288
Subtotal		% of Cash Flow	691,580	711,723	731,866	752,009	772,152	792,295	812,438	832,581	852,724	872,867
Annual Payment Due		50%	0	0	0	0	0	0	0	0	0	0
Year End Balance			691,580	711,723	731,866	752,009	772,152	792,295	812,438	832,581	852,724	872,867

Cash Flow Projections

	Initial Inflator	Starting in Yr	Future Inflator		11	12	13	14	15	16	17	18	19	20
Income														
Annual Rental Income	2.0%	6	2.0%		485,062	494,764	504,659	514,752	525,047	535,548	546,259	557,184	568,328	579,694
Annual Non-Rental Income	2.0%	6	2.0%		4,025	4,105	4,187	4,271	4,356	4,444	4,532	4,623	4,716	4,810
Total Project Revenue					**489,087**	**498,869**	**508,846**	**519,023**	**529,403**	**539,992**	**550,791**	**561,807**	**573,043**	**584,504**
Expenses														
Vacancy Loss	9.9%	6	6.0%		29,104	29,686	30,280	30,885	31,503	32,133	32,776	33,431	34,100	34,782
Management Fee	3.0%	1	3.0%		20,449	21,063	21,694	22,345	23,016	23,706	24,417	25,150	25,904	26,681
Administration	3.0%	1	3.0%		81,022	83,453	85,956	88,535	91,191	93,927	96,745	99,647	102,636	105,715
Project-paid Fuel	3.0%	6	3.0%		3,576	3,683	3,794	3,908	4,025	4,146	4,270	4,398	4,530	4,666
Common Electricity	4.0%	6	3.0%		5,638	5,807	5,981	6,161	6,345	6,536	6,732	6,934	7,142	7,356
Water and Sewer	5.0%	6	5.0%		27,665	29,048	30,501	32,026	33,627	35,309	37,074	38,928	40,874	42,918
Operating and Maintenance	3.0%	1	3.0%		115,303	118,762	122,325	125,994	129,774	133,667	137,677	141,808	146,062	150,444
Real Estate Taxes	5.0%	1	5.0%		0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)					41,908	42,654	43,410	44,177	44,955	45,743	46,541	47,349	48,168	48,997
Insurance	3.0%	1	3.0%		14,545	14,982	15,431	15,894	16,371	16,862	17,368	17,889	18,425	18,978
Replacement Reserve	3.0%	1	3.0%		9,676	9,966	10,265	10,573	10,891	11,217	11,554	11,901	12,258	12,625
Other: Payroll Taxes, Health Insurance, misc taxe	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Other: City of Detroit Payment	3.0%	1	3.0%		15,374	15,836	16,311	16,800	17,304	17,823	18,358	18,909	19,476	20,060
Subtotal: Operating Expenses					364,260	374,939	385,948	397,298	409,001	421,068	433,511	446,342	459,575	473,223
Debt Service														
Debt Service Part A					94,886	94,886	94,886	94,886	94,886	94,886	94,886	94,886	94,886	94,886
Debt Service Conventional/Other Financing					0	0	0	0	0	0	0	0	0	0
Total Expenses					**459,146**	**469,825**	**480,834**	**492,185**	**503,887**	**515,954**	**528,397**	**541,228**	**554,461**	**568,109**
Cash Flow/(Deficit)					**29,941**	**29,044**	**28,012**	**26,838**	**25,516**	**24,038**	**22,395**	**20,579**	**18,582**	**16,395**
Cash Flow Per Unit					1,248	1,210	1,167	1,118	1,063	1,002	933	857	774	683
Debt Coverage Ratio on Part A Loan					1.32	1.31	1.30	1.28	1.27	1.25	1.24	1.22	1.20	1.17
Debt Coverage Ratio on Conventional/Other Financing					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Rate on Reserves	3%													
Operating Deficit Reserve (ODR) Analaysis														
Maintained Debt Coverage Ratio (Hard Debt)	1.00													
Maintained Operating Reserve (No Hard Debt)	250			Initial Deposit										
Initial Balance				**0**	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR					0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR					0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR					0	0	0	0	0	0	0	0	0	0
Interest					0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR					0	0	0	0	0	0	0	0	0	0
Maintained Cash Flow Per Unit					1,248	1,210	1,167	1,118	1,063	1,002	933	857	774	683
Maintained Debt Coverage Ratio on Part A Loan					1.32	1.31	1.30	1.28	1.27	1.25	1.24	1.22	1.20	1.17
Maintained Debt Coverage Ratio on Conventional/Other					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR				**0**										
Non-standard ODR				**0**										
Operating Assurance Reserve Analysis				127,415										
Required in Year:	1			Initial Deposit										
Initial Balance				**127,415**	171,235	176,372	181,663	187,113	192,726	198,508	204,463	210,597	216,915	223,423
Interest Income					5,137	5,291	5,450	5,613	5,782	5,955	6,134	6,318	6,507	6,703
Ending Balance					176,372	181,663	187,113	192,726	198,508	204,463	210,597	216,915	223,423	230,125
Deferred Developer Fee Analysis														
Initial Balance					224,363	194,422	165,379	137,367	110,529	85,012	60,975	38,580	18,001	0
Dev Fee Paid					29,941	29,044	28,012	26,838	25,516	24,038	22,395	20,579	18,001	0
Ending Balance Repaid in y	0				194,422	165,379	137,367	110,529	85,012	60,975	38,580	18,001	0	0
Mortgage Resource Fund Loan														
Interest Rate on Subordinate Financing	3%			Initial Balance										
Principal Amount of all MSHDA Soft Funds				**671,437**	671,437	671,437	671,437	671,437	671,437	671,437	671,437	671,437	671,437	671,437
Current Yr Int					20,143	20,143	20,143	20,143	20,143	20,143	20,143	20,143	20,143	20,143
Accrued Int					201,431	221,574	241,717	261,860	282,003	302,146	322,290	342,433	362,576	382,428
Subtotal				% of Cash Flow	893,011	913,154	933,297	953,440	973,583	993,726	1,013,869	1,034,012	1,054,155	1,074,008
Annual Payment Due				**50%**	0	0	0	0	0	0	0	0	290	8,198
Year End Balance					893,011	913,154	933,297	953,440	973,583	993,726	1,013,869	1,034,012	1,053,865	1,065,810

Development Gray Street Apartments II
Financing Tax Exempt
MSHDA No. 3389-2
Step Commitment
Date 45491
Type Acquisition/Rehab

Use Sources & Uses Page: Sources & Uses

Pay-In Schedule

Uses	Amount Budgeted from Costs	Jan 2025 Initial Closing (1/1/2025)	Feb 2025 Draw 2	Mar 2025 Draw 3	Apr 2025 Draw 4	May 2025 Draw 5	Jun 2025 Draw 6	Jul 2025 Draw 7	Aug 2025 Draw 8	Sep 2025 Draw 9	Oct 2025 Draw 10	Nov 2025 Draw 11	Dec 2025 Draw 12	Jan 2026 Draw 13	Feb 2026 Draw 14	Mar 2026 Draw 15	Apr 2026 Draw 16	May 2026 Draw 17	Jun 2026 Draw 18	Jul 2026 Draw 19	Total	Variance
			11%	21%	30%	40%	50%	59%	69%	78%	88%	98%	100%									
Acquisition	2,730,000	2,730,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,730,000	0
Land	140,000	140,000																			140,000	0
Existing Buildings	1,059,546	1,059,546																			1,059,546	0
Other: Assumed MSHDA 1602	1,530,454	1,530,454																			1,530,454	0
Override																					0	0
Construction/Rehabilitation	2,794,842	42,480	268,355	268,355	268,355	268,355	268,355	268,355	268,355	268,355	268,355	268,355	68,809	0	0	0	0	0	0	0	2,794,842	0
Off Site Improvements	0																				0	0
On-site Improvements	312,179																				0	(312,179)
Landscaping and Irrigation	0																				0	0
Structures	2,089,382																				0	(2,089,382)
Community Building and/or Mai	0																				0	0
Construction not in Tax Credit b	0																				0	0
General Requirements	144,094																				0	(144,094)
Builder Overhead	50,913																				0	(50,913)
Builder Profit	155,794																				0	(155,794)
Bond Premium, Tap Fees, Cost	42,480	42,480																			42,480	0
Other:	0																				0	0
Override			268,355	268,355	268,355	268,355	268,355	268,355	268,355	268,355	268,355	268,355	68,809								2,752,362	2,752,362
Professional Fees	155,000	144,000	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	0	0	0	0	0	0	0	0	155,000	0
Design Architect Fees	44,000	44,000																			44,000	0
Supervisory Architect Fees	11,000		1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100									11,000	0
Engineering/Survey	25,000	25,000																			25,000	0
Legal Fees	75,000	75,000																			75,000	0
Override																					0	0
Interim Contruction Costs	135,000	120,000	0	0	0	0	0	7,500	0	0	0	0	7,500	0	0	0	0	0	0	0	135,000	0
Property & Casualty Insurance	40,000	40,000																			40,000	0
Title Work	45,000	45,000																			45,000	0
Construction Taxes	15,000							7,500					7,500								15,000	0
Permits	35,000	35,000																			35,000	0
Override																					0	0
Construction Loan Interest	308,315		12,267	14,266	15,854	17,451	19,056	20,670	22,334	24,243	26,162	27,202	27,202	27,202	27,202	27,202	0	0	0	0	308,315	0
Permanent Financing	170,031	170,031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	170,031	0
2% Loan Commitment Fee to M	170,031	170,031																			170,031	0
Other:	0																				0	0
Override																					0	0
Other Costs(In Basis)	452,000	37,000	15,000	15,000	15,000	15,000	15,000	65,000	65,000	65,000	65,000	65,000	15,000	0	0	0	0	0	0	0	452,000	0
Application Fee	2,000	2,000																			2,000	0
Market Study	6,500	6,500																			6,500	0
Environmental Studies	20,000	20,000																			20,000	0
Cost Certification	15,000												15,000								15,000	0
Equipment and Furnishings	25,000							5,000	5,000	5,000	5,000	5,000									25,000	0
Temporary Tenant Relocation	150,000		15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000									150,000	0
Construction Contingency	225,000							45,000	45,000	45,000	45,000	45,000									225,000	0
Appraisal and C.N.A.	8,500	8,500																			8,500	0
Other:	0																				0	0
Override																					0	0
Other Costs(NOT In Basis)	96,006	65,000	0	0	0	0	0	0	0	0	0	0	31,006	0	0	0	0	0	0	0	96,006	0
Start-up and Organization	5,000	5,000																			5,000	0
Tax Credit Fees (based on 202	19,606												19,606								19,606	0
Compliance Monitoring Fee (ba	11,400												11,400								11,400	0
Marketing Expense	0																				0	0
Syndication Legal Fees	60,000	60,000																			60,000	0
Rent Up Allowance	0																				0	0
Other:	0																				0	0
Override																					0	0
Project Reserves	1,650,875	1,650,875	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,650,875	0
Operating Assurance Reserve	127,415	127,415																			127,415	0
Replacement Reserve	855,424	855,424																			855,424	0
Operating Deficit Reserve	0																				0	0
Rent Subsidy Reserve	0																				0	0
Syndicator Held Reserve	0																				0	0
Rent Lag Escrow	0																				0	0
Tax and Insurance Escrows	33,844	33,844																			33,844	0
Other: Supportive Service Rese	634,192	634,192																			634,192	0
Other:	0																				0	0
Override																					0	0
Miscellaneous	33,160	33,160	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	33,160	0
Deposit to Development Operat	33,160	33,160																			33,160	0
Other (Not in Basis):	0																				0	0
Other (In Basis):	0																				0	0
Other (In Basis):	0																				0	0
Override																					0	0
Developer Fee	950,219	143,813										143,813				187,626			100,000		575,252	(374,967)
Total Uses	9,475,447	5,136,359	296,722	298,722	300,309	301,906	303,511	362,625	356,790	358,698	360,617	505,471	149,517	27,202	27,202	214,828	0	0	100,000	0	9,100,481	(374,967)
Cumulative Uses		*5,136,359*	*5,433,081*	*5,731,802*	*6,032,112*	*6,334,018*	*6,637,529*	*7,000,154*	*7,356,944*	*7,715,642*	*8,076,259*	*8,581,730*	*8,731,247*	*8,758,450*	*8,785,652*	*9,000,481*	*9,000,481*	*9,000,481*	*9,100,481*	*9,100,481*		
Sources Interest Rate	6.625%																					
Construction Loan	4,927,232	2,298,532	285,583	287,583	289,171	290,767	292,372	301,486	345,651	347,559	188,528					-4,927,232					0	(4,927,232)
MSHDA Permanent Mortgage	1,234,896															1,234,896					1,234,896	0
Conventional/Other Mortgage	0																				0	0
Equity Contribution From Tax Credit Syndicatio	2,507,833	489,337										367,003				1,490,345			100,000		2,446,685	(61,148)
MSHDA NSP Funds	0																				0	0
MSHDA HOME	0																				0	0
MSHDA 1602 Assumption	671,437	671,437																			671,437	0
MSHDA TCAP	0																				0	0
MSHDA Housing Trust Funds	0																				0	0
MSHDA CERA	0																				0	0
MSHDA HOME-ARP	2,902,893	150,000						50,000			160,950	127,329	138,379	16,064	16,064	2,244,109					2,902,893	0
MSHDA HCDF	0																				0	0
Local HOME Assumption	859,017	859,017																			859,017	0
Income from Operations	155,945		11,139	11,139	11,139	11,139	11,139	11,139	11,139	11,139	11,139	11,139	11,139	11,139	11,139	11,139					155,945	0
Other Equity	0																				0	0
Transferred Reserves:	668,036	668,036																			668,036	0
Other:	0																				0	0
Other:	0																				0	0
Deferred Developer Fee	475,390																				0	(475,390)
Construction Loan Running Balance		2,298,532	2,584,115	2,871,698	3,160,869	3,451,636	3,744,008	4,045,494	4,391,145	4,738,704	4,927,232	4,927,232	4,927,232	4,927,232	4,927,232	0	0	0	0	0		
Total Sources	9,475,447	5,136,359	296,722	298,722	300,309	301,906	303,511	362,625	356,790	358,698	360,617	505,471	149,517	27,202	27,202	53,256	0	0	100,000	0	8,938,909	(536,538)
Cumulative Sources		*5,136,359*	*5,433,081*	*5,731,802*	*6,032,112*	*6,334,018*	*6,637,529*	*7,000,154*	*7,356,944*	*7,715,642*	*8,076,259*	*8,581,730*	*8,731,247*	*8,758,450*	*8,785,652*	*8,838,909*	*8,838,909*	*8,838,909*	*8,938,909*	*8,938,909*		
Balance	-1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-161,572	0	0	0	0	-161,572	
Cumulative Balance		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*-161,572*	*-161,572*	*-161,572*	*-161,572*	*-161,572*	*0*	
Eligible basis items plus land	5,879,304																					
50% Test (for 4% deals)		24%	27%	30%	33%	36%	40%	43%	46%	50%	52%	52%	52%	52%	52%	0%	0%	0%	0%	0%		

DRAFT
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
GRAY STREET II APARTMENTS, MSHDA DEVELOPMENT NO. 3389-2
CITY OF DETROIT, WAYNE COUNTY

<u>July 18, 2024</u>

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (the "Act"), to make mortgage loans to qualified non-profit housing corporations, consumer housing cooperatives and limited dividend housing corporations and associations; and

WHEREAS, an Application for Mortgage Loan Feasibility has been filed with the Authority by Communities First, Inc. (the "Applicant") for a multifamily housing project to be located in the City of Detroit, Wayne County, Michigan, having an estimated total development cost of Nine Million Four Hundred Seventy-Five Thousand Four Hundred Forty-Seven Dollars ($9,475,447), a total estimated maximum mortgage loan amount of Four Million Nine Hundred Twenty-Seven Thousand Two Hundred Thirty-Two Dollars ($4,927,232) (hereinafter referred to as the "Application"); and

WHEREAS, a housing association to be formed by the Applicant may become eligible to receive a mortgage loan from the Authority under the provisions of the Act and the Authority's General Rules; and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and her recommendation with respect thereto; and

WHEREAS, the Authority has considered the Application in the light of the Authority's project mortgage loan feasibility evaluation factors.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The following determinations be and they hereby are made:

   a. The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located, thereby enhancing the viability of such housing.

   b. The Applicant is reasonably expected to be able to achieve successful completion of the proposed housing project.

   c. The proposed housing project will meet a social need in the area in which it is to be located.

   d. A mortgage loan, or a mortgage loan not made by the Authority that is a federally-aided mortgage, can reasonably be anticipated to be obtained to provide financing for the proposed housing project.

e. The proposed housing project is a feasible housing project.

f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Five Million Eight Hundred Fifteen Thousand Dollars ($5,815,000).

2. The proposed housing project be and it is hereby determined to be feasible for a mortgage loan on the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Report of the Authority Staff presented to the meeting, subject to any and all applicable determinations and evaluations issued or made with respect to the proposed housing project by other governmental agencies or instrumentalities or other entities concerning the effects of the proposed housing project on the environment as evaluated pursuant to the federal National Environmental Policy Act of 1969, as amended, and the regulations issued pursuant thereto as set forth in 24 CFR Part 58.

3. The determination of feasibility is based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this feasibility determination resolution may, at the option of the Chief Executive Officer and Executive Director, the Chief Housing Investment Officer, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in any of the foregoing capacities (each an "Authorized Officer"), be immediately rescinded.

4. Neither this determination of feasibility nor the execution prior to closing of any documents requested to facilitate processing of a proposed mortgage loan to be used in connection therewith constitutes a promise or covenant by the Authority that it will make a Mortgage Loan to the Applicant.

5. This determination of Mortgage Loan Feasibility is conditioned upon the availability of financing to the Authority. The Authority does not covenant that funds are or will be available for the financing of the subject proposed housing development.

6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MORTGAGE LOANS
GRAY STREET II APARTMENTS, MSHDA DEVELOPMENT NO. 3389-2
CITY OF DETROIT, WAYNE COUNTY

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized, under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (hereinafter referred to as the "Act"), to make mortgage loans to qualified nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations and associations and certain qualified individuals; and

WHEREAS, an application (the "Application") has been filed with the Authority by Communities First, Inc. (the "Applicant") for a construction mortgage loan in the amount of Four Million Nine Hundred Twenty-Seven Thousand Two Hundred Thirty-Two Dollars ($4,927,232), and a permanent mortgage loan in the amount of One Million Two Hundred Thirty-Four Thousand Eight Hundred Ninety-Six Dollars ($1,234,896), for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Nine Million Four Hundred Seventy-Five Thousand Four Hundred Forty-Seven Dollars ($9,475,447), to be known as Gray Street II Apartments (the "Development"), located in the City of Detroit, Wayne County, Michigan, and to be owned by Gray Street Affordable Housing Phase II Limited Dividend Housing Association Limited Partnership (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a mortgage loan under the HOME Investment Partnerships Program using HOME-ARP funds in the estimated amount of Two Million Nine Hundred Two Thousand Eight Hundred Ninety-Three Dollars ($2,902,893) (the "HOME-ARP Loan"); and

WHEREAS, the Development is currently subject to a mortgage loan (the "Section 1602 Loan") made by the Authority to Gray Street Phase II Limited Dividend Housing Association, LLC, and the Applicant has requested that the Mortgagor be allowed to assume the existing Section 1602 Loan; and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and her recommendation with respect thereto; and

WHEREAS, the Authority has reviewed the Application and the recommendation of the Chief Executive Officer and Executive Director and, on the basis of the Application and recommendation, has made determinations that:

(a) The Mortgagor is an eligible applicant;

(b) The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located thereby enhancing the viability of such housing;

(c) The Applicant and the Mortgagor are reasonably expected to be able to achieve successful completion of the proposed housing project;

(d) The proposed housing project will meet a social need in the area in which it is to be located;

(e) The proposed housing project may reasonably be expected to be marketed successfully;

(f) All elements of the proposed housing project have been established in a manner consistent with the Authority's evaluation factors, except as otherwise provided herein;

(g) The construction or rehabilitation will be undertaken in an economical manner and it will not be of elaborate design or materials; and

(h) In light of the estimated total project cost of the proposed housing project, the amount of the mortgage loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation on the ratio of mortgage loan amount to estimated total project cost.

WHEREAS, the Authority has considered the Application in the light of the criteria established for the determination of priorities pursuant to General Rule 125.145 and hereby determines that the proposed housing project is consistent therewith; and

WHEREAS, Sections 83 and 93 of the Act provide that the Authority shall determine a reasonable and proper rate of return to limited dividend housing corporations and associations on their investment in Authority-financed housing projects.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Application be and it hereby is approved, subject to the terms and conditions of this Resolution, the Act, the General Rules of the Authority, and of the Mortgage Loan Commitment hereinafter authorized to be issued to the Applicant and the Mortgagor.

2. A construction and permanent mortgage loan (the "Mortgage Loan") be and it hereby is authorized and the Chief Executive Officer and Executive Director, the Chief Housing Investment Officer, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction financing of the proposed housing project in an amount not to exceed Nine Million Four Hundred Seventy-Five Thousand Four Hundred Forty-Seven Dollars ($9,475,447), and permanent financing in an amount not to exceed One Million Two Hundred Thirty-Four Thousand Eight Hundred Ninety-Six Dollars ($1,234,896), and to have a term of forty (40) years after amortization of principal commences and to bear interest at a rate of six and 625/1000 percent (6.625%) per annum. The amount of proceeds of tax-exempt bonds issued or to be issued and allocated to the financing of this housing project shall not exceed Five Million Eight Hundred Fifteen Thousand Dollars ($5,815,000). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

3. The mortgage loan commitment resolution and issuance of the Mortgage Loan Commitment are based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this mortgage loan commitment resolution together with the commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded.

4. Notwithstanding passage of this resolution or execution of any documents in anticipation of the closing of the proposed mortgage loan, no contractual rights to receive the mortgage loan authorized herein shall arise unless and until an Authorized Officer shall have issued a Mortgage Loan Commitment and the Applicant shall have agreed in writing within fifteen days after receipt thereof, to the terms and conditions contained therein.

5. The proposed housing project be and it hereby is granted a priority with respect to proceeds from the sale of Authority securities which are determined by the Chief Executive Officer and Executive Director to be available for financing the construction and permanent loans of the proposed housing project. Availability of funds is subject to the Authority's ability to sell bonds at a rate or rates of interest and at a sufficient length of maturity so as not to render the permanent financing of the development unfeasible.

6. In accordance with Section 93(b) of the Act, the maximum reasonable and proper rate of return on the investment of the Mortgagor in the housing project be and it hereby is determined to be as follows:

(a) So long as the Housing Assistance Payments Contract or any other federal subsidy is in effect, the rate of return shall be twelve percent (12%) of the Mortgagor's equity, as determined by the Authority.

(b) Following the expiration of the Housing Assistance Payments Contract or any other federal subsidy, the rate of return shall not exceed twenty-five percent (25%) of the Mortgagor's equity, as determined by the Authority.

7. The Mortgage Loan shall be subject to, and the Commitment shall contain, the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024 (the "Staff Report"), which conditions are hereby incorporated by reference as if fully set forth herein.

8. The Authority hereby waives Section VI.I.2 of the Multifamily Direct Lending Parameters adopted on June 28, 2017, requiring approval by the City of Detroit of a payment in lieu of taxes for the Development prior to the adoption of this resolution.

9. The sale of the Development to the proposed Mortgagor and the assumption of the Section 1602 Loan on the terms set forth in the Staff Report are hereby approved.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director Amy Hovey

DATE: July 18, 2024

RE: Villa Esperanza Apartments, Development No. 4124

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize a tax-exempt bond construction loan and permanent loan in the amounts set forth in this Memorandum and the accompanying Staff Report, 3) authorize a waiver of the Multifamily Direct Lending Parameters ("Parameters") regarding the design standards for the flooring; and 4) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

PROJECT SUMMARY:

MSHDA No:	4124
Development Name:	Villa Esperanza Apartments
Development Location:	City of Wyoming, Kent County
Sponsor:	Dwelling Place of Grand Rapids Nonprofit Housing Corporation
Mortgagor:	Villa Esperanza Limited Dividend Housing Association LLC
Number of Units:	40 units of rehabilitation for senior housing, including one manager unit
Number of Units Designated for Accessible Use:	4 accessible units
Occupancy Rate:	97% occupancy rate
Total Development Cost:	$9,202,756
TE Bond Construction Loan:	$4,785,433
TE Bond Permanent Loan:	$3,751,769
MSHDA Permanent HOME Loan:	$987,489
Equity Contribution:	$2,662,174
Income from Operations:	$325,472
Managing Member Capital Contribution:	$100
Transferred Reserves:	$522,013
Sponsor Note:	$751,305

Deferred Developer Fee: $202,434

EXECUTIVE SUMMARY:

Villa Esperanza Apartments (the "Development") is a rehabilitation of an existing 2-story apartment building originally constructed in 1985 in the City of Wyoming, Kent County, Michigan. The Development consists of 40 one-bedroom and one-bathroom housing units (including one manager unit) reserved for residents that are 62 years of age or older. The Development's Sponsor, the Dwelling Place of Grand Rapids Nonprofit Housing Corporation (the "Sponsor"), will target 27 of the Development's housing units to income qualified households with incomes at or below 60% of area median income ("AMI"), 4 of the Development's housing units to income qualified households with incomes at or below 50% AMI, 4 of the Development's housing units to income qualified households with incomes at or below 40% AMI, and 4 of the Development's housing units to income qualified households with incomes at or below 30% AMI. All of the Development's housing units (except for the manager unit) are priced at or below the gross rent floor for 60% AMI housing units, providing an income average of 53% AMI. All of the Development's housing units presently have and will continue to receive Project Based Rental Assistance ("PBRA") under an existing Section 8 Housing Assistance Payments ("HAP") Contract.

The Development originally opened its doors in 1985 utilizing a U.S. Department of Housing and Urban Development ("HUD") 202 loan that was refinanced into a Federal Housing Administration ("FHA") loan in 2007. Due to the current structure of the Development, the Sponsor will be required to seek approval from HUD to transfer the physical assets currently owned by Sawkaw, Inc., a subsidiary of the Sponsor, to the new ownership entity, Villa Esperanza Limited Dividend Housing Association LLC (the "Mortgagor"), another subsidiary of the Sponsor.

I am recommending Board approval for the following reasons:

- The Development's affordability will be extended for up to 50 years for all units.
- All units will be refurbished to meet the physical needs of the development.
- As an existing senior development that has operated successfully, this proposal should be low risk to the Authority.

ADVANCING THE AUTHORITY'S MISSION:

The Development is located within Region F of the Statewide Housing Plan Regional Housing Partnerships, and this development supports the following goals of the Region F Action Plan:

- Goal 3.2, increase access to stable and affordable quality housing options for households with extremely low incomes;
- Goal 4.1, increase the supply of the full spectrum of housing that is affordable and attainable to Michigan residents.

MUNICIPAL SUPPORT:

- The Development is exempt from *ad valorem* taxes under the General Property Tax Act, MCL 211.7d.

COMMUNITY ENGAGEMENT/IMPACT:

- The Sponsor has engaged the community by meeting with residents of the Development to share proposed renovation plans for the property and individual apartments (including renderings of the projects as well as sample boards with paint colors, finishes, and examples of the materials that would be used), answer questions, and collect resident suggestions. Based on feedback received, the Sponsor plans to implement the following community recommendations:
    - Incorporating outdoor cameras.
    - Increase lighting in parking lot and building exterior.
    - Better signage for building entrance.
    - Providing one key for all unit entrances.
- The Development's rehabilitation will provide an updated, modern, clean, and more accessible apartment building for the elderly and disabled residents who live there.
- The Development rehabilitation will provide quality, affordable housing to residents of the City of Wyoming and ensure continuation of affordability in the area.

RESIDENT IMPACT:

- No residents will be displaced, but residents may be required to move temporarily, so that the rehabilitation can be completed. If residents must temporarily move, suitable housing will be made available and residents will be reimbursed for all reasonable out of pocket expenses, including moving costs and any increase in housing costs.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

The Development will require a waiver of the Authority's Multifamily Direct Lending Parameters concerning the Minimum Design Standards/Site Selection Criteria (as provided for in Section II.A.6) for the flooring. The request for a waiver is to allow for the installation of Luxury Vinyl Tile (LVT) in rooms other than in the bedrooms where carpet installation is still required.

MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

July 18, 2024

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize a tax-exempt bond construction loan and permanent loan in the amounts set forth in this report, 3) authorize a waiver of the Multifamily Direct Lending Parameters ("Parameters") regarding the design standards for the flooring; and 4) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

MSHDA No.:	4124
Development Name:	Villa Esperanza Apartments
Development Location:	City of Wyoming, Kent County
Sponsor:	Dwelling Place of Grand Rapids Nonprofit Housing Corporation
Mortgagor:	Villa Esperanza Limited Dividend Housing Association LLC
TE Bond Construction Loan:	$4,785,433 (52% of TDC)
TE Bond Permanent Loan:	$3,751,769
MSHDA Permanent HOME Loan:	$987,489
Total Development Cost:	$9,202,756
Mortgage Amortization and Term:	40 years for the tax-exempt bond loan; 50 years for the HOME loan
Interest Rate:	6.625% for the tax-exempt bond loan; 1% simple interest for the HOME loan
Program:	Tax-Exempt Bond and Gap Financing Programs
Number of Units:	40 units of rehabilitation for senior housing, including one manager unit
Accessible Units:	4 accessible units
Unit Configuration:	40 one-bedroom, one-bath units
Builder:	Wolverine Building Group
Syndicator:	National Equity Fund (NEF)
Date Application Received:	September 1, 2023
HDO:	Karen Waite

Issuance of the Authority's Mortgage Loan Commitment is subject to fulfillment of all Authority processing and review requirements and obtaining all necessary staff approvals as required by the Authority's underwriting standards.

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS

Villa Esperanza Apartments (the "Development") is an existing 2-story apartment building located in the City of Wyoming, Kent County, Michigan. The Development consists of 40 housing units (including one manager unit) comprised of one-bedroom and one-bathroom units.

The Development will require a waiver of the Authority's Multifamily Direct Lending Parameters concerning the Minimum Design Standards/Site Selection Criteria (as provided for in Section II.A.6) for the flooring. The request for a waiver is to allow for the installation of Luxury Vinyl Tile (LVT) in rooms other than in the bedrooms where carpet installation is still required.

EXECUTIVE SUMMARY:

The Development is a rehabilitation of an existing 2-story apartment building originally constructed in 1985 in the City of Wyoming, Kent County, Michigan. The Development consists of 40 one-bedroom and one-bathroom housing units (including one manager unit) reserved for residents that are 62 years of age or older. The Development's Sponsor, the Dwelling Place of Grand Rapids Nonprofit Housing Corporation (the "Sponsor"), will target 27 of the Development's housing units to income qualified households with incomes at or below 60% of area median income ("AMI"), 4 of the Development's housing units to income qualified households with incomes at or below 50% AMI, 4 of the Development's housing units to income qualified households with incomes at or below 40% AMI, and 4 of the Development's housing units to income qualified households with incomes at or below 30% AMI. All of the Development's housing units (except for the manager unit) are priced at or below the gross rent floor for 60% AMI housing units, providing an income average of 53% AMI. All of the Development's housing units presently have and will continue to receive Project Based Rental Assistance ("PBRA") under an existing Section 8 Housing Assistance Payments ("HAP") Contract.

The Development originally opened its doors in 1985 utilizing a U.S. Department of Housing and Urban Development ("HUD") 202 loan that was refinanced into a Federal Housing Administration ("FHA") loan in 2007. Due to the current structure of the Development, the Sponsor will be required to seek approval from HUD to transfer the physical assets currently owned by Sawkaw, Inc., a subsidiary of the Sponsor, to the new ownership entity, Villa Esperanza Limited Dividend Housing Association LLC (the "Mortgagor"), another subsidiary of the Sponsor.

Structure of the Transaction and Funding:

There are several elements to this transaction that are common to preservation transactions:

- A tax-exempt bond construction loan will be provided by the Authority in the amount of $4,785,433 at 6.625% interest with a 14-month term (an 8-month construction term and a 6-month holding period), which will be used to bridge an extended equity pay-in period. Payments of interest only will be required during the construction period. The principal balance of the construction loan must be reduced to the permanent loan amount on the first day of the month following the month in which the 14-month construction loan term expires or such later date as is established by an Authorized Officer of the Authority (the "Permanent Financing Date").

- A permanent Mortgage Loan will be provided by the Authority in the amount of $3,751,769. The permanent loan amount is based upon the current rents, less vacancy loss, payments to reserves and escrows, operating costs based on historical data unless modified by project improvements and construction and soft costs at levels appropriate for this specific transaction. The permanent loan is based on a 1.15 debt service coverage ratio, an annual interest rate of 6.625%, with a fully amortizing term of 40 years commencing on the Permanent Financing Date. The permanent Mortgage Loan will be in **First Position**.

- A permanent subordinate loan using Authority HOME Funds (the "HOME Loan") in the amount of $987,489 will be provided at 1% simple interest for a term of 50 years with payments initially deferred. The HOME Loan will be in **Second Position**.

- The Sponsor is providing a loan in the amount of $751,305. See Special Condition No. 2.

- The Managing Member will make a capital contribution in the amount of $100.

- The Sponsor has agreed to defer $202,434 of the developer fee to fill the remaining funding gap.

- The Sponsor has also agreed to allow the Authority to hold in reserve $1,362,353 of the sale proceeds to meet any potential unforeseen costs. Any unused portion of this reserve and any interest earned will be returned to the Sponsor upon construction loan conversion. See Special Condition No. 3.

- Equity support comes from an investment related to the 4% Low Income Housing Tax Credit ("LIHTC") in the estimated amount of $2,662,174.

- Income from operations will be used as a source of funding to make the interest only payments and the tax and insurance payments during the construction period in the amount of $325,472.

- An amount equal to one month's gross rent potential will be funded in the Development's operating account.

- The Development will be renovated, and a new replacement reserve requirement will be imposed, based upon a capital needs assessment ("CNA"), to ensure an extension of the useful life of the property and to maintain an excellent quality of life for the residents. At the closing, the Mortgagor must deposit the amount determined necessary to satisfy the requirements of the Authority-approved CNA over a 20-year period. This reserve will be held by the Authority.

- Existing Replacement Reserve escrow funds in the amount identified in the attached proforma will be used as a source of funding.

<u>Scope of Rehabilitation:</u>

The following improvements to the property are included in the Scope of Work:

- Repair walkway.
- Replace retaining walls.
- Replace roof.
- Replace siding.
- Replace exterior doors.
- New Security system.
- Replace common area smoke detectors.
- Replace kitchen appliances.
- Replace kitchen flooring.
- Replace bathroom flooring.
- Replace bathroom vanities.

Affordability Requirements:

The Authority's tax-exempt bond regulatory agreement will require that all the dwelling units in the property remain occupied by households with incomes at or below 60% of the Multifamily Tax Subsidy Project ("MTSP") income limit, adjusted for family size. The number of restricted units is controlled by the number of eligible households in place at closing, estimated to be 100% of the units. 39 units will be further restricted to the income limits required by the HAP Contract.

Protections for Existing Residents:

The preservation and renovation of the Development will not result in a rent increase for the existing tenants. There will be no tenant displacement as a result of this transaction.

Site Selection:

The site has been reviewed by Authority Staff and the Authority's Manager of the Office of Market Research has indicated that the site meets the Authority's current site selection criteria.

Market Evaluation:

The unit mix as well as the amenities package and rent levels have been approved by the Authority's Office of Market Research.

Valuation of the Property:

An appraisal dated October 25, 2022, estimates the value of the building at $3,100,000.

CONDITIONS:

At or prior to (i) issuance of the Authority's mortgage loan commitment ("Mortgage Loan Commitment"), (ii) the initial Mortgage Loan Closing (the "Initial Closing"), or (iii) such other date as may be specified herein, the new Mortgagor and other members of the Development team, where appropriate, must satisfy each of the following conditions by entering into a written agreement or providing documentation acceptable to the Authority:

Standard Conditions:

1. **Limitation for Return on Equity:**

   For each year of the Development's operation, beginning in the year in which the Mortgage Cut-Off Date occurs, as determined by the Authority, payments are limited to 6% of the Mortgagor's equity, or any other amount approved by HUD, but not to exceed 12%. Following expiration of the HAP Contract, the Mortgagor's rate of return shall not exceed 25% per annum. For purposes of distributions, the Mortgagor's equity will be the sum of (i) the LIHTC equity; (ii) the brownfield tax credit equity; (iii) the historic tax credit equity; (iv) general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority, unless HUD or other federal regulations require a different calculation. All such payments shall be referred to as "Limited Dividend Payments." The Mortgagor's return shall be fully cumulative.

2. **Income Limits:**

   The income limitations for 40 units of this proposal are as follows:

   a. 6 units (6 one-bedroom units) have been designated as Low-HOME units and during the Period of Affordability required under the HOME program (15 years) must be available for occupancy by households whose incomes do not exceed the Low HOME income limit as published by HUD, adjusted for family size.

   b. 27 units (27 one-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 60% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

   c. 4 units (4 one-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 50% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

   d. 4 units (4 one-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 40% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

   e. 4 units (4 one-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 30% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

   f. 1 unit (one-bedroom unit) will be used as a manager's unit. If this unit is later converted to rental use, it must be available for occupancy by households whose incomes do not exceed the MTSP 60% income limits, adjusted for family size as determined by HUD.

40 of these units will also receive PBRA, and occupancy of those units will be restricted to households whose incomes do not exceed the income limits established by the PBRA HAP Contract.

To the extent units within the Development are subject to multiple sets of income limits, the most restrictive income limit will apply so long as the applicable term of affordability continues.

The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size.

3. **<u>Limitations on Rental Rates</u>:**

The Total Housing Expense (contract rent plus tenant-paid utilities) for 40 units is subject to the following limitations:

a. During the Period of Affordability required under the HOME program (15 years), the Total Housing Expense for the 6 Low-HOME units may not exceed the "Low-HOME Rent Limit" for the unit established and published annually by HUD.

b. The Total Housing Expense for 27 units (27 one-bedroom units), may not exceed 1/12th of 30% of the 60% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

c. The Total Housing Expense for 4 units (4 one-bedroom units), may not exceed 1/12th of 30% of the 50% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

d. The Total Housing Expense for 4 units (4 one-bedroom units), may not exceed 1/12th of 30% of the 40% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

e. The Total Housing Expense for 4 units (4 one-bedroom units), may not exceed 1/12th of 30% of the 30% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

f. 1 unit (1 one-bedroom unit) will be used as a manager's unit. If this unit is later converted to rental use, the Total Housing Expense will be limited to 1/12th of 30% of 60% of the MTSP income limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom.

The rents to be paid for the units assisted with the PBRA HAP Contract may not exceed the rent limits established and published annually by HUD for the PBRA Program.

To the extent units within the Development is subject to multiple sets of rent limits, the most restrictive rent limit will apply so long as the applicable term of affordability continues.

For the initial lease term of the first household occupying each rent-restricted unit in the Development the initial rent may not exceed 105% of the rent approved in this Mortgage Loan Feasibility/Commitment Staff Report. While rental increases for all units may be permitted from time to time as HUD publishes updated median income limits rental increases on occupied units during any 12-month period will be limited to not more than 5% of the rent paid by the resident household at the beginning of that annual period. Exceptions to these limitations may be granted by the Authority's Director of Asset Management for extraordinary increases in project operating expenses (exclusive of limited dividend payments) or mortgage loan increases to fund cost overruns pursuant to the Authority's policy on Mortgage Loan increases. Rents on vacated units may be increased to the maximum level permissible by the applicable programs. Rents and utility allowances must be approved annually by the Authority's Division of Asset Management.

4. **Covenant Running with the Land**:

The Mortgagor must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the obligations issued or to be issued to finance the Mortgage Loan. This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is 15 years after the date on which 50% of the residential units in the Development are occupied, the first day on which no bonds are outstanding with respect to the project, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations. Additionally, if LIHTC is awarded to the Development, the Mortgagor must agree to subject the property to the extended low-income use commitment required by Section 42 of the Internal Revenue Code.

5. **Restriction on Prepayment and Subsequent Use**:

The Mortgage Loan is eligible for prepayment after the expiration of 15 years after the commencement of amortization. The Mortgagor must provide the Authority with at least 60 days' written notice prior to any such prepayment.

In the event of a prepayment, however, the Mortgagor must pay a prepayment fee equal to the sum of:

a. 1% of the balance being prepaid;
b. Any bond call premium, prepayment or swap penalty, or any other cost that the Authority incurs to prepay the bonds or notes that were used to fund the Mortgage Loan; and
c. Any loss of debt service spread between the Mortgage Loan and the bonds used to finance the loan from the date of the prepayment through the end of the 20th year of amortization.

Once the Mortgagor has been approved for the early prepayment of the underlying loan, it must sign an agreement with the Authority stating it is responsible for the cost of terminating the swap. The Mortgagor can then choose the timing of the termination and participate in the transaction with the swap counterparty. The swap counterparty will quote the cost of terminating the swap and the Mortgagor will have the ability to execute the transaction or cancel at its sole discretion. If the Mortgagor chooses not to terminate the swap, it will forfeit the right to prepay the Mortgage Loan.

Subordinate loans are eligible to prepay at any time upon 60 days prior written notice to the Authority, but prepayment may not extinguish federal affordability and compliance requirements.

6. <u>Operating Assurance Reserve:</u>

At Initial Closing, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to 6 months of estimated Development operating expenses (estimated to be $275,004). The OAR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority in accordance with the Authority's written policy on the use of the Operating Assurance Reserve, as amended from time to time. The OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. <u>Replacement Reserve:</u>

At Initial Closing, the Mortgagor must establish a replacement reserve fund (“Replacement Reserve”) with an initial deposit in an amount of $9,123 per unit. The Mortgagor must agree to make annual deposits to the Replacement Reserve, beginning on the Mortgage Cut-Off Date, at a minimum of $300 per unit for the first year of operation, payable in monthly installments, with deposits in subsequent years to be the greater of (i) the prior year’s deposit, increased by 3%, or (ii) a percentage of the Development’s projected annual rental income or gross rent potential (“GRP”) for the year using the percentage obtained by dividing the first year’s deposit by the first year’s GRP shown on the operating proforma for the Development attached hereto. The annual deposit to the Replacement Reserve may also be increased to any higher amount that is determined to be necessary by the Authority, based on a CNA and the Authority’s Replacement Reserve policies. The Authority may update any CNA or obtain a new CNA every five years, or upon any frequency, as determined necessary by the Authority.

8. <u>One Month's Gross Rent Potential:</u>

At Initial Closing, the Mortgagor shall deposit an amount equal to one month's gross rent potential ($49,179) into the Development's operating account.

9. <u>Authority Subordinate Loan:</u>

At Initial Closing, the Mortgagor must enter into agreements relating to the permanent HOME Loan. The HOME Loan will be secured by a subordinate mortgage and will bear simple interest at 1% with a 50-year term. No payments on the HOME Loan will be required until the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee, or (b) the 13th year following the commencement of amortization of the Mortgage Loan. Interest will continue to accrue on the HOME loan until it is paid in full.

At the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee or (b) the 13th year following the date that Mortgage Loan amortization commences, in lieu of repayment of the HOME Loan, payments of 50% of any surplus cash available for distribution shall be deposited into an HOME Subsidy Reserve and will be used to repay the HOME Loan periodically, if the amount of funds accumulated in the reserve warrant it, or at the end of the loan term, or otherwise used to assist the Development if needed. If reserve funds are used toward loan repayment, they shall be applied first to accrued interest, then to current interest and principal and shall continue until the sale of the Development or refinancing of the Mortgage Loan, at which time the HOME Loan shall be due in full. If the HOME Loan is still outstanding, then following repayment of the Mortgage Loan and continuing on the first day of every month thereafter, the Mortgagor shall make monthly payments of principal and interest equal to the monthly payments that were required on the Mortgage Loan on the first day of every month until the HOME Loan is paid in full, sale of the Development or the date that is 50 years from date of Initial Closing, whichever occurs first. There is no prohibition on prepayment of the HOME Loan.

10. <u>Architectural Plans and Specifications; Contractor's Qualification Statement:</u>

Prior to Mortgage Loan Commitment, the architect must submit architectural drawings and specifications that address all design review comments, acceptable to the Authority's Chief Architect and the Authority's Director of Development.

Prior to Mortgage Loan Commitment, the general contractor must submit AIA Document A305 as required by the Authority's Chief Architect.

11. <u>Owner/Architect Agreement</u>:

Prior to Mortgage Loan Commitment, the Mortgagor must provide the Authority with an executed Owner Architect Agreement acceptable in form and substance to the Authority's Chief Legal Affairs Officer.

12. <u>Trade Payment Breakdown:</u>

Prior to Mortgage Loan Commitment, the general contractor must submit a signed Trade

Payment Breakdown acceptable to the Authority's Chief Construction Manager.

13. <u>Section 3 Requirements:</u>

Prior to Mortgage Loan Commitment, the general contractor must agree to comply with all federal Section 3 hiring requirements. The general contractor must provide a copy of the contractor's "Section 3 Hiring Plan" which must be reviewed and found acceptable to the Authority's Section 3 Compliance Officer. In addition, the general contractor must agree to adhere to follow-up reporting requirements as established by the Authority.

14. <u>Equal Opportunity and Fair Housing:</u>

Prior to Mortgage Loan Commitment, the management and marketing agent's Affirmative Fair Housing Marketing Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer for Fair Housing Requirements.

In addition, prior to Mortgage Loan Commitment, the general contractor's Equal Employment Opportunity Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer.

15. <u>Cost Certification</u>:

The contractor's cost certification must be submitted within 90 days following the completion of construction, and the Mortgagor's cost certification must be submitted within 90 days following the Mortgage Cut-off Date. For LIHTC, the owner is obligated to submit cost certifications applicable to itself and the contractor prior to issuance of IRS form 8609 (see LIHTC Program Cost Certification Guidelines).

16. <u>Environmental Review and Indemnification</u>:

Prior to Mortgage Loan Commitment, the Mortgagor must address any outstanding environmental issues, in form and substance acceptable to the Authority's Environmental Review Officer.

At Initial Closing, the Mortgagor must enter an agreement to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of any violation of environmental laws. The indemnification agreement must be acceptable to the Authority's Chief Legal Affairs Officer.

17. <u>Title Insurance Commitment and Survey:</u>

Prior to Mortgage Loan Commitment, the Mortgagor must provide an updated title insurance commitment, including zoning, pending disbursement, comprehensive, survey and such other endorsements as deemed necessary by the Authority's Chief Legal Affairs Officer. The updated title commitment must contain only exceptions to the insurance acceptable to the Authority's Chief Legal Affairs Officer.

Additionally, prior to Mortgage Loan Commitment, the Mortgagor must provide a surveyor's certificate of facts together with an ALTA survey certified to the 2021 minimum standards, and that appropriately reflects all easements, rights of way, and other issues noted on the title insurance commitment. All documents must be acceptable to the Authority's Chief Legal Affairs Officer

18. Organizational Documents/Equity Pay-In Schedule:

Prior to Mortgage Loan Commitment, the Mortgagor must submit a substantially final form syndication partnership agreement, including an equity pay-in schedule, that is acceptable in form and substance to the Authority's Director of Development and Chief Legal Affairs Officer.

At or prior to Initial Closing, the final, executed syndication partnership agreement must become effective and the initial installment of equity must be paid in an amount approved by the Authority's Director of Development.

19. Designation of Authority Funds:

The Authority reserves the express right, in its sole discretion, to substitute alternate subordinate funding sources.

20. Management & Marketing:

Prior to Mortgage Loan Commitment, the management and marketing agent must submit the following documents, which must be found acceptable to the Authority's Director of Asset Management:

a. Management Agreement
b. Marketing/Construction Transition Plan

21. Guaranties:

At Initial Closing, the Sponsor, General Partner, and any entity receiving a developer fee in connection with the Development must deliver certain guaranties. The required guaranties include a guaranty of HOME recapture liability, an operating deficit guaranty and a performance completion guaranty. The required guaranties, the terms thereof and the parties who shall be required to deliver the guaranty must be determined and approved by the Authority's Director of Development.

22. Financial Statements:

Prior to Mortgage Loan Commitment, financial statements for the Sponsor, the guarantor(s) and the general contractor must be reviewed and found acceptable by the Authority's Chief Financial Officer.

If prior to Initial Closing the financial statements that were approved by the Authority become more than 6 months old, the Sponsor, the guarantor(s) and/or the general contractor must provide the Authority with updated financial statements meeting Authority requirements upon request.

23. Future Contributions:

To ensure the Authority is contributing the least amount of funding necessary to achieve project feasibility, any decrease in Development costs or future contributions not included in the Development proforma may, at the Authority's discretion, be utilized to reduce, in equal proportions, any deferred developer fee and Authority soft funds.

24. Ownership of Development Reserves:

At the Initial Closing, the Mortgagor must enter into an agreement confirming the Authority's ultimate ownership of excess cash reserves, escrows and accounts as may exist at the time the Authority's mortgage loans are paid off or the Development is sold or refinanced. However, the Authority's claim to these funds shall be subject to any lawful claim to such funds by HUD. This agreement must be acceptable to the Authority's Chief Legal Affairs Officer.

25. Section 8 Required Approvals - HUD and the Authority:

This transaction is subject to certain HUD approvals including, but not limited to 1) assignment of the HAP Contract and 2) previous participation approval (HUD Form 2530) for the Mortgagor, its partners, and property management agent. Prior to the Initial Closing, the HUD approvals must be obtained and must be consistent with the loan structure and intent of the transaction as described in this report. The approvals by HUD are subject to review and concurrence by the Authority's Chief Legal Affairs Officer. The Mortgagor must enter into all agreements as may be required by HUD and to abide by all terms, conditions, and requirements of the Section 8 Program and all other Authority rules, guidelines, and procedures as required under the Regulatory Agreement.

26. HAP Extension:

At Initial Closing, the Mortgagor must enter into an agreement to apply for and accept any HAP or other HUD subsidy extensions available in the future, subject to Authority approval.

27. HUD Authority to Use Grant Funds:

Prior to Mortgage Loan Commitment, the Authority must receive HUD's Authority to Use Grant Funds (HUD 7015.16) in connection with the proposed HOME Loan from the Authority or confirmation that the Development is categorically excluded from NEPA review.

28. HUD Subsidy Layering Review:

Prior to Initial Closing, the subsidy layering review must be performed by Authority staff and must be submitted to HUD for approval. The subsidy layering approval is subject to review and approval by the Authority's Director of Development.

29. Application for Disbursement:

Prior to Initial Closing, the Mortgagor must submit an "Application for Disbursement" along with supporting documentation, which must be found acceptable to the Authority's Director of Development.

30. Uniform Relocation Act Compliance:

If the Development is occupied at Initial Closing and any occupants of the Development will be displaced and/or relocated as a result of the rehabilitation of the Development, then the Mortgagor and/or the Sponsor shall ensure compliance with all requirements of the Uniform Relocation Act and implementing regulations as set forth in 24 CFR Part 42 and 49 CFR Part 24, as well as 24 CFR §570.606. Such compliance shall be at the Mortgagor's or Sponsor's sole cost and expense. Prior to Final Closing, the Mortgagor must submit documentation that it has complied with all requirements of the Uniform Relocation Act. This documentation must be found acceptable by the Authority's Director of Development.

Special Conditions:

1. Legal Requirements:

The Mortgagor and/or Sponsor must submit documentation acceptable to the Authority's Chief Legal Affairs Officer for the items listed below:

- Prior to Initial Closing, a Discharge of Mortgage and Termination of Financing Statements between Sawkaw, Inc., and Love Funding Corporation recorded against the property.
- Prior to Initial Closing, a Discharge or Subordination of Regulatory Agreement and Use Agreement between Sawkaw, Inc., and HUD recorded against the property.
- Prior to Initial Closing, the Michigan Attorney General's Office must complete its review of the transaction and provide the Authority's Chief Legal Affairs Officer its recommendation.
- Any other documentation as required by the Authority's Chief Legal Affairs Officer, including acceptable evidence of insurance, permits, licenses, zoning approvals, utility availability, payment and performance bonds and other closing requirements.

2. Sponsor Loan:

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the Sponsor loan acceptable to the Authority's Chief Legal Affairs Officer and Director of Development. The Sponsor loan must:

a) not be secured by a lien on the Development or any of the Development's property, funds or assets of any kind;
b) be payable solely from approved Limited Dividend payments, and not from other development funds;
c) be expressly subordinate to all Authority mortgage loans; and
d) have a loan term not less than the longest term of all Authority mortgage loans.

At or prior to Initial Closing, the final, executed Sponsor loan documents must become effective and initial funding of the loan must be made in an amount approved by the Authority's Director of Development.

3. **Sale Proceeds Reserve:** The amount of $1,362,353 of the sales proceeds will be transferred to the Authority by the Sponsor or its designee, to be held in reserve by the Authority for the benefit of the Development. The reserve amount and interest earned on that amount will be available to pay for any cost overruns as approved by Authority staff. Any remaining balance in the reserve at the time of construction loan conversion to the permanent loan will be returned to the sponsor.

DEVELOPMENT TEAM AND SITE INFORMATION

I. MORTGAGOR: Villa Esperanza Limited Dividend Housing Association LLC

II. GUARANTOR(S):

A. Guarantor #1:

Name: Jeremy DeRoo
Address: 101 Sheldon Boulevard SE Suite 2
Grand Rapids, MI 49503

III. DEVELOPMENT TEAM ANALYSIS:

A. Sponsor:

Name: Dwelling Place of Grand Rapids Nonprofit Housing Corporation
Address: 101 Sheldon Boulevard SE Suite 2
Grand Rapids, MI 49503

Individuals Assigned: Jeremy DeRoo
Telephone: 616-454-0928
E-mail: jderoo@dpgr.org

1. **Experience**: The Sponsor has experience working on Authority-financed developments.

2. **Interest in the Mortgagor and Members**: Villa Esperanza MM LLC 0.100%, National Equity Fund (NEF) 99.990%

B. Architect:

Name: Hooker DeJong
Address: 655 Seward Ave NW, Suite 404
Grand Rapids, MI 49504

Individual Assigned: Brian Hoehn
Telephone: 616-635-4068
E-Mail: brianh@hdjinc.com

1. **Experience**: Architect has previous experience with Authority-financed

developments.

2. **Architect's License**: License number 1301066857, with an expiration date of 04/05/2025.

C. Attorney:

Name:	Orlebeke Mackraz PC
Address:	80 Ottawa Ave NW, Suite 400 Grand Rapids, MI 49503
Individual Assigned:	Tim Orlebeke
Telephone:	616-235-4000
E-Mail:	tim@omlawgroup.com

1. **Experience**: This firm has experience in closing Authority-financed developments.

D. Builder:

Name:	Wolverine Building Group
Address:	4045 Barden SE Grand Rapids, MI 49512
Individual Assigned:	Brian Steinberg
Telephone:	616-281-6167
E-mail:	bsteinberg@wolvgroup.com

1. **Experience**: The firm has previous experience in constructing Authority-financed developments.

2. **State Licensing Board Registration**: License number 2102199076, with an expiration date of 05/31/2025.

E. Management and Marketing Agent:

Name:	Dwelling Place of Grand Rapids Nonprofit Housing Corporation
Address:	101 Sheldon Boulevard SE, Suite 2 Grand Rapids, MI 49503
Individual Assigned:	Alonda Trammell
Telephone:	616-855-0413
Fax:	616-454-5249
E-mail:	atrammell@dpgr.org

1. **Experience:** This firm has significant experience managing Authority-financed developments.

F. **Development Team Recommendation:** Go.

IV. SITE DATA:

A. Land Control/Purchase Price:
$3,100,000

B. Site Location:
1446 44th St SW
Wyoming, MI 49509

C. Size of Site:
2.370 Acres

D. Density:
16.9

E. Physical Description:

1. Present Use: Multifamily Housing
2. Existing Structures: One 2-story building
3. Relocation Requirements: None

F. Zoning:
R-4

G. Contiguous Land Use:

1. North: Multifamily, Residential
2. South: Residential
3. East: Commercial
4. West: Multifamily, Commercial

H. Tax Information:
Tax-exempt entity

I. Utilities: Electricity – Consumers Energy, Fuel – DTE, Water/Sewer – City of Wyoming

J. Community Facilities:

1. Shopping:
Meijers 2.9 miles, Target 2.9 miles, Menards 2.9 miles.
2. Recreation:

Palmer Park .1 miles, Spectrum Entertainment Complex 3.3 miles, Craig's Cruisers 3.3 miles.

3. Public Transportation:
   There is a public bus stop at the entrance to the project.
4. Road Systems
   US 131 is located 2 miles from the project and runs north and south throughout western Michigan.
5. Medical Services and other Nearby Amenities:
   Grand Rapids Ear, Nose, and Throat .10 miles, West Michigan Surgical Specialists 3 miles, Meijer Pharmacy 2.9 miles
6. Description of Surrounding Neighborhood:
   The neighborhood is a mixture of multifamily, commercial, and residential areas.
7. Local Community Expenditures Apparent:
   At least $7.6 million of total investment within 1 mile of the project within the last 5 years or planned for the completion within the next year.
8. Indication of Local Support:
   The project received confirmation of site plan and zoning approval from the City of Wyoming.

V. ENVIRONMENTAL FACTORS:

A Phase I Environmental Site Assessment was submitted to the Authority and has been reviewed by the Authority's Environmental Manager. (See Standard Condition No. 16).

VI. DESIGN AND COSTING STATUS:

Architectural plans and specifications consistent with the scope of work have been reviewed by the Authority's Chief Architect. A response to all design review comments and the submission of corrected and final plans and specifications must be made prior to initial closing.

This proposal will satisfy the State of Michigan barrier-free requirements, the Authority's policy regarding accessibility and non-discrimination for the disabled, the Fair Housing Amendments Act of 1988, and the HOME requirements for barrier-free vision and hearing designed units. Construction documents must be acceptable to the Authority's Chief Architect.

VII. MARKET SUMMARY:

The Market study has been reviewed by the Authority's Manager of the Office of Market Research and found to be acceptable. The Authority's Manager of the Office of Market Research has reviewed and approved the unit mix, rental structure, and unit amenities.

VIII. EQUAL OPPORTUNITY AND FAIR HOUSING:

The contractor's Equal Employment Opportunity Plan is currently being reviewed and must be approved by the Authority's Chief Construction Manager prior to initial closing. The management and marketing agent's Affirmative Fair Housing Marketing Plan has been approved.

IX. MANAGEMENT AND MARKETING:

The management/marketing agent has submitted application-level management and marketing information, to be approved prior to initial closing by the Authority's Director of Asset Management.

X. FINANCIAL STATEMENTS:

The sponsor's/guarantor's and the builder's financial statements have been submitted and are to be approved prior to initial closing by the Authority's Director of Rental Development.

XI. DEVELOPMENT SCHEDULING:

A. Mortgage Loan Commitment:	July 2024
B. Initial Closing and Disbursement:	October 2024
C. Construction Completion:	June 2025
D. Cut-Off Date:	December 2025

XII. ATTACHMENTS:

A. Development Proforma

APPROVALS:

Chad A. Benson
7/12/2024

Chad Benson
Director of Development
Date

Anthony Lentych
7/11/2024

Tony Lentych
Chief Housing Investment Officer
Date

Clarence L. Stone, Jr.
7/11/2024

Clarence L. Stone, Jr.
Chief Legal Affairs Officer
Date

Amy Hovey
07/12/24

Amy Hovey
Chief Executive Officer and Executive Director
Date

Development Villa Esperanza
Financing Tax Exempt
MSHDA No. 4124
Step Commitment
Date 07/18/2024
Type Acquisition/Rehab

Instructions

TOTAL DEVELOPMENT COSTS

		Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Acquisition						
Land		11,000	440,000	0%	0	0
Existing Buildings		66,500	2,660,000	100%	2,660,000	0
Other:		0		0%	0	0
	Subtotal	**77,500**	**3,100,000**			
Construction/Rehabilitation						
Off Site Improvements		0		100%	0	0
On-site Improvements		2,750	110,000.00	100%	110,000	0
Landscaping and Irrigation		0		100%	0	0
Structures		63,402	2,536,092.00	100%	2,536,092	2,536,092
Community Building and/or Maintenance Facility		0		100%	0	0
Construction not in Tax Credit basis (i.e.Carports and Commercial Space		0		0%	0	0
General Requirements	% of Contract 6.00% Within Range	3,969	158,766.00	100%	158,766	158,766
Builder Overhead	% of Contract 2.00% Within Range	1,402	56,097.00	100%	56,097	56,097
Builder Profit	% of Contract 5.00% Within Range	3,576	143,048.00	100%	143,048	143,048
Bond Premium, Tap Fees, Cost Cert.		877	35,075.00	100%	35,075	35,075
Other:		0		100%	0	0
	Subtotal	**75,977**	**3,039,078.00**			
	15% of acquisition and $15,000/unit test:		met			
Professional Fees						
Design Architect Fees		2,940	117,593	100%	117,593	117,593
Supervisory Architect Fees		0		100%	0	0
Engineering/Survey		125	5,000	100%	5,000	5,000
Legal Fees		2,375	95,000	100%	95,000	95,000
	Subtotal	**5,440**	**217,593**			
Interim Construction Costs						
Property & Casualty Insurance		880	35,200	100%	35,200	35,200
Construction Loan Interest	Override 304,533	7,613	304,533	0%	0	0
Title Work		625	25,000	100%	25,000	0
Construction Taxes		0		100%	0	0
Permits		750	30,000	100%	30,000	30,000
	Subtotal	**9,868**	**394,733**			
Permanent Financing						
Loan Commitment Fee to MSHDA	2%	2,886	115,458	0%	0	0
Other:		0		0%	0	0
	Subtotal	**2,886**	**115,458**			
Other Costs (In Basis)						
Application Fee		94	3,755	100%	3,755	3,755
Market Study		188	7,500	100%	7,500	7,500
Environmental Studies		375	15,000	100%	15,000	15,000
Cost Certification		375	15,000	100%	15,000	15,000
Equipment and Furnishings		500	20,000	100%	20,000	0
Temporary Tenant Relocation		875	35,000	100%	35,000	35,000
Construction Contingency		7,598	303,908	100%	303,908	303,908
Appraisal and C.N.A.		313	12,500	100%	12,500	12,500
Other:		0		100%	0	0
	Subtotal	**10,317**	**412,663**			
Other Costs (NOT In Basis)						
Start-up and Organization		0		0%	0	0
Tax Credit Fees (based on 2022 QAP)	21,376 Within Range	534	21,375	0%	0	0
Compliance Monitoring Fee (based on 2022 QAP)		463	18,525	0%	0	0
Marketing Expense		0		0%	0	0
Syndication Legal Fees		1,250	50,000	0%	0	0
Rent Up Allowance	months	0	0	0%	0	0
Other:		0		0%	0	0
	Subtotal	**2,248**	**89,900**			

Summary of Acquisition Price		As of	December 31, 2022
Attributed to Land	440,000	1st Mortgage Balance	986,342
Attributed to Existing Structure:	2,660,000	Subordinate Mortgage(s)	
Other:	0	Subordinate Mortgage(s)	
Fixed Price to Seller	3,100,000	Subordinate Mortgage(s)	
		Premium/(Deficit) vs Existing Debt	2,113,658

Construction Loan Term	Months
Construction Contract	8
Holding Period (50% Test)	6
Rent Up Period	0
Construction Loan Period	14

Appraised Value	Value As of:	March 21, 2024
"Encumbered As-Is" value as determined by appraisal:		3,100,000
Plus 5% of Appraised Value:		0
LESS Fixed Price to the Seller:		3,100,000
Surplus/(Gap)	Within Range	0

Override

		Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis	OAR Funded Yr 1	4 Month OAR
Project Reserves								
Operating Assurance Reserv 6.0 months	Funded in Cas	6,875	275,004	0%	0	0	275,004	183,336
Replacement Reserve	Required	9,123	364,932	0%	0	0		
Operating Deficit Reserve	Not Required	0	0	0%	0	0		
Rent Subsidy Reserve		0	0	0%	0	0		
Syndicator Held Reserve		0	0	0%	0	0		
Rent Lag Escrow		0	0	0%	0	0		
Tax and Insurance Escrows		0	0	0%	0	0		
Other:		0		0%	0	0		
Other:		0		0%	0	0		
	Subtotal	**15,998**	**639,936**					
Miscellaneous								
Deposit to Development Operating Account (1MGRF	Required	1,229	49,179	0%	0	0		
Other (Not in Basis):		0	0	0%	0	0		
Other (In Basis):		0	0	100%	0	0		
Other (In Basis):		0	0	100%	0	0		
	Subtotal	**1,229**	**49,179**					
Total Acquisition Costs		**77,500**	**3,100,000**					
Total Construction Hard Costs		**75,977**	**3,039,078**					
Total Non-Construction ("Soft") Costs		**47,987**	**1,919,462**					

Developer Overhead and Fee

			Per Unit	Total	% in Basis		
Maximum	1,144,216		28,605	1,144,216	100%	1,144,216	1,144,216
7.5%	of Acquisition/Project Reserves	Override	5% Attribution Test				
20%	of All Other Development Costs			met			

	Per Unit	Total	LIHTC Basis	Historic Basis	Aggregate Basis
Total Development Cost	**230,069**	**9,202,756**	**7,563,750**	**4,748,750**	**8,003,750**

TOTAL DEVELOPMENT SOURCES

		% of TDC	Per Unit	Total
MSHDA Permanent Mortgage		40.77%	93,794	3,751,769
Conventional/Other Mortgage		0.00%	0	0
Equity Contribution from Tax Credit Syndication		28.93%	66,554	2,662,174
MSHDA NSP Funds		0.00%	0	
MSHDA HOME		10.73%	24,687	987,489
Mortgage Resource Funds		0.00%	0	
MSHDA Housing Trust Funds or TCAP		0.00%	0	
Local HOME		0.00%	0	
Income from Operations		3.54%	8,137	325,472
Other Equity	GP/MM Capital Contribution	0.00%	3	100
Transferred Reserves:		5.67%	13,050	522,013
Other:	Sponsor Note (Sale Proceeds)	8.16%	18,783	751,305
Other:		0.00%	0	
Deferred Developer Fee		2.20%	5,061	202,434
Total Permanent Sources				**9,202,756**

# of Units	Gap to Hard Debt Ratio	Home Subsidy Limit	HOME Unit Mix	HTF Unit Mix
0.00	26.32%	1,050,192	6 One Bedroor	0 One Bedroom, 1 Bath,
6.00		**HTF Subsidy Limit**		
0.00		0		

Deferred Dev Fee
17.69%

Sources Equal Uses?	**Balanced**
Surplus/(Gap)	**0**

MSHDA Construction Loan		**52.00%**	**119,636**	**4,785,433**
Construction Loan Rate	6.625%			
Repaid from equity prior to final closing				**1,033,664**

Eligible Basis for LIHTC/TCAP			**Value of LIHTC/TCAP**		
Acquisition	2,815,000		Acquisition	112,600	
Construction	4,748,750		Construction	189,950	Override
Acquisition Credit %		4.00%	Total Yr Credit	302,550	
Rehab/New Const Credit %		4.00%	Equity Price	$0.8800	
Qualified Percentage		100.00%	Equity Effective Price	$0.8800	Override
QCT/DDA Basis Boost		100%	Equity Contribution	2,662,174	
Historic?		No			

Existing Reserve Analysis			
DCE Interest:		Current Owner's Reserves:	0
Insurance:		Reserves Transferred in to Project	522,013
Taxes:		Tax/Ins Escrows transferred to project	0
Rep. Reserv	522,013		
ORC:			
DCE Principal:			
Other:			

Initial Owner's Equity Calculation

Equity Contribution from Tax Credit Syndication	2,662,174	1,362,353
Brownfield Equity		
Historic Tax Credit Equity		
General Partner Capital Contributions		
Other Equity Sources	100	
New Owner's Equity	**2,662,274**	

Instructions

Development	Villa Esperanza
Financing	Tax Exempt
MSHDA No.	4124
Step	Commitment
Date	07/18/2024
Type	Acquisition/Rehab

Mortgage Assumptions:

Debt Coverage Ratio	1.15	
Mortgage Interest Rate	6.625%	
Pay Rate	6.625%	
Mortgage Term	40	years
Income from Operations	Yes	
PBV and/or Existing Section 8 Assistance	Yes	

Total Development Income Potential				Per Unit	Total	Initial Inflation Factor	Beginning in Year	Future Inflation Factor
Annual Rental Income				14,754	590,148	1.0%	6	2.0%
Annual Non-Rental Income				0	0	1.0%	6	2.0%
Total Project Revenue				14,754	590,148			
Total Development Expenses								
							Future Vacancy	
Vacancy Loss	3.00%	of annual rent potential		443	17,704		6	3.0%
Management Fee	634	per unit per year		634	25,360	3.0%	1	3.0%
Administration				2,008	80,336	3.0%	1	3.0%
Project-paid Fuel				379	15,168	3.0%	6	3.0%
Common Electricity				168	6,720	4.0%	6	3.0%
Water and Sewer				280	11,201	5.0%	6	5.0%
Operating and Maintenance				2,399	95,971	3.0%	1	3.0%
Real Estate Taxes				0		5.0%	1	5.0%
Payment in Lieu of Taxes (PILOT)	0.00%	Applied to: All Units		0	0			
Insurance				449	17,948	3.0%	1	3.0%
Replacement Reserve	300	per unit per year		300	12,000	3.0%	1	3.0%
Other:				0		3.0%	1	3.0%
Other:				0		3.0%	1	3.0%
			% of Revenue					
Total Expenses			47.85%	**7,060**	**282,409**			
Base Net Operating Income				7,693	307,739	Override		
Part A Mortgage Payment			45.34%	6,690	267,599			
Part A Mortgage				**93,794**	**3,751,769**			
Non MSHDA Financing Mortgage Payment				0				
Non MSHDA Financing Type:				**0**				
Base Project Cash Flow (excludes ODR)			6.80%	1,003	40,140			

Development	Villa Esperanza
Financing	Tax Exempt
MSHDA No.	4124
Step	Commitment
Date	07/18/2024
Type	Acquisition/Rehab

Instructions

Income Limits for	Kent County					(Effective April 18,2022)
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	18,810	21,480	24,180	26,850	29,010	31,170
40% of area median	25,080	28,640	32,240	35,800	38,680	41,560
50% of area median	31,350	35,800	40,300	44,750	48,350	51,950
60% of area median	37,620	42,960	48,360	53,700	58,020	62,340

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	Current Section 8 Contract Rent	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense
60% Senior	Area Median Income Units Occupancy																
A	27	Apartment	1	1.0	572	1,261	39	1,300	408,564	1,100	69.2%	69.2%	15,444	69.2%	15,444		1,007
									408,564	1,100	69.2%	69.2%	15,444	69.2%	15,444		
50% Senior	Area Median Income Units Occupancy																
A	4	Apartment	1	1.0	572	1,261	39	1,300	60,528	1,100	10.3%	10.3%	2,288	10.3%	2,288		839
									60,528	1,100	10.3%	10.3%	2,288	10.3%	2,288		
40% Senior	Area Median Income Units Occupancy																
A	2	Apartment	1	1.0	572	1,261	39	1,300	30,264	1,100	5.1%	5.1%	1,144	5.1%	1,144		671
									30,264	1,100	5.1%	5.1%	1,144	5.1%	1,144		
40% Senior	Area Median Income Units Occupancy																
A	2	Apartment	1	1.0	572	1,261	39	1,300	30,264	1,100	5.1%	5.1%	1,144	5.1%	1,144	Low HOME	671
									30,264	1,100	5.1%	5.1%	1,144	5.1%	1,144		
30% Senior	Area Median Income Units Occupancy																
A	4	Apartment	1	1.0	572	1,261	39	1,300	60,528	1,100	10.3%	10.3%	2,288	10.3%	2,288	Low HOME	503
Mgrs	1	Apartment	1	1.0					0	1,100	0.0%	0.0%	0	0.0%	0		
													22,308		**22,308**		

Total Revenue Units	**39**
Manager Units	**1**
Income Average	53.85%
Set Aside	100.00%

Gross Rent Potential	**590,148**
Average Monthly Rent	**1,261**
Gross Square Footage	**22,308**

HOME Units SF/Total Units SF	15.4%	**Within Range**
# HOME Units/# Total Units	15.4%	**Within Range**

Utility Allowances

	Tenant-Paid Electricity	Tenant-Paid A/C	Owner-Paid Gas	Owner-Paid Water/ Sewer	Other	Total	Override
A	39.00					39	
B						0	
C						0	
D						0	
E						0	
F						0	
G						0	
H						0	

Annual Non-Rental Income

Misc. and Interest	
Laundry	
Carports	
Other:	
Other:	
	0

Total Income	Annual	Monthly
Rental Income	590,148	49,179
Non-Rental Income	0	0
Total Project Revenue	590,148	49,179

Development	Villa Esperanza
Financing	Tax Exempt
MSHDA No.	4124
Step	Commitment
Date	07/18/2024
Type	Acquisition/Rehab

Amenities Check List

Yes	Ceiling Fan				
Yes	Coat Closet				
	Dishwasher				
	Exterior Storage				
Yes	Frost Free Refridgerator				
	Garbage Disposal				
	Individual Entry				
	Microwave				
Yes	Mini-blinds				
	Patio/balcany				
Yes	Self-cleaning oven				
	Walk-in closet				
	Basketball Court				
	Playground				
	Clubhouse				
Yes	Community room				
	Computer / Business Center				
	Elevator				
	Exercise room				
	On-site management				
	Picnic area				
	Other:				
Yes	Laundry Type:	Laundry room			
Yes	Air Conditioning:	Central Air			
Yes	Security: Lighting				
Yes	Security: Intercom				
	Security: Other				
	Carport	Fee ($):		# of spaces:	
	Attached Garage	Fee ($):		# of spaces:	
	Detached Garage	Fee ($):		# of spaces:	

Congregate Facilities

	24-hour on-site management
	Activities
	Emergency Pullcord
	Healthcare services
	Housekeeping
	Activities director
	Library
	Movie theatre
	Transportation services

Development	Villa Esperanza
Financing	Tax Exempt
MSHDA No.	4124
Step	Commitment
Date	07/18/2024
Type	Acquisition/Rehab

Replacement Reserve Analysis

Cost Inflation	103%
RR Period	20

Min. Deposit	28,000
15 Year	180,777
20 Year	364,932

Required Initial Deposit	**364,932**
Per Unit	**9,123**

Year	Starting Balance	RR Needs	Contribution	Net Annual Change	Interest	Ending Balance
1	364,932	2,000	12,000	10,000	10,948	385,880
2	385,880	2,060	12,360	10,300	11,576	407,756
3	407,756	2,122	12,731	10,609	12,233	430,598
4	430,598	2,185	13,113	10,928	12,918	454,443
5	454,443	2,251	13,506	11,255	13,633	479,332
6	479,332	22,388	13,911	(8,477)	14,380	485,235
7	485,235	8,358	14,329	5,971	14,557	505,762
8	505,762	8,609	14,758	6,149	15,173	527,085
9	527,085	2,534	15,201	12,667	15,813	555,565
10	555,565	9,414	15,657	6,243	16,667	578,475
11	578,475	134,562	16,127	(118,435)	17,354	477,394
12	477,394	112,338	16,611	(95,727)	14,322	395,989
13	395,989	32,196	17,109	(15,087)	11,880	392,782
14	392,782	126,504	17,622	(108,882)	11,783	295,683
15	295,683	35,798	18,151	(17,647)	8,871	**286,907**
16	286,907	104,416	18,696	(85,720)	8,607	209,794
17	209,794	66,001	19,256	(46,745)	6,294	169,343
18	169,343	67,982	19,834	(48,148)	5,080	126,276
19	126,276	95,428	20,429	(74,999)	3,788	55,065
20	55,065	77,759	21,042	(56,717)	1,652	**(0)**

Total Units	40
Interest Rate on Reserves	3%
Year 1 RR Deposits	300
Min Initial Deposit ($700/unit)	28000

Cash Flow Projections

Development Villa Esperanza
Financing Tax Exempt
MSHDA No. 4124
Step Commitment
Date 07/18/2024
Type Acquisition/Rehab

	Initial Inflator	Starting in Yr	Future Inflator		1	2	3	4	5	6	7	8	9	10
Income														
Annual Rental Income	1.0%	6	2.0%		590,148	596,049	602,010	608,030	614,110	626,393	638,920	651,699	664,733	678,027
Annual Non-Rental Income	1.0%	6	2.0%		0	0	0	0	0	0	0	0	0	0
Total Project Revenue					**590,148**	**596,049**	**602,010**	**608,030**	**614,110**	**626,393**	**638,920**	**651,699**	**664,733**	**678,027**
Expenses														
Vacancy Loss	3.0%	6	3.0%		17,704	17,881	18,060	18,241	18,423	18,792	19,168	19,551	19,942	20,341
Management Fee	3.0%	1	3.0%		25,360	26,121	26,904	27,712	28,543	29,399	30,281	31,190	32,125	33,089
Administration	3.0%	1	3.0%		80,336	82,746	85,229	87,786	90,419	93,132	95,926	98,804	101,768	104,821
Project-paid Fuel	3.0%	6	3.0%		15,168	15,623	16,092	16,574	17,072	17,584	18,111	18,655	19,214	19,791
Common Electricity	4.0%	6	3.0%		6,720	6,989	7,268	7,559	7,861	8,097	8,340	8,590	8,848	9,114
Water and Sewer	5.0%	6	5.0%		11,201	11,761	12,349	12,967	13,615	14,296	15,010	15,761	16,549	17,376
Operating and Maintenance	3.0%	1	3.0%		95,971	98,851	101,816	104,871	108,017	111,257	114,595	118,033	121,574	125,221
Real Estate Taxes	5.0%	1	5.0%		0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)					0	0	0	0	0	0	0	0	0	0
Insurance	3.0%	1	3.0%		17,948	18,486	19,041	19,612	20,200	20,806	21,430	22,073	22,736	23,418
Replacement Reserve	3.0%	1	3.0%		12,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758	15,201	15,657
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses					282,409	290,818	299,490	308,434	317,657	327,274	337,191	347,415	357,957	368,827
Debt Service														
Debt Service Part A					267,599	267,599	267,599	267,599	267,599	267,599	267,599	267,599	267,599	267,599
Debt Service Conventional/Other Financing					0	0	0	0	0	0	0	0	0	0
Total Expenses					**550,008**	**558,418**	**567,090**	**576,033**	**585,256**	**594,874**	**604,790**	**615,014**	**625,556**	**636,426**
Cash Flow/(Deficit)					**40,140**	**37,632**	**34,920**	**31,997**	**28,855**	**31,519**	**34,131**	**36,685**	**39,177**	**41,601**
Cash Flow Per Unit					1,003	941	873	800	721	788	853	917	979	1,040
Debt Coverage Ratio on Part A Loan					1.15	1.14	1.13	1.12	1.11	1.12	1.13	1.14	1.15	1.16
Debt Coverage Ratio on Conventional/Other Financing					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Rate on Reserves	3%				Average Cash Flow as % of Net Income									
Operating Deficit Reserve (ODR) Analaysis														
Maintained Debt Coverage Ratio (Hard Debt)	1.00													
Maintained Operating Reserve (No Hard Debt)	250			Initial Deposit										
Initial Balance				0	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR					0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR					0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR					0	0	0	0	0	0	0	0	0	0
Interest					0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR					0	0	0	0	0	0	0	0	0	0
Maintained Cash Flow Per Unit					1,003	941	873	800	721	788	853	917	979	1,040
Maintained Debt Coverage Ratio on Part A Loan					1.15	1.14	1.13	1.12	1.11	1.12	1.13	1.14	1.15	1.16
Maintained Debt Coverage Ratio on Conventional/Other					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR				0										
Non-standard ODR				0										
Operating Assurance Reserve Analysis				275,004										
Required in Year:	1			Initial Deposit										
Initial Balance				**275,004**	275,004	283,254	291,752	300,504	309,519	318,805	328,369	338,220	348,367	358,818
Interest Income					8,250	8,498	8,753	9,015	9,286	9,564	9,851	10,147	10,451	10,765
Ending Balance					283,254	291,752	300,504	309,519	318,805	328,369	338,220	348,367	358,818	369,582
Deferred Developer Fee Analysis														
Initial Balance					202,434	162,294	124,662	89,742	57,744	28,890	0	0	0	0
Dev Fee Paid					40,140	37,632	34,920	31,997	28,855	28,890	0	0	0	0
Ending Balance — Repaid in y	0				162,294	124,662	89,742	57,744	28,890	0	0	0	0	0
Mortgage Resource Fund Loan														
Interest Rate on Subordinate Financing	3%			Initial Balance										
Principal Amount of all MSHDA Soft Funds				0	0	0	0	0	0	0	0	0	0	0
Current Yr Int					0	0	0	0	0	0	0	0	0	0
Accrued Int					0	0	0	0	0	0	0	0	0	0
Subtotal				% of Cash Flow	0	0	0	0	0	0	0	0	0	0
Annual Payment Due				**50%**	0	0	0	0	0	0	0	0	0	0
Year End Balance					0	0	0	0	0	0	0	0	0	0

Cash Flow Projections

	Initial Inflator	Starting in Yr	Future Inflator		11	12	13	14	15	16	17	18	19	20
Income														
Annual Rental Income	1.0%	6	2.0%		691,588	705,420	719,528	733,919	748,597	763,569	778,840	794,417	810,306	826,512
Annual Non-Rental Income	1.0%	6	2.0%		0	0	0	0	0	0	0	0	0	0
Total Project Revenue					**691,588**	**705,420**	**719,528**	**733,919**	**748,597**	**763,569**	**778,840**	**794,417**	**810,306**	**826,512**
Expenses														
Vacancy Loss	3.0%	6	3.0%		20,748	21,163	21,586	22,018	22,458	22,907	23,365	23,833	24,309	24,795
Management Fee	3.0%	1	3.0%		34,082	35,104	36,157	37,242	38,359	39,510	40,695	41,916	43,174	44,469
Administration	3.0%	1	3.0%		107,965	111,204	114,540	117,977	121,516	125,161	128,916	132,784	136,767	140,870
Project-paid Fuel	3.0%	6	3.0%		20,385	20,996	21,626	22,275	22,943	23,631	24,340	25,070	25,823	26,597
Common Electricity	4.0%	6	3.0%		9,387	9,669	9,959	10,257	10,565	10,882	11,209	11,545	11,891	12,248
Water and Sewer	5.0%	6	5.0%		18,245	19,158	20,115	21,121	22,177	23,286	24,450	25,673	26,957	28,304
Operating and Maintenance	3.0%	1	3.0%		128,978	132,847	136,832	140,937	145,165	149,520	154,006	158,626	163,385	168,287
Real Estate Taxes	5.0%	1	5.0%		0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)					0	0	0	0	0	0	0	0	0	0
Insurance	3.0%	1	3.0%		24,120	24,844	25,589	26,357	27,147	27,962	28,801	29,665	30,555	31,471
Replacement Reserve	3.0%	1	3.0%		16,127	16,611	17,109	17,622	18,151	18,696	19,256	19,834	20,429	21,042
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses					380,036	391,595	403,514	415,806	428,482	441,556	455,039	468,946	483,289	498,084
Debt Service														
Debt Service Part A					267,599	267,599	267,599	267,599	267,599	267,599	267,599	267,599	267,599	267,599
Debt Service Conventional/Other Financing					0	0	0	0	0	0	0	0	0	0
Total Expenses					**647,635**	**659,194**	**671,113**	**683,405**	**696,082**	**709,155**	**722,638**	**736,545**	**750,888**	**765,683**
Cash Flow/(Deficit)					**43,953**	**46,226**	**48,415**	**50,514**	**52,516**	**54,414**	**56,202**	**57,872**	**59,417**	**60,829**
Cash Flow Per Unit					1,099	1,156	1,210	1,263	1,313	1,360	1,405	1,447	1,485	1,521
Debt Coverage Ratio on Part A Loan					1.16	1.17	1.18	1.19	1.20	1.20	1.21	1.22	1.22	1.23
Debt Coverage Ratio on Conventional/Other Financing					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Rate on Reserves	3%													
Operating Deficit Reserve (ODR) Analaysis														
Maintained Debt Coverage Ratio (Hard Debt)	1.00													
Maintained Operating Reserve (No Hard Debt)	250			Initial Deposit										
Initial Balance				**0**	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR					0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR					0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR					0	0	0	0	0	0	0	0	0	0
Interest					0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR					0	0	0	0	0	0	0	0	0	0
Maintained Cash Flow Per Unit					1,099	1,156	1,210	1,263	1,313	1,360	1,405	1,447	1,485	1,521
Maintained Debt Coverage Ratio on Part A Loan					1.16	1.17	1.18	1.19	1.20	1.20	1.21	1.22	1.22	1.23
Maintained Debt Coverage Ratio on Conventional/Other					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR				**0**										
Non-standard ODR				**0**										
Operating Assurance Reserve Analysis				275,004										
Required in Year:	1			Initial Deposit										
Initial Balance				**275,004**	369,582	380,670	392,090	403,853	415,968	428,447	441,301	454,540	468,176	482,221
Interest Income					11,087	11,420	11,763	12,116	12,479	12,853	13,239	13,636	14,045	14,467
Ending Balance					380,670	392,090	403,853	415,968	428,447	441,301	454,540	468,176	482,221	496,688
Deferred Developer Fee Analysis														
Initial Balance					0	0	0	0	0	0	0	0	0	0
Dev Fee Paid					0	0	0	0	0	0	0	0	0	0
Ending Balance — Repaid in ye	0				0	0	0	0	0	0	0	0	0	0
Mortgage Resource Fund Loan														
Interest Rate on Subordinate Financing	3%			Initial Balance										
Principal Amount of all MSHDA Soft Funds				**0**	0	0	0	0	0	0	0	0	0	0
Current Yr Int					0	0	0	0	0	0	0	0	0	0
Accrued Int					0	0	0	0	0	0	0	0	0	0
Subtotal				% of Cash Flow	0	0	0	0	0	0	0	0	0	0
Annual Payment Due				**50%**	0	0	0	0	0	0	0	0	0	0
Year End Balance					0	0	0	0	0	0	0	0	0	0

Development Villa Esperanza
Financing Tax Exempt
MSHDA No. 4124
Step Commitment
Date 07/18/2024
Type Acquisition/Rehab

Use Sources & Uses Page: Sources & Uses

Pay-In Schedule

Uses	Amount Budgeted from Costs	Aug 2024 8/1/2024 Initial Closing	13% Sep 2024 Draw 2	25% Oct 2024 Draw 3	37% Nov 2024 Draw 4	49% Dec 2024 Draw 5	61% Jan 2025 Draw 6	73% Feb 2025 Draw 7	85% Mar 2025 Draw 8	98% Apr 2025 Draw 9	100% May 2025 Draw 10	Jun 2025 Draw 11	Jul 2025 Draw 12	Aug 2025 Draw 13	Sep 2025 Draw 14	Oct 2025 Draw 15	Nov 2025 Draw 16	Dec 2025 Draw 17	Jan 2026 Draw 18	Feb 2026 Draw 19	Mar 2026 Draw 20	Apr 2026 Draw 21	May 2026 Draw 22	Jun 2026 Draw 23	Jul 2026 Draw 24	Aug 2026 Draw 25	Total	Variance
Acquisition	3,100,000	3,100,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,100,000	0
Land	440,000	440,000																									440,000	0
Existing Buildings	2,660,000	2,660,000																									2,660,000	0
Other:	0																										0	0
Override																											0	0
Construction/Rehabilitation	3,039,078	35,075	366,113	366,113	366,113	366,113	366,113	366,113	366,113	366,113	75,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,039,078	0
Off Site Improvements	0																										0	0
On-site Improvements	110,000																										0	(110,000)
Landscaping and Irrigation	0																										0	0
Structures	2,536,092																										0	(2,536,092)
Community Building and/or Ma	0																										0	0
Construction not in Tax Credit b	0																										0	0
General Requirements	158,766																										0	(158,766)
Builder Overhead	56,097																										0	(56,097)
Builder Profit	143,048																										0	(143,048)
Bond Premium, Tap Fees, Cos	35,075	35,075																									35,075	0
Other:	0																										0	0
Override			366,113	366,113	366,113	366,113	366,113	366,113	366,113	366,113	75,100																3,004,003	3,004,003
Professional Fees	217,593	217,593	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	217,593	0
Design Architect Fees	117,593	117,593																									117,593	0
Supervisory Architect Fees	0		0																								0	0
Engineering/Survey	5,000	5,000																									5,000	0
Legal Fees	95,000	95,000																									95,000	0
Override																											0	0
Interim Contruction Costs	90,200	60,200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	60,200	(30,000)
Property & Casualty Insurance	35,200	35,200																									35,200	0
Title Work	25,000	25,000																									25,000	0
Construction Taxes	0																										0	0
Permits	30,000																										0	(30,000)
Override																											0	0
Construction Loan Interest	304,533		16,261	18,829	20,850	22,882	25,372	27,940	30,183	32,714	26,420	26,420	26,420	26,420	26,420	26,420	0	0	0	0	0	0	0	0	0	0	353,547	49,014
Permanent Financing	115,458	115,458	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	115,458	0
2% Loan Commitment Fee to M	115,458	115,458																									115,458	0
Other:	0																										0	0
Override																											0	0
Other Costs(In Basis)	412,663	38,755	4,375	4,375	4,375	85,352	85,352	85,352	85,352	4,375	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	412,663	0
Application Fee	3,755	3,755																									3,755	0
Market Study	7,500	7,500																									7,500	0
Environmental Studies	15,000	15,000																									15,000	0
Cost Certification	15,000										15,000																15,000	0
Equipment and Furnishings	20,000					5,000	5,000	5,000	5,000																		20,000	0
Temporary Tenant Relocation	35,000		4,375	4,375	4,375	4,375	4,375	4,375	4,375	4,375																	35,000	0
Construction Contingency	303,908					75,977	75,977	75,977	75,977																		303,908	0
Appraisal and C.N.A.	12,500	12,500																									12,500	0
Other:	0																										0	0
Override																											0	0
Other Costs(NOT In Basis)	89,900	59,760	0	0	0	0	11,615	0	0	0	18,525	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	89,900	0
Start-up and Organization	0	0																									0	0
Tax Credit Fees (based on 202:	21,375	9,760					11,615																				21,375	0
Compliance Monitoring Fee (ba	18,525										18,525																18,525	0
Marketing Expense	0																										0	0
Syndication Legal Fees	50,000	50,000																									50,000	0
Rent Up Allowance	0																										0	0
Other:	0																										0	0
Override																											0	0
Project Reserves	639,936	639,936	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	639,936	0
Operating Assurance Reserve	275,004	275,004																									275,004	0
Replacement Reserve	364,932	364,932																									364,932	0
Operating Deficit Reserve	0																										0	0
Rent Subsidy Reserve	0																										0	0
Syndicator Held Reserve	0																										0	0
Rent Lag Escrow	0																										0	0
Tax and Insurance Escrows	0																										0	0
Other:	0																										0	0
Other:	0																										0	0
Override																											0	0
Miscellaneous	49,179	49,179	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	49,179	0
Deposit to Development Operat	49,179	49,179																									49,179	0
Other (Not in Basis):	0																										0	0
Other (In Basis):	0																										0	0
Other (In Basis):	0																										0	0
Override																											0	0
Developer Fee	1,144,216	235,445									235,445						470,891										941,782	(202,434)
Total Uses	9,202,756	4,551,401	386,749	389,316	391,337	474,347	488,452	479,405	481,648	403,201	370,490	26,420	26,420	26,420	26,420	26,420	470,891	0	0	0	0	0	0	0	0	0	9,019,336	(183,420)
Cumulative Uses		*4,551,401*	*4,938,150*	*5,327,466*	*5,718,804*	*6,193,150*	*6,681,603*	*7,161,008*	*7,642,656*	*8,045,857*	*8,416,347*	*8,442,767*	*8,469,186*	*8,495,606*	*8,522,026*	*8,548,445*	*9,019,336*	*9,019,336*	*9,019,336*	*9,019,336*	*9,019,336*	*9,019,336*	*9,019,336*	*9,019,336*	*9,019,336*	*9,019,336*		
Sources Interest Rate	6.625%																											
Construction Loan	4,785,433.12	3,046,955	363,501	366,068	368,089	451,099	465,204	406,157	458,400	-1,140,041						-4,785,433											0	(4,785,433)
MSHDA Permanent Mortgage	3,751,769.00															3,751,769											3,751,769	0
Conventional/Other Mortgage	0																										0	0
Equity Contribution from Tax Credit Syndication	2,662,174	181,028									276,866					2,159,023						45,257					2,662,174	0
MSHDA NSP Funds	0																										0	0
MSHDA HOME	987,489.00	50,000						50,000		1,519,994	70,376	3,172	3,172	3,172	3,172	-715,567											987,489	0
Mortgage Resource Funds	0																										0	0
MSHDA Housing Trust Funds or TCAP	0																										0	0
Local HOME	0																										0	0
Income from Operations	325,472		23,248	23,248	23,248	23,248	23,248	23,248	23,248	23,248	23,248	23,248	23,248	23,248	23,248	23,248											325,472	0
Other Equity	100	100																									100	0
Transferred Reserves:	522,013	522,013																									522,013	0
Other:	751,305	751,305																									751,305	0
Other:	0	0																									0	0
Deferred Developer Fee	202,434																										0	(202,434)
Construction Loan Running Balance		3,046,955	3,410,456	3,776,525	4,144,614	4,595,713	5,060,917	5,467,074	5,925,474	4,785,433	4,785,433	4,785,433	4,785,433	4,785,433	4,785,433	0	0	0	0	0	0	0	0	0	0	0		
Total Sources	9,202,756	4,551,401	386,749	389,316	391,337	474,347	488,452	479,405	481,648	403,201	370,490	26,420	26,420	26,420	26,420	433,040	0	0	0	0	0	45,257	0	0	0	0	9,000,322	(202,434)
Cumulative Sources		*4,551,401*	*4,938,150*	*5,327,466*	*5,718,804*	*6,193,150*	*6,681,603*	*7,161,008*	*7,642,656*	*8,045,857*	*8,416,347*	*8,442,767*	*8,469,186*	*8,495,606*	*8,522,026*	*8,955,065*	*8,955,065*	*8,955,065*	*8,955,065*	*8,955,065*	*8,955,065*	*9,000,322*	*9,000,322*	*9,000,322*	*9,000,322*	*9,000,322*		
Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	406,620	-470,891	0	0	0	0	45,257	0	0	0	0	-19,014	
Cumulative Balance		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*406,620*	*-64,271*	*-64,271*	*-64,271*	*-64,271*	*-64,271*	*-19,014*	*-19,014*	*-19,014*	*-19,014*	*-19,014*	*0*	
Eligible basis items plus land	8,003,750																											
50% Test (for 4% deals)		33%	37%	41%	45%	50%	55%	59%	64%	52%	52%	52%	52%	52%	52%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%		

DRAFT
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
VILLA ESPERANZA APARTMENTS, MSHDA DEVELOPMENT NO. 4124
CITY OF WYOMING, KENT COUNTY

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (the "Act"), to make mortgage loans to qualified non-profit housing corporations, consumer housing cooperatives and limited dividend housing corporations and associations; and

WHEREAS, an Application for Mortgage Loan Feasibility has been filed with the Authority by Dwelling Place of Grand Rapids Nonprofit Housing Corporation (the "Applicant") for a multifamily housing project to be located in the City of Wyoming, Kent County, Michigan, having an estimated total development cost of Nine Million Two Hundred Two Thousand Seven Hundred Fifty-Six Dollars ($9,202,756), a total estimated maximum mortgage loan amount of Four Million Seven Hundred Eighty-Five Thousand Four Hundred Thirty-Three Dollars ($4,785,433) (hereinafter referred to as the "Application"); and

WHEREAS, a housing association to be formed by the Applicant may become eligible to receive a mortgage loan from the Authority under the provisions of the Act and the Authority's General Rules; and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and her recommendation with respect thereto; and

WHEREAS, the Authority has considered the Application in the light of the Authority's project mortgage loan feasibility evaluation factors.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The following determinations be and they hereby are made:

   a. The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located, thereby enhancing the viability of such housing.

   b. The Applicant is reasonably expected to be able to achieve successful completion of the proposed housing project.

   c. The proposed housing project will meet a social need in the area in which it is to be located.

   d. A mortgage loan, or a mortgage loan not made by the Authority that is a federally-aided mortgage, can reasonably be anticipated to be obtained to provide financing for the proposed housing project.

e. The proposed housing project is a feasible housing project.

f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Five Million Six Hundred Fifty Thousand Dollars ($5,650,000).

2. The proposed housing project be and it is hereby determined to be feasible for a mortgage loan on the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Report of the Authority Staff presented to the meeting, subject to any and all applicable determinations and evaluations issued or made with respect to the proposed housing project by other governmental agencies or instrumentalities or other entities concerning the effects of the proposed housing project on the environment as evaluated pursuant to the federal National Environmental Policy Act of 1969, as amended, and the regulations issued pursuant thereto as set forth in 24 CFR Part 58.

3. The determination of feasibility is based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this feasibility determination resolution may, at the option of the Chief Executive Officer and Executive Director, the Chief Housing Investment Officer, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in any of the foregoing capacities (each an "Authorized Officer"), be immediately rescinded.

4. Neither this determination of feasibility nor the execution prior to closing of any documents requested to facilitate processing of a proposed mortgage loan to be used in connection therewith constitutes a promise or covenant by the Authority that it will make a Mortgage Loan to the Applicant.

5. This determination of Mortgage Loan Feasibility is conditioned upon the availability of financing to the Authority. The Authority does not covenant that funds are or will be available for the financing of the subject proposed housing development.

6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MORTGAGE LOANS
VILLA ESPERANZA APARTMENTS, MSHDA DEVELOPMENT NO. 4124
CITY OF WYOMING, KENT COUNTY

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized, under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (hereinafter referred to as the "Act"), to make mortgage loans to qualified nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations and associations and certain qualified individuals; and

WHEREAS, an application (the "Application") has been filed with the Authority by Dwelling Place of Grand Rapids Nonprofit Housing Corporation (the "Applicant") for a construction mortgage loan in the amount of Four Million Seven Hundred Eighty-Five Thousand Four Hundred Thirty-Three Dollars ($4,785,433), and a permanent mortgage loan in the amount of Three Million Seven Hundred Fifty-One Thousand Seven Hundred Sixty-Nine Dollars ($3,751,769) for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Nine Million Two Hundred Two Thousand Seven Hundred Fifty-Six Dollars ($9,202,756), to be known as Villa Esperanza Apartments, located in the City of Wyoming, Kent County, Michigan, and to be owned by Villa Esperanza Limited Dividend Housing Association LLC (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a mortgage loan under the HOME Investment Partnerships Program using HOME funds in the estimated amount of Nine Hundred Eighty-Seven Thousand Four Hundred Eighty-Nine Dollars ($987,489) (the "HOME Loan"); and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and her recommendation with respect thereto; and

WHEREAS, the Authority has reviewed the Application and the recommendation of the Chief Executive Officer and Executive Director and, on the basis of the Application and recommendation, has made determinations that:

(a) The Mortgagor is an eligible applicant;

(b) The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located thereby enhancing the viability of such housing;

(c) The Applicant and the Mortgagor are reasonably expected to be able to achieve successful completion of the proposed housing project;

(d) The proposed housing project will meet a social need in the area in which it is to be located;

(e) The proposed housing project may reasonably be expected to be marketed successfully;

(f) All elements of the proposed housing project have been established in a manner consistent with the Authority's evaluation factors, except as otherwise provided herein;

(g) The construction or rehabilitation will be undertaken in an economical manner and it will not be of elaborate design or materials; and

(h) In light of the estimated total project cost of the proposed housing project, the amount of the mortgage loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation on the ratio of mortgage loan amount to estimated total project cost.

WHEREAS, the Authority has considered the Application in the light of the criteria established for the determination of priorities pursuant to General Rule 125.145 and hereby determines that the proposed housing project is consistent therewith; and

WHEREAS, Sections 83 and 93 of the Act provide that the Authority shall determine a reasonable and proper rate of return to limited dividend housing corporations and associations on their investment in Authority-financed housing projects.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Application be and it hereby is approved, subject to the terms and conditions of this Resolution, the Act, the General Rules of the Authority, and of the Mortgage Loan Commitment hereinafter authorized to be issued to the Applicant and the Mortgagor.

2. A construction and permanent mortgage loan (the "Mortgage Loan") be and it hereby is authorized and the Chief Executive Officer and Executive Director, the Chief Housing Investment Officer, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction financing of the proposed housing project in an amount not to exceed Four Million Seven Hundred Eighty-Five Thousand Four Hundred Thirty-Three Dollars ($4,785,433), and permanent financing in an amount not to exceed Three Million Seven Hundred Fifty-One Thousand Seven Hundred Sixty-Nine Dollars ($3,751,769), and to have a term of forty (40) years after amortization of principal commences and to bear interest at a rate of six and 625/1000 percent (6.625%) per annum. The amount of proceeds of tax-exempt bonds issued or to be issued and allocated to the financing of this housing project shall not exceed Five Million Six Hundred Fifty Thousand Dollars ($5,650,000). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

3. The mortgage loan commitment resolution and issuance of the Mortgage Loan Commitment are based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by

the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this mortgage loan commitment resolution together with the commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded.

4. Notwithstanding passage of this resolution or execution of any documents in anticipation of the closing of the proposed mortgage loan, no contractual rights to receive the mortgage loan authorized herein shall arise unless and until an Authorized Officer shall have issued a Mortgage Loan Commitment and the Applicant shall have agreed in writing within fifteen days after receipt thereof, to the terms and conditions contained therein.

5. The proposed housing project be and it hereby is granted a priority with respect to proceeds from the sale of Authority securities which are determined by the Chief Executive Officer and Executive Director to be available for financing the construction and permanent loans of the proposed housing project. Availability of funds is subject to the Authority's ability to sell bonds at a rate or rates of interest and at a sufficient length of maturity so as not to render the permanent financing of the development unfeasible.

6. In accordance with Section 93(b) of the Act, the maximum reasonable and proper rate of return on the investment of the Mortgagor in the housing project be and it hereby is determined to be as follows:

(a) So long as the Housing Assistance Payments Contract or any other federal subsidy is in effect, the rate of return shall be six percent (6%) of the Mortgagor's equity, as determined by the Authority, unless a higher rate of return is allowed and approved by HUD, but not to exceed twelve percent (12%).

(b) Following the expiration of the Housing Assistance Payments Contract or any other federal subsidy, the rate of return shall not exceed twenty-five percent (25%) of the Mortgagor's equity, as determined by the Authority.

7. The Mortgage Loan shall be subject to, and the Commitment shall contain, the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

8. The Authority hereby waives Section II.A.6 of the Multifamily Direct Lending Parameters adopted on June 28, 2017, regarding the Authority’s Multifamily Standards of Design requirements for flooring.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director Amy Hovey

DATE: July 18, 2024

RE: Elmdale Apartments, Development No. 4125

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize tax-exempt bond construction and permanent mortgage loans in the amounts set forth below, 3) authorize a waiver of the Multifamily Direct Lending Parameters ("Parameters") regarding the Authority's design standards to allow the living room area to have luxury vinyl tile (LVT) flooring, and 4) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to Elmdale Apartments, (the "Development"), subject to the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024.

PROJECT SUMMARY:

MSHDA No:	4125
Development Name:	Elmdale Apartments
Development Location:	City of Grand Rapids, Kent County
Sponsor:	Dwelling Place of Grand Rapids Nonprofit Housing Corporation
Mortgagor:	Elmdale Apartments Limited Dividend Housing Association LLC
Number of Units (Affordable and Market Rate):	18 Family Units, and 1 manager's unit
Number of Units Designated for Accessible Use:	1 Accessible Unit
Occupancy Rate:	95% Occupied
Total Development Cost:	$5,175,472
TE Bond Construction Loan:	$2,691,245
TE Bond Permanent Loan:	$1,747,957
MSHDA HOME Funds:	$410,071
Other funds:	
Income from Operations:	$133,462
GP/MM Capital Contribution:	$100
Transferred Reserves:	$196,345
Seller's Note:	$885,400

Deferred Developer Fee: $199,850

EXECUTIVE SUMMARY:

Elmdale Apartments, located at 1361 Elmdale Street NE, Grand Rapids, Michigan 49525, opened their doors in 1984 as an 18-unit housing community with all 19 units (16 one-bedroom units and 2 two-bedroom units, and 1 two-bedroom manager's unit) subsidized through a HUD 202 mortgage, which was refinanced with an FHA insured mortgage in 2007. Throughout the years, Elmdale Apartments has served residents that have a chronic mental illness and a referral from a mental health agency to qualify. Now, after the compliance period has ended, Dwelling Place is seeking funding to renovate the property to ensure its long-term success in providing and preserving low-income housing. This includes significant capital needs as well as a desire to improve amenities for the residents.

Dwelling Place will continue to operate Elmdale Apartments as an affordable, low-income property serving those who have a chronic mental illness. I am also recommending Board approval for the following reasons:

- Financing the Development results in a new earning asset for the Authority
- The proposal is of low risk to the Authority because it is 100% subsidized through a Section 8 Housing Assistance Payments (HAP) contract.

ADVANCING THE AUTHORITY'S MISSION:

Elmdale Apartments is located within Region F of the Statewide Housing Plan Regional Housing Partnerships, and this Development supports the following goals of the Region F Action Plan:

- Goal 1.2: Identify and advocate for modifications to policies and practices to remove barriers across the housing continuum for BIPOC, immigrants, migrants, refugees, people with disabilities, LGBTQ+, those with low incomes, and other marginalized populations;
- Goal 3.2: increasing access to stable and affordable housing options for households with extremely low incomes;
- Goal 4.1: Increase the supply of the full spectrum of housing that is affordable and attainable to Michigan residents;
- Goal 6.1: Keep people housed by reducing the number of evictions;
- Goal 7.2: Increase homeownership among households with low to moderate income;
- Goal 8.1: Increase awareness of and support for the importance and benefits of accessible, affordable, and attainable housing throughout Michigan.

MUNICIPAL SUPPORT:

This Development does not pay property taxes because it is eligible for and has been granted the Senior Citizen and Disabled Family Exemption (MCL 211.7d).

COMMUNITY ENGAGEMENT/IMPACT:

The Development team has engaged with the residents and property staff to get their input on changes they would like made in the property, but they did not engage the community outside of the property. They feel the Development needs a significant rehab to ensure they can provide safe, quality, and affordable housing to the tenants they serve.

RESIDENT IMPACT:

This proposal will involve an in-place rehabilitation with minimal disruption to the tenants. One unit will be left vacant during construction to temporarily house and minimize inconvenience to the tenant while their unit is being worked on. If any temporary relocations are necessary, they will be handled by the Sponsor in accordance with Authority guidelines. There are no new income requirements that will impact the residents.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

This Development does not pay property taxes because it is eligible for and has been granted the Senior Citizen and Disabled Family Exemption (MCL 211.7d). Elmdale Apartments is exempt from property taxes because it is operated by a qualifying organization as a referral-based housing community for households affected by chronic mental illness.

Elmdale Apartments is seeking an approval for a new 20-year HAP contract using the as renovated rents from a rent comp study (RCS) at initial closing. The approval from HUD on extending the 20-year HAP contract must be received by the MSHDA initial closing.

A waiver of Section II.A.6 of the Parameters regarding the MSHDA Standards of Design has been requested to allow for LVT in the bedrooms and living room areas. The request was approved for the living room areas; however, carpeting must be installed in the bedrooms.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

July 18, 2024

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize tax-exempt bond construction and permanent mortgage loans in the amounts set forth in this report, 3) authorize a waiver of the Multifamily Direct Lending Parameters ("Parameters") regarding the Authority's design standards to allow the living room area to have luxury vinyl tile (LVT) flooring and 4) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to Elmdale Apartments (the "Development"), subject to the terms and conditions set forth in this report.

MSHDA No.:	4125
Development Name:	Elmdale Apartments
Development Location:	City of Grand Rapids, Kent County
Sponsor:	Dwelling Place of Grand Rapids Nonprofit Housing Corporation
Mortgagor:	Elmdale Apartments Limited Dividend Housing Association LLC
TE Bond Construction Loan:	$2,691,245 (52% of TDC)
TE Bond Permanent Loan:	$1,747,957
MSHDA Permanent HOME Loan:	$410,071
Total Development Cost:	$5,175,472
Mortgage Amortization and Term:	40 years for the tax-exempt permanent bond loan; 50 years for the HOME loan
Interest Rate:	6.625% for the tax-exempt bond loan; 1% simple interest for the HOME loan
Program:	Tax-Exempt Bond and Gap Financing Programs
Number of Units:	18 family units, and 1 manager unit
Accessible Units:	1 Accessible Unit
Unit Configuration:	18 family units, 1 manager unit
Builder:	Wolverine Building Group
Syndicator:	Mercantile Community Partners, LLC
Date Application Received:	September 1, 2023
HDO:	Damon Pline

Issuance of the Authority's Mortgage Loan Commitment is subject to fulfillment of all Authority processing and review requirements and obtaining all necessary staff approvals as required by the Authority's underwriting standards.

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

This Development does not pay property taxes because it is eligible for and has been granted the Senior Citizen and Disabled Family Exemption (MCL 211.7d). Elmdale Apartments is exempt from property taxes because it is operated by a qualifying organization as a referral-based housing community for households affected by chronic mental illness.

Elmdale Apartments is seeking an approval for a new 20-year Housing Assistance Payments (HAP) contract using the as renovated rents from a rent comp study (RCS) at initial closing. The approval from U.S. Department of Housing and Urban Development (HUD) on extending the 20-year HAP must be received by the Authority's initial closing.

A waiver of Section II.A.6 of the Parameters regarding the MSHDA Standards of Design has been requested to allow for LVT in the bedrooms and living room areas. The request was approved for the living room areas; however, carpeting must be installed in the bedrooms.

EXECUTIVE SUMMARY:

Elmdale Apartments, located at 1361 Elmdale Street NE, Grand Rapids, Michigan 49525, opened their doors in 1984 as an 18-unit housing community with all 18 units (16 one-bedroom units, 2 two-bedroom units, and one manager's unit) subsidized through a HUD 202 mortgage, which was refinanced into an FHA insured mortgage in 2007. Throughout the years, Elmdale Apartments has served residents that have a chronic mental illness and a referral from a mental health agency to qualify. Now, after the initial compliance period has ended, Dwelling Place is seeking funding to renovate the property and restructure financially to ensure its long-term success in providing and preserving low-income housing. This includes significant capital needs as well as a desire to improve amenities for the residents.

Dwelling Place will continue to operate Elmdale Apartments as an affordable, low-income property serving those who have a chronic mental illness.

Structure of the Transaction and Funding:

There are several elements to this transaction that are common to preservation transactions:

- A tax-exempt bond construction loan (the "Mortgage Loan") will be provided by the Authority in the amount of $2,691,245 at 6.625% interest with a 12-month term (a 6-month construction term and a 6-month holding period), which will be used to bridge an extended equity pay-in period. Payments of interest only will be required during the construction loan. The principal balance of the construction loan must be reduced to the permanent loan amount on the first day of the month following the month in which the 12-month construction loan term expires or such later date as is established by an Authorized Officer of the Authority (the "Permanent Financing Date").

- A permanent Mortgage Loan will be provided by the Authority in the amount of $1,747,957. The permanent loan amount is based upon the current rents, less vacancy loss, payments to reserves and escrows, operating costs based on historical data unless modified by project improvements and construction and soft costs at levels appropriate for this specific transaction. The permanent loan is based on a 1.20 debt service coverage ratio, an annual interest rate of 6.625%, with a fully amortizing term of 40 years commencing on the Permanent Financing Date. The permanent Mortgage Loan will be in **First Position**.

- A permanent subordinate loan using HOME funds (the "HOME Loan") in the amount of $410,071 will be provided at 1% simple interest with payments initially deferred. The HOME Loan will be in **Second Position**.

- A Seller's Note is being added in the amount of $885,400. See Special Condition No. 3.

- The general partner/managing member will make a capital contribution in the amount of $100.

- Equity support comes from an investment related to the 4% LIHTC in the estimated amount of $1,602,287.

- The HAP contract will, subject to HUD approval, be transferred to Elmdale Apartments Limited Dividend Housing Association LLC (the "Mortgagor") and will continue to provide deep subsidy assistance for all assisted units.

- Income from operations will be used as a source of funding to make the interest only payments and the tax and insurance payments during the construction period in the amount of $133,462.

- The Sponsor has agreed to defer $199,850 of the developer fee to fill the remaining funding gap.

- An amount equal to one month's gross rent potential will be funded in the Development's operating account.

- An operating assurance reserve ("OAR") will be required in the amount identified in the attached proforma. The syndicator required reserve in the amount of $43,105 will be deposited into the OAR upon conversion to the permanent loan bringing the total OAR amount to $129,313. The reserve will be capitalized at closing in an amount which, along with accumulated interest, is expected to meet the Development's unanticipated operating needs. This reserve will be held by the Authority.

- The Development will be renovated, and a new replacement reserve requirement will be imposed, based upon a capital needs assessment ("CNA"), to ensure an extension of the useful life of the property and to maintain an excellent quality of life for the residents. At the closing, the Mortgagor must deposit the amount determined necessary to satisfy the requirements of the Authority-approved CNA over a 20-year period. This reserve will be held by the Authority.

- Existing Replacement Reserve escrow funds in the amount identified in the attached proforma will be used as a source of funding.

<u>Scope of Rehabilitation:</u>

The following improvements to the property are included in the Scope of Work:

- Install new parking surface.

- Restripe parking lot.
- Install new gated dumpster enclosure.
- Replace lighting with energy efficient LED lighting.
- Replace monument lighting for property sign.
- Trim/prune all trees and shrubs.
- Replace heads, valves, and controls of existing irrigation system.
- Install new accessible parking identification signs.
- Boiler replacement – Exploring addition of second boiler for redundancy.
- Replacement of makeup air unit. Adding cooling coil and outdoor condenser.
- Water heater replacement – Exploring addition of second water heater for redundancy.
- Update fire panel and add a communicator for monitoring. Add additional devices as needed.
- Replace intercom stations inside apartments for resident/guest use for building access.
- Replace security cameras. Add more exterior security cameras. Replace DVR/NVR equipment as needed.
- Replace all existing building entry doors with new fiberglass exterior doors. Install key card access on all building entry doors. Main entrance door openers should be replaced.
- Remove existing siding and trim. Install new vinyl siding and trim.
- Remove all existing windows and replace with single-hung insulated vinyl windows.
- Replace existing roof and repair any damaged decking as needed. Replace soffit and fascia.
- Replace unit interior doors with 2-panel hollow core doors, and paint. Replace door hardware. Existing door frame to remain, new paint.
- Paint all unit interior ceilings.
- Remove all vanities/sink bases and replace with plywood construction cabinets to match kitchen.
- Replace toilets with water efficient single flush ADA height elongated bowl toilets with slow close plastic lid/seat.
- Replace sinks with standard double-bowl stainless steel sink. Replace faucet with single-handle Delta faucets with side sprayer.

Affordability Requirements:

The Authority's tax-exempt bond regulatory agreement will require that all the dwelling units in the property remain occupied by households with incomes at or below 60% of the Multifamily Tax Subsidy Project ("MTSP") income limit, adjusted for family size. The number of restricted units is controlled by the number of eligible households in place at closing, estimated to be 100% of the units. All 18 units will be further restricted to the income limits required by the HAP Contract.

Protections for Existing Residents:

The preservation and renovation of the Development will not result in a rent increase for the existing tenants. There will be no tenant displacement as a result of this transaction.

Site Selection:

The site has been reviewed by Authority Staff and the Authority's Manager of the Office of Market Research has indicated that the site meets the Authority's current site selection criteria.

Market Evaluation:

The unit mix as well as the amenities package and rent levels have been approved by the Manager of the Office of Market Research.

Valuation of the Property:

An appraisal dated November 16, 2022, estimates the value of the building at $1,450,000.

CONDITIONS:

At or prior to (i) issuance of the Authority's mortgage loan commitment ("Mortgage Loan Commitment"), (ii) the initial Mortgage Loan Closing (the "Initial Closing"), or (iii) such other date as may be specified herein, the new Mortgagor, and other members of the Development team, where appropriate, must satisfy each of the following conditions by entering into a written agreement or providing documentation acceptable to the Authority:

Standard Conditions:

1. **Limitation for Return on Equity:**

   For each year of the Development's operation, beginning in the year in which the Mortgage Cut-Off Date occurs, as determined by the Authority, payments are limited to 10 percent (10%) of the Mortgagor's equity, or any other amount approved by HUD, but not to exceed twelve percent (12%). Following expiration of the HAP Contract, the Mortgagor's rate of return shall not exceed twenty-five (25%) per annum. For purposes of distributions, the Mortgagor's equity will be the sum of (i) the LIHTC equity; (ii) the brownfield tax credit equity; (iii) the historic tax credit equity; (iv) general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority, unless HUD or other federal regulations require a different calculation. All such payments shall be referred to as "Limited Dividend Payments." The Mortgagor's return shall be fully cumulative.

2. **Income Limits:**

   The income limitations for 19 units of this proposal are as follows:

   a. 3 units have been designated as Low-HOME units and during the Period of Affordability required under the HOME program (15 years) must be available for occupancy by households whose incomes do not exceed the Low HOME income limit as published by HUD, adjusted for family size.

   b. 18 units (16 one-bedroom units and 2 two-bedroom units) must be occupied or available for occupancy by households whose incomes do not exceed the income limits in the HAP Contract for so long as the HAP Contract between the Mortgagor and the Authority is in effect (including extensions and renewals), or for such longer period as determined by HUD.

   c. 12 units (11 one-bedroom units and 1 two-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 60% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

d. 2 units (1 one-bedroom and 1 two-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 50% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

e. 2 units (2 one-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 40% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

f. 2 units (2 one-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 30% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

g. 1 unit (1 two-bedroom unit) will be used as a manager's unit. If this unit is later converted to rental use, it must be available for occupancy by households whose incomes do not exceed the MTSP 60% income limits, adjusted for family size as determined by HUD.

To the extent units within the Development are subject to multiple sets of income limits, the most restrictive income limit will apply so long as the applicable term of affordability continues.

The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size.

3. <u>Limitations on Rental Rates</u>:

The Total Housing Expense (contract rent plus tenant-paid utilities) for 19 units is subject to the following limitations:

a. During the Period of Affordability required under the HOME program (15 years), the Total Housing Expense for the 3 Low-HOME units may not exceed the "Low-HOME Rent Limit" for the unit established and published annually by HUD.

b. So long as the HAP Contract remains in effect, the Mortgagor agrees to establish and maintain rents ("Contract Rents") for all 18 HAP-assisted units (16 one-bedroom units, and 2 two-bedroom units) that comply with the rent levels established by the HAP Contract and that do not exceed the rent levels approved by HUD.

c. The Total Housing Expense for 12 units (11 one-bedroom units, and 1 two-bedroom unit), may not exceed one-twelfth ($1/12^{th}$) of 30% of the 60% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

d. The Total Housing Expense for 2 units (1 one-bedroom unit, and 1 two-bedroom unit), may not exceed one-twelfth ($1/12^{th}$) of 30% of the 50% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

e. The Total Housing Expense for 2 units (2 one-bedroom units), may not exceed one-twelfth ($1/12^{th}$) of 30% of the 40% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

f. The Total Housing Expense for 2 units (2 one-bedroom units), may not exceed one-twelfth ($1/12^{th}$) of 30% of the 30% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

g. 1 unit (1-bedroom unit) will be used as a manager's unit. If this unit is later converted to rental use, the Total Housing Expense will be limited to one-twelfth ($1/12^{th}$) of 30% of 60% of the MTSP income limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom.

To the extent units within the Development are subject to multiple sets of rent limits, the most restrictive rent limit will apply so long as the applicable term of affordability continues.

For the initial lease term of the first household occupying each rent-restricted unit in the Development, the initial rent may not exceed 105% of the rent approved in this Mortgage Loan Feasibility/Commitment Staff Report. While rental increases for all units may be permitted from time to time as HUD publishes updated median income limits, rental increases on occupied units during any 12-month period will be limited to not more than 5% of the rent paid by the resident household at the beginning of that annual period. Exceptions to these limitations may be granted by Authority's Director of Asset Management for extraordinary increases in project operating expenses (exclusive of limited dividend payments) or mortgage loan increases to fund cost overruns pursuant to the Authority's policy on Mortgage Loan increases. Rents on vacated units may be increased to the maximum level permissible by the applicable programs. Rents and utility allowances must be approved annually by the Authority's Division of Asset Management

4. Covenant Running with the Land:

The Mortgagor must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the obligations issued or to be issued to finance the Mortgage Loan. This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is 15 years after the date on which 50% of the residential units in the Development are occupied, the first day on which no bonds are outstanding with respect to the project, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations. Additionally, if LIHTC is awarded to the Development, the Mortgagor must agree to subject the property to the extended low-income use commitment required by Section 42 of the Internal Revenue Code.

5. Restriction on Prepayment and Subsequent Use:

The Mortgage Loan is eligible for prepayment after the expiration of fifteen (15) years after the commencement of amortization. The Mortgagor must provide the Authority with at least 60 days' written notice prior to any such prepayment.

In the event of a prepayment, however, the Mortgagor must pay a prepayment fee equal to the sum of:

a. 1% of the balance being prepaid;
b. Any bond call premium, prepayment or swap penalty, or any other cost that the Authority incurs to prepay the bonds or notes that were used to fund the Mortgage Loan; and
c. Any loss of debt service spread between the Mortgage Loan and the bonds used to finance the loan from the date of the prepayment through the end of the 20th year of amortization.

Once the Mortgagor has been approved for the early prepayment of the underlying loan, it must sign an agreement with the Authority stating it is responsible for the cost of terminating the swap. The Mortgagor can then choose the timing of the termination and participate in the transaction with the swap counterparty. The swap counterparty will quote the cost of terminating the swap and the Mortgagor will have the ability to execute the transaction or cancel at its sole discretion. If the Mortgagor chooses not to terminate the swap, it will forfeit the right to prepay the Mortgage Loan.

Subordinate loans are eligible to prepay at any time upon 60 days prior written notice to the Authority, but prepayment may not extinguish federal affordability and compliance requirements.

6. Operating Assurance Reserve:

At Initial Closing, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to 4 months of estimated Development operating expenses (estimated to be $86,208) plus $43,105 from the syndicator reserve for a total of $129,313. The OAR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority in accordance with the Authority's written policy on the use of the Operating Assurance Reserve, as amended from time to time. The OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. **Replacement Reserve:**

At Initial Closing, the Mortgagor must establish a replacement reserve fund ("Replacement Reserve") with an initial deposit in an amount of $7,054 per unit. The Mortgagor must agree to make annual deposits to the Replacement Reserve, beginning on the Mortgage Cut-Off Date, at a minimum of $300 per unit for the first year of operation, payable in monthly installments, with deposits in subsequent years to be the greater of (i) the prior year's deposit, increased by 3%, or (ii) a percentage of the Development's projected annual rental income or gross rent potential ("GRP") for the year using the percentage obtained by dividing the first year's deposit by the first year's GRP shown on the operating proforma for the Development attached hereto. The annual deposit to the Replacement Reserve may also be increased to any higher amount that is determined to be necessary by the Authority, based on a CNA and the Authority's Replacement Reserve policies. The Authority may update any CNA or obtain a new CNA every five years, or upon any frequency, as determined necessary by the Authority.

8. **One Month's Gross Rent Potential:**

At Initial Closing, the Mortgagor shall deposit an amount equal to one month's gross rent potential ($23,630) into the Development's operating account.

9. **Authority Subordinate Loan(s):**

At Initial Closing, the Mortgagor must enter into agreements relating to the permanent HOME Loan. The HOME Loan will be secured by a subordinate mortgage and will bear simple interest at 1% with a 50-year term. No payments on the HOME Loan will be required until the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee, or (b) the 13th year following the commencement of amortization of the Mortgage Loan. Interest will continue to accrue on each loan until paid in full.

At the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee or (b) the 13th year following the date that Mortgage Loan amortization commences, repayment of the HOME Loan will be made from fifty percent (50%) of any surplus cash available for distribution. Such payments shall be applied first to accrued interest, then to current interest and principal and shall continue until the sale of the Development or refinancing of the Mortgage Loan, at which time the HOME Loan, shall be due in full. If the HOME Loan is still outstanding, then following repayment of the Mortgage Loan and continuing on the first day of every month thereafter, the Mortgagor shall make monthly payments of principal and interest equal to the monthly payments that were required on the Mortgage Loan on the first day of every month until the HOME Loan is paid in full, sale of the Development or the date that is 50 years from date of Initial Closing, whichever occurs first.

10. Architectural Plans and Specifications; Contractor's Qualification Statement:

Prior to Mortgage Loan Commitment, the architect must submit architectural drawings and specifications that address all design review comments, acceptable to the Authority's Chief Architect and the Director of Development.

Prior to Mortgage Loan Commitment, the general contractor must submit AIA Document A305 as required by the Authority's Chief Architect.

11. Owner/Architect Agreement:

Prior to Mortgage Loan Commitment, the Mortgagor must provide the Authority with an executed Owner Architect Agreement acceptable in form and substance to the Chief Legal Affairs Officer.

12. Trade Payment Breakdown:

Prior to Mortgage Loan Commitment, the general contractor must submit a signed Trade Payment Breakdown acceptable to the Authority's Chief Construction Manager.

13. Section 3 Requirements:

Prior to Mortgage Loan Commitment, the general contractor must agree to comply with all federal Section 3 hiring requirements. The general contractor must provide a copy of the contractor's "Section 3 Hiring Plan" which must be reviewed and found acceptable to the Authority's Section 3 Compliance Officer. In addition, the general contractor must agree to adhere to follow-up reporting requirements as established by the Authority.

14. Equal Opportunity and Fair Housing:

Prior to Mortgage Loan Commitment, the management and marketing agent's Affirmative Fair Housing Marketing Plan must be reviewed and found acceptable to the Authority's Equal Opportunity Officer for Fair Housing Requirements.

In addition, prior to Mortgage Loan Commitment, the general contractor's Equal Employment Opportunity Plan must be reviewed and found acceptable to the Authority's Chief Construction Manager.

15. Cost Certification:

The contractor's cost certification must be submitted within 90 days following the completion of construction, and the Mortgagor's cost certification must be submitted within 90 days following the Mortgage Cut-off Date. For LIHTC, the owner is obligated to submit cost certifications applicable to itself and the contractor prior to issuance of IRS form 8609 (see LIHTC Program Cost Certification Guidelines).

16. Environmental Review and Indemnification:

Prior to Mortgage Loan Commitment, the Mortgagor must address any outstanding environmental issues, in form and substance acceptable to the Authority's Environmental Review Officer.

At Initial Closing, the Mortgagor must enter an agreement to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of any violation of environmental laws. The indemnification agreement must be acceptable to the Chief Legal Affairs Officer.

17. Title Insurance Commitment and Survey:

Prior to Mortgage Loan Commitment, the Mortgagor must provide an updated title insurance commitment, including zoning, pending disbursement, comprehensive, survey and such other endorsements as deemed necessary by the Authority's Chief Legal Affairs Officer. The updated title commitment must contain only exceptions to the insurance acceptable to the Authority's Chief Legal Affairs Officer.

Additionally, prior to Mortgage Loan Commitment, the Mortgagor must provide a surveyor's certificate of facts together with an ALTA survey certified to the 2021 minimum standards, and that appropriately reflects all easements, rights of way, and other issues noted on the title insurance commitment. All documents must be acceptable to the Chief Legal Affairs Officer.

18. Organizational Documents/Equity Pay-In Schedule:

Prior to Mortgage Loan Commitment, the Mortgagor must submit a substantially final form syndication partnership agreement, including an equity pay-in schedule, that is acceptable in form and substance to the Director of Development and Chief Legal Affairs Officer.

At or prior to Initial Closing, the final, executed syndication partnership agreement must become effective and the initial installment of equity must be paid in an amount approved by the Director of Development.

19. Designation of Authority Funds:

The Authority reserves the express right, in its sole discretion, to substitute alternate subordinate funding sources.

20. Management & Marketing:

Prior to Mortgage Loan Commitment, the management and marketing agent must submit the following documents, which must be found acceptable to the Director of Asset Management:

a. Management Agreement

b. Marketing/Construction Transition Plan

21. <u>Guaranties:</u>

At Initial Closing, the Sponsor, General Partner, and any entity receiving a developer fee in connection with the Development must deliver certain guaranties. The required guaranties include a guaranty of HOME, an operating deficit guaranty and a performance completion guaranty. The required guaranties, the terms thereof and the parties who shall be required to deliver the guaranty must be determined and approved by the Authority's Director of Development.

22. <u>Financial Statements:</u>

Prior to Mortgage Loan Commitment, financial statements for the Sponsor, the guarantor(s) and the general contractor must be reviewed and found acceptable by the Authority's Chief Financial Officer.

If prior to Initial Closing the financial statements that were approved by the Authority become more than six months old, the Sponsor, the guarantor(s) and/or the general contractor must provide the Authority with updated financial statements meeting Authority requirements upon request.

23. <u>Future Contributions:</u>

To ensure the Authority is contributing the least amount of funding necessary to achieve project feasibility, any decrease in Development costs or any future equity sources not included in the Development proforma may, at the Authority's discretion, be utilized to reduce, in equal proportions, any deferred developer fee and Authority soft funds.

24. <u>Ownership of Development Reserves:</u>

At the Initial Closing, the Mortgagor must enter into an agreement confirming the Authority's ultimate ownership of excess cash reserves, escrows and accounts as may exist at the time the Authority's mortgage loans are paid off or the Development is sold or refinanced. However, the Authority's claim to these funds shall be subject to any lawful claim to such funds by HUD. This agreement must be acceptable to the Authority's Chief Legal Affairs Officer.

25. <u>Section 8 Required Approvals – HUD and MSHDA:</u>

This transaction is subject to certain HUD approvals including, but not limited to 1) assignment of the HAP Contract, and 2) previous participation approval (HUD Form 2530) for the Mortgagor, its partners, and property management agent. Prior to the Initial Closing, the HUD approvals must be obtained and must be consistent with the loan structure and intent of the transaction as described in this report. The approvals by HUD are subject to review and concurrence by the Authority's Chief Legal Affairs Officer. The Mortgagor must enter into all agreements as may be required by HUD and to abide by all terms, conditions, and requirements of the Section 8 Program and all other Authority rules, guidelines, and procedures as required under the Regulatory Agreement.

26. **HAP Extension:**

At Initial Closing, the Mortgagor must enter into an agreement to apply for and accept any HAP or other HUD subsidy extensions available in the future, subject to Authority approval.

27. **HUD Authority to Use Grant Funds:**

Prior to Mortgage Loan Commitment, the Authority must receive HUD's Authority to Use Grant Funds (HUD 7015.16) in connection with the proposed HOME Loan from the Authority or confirmation that the Development is categorically excluded from NEPA review.

28. **HUD Subsidy Layering Review:**

Prior to Initial Closing, the subsidy layering review must be performed by Authority staff and must be submitted to HUD for approval. The subsidy layering approval is subject to review and approval by the Authority's Director of Development.

29. **Application for Disbursement:**

Prior to Initial Closing, the Mortgagor must submit an "Application for Disbursement" along with supporting documentation, which must be found acceptable to the Authority's Director of Development.

30. **Uniform Relocation Act Compliance:**

If the Development is occupied at Initial Closing and any occupants of the Development will be displaced and/or relocated as a result of the rehabilitation of the Development, then the Mortgagor and/or the Sponsor shall ensure compliance with all requirements of the Uniform Relocation Act and implementing regulations as set forth in 24 CFR Part 42 and 49 CFR Part 24, as well as 24 CFR §570.606. Such compliance shall be at the Mortgagor's or Sponsor's sole cost and expense. Prior to Final Closing, the Mortgagor must submit documentation that it has complied with all requirements of the Uniform Relocation Act. This documentation must be found acceptable by the Authority's Director of Development.

Special Conditions:

1. **Legal Requirements:**

The Mortgagor and/or Sponsor must submit documentation acceptable to the Authority's Chief Legal Affairs Officer for the items listed below:

- Prior to Initial Closing, the Michigan Attorney General's Office must complete its review of the transaction and provide the Chief Legal Affairs Officer its recommendation.
- Any other documentation as required by the Chief Legal Affairs Officer, including acceptable evidence of insurance, permits, licenses, zoning approvals, utility availability, payment and performance bonds and other closing requirements.

2. Syndicator Reserve:

Intentionally omitted.

3. Seller's Note:

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the Sponsor loan acceptable to the Authority's Chief Legal Affairs Officer and Director of Development. The Sponsor loan must:

a) not be secured by a lien on the Development or any of the Development's property, funds or assets of any kind;
b) be payable solely from approved Limited Dividend payments, and not from other Development funds;
c) be expressly subordinate to all Authority mortgage loans; and
d) have a loan term not less than the longest term of all Authority mortgage loans.

At or prior to Initial Closing, the final, executed Sponsor loan documents must become effective and initial funding of the loan must be made in an amount approved by the Director of Development.

DEVELOPMENT TEAM AND SITE INFORMATION

I. MORTGAGOR: Elmdale Apartments Limited Dividend Housing Association LLC

II. GUARANTOR:

Name: Dwelling Place of Grand Rapids Nonprofit Housing Corporation
Address: 101 Sheldon Boulevard SE, Suite 2
Grand Rapids, Michigan 49503

III. DEVELOPMENT TEAM ANALYSIS:

A. Sponsor:

Name: Dwelling Place of Grand Rapids Nonprofit Housing Corporation
Address: 101 Sheldon Boulevard SE, Suite 2
Grand Rapids, Michigan 49503

Individuals Assigned: Jeremy DeRoo
Telephone: 616-454-0928
Fax: 616-454-5249

E-mail: jderoo@dpgr.org

1. **Experience**: The Sponsor has experience working on Authority-financed developments.

2. **Interest in the Mortgagor and Members**: Elmdale Apartments MM LLC (0.01%); Elmdale Apartments Limited Dividend Housing Association LLC (99.99%)

B. **Architect:**

Name: Hooker DeJong, Inc.
Address: 655 Seward Ave NW, Suite 404
Grand Rapids, Michigan 49504

Individual Assigned: Brian Hoehn
Telephone: 616-635-4068
E-Mail: brianh@hdjinc.com

1. **Experience**: Architect has previous experience with Authority-financed developments.

2. **Architect's License**: License number 1301066857, exp. 04/05/2025.

C. **Attorney:**

Name: Orlebeke Mackraz PC
Address: 80 Ottawa Ave NW, Suite 400
Grand Rapids, Michigan 49503

Individual Assigned: Tim Orlebeke
Telephone: 616-235-4000
E-Mail: tim@omlawgroup.com

1. **Experience**: This firm has experience in closing Authority-financed developments.

D. **Builder:**

Name: Building Group
Address: 4045 Barden SE
Grand Rapids, Michigan 49512

Individual Assigned: Brian Steinberg
Telephone: 616-281-6467
E-mail: bsteinberg@wolvgroup.com

1. **Experience**: The firm has previous experience in constructing Authority-financed developments.

2. **State Licensing Board Registration**: License number 2102199076, with an expiration date of 05/31/2025.

E. Management and Marketing Agent:

Name:	Dwelling Place of Grand Rapids NPHC
Address:	101 Sheldon Boulevard SE, Suite 2 Grand Rapids, Michigan 49503
Individual Assigned:	Alonda Trammell
Telephone:	616-855-0413
Fax:	616-454-5249
E-mail:	atrammell@dpgr.org

1. **Experience:** This firm has significant experience managing Authority-financed developments.

F. Development Team Recommendation: Acceptable

IV. SITE DATA:

A. Land Control/Purchase Price:
The Sponsor is updating their purchase agreement to reflect the new purchase price of $1,450,000.

B. Site Location:
1361 Elmdale St NE, Grand Rapids, Michigan 49525

C. Size of Site:
1.37 Land Acres

D. Density:
Appropriate

E. Physical Description:

1. Present Use: multi-family housing

2. Existing Structures: 1 residential building

3. Relocation Requirements: None. They will rehab the units with the tenants in place.

F. Zoning:
Multi-family residential

G. Contiguous Land Use:

1. North: Multi-family housing
2. South: Single-Family Residential
3. East: Commercial; Single-Family Residential
4. West: Single-Family residential

H. Tax Information:
This development is exempt from property taxes (MCL 211.7d).

I. Utilities:
Electric: Consumer's Energy
Gas: DTE
Water/Sewer: City of Grand Rapids

J. Community Facilities:

1. Shopping:
   Plainfield Plaza Shopping Center 0.4 Miles away
   Green Ridge Square 2.7 Miles away

2. Recreation:
   Ambrose Park 0.9 Miles away
   Riverside Park 1.5 Miles away
   Aberdeen Park 1.7 Miles away

3. Public Transportation:
   The Rapid Bus Route 11 0.2 Miles away

4. Road Systems
   The site has US Highway 131 to the west, West River Road NE to the north, Michigan State Highway 44 to the west, and Interstate 196 to the south.

5. Medical Services and other Nearby Amenities:
   Trinity Health Urgent Care 0.8 Miles away
   Spectrum Health Hospitals 4.8 Miles away

6. Description of Surrounding Neighborhood:
   Mostly single-family homes with a few commercial buildings and multi-family housing.

7. Local Community Expenditures Apparent:
   None.

8. Indication of Local Support:

The Development Team have engaged with the residents and property staff to get their input on changes they would like made in the property, but they did not engage the community outside of the property. The Development is exempt from property taxes due to the tenants they serve.

V. ENVIRONMENTAL FACTORS:

A Phase I Environmental Site Assessment was submitted to the Authority and has been reviewed by the Authority's Environmental Manager. (See Standard Condition No. 16).

VI. DESIGN AND COSTING STATUS:

Architectural plans and specifications consistent with the scope of work have been reviewed by the Chief Architect. A response to all design review comments and the submission of corrected and final plans and specifications must be made prior to initial closing.

This proposal will satisfy the State of Michigan barrier-free requirements, the Authority's policy regarding accessibility and non-discrimination for the disabled, the Fair Housing Amendments Act of 1988, and the HOME requirements for barrier-free vision and hearing designed units. Construction documents must be acceptable to the Authority's Chief Architect.

VII. MARKET SUMMARY:

The Market study has been reviewed by the Authority's Manager of the Office of Market Research and found to be acceptable. The Authority's Manager of the Office of Market Research has reviewed and approved the unit mix, rental structure, and unit amenities.

VIII. EQUAL OPPORTUNITY AND FAIR HOUSING:

The contractor's Equal Employment Opportunity Plan is currently being reviewed and must be approved by the Authority's Chief Construction Manager prior to initial closing. The management and marketing agent's Affirmative Fair Housing Marketing Plan has been approved.

IX. MANAGEMENT AND MARKETING:

The management/marketing agent has submitted application-level management and marketing information, to be approved prior to initial closing by the Authority's Director of Asset Management.

X. FINANCIAL STATEMENTS:

The Sponsor's/guarantor's and the builder's financial statements have been submitted and are to be approved prior to initial closing by the Authority's Director of Rental Development.

XI. DEVELOPMENT SCHEDULING:

A. Mortgage Loan Commitment:	July 2024
B. Initial Closing and Disbursement:	October 2024
C. Construction Completion:	April 2025
D. Cut-Off Date:	October 2025

XII. ATTACHMENTS:

A. Development Proforma

APPROVALS:

Chad A. Benson 7/12/2024

Chad Benson Date
Director of Development

Anthony Lentych 7/11/2024

Tony Lentych Date
Chief Housing Investment Officer

Clarence L. Stone, Jr. 7/10/2024

Clarence L. Stone, Jr. Date
Chief Legal Affairs Officer

Amy Hovey 07/12/24

Amy Hovey Date
Chief Executive Officer and Executive Director

Development	Elmdale Apartments
Financing	Tax Exempt
MSHDA No.	4125
Step	Commitment
Date	07/18/2024
Type	Acquisition/Rehab

Mortgage Assumptions:

Debt Coverage Ratio	1.2	
Mortgage Interest Rate	6.625%	
Pay Rate	6.625%	
Mortgage Term	40	years
Income from Operations	Yes	

Instructions

Total Development Income Potential			% of Revenue	Per Unit	Total	Initial Inflation Factor	Beginning in Year	Future Inflation Factor
Annual Rental Income				14,924	283,560	1.0%	6	2.0%
Annual Non-Rental Income				0	0	1.0%	6	2.0%
Total Project Revenue				14,924	283,560			
Total Development Expenses								
							Future Vacancy	
Vacancy Loss	5.00%	of annual rent potential		746	14,178		6	5.0%
Management Fee	634	per unit per year		634	12,046	3.0%	1	3.0%
Administration				1,601	30,427	3.0%	1	3.0%
Project-paid Fuel				307	5,832	3.0%	6	3.0%
Common Electricity				153	2,916	4.0%	6	3.0%
Water and Sewer				284	5,402	5.0%	6	5.0%
Operating and Maintenance				2,561	48,662	3.0%	1	3.0%
Real Estate Taxes				0		5.0%	1	5.0%
Payment in Lieu of Taxes (PILOT)		Applied to: All Units		0	0			
Insurance				462	8,787	3.0%	1	3.0%
Replacement Reserve	300	per unit per year		300	5,700	3.0%	1	3.0%
Other:				0		3.0%	1	3.0%
Other:				0		3.0%	1	3.0%
Total Expenses			47.24%	**7,050**	**133,950**			
Base Net Operating Income				7,874	149,610	Override		
Part A Mortgage Payment			43.97%	6,562	124,675			
Part A Mortgage				**91,998**	**1,747,957**			
Non MSHDA Financing Mortgage Payment				0				
Non MSHDA Financing Type:				**0**				
Base Project Cash Flow (excludes ODR)			8.79%	1,312	24,935			

Development	Elmdale Apartments
Financing	Tax Exempt
MSHDA No.	4125
Step	Commitment
Date	07/18/2024
Type	Acquisition/Rehab

Instructions

Income Limits for	Kent County					(Effective May 15,2023)
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	19,890	22,740	25,590	28,410	30,690	32,970
40% of area median	26,520	30,320	34,120	37,880	40,920	43,960
50% of area median	33,150	37,900	42,650	47,350	51,150	54,950
60% of area median	39,780	45,480	51,180	56,820	61,380	65,940

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense	Rent Limited By
60%	Area Median Income Units																
Yes	Section 8 PBRA																
Family	Occupancy																
A	10	Apartment	1	1.0	625	1,298	52	1,350	155,760	54.9%	55.6%	6,250	54.6%	6,250		1,065	TC Rent
B	1	Apartment	2	1.0	725	1,431	69	1,500	17,172	6.1%	5.6%	725	6.3%	725		1,279	TC Rent
									172,932	61.0%	61.1%	6,975	60.9%	6,975			
50%	Area Median Income Units																
Yes	Section 8 PBRA																
Family	Occupancy																
A	2	Apartment	1	1.0	625	1,298	52	1,350	31,152	11.0%	11.1%	1,250	10.9%	1,250	Low HOME	888	TC Rent
B	1	Apartment	2	1.0	725	1,431	69	1,500	17,172	6.1%	5.6%	725	6.3%	725	Low HOME	1,066	TC Rent
									48,324	17.0%	16.7%	1,975	17.2%	1,975			
40%	Area Median Income Units																
Yes	Section 8 PBRA																
Family	Occupancy																
A	2	Apartment	1	1.0	625	1,298	52	1,350	31,152	11.0%	11.1%	1,250	10.9%	1,250		710	TC Rent
									31,152	11.0%	11.1%	1,250	10.9%	1,250			
30%	Area Median Income Units																
Yes	Section 8 PBRA																
Family	Occupancy																
A	2	Apartment	1	1.0	625	1,298	52	1,350	31,152	11.0%	11.1%	1,250	10.9%	1,250		532	TC Rent
									31,152	11.0%	11.1%	1,250	10.9%	1,250			
Mgrs	1	Apartment	2	1.0					0	0.0%	0.0%	0	0.0%	0			
												11,450		**11,450**			

Total Revenue Units	**18**
Manager Units	**1**
Income Average	52.78%
Set Aside	100.00%

Gross Rent Potential	**283,560**
Average Monthly Rent	**1,313**
Gross Square Footage	**11,450**

HOME Units SF/Total Units SF	17.2%	**Within Range**
# HOME Units/# Total Units	16.7%	**Within Range**

Annual Non-Rental Income

Misc. and Interest	
Laundry	
Carports	
Other:	
Other:	
	0

Utility Allowances

	Electricity	A/C	Gas	Water/ Sewer	Other	Total	Override
	Tenant-Paid	Owner-Paid	Owner-Paid	Owner-Paid			
A	52.00					52	
B	69.00					69	
C						0	
D						0	
E						0	
F						0	
G						0	
H						0	

Total Income	**Annual**	**Monthly**
Rental Income	283,560	23,630
Non-Rental Income	0	0
Total Project Revenue	283,560	23,630

Development: Elmdale Apartments
Financing: Tax Exempt
MSHDA No.: 4125
Step: Commitment
Date: 07/18/2024
Type: Acquisition/Rehab

Instructions

TOTAL DEVELOPMENT COSTS

		Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Acquisition						
Land		12,105	230,000	0%	0	0
Existing Buildings		64,211	1,220,000	100%	1,220,000	0
Other:		0		0%	0	0
	Subtotal	**76,316**	**1,450,000**			
Construction/Rehabilitation						
Off Site Improvements		0		100%	0	0
On-site Improvements		6,230	118,375	100%	118,375	0
Landscaping and Irrigation		0		100%	0	0
Structures		80,066	1,521,245	100%	1,521,245	1,521,245
Community Building and/or Maintenance Facility		0		100%	0	0
Construction not in Tax Credit basis (i.e.Carports and Commercial Space)		0		0%	0	0
General Requirements	% of Contract 6.00% Within Range	5,178	98,377	100%	98,377	98,377
Builder Overhead	% of Contract 2.00% Within Range	1,829	34,760	100%	34,760	34,760
Builder Profit	% of Contract 5.00% Within Range	4,665	88,638	100%	88,638	88,638
Bond Premium, Tap Fees, Cost Cert.		1,492	28,353	100%	28,353	28,353
Other:		0		100%	0	0
	Subtotal	**99,460**	**1,889,748**			
	15% of acquisition and $15,000/unit test:		**met**			
Professional Fees						
Design Architect Fees		3,863	73,390	100%	73,390	73,390
Supervisory Architect Fees		966	18,347	100%	18,347	18,347
Landscape Architect Fees		0		100%	0	0
Engineering/Survey		263	5,000	100%	5,000	5,000
Legal Fees		5,000	95,000	100%	95,000	95,000
Interior Design Fees		0		100%	0	0
Other:		0		100%	0	0
	Subtotal	**10,091**	**191,737**			
Interim Construction Costs						
Property & Casualty Insurance		1,853	35,200	100%	35,200	35,200
Construction Loan Interest	Override 147,750	7,776	147,750	50%	73,875	73,875
Title Work		1,316	25,000	100%	25,000	0
Construction Taxes		0		100%	0	0
Permits		1,316	25,000	100%	25,000	25,000
Other:		0		100%	0	0
	Subtotal	**12,261**	**232,950**			
Permanent Financing						
Loan Commitment Fee to MSHDA	2%	3,265	62,026	0%	0	0
		0		0%	0	0
	Subtotal	**3,265**	**62,026**			
Other Costs (In Basis)						
Application Fee		198	3,755	100%	3,755	3,755
Market Study		395	7,500	100%	7,500	7,500
Environmental Studies		789	15,000	100%	15,000	15,000
Cost Certification		789	15,000	100%	15,000	15,000
Equipment and Furnishings		1,053	20,000	100%	20,000	0
Temporary Tenant Relocation		1,316	25,000	100%	25,000	25,000
Construction Contingency		10,938	207,820	100%	207,820	207,820
Appraisal and C.N.A.		658	12,500	100%	12,500	12,500
Other:		0		100%	0	0
	Subtotal	**16,136**	**306,575**			
Other Costs (NOT In Basis)						
Start-up and Organization		2,632	50,000	0%	0	0
Tax Credit Fees (based on 2022 QAP)	12,338 Within Range	649	12,338	0%	0	0
Compliance Monitoring Fee (based on 2022 QAP)		475	9,025	0%	0	0
Marketing Expense		0		0%	0	0
Syndication Legal Fees		0		0%	0	0
Rent Up Allowance	months	0	0	0%	0	0
Other:		0		0%	0	0
	Subtotal	**3,756**	**71,363**			

		Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis	OAR Funded Yr 1	4 Month OAR
Project Reserves								
Operating Assurance Reserve 6.0 months	Funded in Cash	6,806	129,313	0%	0	0	129,313	86,208
Replacement Reserve	Required	7,054	134,024	0%	0	0		
Operating Deficit Reserve	Not Required	0	0	0%	0	0		
Rent Subsidy Reserve		0	0	0%	0	0		
Syndicator Held Reserve		0	0	0%	0	0		
Rent Lag Escrow		0	0	0%	0	0		
Tax and Insurance Escrows		0	0	0%	0	0		
Other:		0		0%	0	0		
Other:		0		0%	0	0		
	Subtotal	**13,860**	**263,337**					
Miscellaneous								
Deposit to Development Operating Account (1MGRP)	Required	1,244	23,630	0%	0	0		
Other (Not in Basis):		0	0	0%	0	0		
Other (In Basis):		0	0	100%	0	0		
Other (In Basis):		0	0	100%	0	0		
	Subtotal	**1,244**	**23,630**					
Total Acquisition Costs		**76,316**	**1,450,000**					
Total Construction Hard Costs		**99,460**	**1,889,748**					
Total Non-Construction ("Soft") Costs		**60,611**	**1,151,618**					
Developer Overhead and Fee								
Maximum 684,106		**36,006**	**684,106**	100%	684,106	684,106		
7.5% of Acquisition/Project Reserves	Override		**5% Attribution Test**					
20% of All Other Development Costs			**met**					
Total Development Cost		**272,393**	**5,175,472**					

LIHTC Basis	Historic Basis	Aggregate Basis
4,451,241	3,067,866	4,681,241

TOTAL DEVELOPMENT SOURCES

		% of TDC	Per Unit	Total	# of Units
MSHDA Permanent Mortgage		33.77%	91,998	1,747,957	
Conventional/Other Mortgage		0.00%	0	0	
Equity Contribution From Tax Credit Syndication		30.96%	84,331	1,602,287	
MSHDA NSP Funds		0.00%	0		0.00
MSHDA HOME		7.92%	21,583	410,071	3.00
MSHDA Mortgage Resource Funds		0.00%	0		
MSHDA TCAP		0.00%	0		0.00
MSHDA Housing Trust Funds		0.00%	0		0.00
MSHDA CERA		0.00%	0		0.00
MSHDA HOME-ARP		0.00%	0		0.00
MSHDA HCDF		0.00%	0		0.00
Local HOME		0.00%	0		
Income from Operations		2.58%	7,024	133,462	
Other Equity	GP/MM Capital Contribution	0.00%	5	100	
Transferred Reserves:		3.79%	10,334	196,345	
Other:	Seller's Note	17.11%	46,600	885,400	
Other:	Sponsor Loan	0.00%	0		
Deferred Developer Fee		3.86%	10,518	199,850	
Total Permanent Sources				**5,175,472**	

Gap to Hard Debt Ratio	Home Subsidy Limit	HOME Unit Mix	HTF Unit Mix
23.46%	607,733	2 One Bedroom 1 Two Bedroom	0 One Bedroom, 1 Bath, 6 0 Two Bedroom, 1 Bath, 7

HTF Subsidy Limit
0

Deferred Dev Fee
29.21%

Sources Equal Uses?	**Balanced**
Surplus/(Gap)	**0**

MSHDA Construction Loan	**52.00%**	**141,644**	**2,691,245**
Construction Loan Rate	6.625%		
Repaid from equity prior to final closing			**943,288**

Eligible Basis for LIHTC/TCAP		**Value of LIHTC/TCAP**		
Acquisition	1,292,500	Acquisition	51,700	
Construction	3,158,741	Construction	126,350	Override
Acquisition Credit %	4.00%	Total Yr Credit	178,050	
Rehab/New Const Credit %	4.00%	Equity Price	$0.9000	
Qualified Percentage	100.00%	Equity Effective Price	$0.9000	Override
QCT/DDA Basis Boost	100%	Equity Contribution	1,602,287	
Historic?				

Existing Reserve Analysis			
DCE Interest:		Current Owner's Reserves:	0
Insurance:		Reserves Transferred in to Project	196,345
Taxes:		Tax/Ins Escrows transferred to project	0
Rep. Reserve	196,345		
ORC:			
DCE Principal:			
Other:			

Summary of Acquisition Price		As of December 31, 2022	
Attributed to Land	230,000	Midland Loan Services	515,627
Attributed to Existing Structures	1,220,000	Subordinate Mortgage(s)	
Other:	0	Subordinate Mortgage(s)	
Fixed Price to Seller	1,450,000	Subordinate Mortgage(s)	
		Premium/(Deficit) vs Existing Debt	**934,373**

Construction Loan Term	Months
Construction Contract	6
Holding Period (50% Test)	6
Rent Up Period	0
Construction Loan Period	12

Appraised Value	Value As of: November 16, 2022
"Encumbered As-Is" value as determined by appraisal:	1,450,000
LESS Fixed Price to the Seller:	1,450,000
Surplus/(Gap) Within Range	**0**

Override

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	1,602,287
Brownfield Equity	
Historic Tax Credit Equity	
General Partner Capital Contributions	
Other Equity Sources	100
New Owner's Equity	**1,602,387**

Development Elmdale Apartments
Financing Tax Exempt
MSHDA No. 4125
Step Commitment
Date 07/18/2024
Type Acquisition/Rehab

Amenities Check List

Yes	Ceiling Fan				
Yes	Coat Closet				
	Dishwasher				
	Exterior Storage				
Yes	Frost Free Refridgerator				
	Garbage Disposal				
	Individual Entry				
	Microwave				
Yes	Mini-blinds				
	Patio/balcany				
Yes	Self-cleaning oven				
	Walk-in closet				
	Basketball Court				
	Playground				
	Clubhouse				
Yes	Community room				
	Computer / Business Center				
	Elevator				
	Exercise room				
	On-site management				
	Picnic area				
	Other:				
Yes	Laundry Type:	Laundry room			
Yes	Air Conditioning:	Central Air			
Yes	Security: Lighting				
Yes	Security: Intercom				
	Security: Other				
	Carport	Fee ($):		# of spaces:	
	Attached Garage	Fee ($):		# of spaces:	
	Detached Garage	Fee ($):		# of spaces:	

Congregate Facilities

	24-hour on-site management
	Activities
	Emergency Pullcord
	Healthcare services
	Housekeeping
	Activities director
	Library
	Movie theatre
	Transportation services

Development Elmdale Apartments
Financing Tax Exempt
MSHDA No. 4125
Step Commitment
Date 07/18/2024
Type Acquisition/Rehab

Replacement Reserve Analysis

Cost Inflation	103%
RR Period	20

Min. Deposit	13,300
15 Year	53,767
20 Year	134,024

Required Initial Deposit **134,024**
Per Unit **7,054**

Year	Starting Balance	RR Needs	Contribution	Net Annual Change	Interest	Ending Balance
1	134,024	5,000	5,700	700	4,021	138,745
2	138,745	1,030	5,871	4,841	4,162	147,748
3	147,748	1,061	6,047	4,986	4,432	157,167
4	157,167	1,093	6,229	5,136	4,715	167,017
5	167,017	1,126	6,415	5,289	5,011	177,317
6	177,317	13,910	6,608	(7,302)	5,320	175,335
7	175,335	4,179	6,806	2,627	5,260	183,222
8	183,222	5,535	7,010	1,475	5,497	190,194
9	190,194	1,267	7,221	5,954	5,706	201,853
10	201,853	3,727	7,437	3,710	6,056	211,619
11	211,619	101,202	7,660	(93,542)	6,349	124,426
12	124,426	7,691	7,890	199	3,733	128,358
13	128,358	18,687	8,127	(10,560)	3,851	121,648
14	121,648	10,069	8,371	(1,698)	3,649	123,600
15	123,600	10,891	8,622	(2,269)	3,708	**125,038**
16	125,038	69,791	8,880	(60,911)	3,751	67,879
17	67,879	24,133	9,147	(14,986)	2,036	54,929
18	54,929	24,857	9,421	(15,436)	1,648	41,141
19	41,141	33,019	9,704	(23,315)	1,234	19,060
20	19,060	29,627	9,995	(19,632)	572	**(0)**

Total Units	19
Interest Rate on Reserves	3%
Year 1 RR Deposits	300
Min Initial Deposit ($700/unit)	13300

Cash Flow Projections

Development Elmdale Apartments
Financing Tax Exempt
MSHDA No. 4125
Step Commitment
Date 07/18/2024
Type Acquisition/Rehab

	Initial Inflator	Starting in Yr	Future Inflator		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
					1	2	3	4	5	6	7	8	9	10
Income														
Annual Rental Income	1.0%	6	2.0%		283,560	286,396	289,260	292,152	295,074	300,975	306,995	313,135	319,397	325,785
Annual Non-Rental Income	1.0%	6	2.0%		0	0	0	0	0	0	0	0	0	0
Total Project Revenue					**283,560**	**286,396**	**289,260**	**292,152**	**295,074**	**300,975**	**306,995**	**313,135**	**319,397**	**325,785**
Expenses														
Vacancy Loss	5.0%	6	5.0%		14,178	14,320	14,463	14,608	14,754	15,049	15,350	15,657	15,970	16,289
Management Fee	3.0%	1	3.0%		12,046	12,407	12,780	13,163	13,558	13,965	14,384	14,815	15,260	15,717
Administration	3.0%	1	3.0%		30,427	31,340	32,280	33,248	34,246	35,273	36,331	37,421	38,544	39,700
Project-paid Fuel	3.0%	6	3.0%		5,832	6,007	6,187	6,373	6,564	6,761	6,964	7,173	7,388	7,609
Common Electricity	4.0%	6	3.0%		2,916	3,033	3,154	3,280	3,411	3,514	3,619	3,728	3,839	3,955
Water and Sewer	5.0%	6	5.0%		5,402	5,672	5,956	6,253	6,566	6,894	7,239	7,601	7,981	8,380
Operating and Maintenance	3.0%	1	3.0%		48,662	50,122	51,626	53,174	54,770	56,413	58,105	59,848	61,644	63,493
Real Estate Taxes	5.0%	1	5.0%		0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)					0	0	0	0	0	0	0	0	0	0
Insurance	3.0%	1	3.0%		8,787	9,051	9,322	9,602	9,890	10,187	10,492	10,807	11,131	11,465
Replacement Reserve	3.0%	1	3.0%		5,700	5,871	6,047	6,229	6,415	6,608	6,806	7,010	7,221	7,437
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses					133,950	137,822	141,814	145,930	150,174	154,663	159,290	164,060	168,977	174,046
Debt Service														
Debt Service Part A					124,675	124,675	124,675	124,675	124,675	124,675	124,675	124,675	124,675	124,675
Debt Service Conventional/Other Financing					0	0	0	0	0	0	0	0	0	0
Total Expenses					**258,625**	**262,497**	**266,489**	**270,605**	**274,849**	**279,338**	**283,965**	**288,735**	**293,652**	**298,721**
Cash Flow/(Deficit)					**24,935**	**23,898**	**22,770**	**21,547**	**20,225**	**21,638**	**23,030**	**24,400**	**25,745**	**27,064**
Cash Flow Per Unit					1,312	1,258	1,198	1,134	1,064	1,139	1,212	1,284	1,355	1,424
Debt Coverage Ratio on Part A Loan					1.20	1.19	1.18	1.17	1.16	1.17	1.18	1.20	1.21	1.22
Debt Coverage Ratio on Conventional/Other Financing					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Rate on Reserves	3%				Average Cash Flow as % of Net Income									
Operating Deficit Reserve (ODR) Analaysis														
Maintained Debt Coverage Ratio (Hard Debt)	1.00													
Maintained Operating Reserve (No Hard Debt)	250			Initial Deposit										
Initial Balance				**0**	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR					0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR					0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR					0	0	0	0	0	0	0	0	0	0
Interest					0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR					0	0	0	0	0	0	0	0	0	0
Maintained Cash Flow Per Unit					1,312	1,258	1,198	1,134	1,064	1,139	1,212	1,284	1,355	1,424
Maintained Debt Coverage Ratio on Part A Loan					1.20	1.19	1.18	1.17	1.16	1.17	1.18	1.20	1.21	1.22
Maintained Debt Coverage Ratio on Conventional/Other					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR				**0**										
Non-standard ODR				**0**										
Operating Assurance Reserve Analysis				129,313										
Required in Year:	1			Initial Deposit										
Initial Balance				**129,313**	129,313	133,192	137,188	141,303	145,542	149,909	154,406	159,038	163,809	168,723
Interest Income					3,879	3,996	4,116	4,239	4,366	4,497	4,632	4,771	4,914	5,062
Ending Balance					133,192	137,188	141,303	145,542	149,909	154,406	159,038	163,809	168,723	173,785
Deferred Developer Fee Analysis														
Initial Balance					199,850	174,915	151,017	128,246	106,699	86,474	64,836	41,807	17,407	0
Dev Fee Paid					24,935	23,898	22,770	21,547	20,225	21,638	23,030	24,400	17,407	0
Ending Balance — Repaid in Year:	2031				174,915	151,017	128,246	106,699	86,474	64,836	41,807	17,407	0	0
Mortgage Resource Fund Loan														
Interest Rate on Subordinate Financing	3%			Initial Balance										
Principal Amount of all MSHDA Soft Funds				**0**	0	0	0	0	0	0	0	0	0	0
Current Yr Int					0	0	0	0	0	0	0	0	0	0
Accrued Int					0	0	0	0	0	0	0	0	0	0
Subtotal				% of Cash Flow	0	0	0	0	0	0	0	0	0	0
Annual Payment Due				**50%**	0	0	0	0	0	0	0	0	0	0
Year End Balance					0	0	0	0	0	0	0	0	0	0

Cash Flow Projections

	Initial Inflator	Starting in Yr	Future Inflator		2033 11	2034 12	2035 13	2036 14	2037 15	2038 16	2039 17	2040 18	2041 19	2042 20
Income														
Annual Rental Income	1.0%	6	2.0%		332,301	338,947	345,726	352,640	359,693	366,887	374,225	381,709	389,343	397,130
Annual Non-Rental Income	1.0%	6	2.0%		0	0	0	0	0	0	0	0	0	0
Total Project Revenue					**332,301**	**338,947**	**345,726**	**352,640**	**359,693**	**366,887**	**374,225**	**381,709**	**389,343**	**397,130**
Expenses														
Vacancy Loss	5.0%	6	5.0%		16,615	16,947	17,286	17,632	17,985	18,344	18,711	19,085	19,467	19,857
Management Fee	3.0%	1	3.0%		16,189	16,674	17,175	17,690	18,221	18,767	19,330	19,910	20,508	21,123
Administration	3.0%	1	3.0%		40,891	42,118	43,382	44,683	46,024	47,404	48,826	50,291	51,800	53,354
Project-paid Fuel	3.0%	6	3.0%		7,838	8,073	8,315	8,564	8,821	9,086	9,359	9,639	9,929	10,226
Common Electricity	4.0%	6	3.0%		4,073	4,195	4,321	4,451	4,585	4,722	4,864	5,010	5,160	5,315
Water and Sewer	5.0%	6	5.0%		8,799	9,239	9,701	10,186	10,696	11,230	11,792	12,381	13,001	13,651
Operating and Maintenance	3.0%	1	3.0%		65,398	67,360	69,380	71,462	73,606	75,814	78,088	80,431	82,844	85,329
Real Estate Taxes	5.0%	1	5.0%		0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)					0	0	0	0	0	0	0	0	0	0
Insurance	3.0%	1	3.0%		11,809	12,163	12,528	12,904	13,291	13,690	14,101	14,524	14,959	15,408
Replacement Reserve	3.0%	1	3.0%		7,660	7,890	8,127	8,371	8,622	8,880	9,147	9,421	9,704	9,995
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses					179,272	184,660	190,216	195,943	201,849	207,938	214,218	220,693	227,371	234,257
Debt Service														
Debt Service Part A					124,675	124,675	124,675	124,675	124,675	124,675	124,675	124,675	124,675	124,675
Debt Service Conventional/Other Financing					0	0	0	0	0	0	0	0	0	0
Total Expenses					**303,947**	**309,335**	**314,891**	**320,618**	**326,524**	**332,613**	**338,893**	**345,368**	**352,046**	**358,932**
Cash Flow/(Deficit)					**28,353**	**29,611**	**30,835**	**32,022**	**33,169**	**34,274**	**35,332**	**36,341**	**37,298**	**38,198**
Cash Flow Per Unit					1,492	1,558	1,623	1,685	1,746	1,804	1,860	1,913	1,963	2,010
Debt Coverage Ratio on Part A Loan					1.23	1.24	1.25	1.26	1.27	1.27	1.28	1.29	1.30	1.31
Debt Coverage Ratio on Conventional/Other Financing					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Rate on Reserves	3%													
Operating Deficit Reserve (ODR) Analaysis														
Maintained Debt Coverage Ratio (Hard Debt)	1.00													
Maintained Operating Reserve (No Hard Debt)	250			Initial Deposit										
Initial Balance				**0**	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR					0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR					0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR					0	0	0	0	0	0	0	0	0	0
Interest					0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR					0	0	0	0	0	0	0	0	0	0
Maintained Cash Flow Per Unit					1,492	1,558	1,623	1,685	1,746	1,804	1,860	1,913	1,963	2,010
Maintained Debt Coverage Ratio on Part A Loan					1.23	1.24	1.25	1.26	1.27	1.27	1.28	1.29	1.30	1.31
Maintained Debt Coverage Ratio on Conventional/Other					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR				**0**										
Non-standard ODR				**0**										
Operating Assurance Reserve Analysis				129,313										
Required in Year:	1			Initial Deposit										
Initial Balance				**129,313**	173,785	178,999	184,369	189,900	195,597	201,465	207,509	213,734	220,146	226,750
Interest Income					5,214	5,370	5,531	5,697	5,868	6,044	6,225	6,412	6,604	6,803
Ending Balance					178,999	184,369	189,900	195,597	201,465	207,509	213,734	220,146	226,750	233,553
Deferred Developer Fee Analysis														
Initial Balance					0	0	0	0	0	0	0	0	0	0
Dev Fee Paid					0	0	0	0	0	0	0	0	0	0
Ending Balance — Repaid in Year:	2031				0	0	0	0	0	0	0	0	0	0
Mortgage Resource Fund Loan														
Interest Rate on Subordinate Financing	3%			Initial Balance										
Principal Amount of all MSHDA Soft Funds				**0**	0	0	0	0	0	0	0	0	0	0
Current Yr Int					0	0	0	0	0	0	0	0	0	0
Accrued Int					0	0	0	0	0	0	0	0	0	0
Subtotal				% of Cash Flow	0	0	0	0	0	0	0	0	0	0
Annual Payment Due				**50%**	0	0	0	0	0	0	0	0	0	0
Year End Balance					0	0	0	0	0	0	0	0	0	0

Development Elmdale Apartments
Financing Tax Exempt
MSHDA No. 4125
Step Commitment
Date 45491
Type Acquisition/Rehab

Use Sources & Uses Page: Sources & Uses

Pay-In Schedule

Uses	Amount Budgeted from Costs	Jul 2024 7/1/2024 Initial Closing	Aug 2024 18% Draw 2	Sep 2024 34% Draw 3	Oct 2024 50% Draw 4	Nov 2024 66% Draw 5	Dec 2024 82% Draw 6	Jan 2025 98% Draw 7	Feb 2025 100% Draw 8	Mar 2025 Draw 9	Apr 2025 Draw 10	May 2025 Draw 11	Jun 2025 Draw 12	Jul 2025 Draw 13	Aug 2025 Draw 14	Sep 2025 Draw 15	Oct 2025 Draw 16	Nov 2025 Draw 17	Dec 2025 Draw 18	Jan 2026 Draw 19	Feb 2026 Draw 20	Mar 2026 Draw 21	Apr 2026 Draw 22	Total	Variance
Acquisition	1,450,000	1,450,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,450,000	0
Land	230,000	230,000																						230,000	0
Existing Buildings	1,220,000	1,220,000																						1,220,000	0
Other:	0																							0	0
Override																								0	0
Construction/Rehabilitation	1,889,748	28,353	302,477	302,477	302,477	302,477	302,477	302,477	46,535	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,889,748	0
Off Site Improvements	0																							0	0
On-site Improvements	118,375																							0	(118,375)
Landscaping and Irrigation	0																							0	0
Structures	1,521,245																							0	(1,521,245)
Community Building and/or Maint	0																							0	0
Construction not in Tax Credit ba	0																							0	0
General Requirements	98,377																							0	(98,377)
Builder Overhead	34,760																							0	(34,760)
Builder Profit	88,638																							0	(88,638)
Bond Premium, Tap Fees, Cost	28,353	28,353																						28,353	0
Other:	0																							0	0
Override			302,477	302,477	302,477	302,477	302,477	302,477	46,535															1,861,395	1,861,395
Professional Fees	191,737	173,390	3,058	3,058	3,058	3,058	3,058	3,058	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	191,737	0
Design Architect Fees	73,390	73,390																						73,390	0
Supervisory Architect Fees	18,347		3,058	3,058	3,058	3,058	3,058	3,058																18,347	0
Landscape Architect Fees	0																							0	0
Engineering/Survey	5,000	5,000																						5,000	0
Legal Fees	95,000	95,000																						95,000	0
Interior Design Fees	0																							0	0
Other:	0																							0	0
Override																								0	0
Interim Contruction Costs	85,200	85,200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	85,200	0
Property & Casualty Insurance	35,200	35,200																						35,200	0
Title Work	25,000	25,000																						25,000	0
Construction Taxes	0																							0	0
Permits	25,000	25,000																						25,000	0
Other:	0																							0	0
Override																								0	0
Construction Loan Interest	147,750		5,987	7,875	9,567	11,268	13,398	15,540	17,821	18,274	18,314	18,354	18,394	14,858	14,858	0	0	0	0	0	0	0	0	184,508	36,758
Permanent Financing	62,026	62,026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	62,026	0
2% Loan Commitment Fee to MS	62,026	62,026																						62,026	0
0	0																							0	0
Override																								0	0
Other Costs(In Basis)	306,575	38,755	4,167	4,167	4,167	80,107	80,107	80,107	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	306,575	0
Application Fee	3,755	3,755																						3,755	0
Market Study	7,500	7,500																						7,500	0
Environmental Studies	15,000	15,000																						15,000	0
Cost Certification	15,000								15,000															15,000	0
Equipment and Furnishings	20,000					6,667	6,667	6,667																20,000	0
Temporary Tenant Relocation	25,000		4,167	4,167	4,167	4,167	4,167	4,167																25,000	0
Construction Contingency	207,820					69,273	69,273	69,273																207,820	0
Appraisal and C.N.A.	12,500	12,500																						12,500	0
Other:	0																							0	0
Override																								0	0
Other Costs(NOT In Basis)	71,363	57,419	0	0	0	0	0	0	13,944	0	0	0	0	0	0	0	0	0	0	0	0	0	0	71,363	0
Start-up and Organization	50,000	50,000																						50,000	0
Tax Credit Fees (based on 2022	12,338	7,419							4,919															12,338	0
Compliance Monitoring Fee (bas	9,025								9,025															9,025	0
Marketing Expense	0																							0	0
Syndication Legal Fees	0	0																						0	0
Rent Up Allowance	0																							0	0
Other:	0																							0	0
Override																								0	0
Project Reserves	263,337	263,337	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	263,337	0
Operating Assurance Reserve	129,313	129,313																						129,313	0
Replacement Reserve	134,024	134,024																						134,024	0
Operating Deficit Reserve	0																							0	0
Rent Subsidy Reserve	0																							0	0
Syndicator Held Reserve	0																							0	0
Rent Lag Escrow	0																							0	0
Tax and Insurance Escrows	0	0																						0	0
Other:	0																							0	0
Other:	0																							0	0
Override																								0	0
Miscellaneous	23,630	23,630	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	23,630	0
Deposit to Development Operati	23,630	23,630																						23,630	0
Other (Not in Basis):	0																							0	0
Other (In Basis):	0																							0	0
Other (In Basis):	0																							0	0
Override																								0	0
Developer Fee	684,106	42,130						43,583						390,795									7,748	484,256	(199,850)
Total Uses	5,175,472	2,224,240	315,689	317,576	319,268	396,910	399,039	444,764	93,300	18,274	18,314	18,354	18,394	405,653	14,858	0	0	0	0	0	0	0	7,748	5,012,380	(163,092)
Cumulative Uses		*2,224,240*	*2,539,929*	*2,857,505*	*3,176,774*	*3,573,683*	*3,972,722*	*4,417,487*	*4,510,786*	*4,529,061*	*4,547,374*	*4,565,728*	*4,584,122*	*4,989,774*	*5,004,632*	*5,004,632*	*5,004,632*	*5,004,632*	*5,004,632*	*5,004,632*	*5,004,632*	*5,004,632*	*5,012,380*		
Sources Interest Rate	6.625%																								
Construction Loan	2,691,245	1,121,892	304,567	306,455	308,146	385,788	387,918	413,139	82,178	7,153	7,192	7,232	-640,412		-2,691,245									0	(2,691,245)
MSHDA Permanent Mortgage	1,747,957														1,747,957									1,747,957	0
Conventional/Other Mortgage	0																							0	0
Equity Contribution From Tax Credit Syndication	1,602,287	139,399						144,206						1,293,046									25,637	1,602,287	0
MSHDA NSP Funds	0																							0	0
MSHDA HOME	410,071	20,504						20,504						369,064										410,071	0
MSHDA Mortgage Resource Funds	0																							0	0
MSHDA TCAP	0																							0	0
MSHDA Housing Trust Funds	0																							0	0
MSHDA CERA	0																							0	0
MSHDA HOME-ARP	0																							0	0
MSHDA HCDF	0																							0	0
Local HOME	0																							0	0
Income from Operations	133,462		11,122	11,122	11,122	11,122	11,122	11,122	11,122	11,122	11,122	11,122	11,122	11,122										133,462	0
Other Equity	100	100																						100	0
Transferred Reserves:	196,345	196,345																						196,345	0
Other: Sellers Note	885,400	885,400																						885,400	0
Other: Sponsor Loan	0	0																						0	0
Deferred Developer Fee	199,850																							0	(199,850)
Construction Loan Running Balance		1,121,892	1,426,458	1,732,913	2,041,059	2,426,847	2,814,765	3,227,903	3,310,081	3,317,234	3,324,426	3,331,658	2,691,245	2,691,245	0	0	0	0	0	0	0	0	0		
Total Sources	5,175,472	2,363,639	315,689	317,576	319,268	396,910	399,039	588,970	93,300	18,274	18,314	18,354	-629,290	1,673,231	-943,288	0	0	0	0	0	0	0	25,637	4,975,622	(199,850)
Cumulative Sources		*2,363,639*	*2,679,328*	*2,996,904*	*3,316,172*	*3,713,082*	*4,112,121*	*4,701,091*	*4,794,391*	*4,812,665*	*4,830,979*	*4,849,333*	*4,220,043*	*5,893,274*	*4,949,985*	*4,949,985*	*4,949,985*	*4,949,985*	*4,949,985*	*4,949,985*	*4,949,985*	*4,949,985*	*4,975,622*		
Balance	0	139,399	0	0	0	0	0	144,206	0	0	0	0	-647,684	1,267,579	-958,146	0	0	0	0	0	0	0	17,888	-36,758	
Cumulative Balance		*139,399*	*139,399*	*139,399*	*139,399*	*139,399*	*139,399*	*283,605*	*283,605*	*283,605*	*283,605*	*283,605*	*-364,079*	*903,500*	*-54,647*	*-54,647*	*-54,647*	*-54,647*	*-54,647*	*-54,647*	*-54,647*	*-54,647*	*-36,758*	*0*	
Eligible basis items plus land	4,681,241																								
50% Test (for 4% deals)		22%	28%	33%	39%	47%	54%	62%	64%	64%	64%	64%	52%	52%	0%	0%	0%	0%	0%	0%	0%	0%	0%		

DRAFT

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

**RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
ELMDALE APARTMENTS, MSHDA DEVELOPMENT NO. 4125
CITY OF GRAND RAPIDS, KENT COUNTY**

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (the "Act"), to make mortgage loans to qualified non-profit housing corporations, consumer housing cooperatives and limited dividend housing corporations and associations; and

WHEREAS, an Application for Mortgage Loan Feasibility has been filed with the Authority by Dwelling Place of Grand Rapids Nonprofit Housing Corporation (the "Applicant") for a multifamily housing project to be located in the City of Grand Rapids, Kent County, Michigan, having an estimated total development cost of Five Million One Hundred Seventy-Five Thousand Four Hundred Seventy-Two Dollars ($5,175,472), a total estimated maximum mortgage loan amount of Two Million Six Hundred Ninety-One Thousand Two Hundred Forty-Five Dollars ($2,691,245); and

WHEREAS, a housing association to be formed by the Applicant may become eligible to receive a mortgage loan from the Authority under the provisions of the Act and the Authority's General Rules; and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and her recommendation with respect thereto; and

WHEREAS, the Authority has considered the Application in the light of the Authority's project mortgage loan feasibility evaluation factors.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The following determinations be and they hereby are made:

   a. The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located, thereby enhancing the viability of such housing.

   b. The Applicant is reasonably expected to be able to achieve successful completion of the proposed housing project.

   c. The proposed housing project will meet a social need in the area in which it is to be located.

   d. A mortgage loan, or a mortgage loan not made by the Authority that is a federally-aided mortgage, can reasonably be anticipated to be obtained to provide financing for the proposed housing project.

e. The proposed housing project is a feasible housing project.

f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Three Million One Hundred Eighty Thousand Dollars ($3,180,000).

2. The proposed housing project be and it is hereby determined to be feasible for a mortgage loan on the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Report of the Authority Staff presented to the meeting, subject to any and all applicable determinations and evaluations issued or made with respect to the proposed housing project by other governmental agencies or instrumentalities or other entities concerning the effects of the proposed housing project on the environment as evaluated pursuant to the federal National Environmental Policy Act of 1969, as amended, and the regulations issued pursuant thereto as set forth in 24 CFR Part 58.

3. The determination of feasibility is based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this feasibility determination resolution may, at the option of the Chief Executive Officer and Executive Director, the Chief Housing Investment Officer, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in any of the foregoing capacities (each an "Authorized Officer"), be immediately rescinded.

4. Neither this determination of feasibility nor the execution prior to closing of any documents requested to facilitate processing of a proposed mortgage loan to be used in connection therewith constitutes a promise or covenant by the Authority that it will make a Mortgage Loan to the Applicant.

5. This determination of Mortgage Loan Feasibility is conditioned upon the availability of financing to the Authority. The Authority does not covenant that funds are or will be available for the financing of the subject proposed housing development.

6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

DRAFT
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MORTGAGE LOANS
ELMDALE APARTMENTS, MSHDA DEVELOPMENT NO. 4125
CITY OF GRAND RAPIDS, KENT COUNTY

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized, under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (hereinafter referred to as the "Act"), to make mortgage loans to qualified nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations and associations and certain qualified individuals; and

WHEREAS, an application (the "Application") has been filed with the Authority by Dwelling Place of Grand Rapids Nonprofit Housing Corporation (the "Applicant") for a construction mortgage loan in the amount of Two Million Six Hundred Ninety-One Thousand Two Hundred Forty-Five Dollars ($2,691,245), and a permanent mortgage loan in the amount of One Million Seven Hundred Forty-Seven Thousand Nine Hundred Fifty-Seven Dollars ($1,747,957), for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Five Million One Hundred Seventy-Five Thousand Four Hundred Seventy-Two Dollars ($5,175,472), to be known as Elmdale Apartments, located in the City of Grand Rapids, Kent County, Michigan, and to be owned by Elmdale Apartments Limited Dividend Housing Association LLC (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a mortgage loan under the HOME Investment Partnerships Program using HOME funds in the estimated amount of Four Hundred Ten Thousand Seventy-One Dollars ($410,071) (the "HOME Loan"); and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and her recommendation with respect thereto; and

WHEREAS, the Authority has reviewed the Application and the recommendation of the Chief Executive Officer and Executive Director and, on the basis of the Application and recommendation, has made determinations that:

(a) The Mortgagor is an eligible applicant;

(b) The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located thereby enhancing the viability of such housing;

(c) The Applicant and the Mortgagor are reasonably expected to be able to achieve successful completion of the proposed housing project;

(d) The proposed housing project will meet a social need in the area in which it is to be located;

(e) The proposed housing project may reasonably be expected to be marketed successfully;

(f) All elements of the proposed housing project have been established in a manner consistent with the Authority's evaluation factors, except as otherwise provided herein;

(g) The construction or rehabilitation will be undertaken in an economical manner and it will not be of elaborate design or materials; and

(h) In light of the estimated total project cost of the proposed housing project, the amount of the mortgage loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation on the ratio of mortgage loan amount to estimated total project cost.

WHEREAS, the Authority has considered the Application in the light of the criteria established for the determination of priorities pursuant to General Rule 125.145 and hereby determines that the proposed housing project is consistent therewith; and

WHEREAS, Sections 83 and 93 of the Act provide that the Authority shall determine a reasonable and proper rate of return to limited dividend housing corporations and associations on their investment in Authority-financed housing projects.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Application be and it hereby is approved, subject to the terms and conditions of this Resolution, the Act, the General Rules of the Authority, and of the Mortgage Loan Commitment hereinafter authorized to be issued to the Applicant and the Mortgagor.

2. A construction and permanent mortgage loan (the "Mortgage Loan") be and it hereby is authorized and the Chief Executive Officer and Executive Director, the Chief Housing Investment Officer, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction financing of the proposed housing project in an amount not to exceed Two Million Six Hundred Ninety-One Thousand Two Hundred Forty-Five Dollars ($2,691,245), and permanent financing in an amount not to exceed One Million Seven Hundred Forty-Seven Thousand Nine Hundred Fifty-Seven Dollars ($1,747,957), and to have a term of forty (40) years after amortization of principal commences and to bear interest at a rate of six and 625/1000 percent (6.625%) per annum. The amount of proceeds of tax-exempt bonds issued or to be issued and allocated to the financing of this housing project shall not exceed Three Million One Hundred Eighty Thousand Dollars ($3,180,000). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

4. The mortgage loan commitment resolution and issuance of the Mortgage Loan

Commitment are based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this mortgage loan commitment resolution together with the commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded.

5. Notwithstanding passage of this resolution or execution of any documents in anticipation of the closing of the proposed mortgage loan, no contractual rights to receive the mortgage loan authorized herein shall arise unless and until an Authorized Officer shall have issued a Mortgage Loan Commitment and the Applicant shall have agreed in writing within fifteen days after receipt thereof, to the terms and conditions contained therein.

6. The proposed housing project be and it hereby is granted a priority with respect to proceeds from the sale of Authority securities which are determined by the Chief Executive Officer and Executive Director to be available for financing the construction and permanent loans of the proposed housing project. Availability of funds is subject to the Authority's ability to sell bonds at a rate or rates of interest and at a sufficient length of maturity so as not to render the permanent financing of the development unfeasible.

7. In accordance with Section 93(b) of the Act, the maximum reasonable and proper rate of return on the investment of the Mortgagor in the housing project be and it hereby is determined to be as follows:

(a) So long as the Housing Assistance Payments Contract or any other federal subsidy is in effect, the rate of return shall be ten percent (10%) of the Mortgagor's equity, as determined by the Authority, unless a higher rate of return is allowed and approved by HUD, but not to exceed twelve percent (12%).

(b) Following the expiration of the Housing Assistance Payments Contract or any other federal subsidy, the rate of return shall not exceed twenty-five percent (25%) of the Mortgagor's equity, as determined by the Authority.

8. The Authority hereby waives Section II.A.6 of the Multifamily Direct Lending Parameters adopted on June 28, 2017, requiring that the Development meet the MSHDA's Multifamily Standards of Design with respect to the flooring installed in unit living rooms.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director Amy Hovey

DATE: July 18, 2024

RE: Preston Townhomes, Development No. 4132

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize tax-exempt bond construction and permanent mortgage loans in the amounts set forth below, 3) authorize a waiver of the Multifamily Direct Lending Parameters ("Parameters") regarding the payment in lieu of taxes ("PILOT"), and 4) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024.

PROJECT SUMMARY:

MSHDA No:	4132
Development Name:	Preston Townhomes
Development Location:	City of Detroit, Wayne County
Sponsor:	Cinnaire Solutions Corporation
Mortgagor:	GenesisHOPE Village Phase I Limited Dividend Housing Association, LLC
Number of Units (Affordable and Market Rate):	31 Family units of new construction
Number of Units Designated for Accessible Use:	5 Accessible units
Total Development Cost:	$13,965,952
TE Bond Construction Loan:	$7,262,295
TE Bond Permanent Loan:	$2,214,572
MSHDA Gap Funds:	$2,084,313 CERA Funds
Other Funds:	$2,500,000 Local HOME Funds
	$5,785,065 LIHTC Equity
	$1,053,002 Sponsor Loan
	$365,000 Deferred Developer Fee

EXECUTIVE SUMMARY:

Preston Townhomes will be located at 7250 Mack Avenue, in the City of Detroit. The development will consist of 31 townhouse units, comprised of 18 two-bedrooms and 13 three-bedrooms. The development will make use of a long-vacant parcel that was once the home of the Detroit Eastern High School that was demolished in the mid-1990s. The parcel has sat vacant since then, contributing to the blight and decline of the neighborhood. The development will be open to tenants of all ages and abilities and all 31 units are reserved for residents earning 30%, 40%, 50%, and 60% of the area median income. Eight of the units reserved for low-income tenants will receive a deep rental subsidy from the U.S. Department of Housing and Urban Development through the Detroit Housing Commission. The development anticipates using tax exempt bonds allocated by the Authority, permanent mortgage loans from the Authority, City of Detroit HOME funds, a grant from the National Fish and Wildlife Foundation and other philanthropic sources. This highly visible location is the gateway into the Islandview neighborhood, and its provision of affordable housing will be a catalyst for further responsible development in the community.

The Islandview neighborhood is located just east of downtown in the City of Detroit, and is bounded by Mack (north), Van Dyke (east), Jefferson Ave. (south) and Mt. Elliott (west). Islandview is comprised of four census tracts, all of which are Opportunity Zones and two are NEZ-NR districts and NRSA1 areas. Islandview is one of the six neighbors that make up The Villages of Detroit. In 2017, the Mayor of Detroit identified the community as one of its initial strategic neighborhoods – areas that are targeted for city and philanthropic investment. The City of Detroit's Planning & Development Department launched the Islandview/Greater Villages community planning process in 2017 to improve landscape, streetscapes, and connectivity, and stimulate economic and housing development.

In the past few years, several new "high end" multimillion-dollar mixed-use projects and infrastructure improvements have been completed with dozens more underway, thanks to the strategic neighborhood designation. The public and private investments diversify race, age and income levels, but are not inclusive (or provide opportunities) for families earning less than the area's median income that is skewed by higher earning adjacent suburbs.

The 2- and 3-bedroom townhomes are designed with families in mind. They have large open floor plans and plenty of room to roam. Also, the community is designed with several pocket parks, a playscape for children and a community garden with ample green space. There will be parking for vehicles and bicycles. Preston Townhomes provides numerous amenities so that families with low to moderate incomes can enjoy a high quality of living at an affordable cost.

There is a total of 8,727 sq. ft. of open green space. The development will meet the Enterprise Green Community Standards and received a commitment for funding from the National Fish and Wildlife Foundation to install a stormwater infiltration system and conduct training classes to teach community members about the ways they can make their homes more energy efficient. The stormwater runoff infiltration is designed to capture rainwater that is equal to the 1 year 24-hour storm, per NOAA. Therefore, this infiltration system will capture and infiltrate an annual average rainfall of 34.7 inches or approximately 1,347,329 gallons – water that would otherwise inundate the city's combined sewer system and contribute to flooding.

ADVANCING THE AUTHORITY'S MISSION:

Preston Townhomes will be located in Region N of the Statewide Housing Plan Regional Housing Partnerships, and this development supports the following goals of the Region N Action Plan:

- Goal 1.3: increase the amount of housing that is accessible, safe, and healthy regardless of age, disability, or family size across all neighborhoods and communities.
- Goal 3.2: increase access to stable and affordable quality housing options for households with extremely low incomes.
- Goal 4.1: increase the supply of the full spectrum of housing that is affordable and attainable to Michigan residents.
- Goal 6.3: increase the quality of rental housing.

MUNICIPAL SUPPORT:

The City of Detroit supports the approval of a 4% Payment in Lieu of Taxes (PILOT) for this project, with a final PILOT determination subject to the City's Board of Assessors review and Detroit City Council approval. The Detroit Housing Commission has also committed to provide eight (8) project-based vouchers to this project, adding deep rental subsidy for eight low-income households.

COMMUNITY ENGAGEMENT/IMPACT:

The sponsors engaged the community by surveying neighboring religious congregations and neighbors for environmental and design features that would best serve the community. These engagement efforts occurred between 2018 and 2021 and highly affected design choices. This project will impact the community by providing new opportunities for family housing in the community.

The community recommended adequate green space, pocket parks and water infrastructure that would reduce sewage and drainage fees for the shared site. Beautification of the buildings and site, including trees and shrubbery throughout, murals, removal of dead landscaping and a defunct playscape, were recommendations from the community.

The development team was able to implement the following community recommendations: trees and shrubbery throughout the green space, planned murals, removal of dead landscaping and a defunct playscape, installation of a new playscape and the implementation of an underground stormwater retention system that can withstand a 100-year storm. Together, these additions to the site will deliver a community asset to the community as a result of their input and recommendations.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

The Development will require a waiver of the following Parameters (Section VI.I.2.) conditioned on the PILOT being found acceptable prior to the Authority's disbursement of any funds.

- Proposals that do not include an approved PILOT arrangement will be underwritten based on the ad valorem taxes applicable to the property.

For a proposal to be underwritten on the basis of a PILOT, the PILOT must be approved prior to Authority Board consideration.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

July 18, 2024

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize tax-exempt bond construction and permanent mortgage loans in the amounts set forth in this report, 3) authorize a waiver of the Multifamily Direct Lending Parameters ("Parameters") regarding the payment in lieu of taxes ("PILOT"), and 4) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

MSHDA No.:	4132
Development Name:	Preston Townhomes
Development Location:	City of Detroit, Wayne County
Sponsor:	Cinnaire Solutions Corporation
Mortgagor:	GenesisHOPE Village Phase 1 Limited Dividend Housing Association, LLC
TE Bond Construction Loan:	$7,262,295 (52% of TDC)
TE Bond Permanent Loan:	$2,214,572
MSHDA Permanent CERA Loan:	$2,084,313
Total Development Cost:	$13,965,952
Mortgage Amortization and Term:	40 years for the tax-exempt bond loan; 50 years for the CERA Loan
Interest Rate:	6.625% for the tax-exempt bond loan, and 1% for the CERA Loan.
Program:	Tax-Exempt Bond and Gap Financing Programs
Number of Units:	31 family units of new construction
Accessible Units:	5 accessible units
Unit Configuration:	18 two-bedroom/1.5-baths, 13 three-bedroom/two-baths
Builder:	MHT Construction
Syndicator:	Cinnaire
Date Application Received:	September 11, 2023
HDO:	Karen Waite

Issuance of the Authority's Mortgage Loan Commitment is subject to fulfillment of all Authority processing and review requirements and obtaining all necessary staff approvals as required by the Authority's underwriting standards.

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

The Development will require a waiver of the following Parameters (Section VI.I.2.) conditioned on the PILOT being found acceptable prior to the Authority's disbursement of any funds. See Special Condition No. 3.

- Proposals that do not include an approved PILOT arrangement will be underwritten based on the ad valorem taxes applicable to the property.
- For a proposal to be underwritten on the basis of a PILOT, the PILOT must be approved prior to Authority Board consideration.

EXECUTIVE SUMMARY:

Preston Townhomes will be located at 7250 Mack Avenue, in the City of Detroit. The development will consist of 31 townhouse units, comprised of 18 two-bedrooms and 13 three-bedrooms. The development will make use of a long-vacant parcel that was once the home of the Detroit Eastern High School that was demolished in the mid-1990s. The parcel has sat vacant since then, contributing to the blight and decline of the neighborhood. The development is open to tenants of all ages and abilities and all 31 units are reserved for residents earning 30%, 40%, 50%, and 60% of the Area Median Income. Eight of the units reserved for low-income tenants will receive a deep rental subsidy from the U.S. Department of Housing and Urban Development through the Detroit Housing Commission. The development anticipates using tax exempt bonds allocated by the Authority, permanent mortgage loans from the Authority, City of Detroit HOME funds, a grant from the National Fish and Wildlife Foundation, and other philanthropic sources. This highly visible location is the gateway into the Islandview neighborhood, and its activation into much needed affordable housing will be a catalyst for further responsible development in the community.

The Islandview neighborhood is located just east of downtown in the City of Detroit, and is bounded by Mack (north), Van Dyke (east), Jefferson Ave. (south) and Mt. Elliott (west). Islandview is comprised of four census tracts, all of which are Opportunity Zones and two are NEZ-NR districts and NRSA1 areas. Islandview is one of the six neighbors that make up The Villages of Detroit. In 2017, the Mayor of Detroit identified the community as one of its initial strategic neighborhoods – areas that are targeted for city and philanthropic investment. The City of Detroit's Planning & Development Department launched the Islandview/Greater Villages community planning process in 2017 to improve landscape, streetscapes, and connectivity, and stimulate economic and housing development.

In the past few years, several new "high end" multimillion-dollar mixed-use projects and infrastructure improvements have been completed with dozens more underway thanks to the strategic neighborhood designation. The public and private investments diversify race, age and income levels, but are not inclusive (or provide opportunities) for families earning less than the area's median income that is skewed by higher earning adjacent suburbs.

The 2- and 3-bedroom townhomes are designed with families in mind. They have large open floor plans and plenty of room to roam. Also, the community is designed with several pocket parks, a playscape for children and a community garden with ample green space. There will be parking for vehicles and bicycles. Preston Townhomes provides numerous amenities so that families with low to moderate incomes can enjoy a high-quality of living at an affordable cost.

There is a total of 8,727 sq. ft. of open green space. The development will meet the Enterprise Green Community Standards and received a commitment for funding from the National Fish and Wildlife Foundation to install a stormwater infiltration system and conduct training classes to teach community members about the ways they can make their homes more energy efficient. The stormwater runoff infiltration is designed to capture rainwater that is equal to the 1 year 24-hour storm, per NOAA. Therefore, this infiltration system will capture and infiltrate an annual average rainfall of 34.7 inches or approximately 1,347,329 gallons – water that would otherwise inundate the city's combined sewer system and contribute to flooding.

Structure of the Transaction and Funding:

There are several elements to this transaction that are common to new construction transactions:

- A tax-exempt bond construction loan (the "Mortgage Loan") will be provided by the Authority in the amount of $7,262,295 at 6.625% interest with a 21-month term (a 16-month construction term, a 3-month rent-up allowance and a 2-month holding period), which will be used to bridge an extended equity pay-in period. Payments of interest only will be required during the construction loan. The principal balance of the construction loan must be reduced to the permanent loan amount on the first day of the month following the month in which the 21-month construction loan term expires or such later date as is established by an Authorized Officer of the Authority (the "Permanent Financing Date").

- A permanent Mortgage Loan will be provided by the Authority in the amount of $2,214,572. The permanent loan amount is based upon the current rents, less vacancy loss, payments to reserves and escrows, operating costs based on historical data unless modified by project improvements and construction and soft costs at levels appropriate for this specific transaction. The permanent loan is based on a 1.20 debt service coverage ratio, an annual interest rate of 6.625%, with a fully amortizing term of 40 years commencing on the Permanent Financing Date. The permanent Mortgage Loan will be in **First Position**.

- A permanent subordinate loan using Authority CERA Funds (the "CERA Loan") in the amount of $2,084,313 will be provided at 1% simple interest with payments initially deferred. The CERA Loan will be in **Second Position**.

- The City of Detroit will provide a HOME Loan in the amount of $2,500,000. This loan will be in **Third Position**. See Special Condition No. 5.

- The Sponsor is providing a loan in the amount of $1,053,002. See Special Condition No. 4

- Equity support comes from an investment related to the 4% LIHTC in the estimated amount of $5,749,065.

- The Sponsor has agreed to defer $365,000 of the developer fee to fill the remaining funding gap.

- A three (3) month rent-up allowance in the amount identified in the attached proforma will be required to support interest payments between construction completion and the Mortgage Cut-Off Date, as determined by the Authority.

- Eight (8) project-based vouchers ("PBVs") have been awarded to this project by the Detroit Housing Commission, adding deep rental subsidy for eight low income households.

- An operating assurance reserve ("OAR") will be required in the amount identified in the attached proforma. The reserve will be capitalized at closing in an amount which, along with accumulated interest, is expected to meet the Development's unanticipated operating needs. This reserve will be held by the Authority.

- A syndicator reserve in the amount of $60,000 will be required by the equity investor for unanticipated shortfalls in operations. This reserve will be held and controlled pursuant to the terms of the Mortgagor's Amended and Restated Limited Partnership Agreement. See Special Condition No. 2.

Site Selection:

The site has been reviewed by Authority staff and the Authority's Manager of the Office of Market Research has indicated that the site meets the Authority's current site selection criteria.

Market Evaluation:

The unit mix as well as the amenities package and rent levels have been approved by the Manager of the Office of Market Research.

Valuation of the Property:

An appraisal dated May 2, 2022, estimates the value of the vacant land at $1,570,000.

CONDITIONS:

At or prior to (i) issuance of the Authority's mortgage loan commitment ("Mortgage Loan Commitment"), (ii) the initial Mortgage Loan Closing (the "Initial Closing"), or (iii) such other date as may be specified herein, the new Mortgagor and other members of the Development team, where appropriate, must satisfy each of the following conditions by entering into a written agreement or providing documentation acceptable to the Authority:

Standard Conditions:

1. **Limitation for Return on Equity:**

   For each year of the Development's operation, beginning in the year in which the Mortgage Cut-Off Date occurs, payments are limited to twelve percent (12%) of the Mortgagor's equity. For purposes of distributions, the Mortgagor's equity will be the sum of (i) the LIHTC equity; (ii) the brownfield tax credit equity; (iii) the historic tax credit equity; (iv) general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority (estimated to be a total of $5,749,065). All such payments shall be referred to as "Limited Dividend Payments". The Mortgagor's return shall be fully cumulative. If Authority gap funds are included in the development sources the Limited Dividend Payments are capped at 12% per annum, while the loan remains outstanding.

If there is no Authority gap loan outstanding, then Limited Dividend Payments may increase 1% per annum until a cap of 25% per annum is reached.

2. Income Limits:

The income limitations for 31 units of this proposal are as follows:

a. 8 units have been designated as Low-HOME units and during the Period of Affordability required under the HOME program (20 years) must be available for occupancy by households whose incomes do not exceed the Low HOME income limit as published by HUD, adjusted for family size.

b. 3 units have been designated as High-HOME units and during the Period of Affordability required under the HOME program (20 years) must be available for occupancy by households whose incomes do not exceed the lesser of 60% of the Multifamily Tax Subsidy Project ("MTSP") income limits or the High HOME income limit, as published by HUD, adjusted for family size.

c. 5 units (three-bedroom units) have been designated as CERA units and during the Period of Affordability required under the CERA program (20 years) must be available for occupancy by households whose incomes do not exceed the MTSP 50% income limits, adjusted for family size.

d. 4 units (3 two-bedroom units and 1 three-bedroom unit) must be available for occupancy by households whose incomes do not exceed the MTSP 30% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC “Extended Use Period” as defined in the Development’s LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

e. 4 units (2 two-bedroom units and 2 three-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 40% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC “Extended Use Period” as defined in the Development’s LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

f. 4 units (4 three-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 50% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC “Extended Use Period” as defined in the Development’s LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

g. 19 units (13 two-bedroom units and 6 three-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 60% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC “Extended Use Period” as defined in the Development’s LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

h. 8 units (5 two-bedroom units and 3 three-bedroom units) must be occupied or available for occupancy by households whose incomes do not exceed the income limits in the PBV Housing Assistance Payments ("HAP") Contract for so long as the PBV HAP Contract between the Mortgagor and the Authority is in effect (including extensions and renewals), or for such longer period as determined by HUD.

Eleven (11) units have been designated as HOME units by the City of Detroit, and for the remainder of the Period of Affordability required under the HOME program must be available for occupancy by households whose incomes do not exceed the HOME Income Limit, published annually by HUD, adjusted for family size. Eight (8) of these units will also receive project-based vouchers (PBVs) from the Detroit Housing Commission, and occupancy of those units will be restricted to households whose incomes do not exceed the income limits established by the PBV Contract. The Authority is not responsible for the HOME or PBV compliance monitoring or oversight of the occupancy or the regulations applicable to these HOME and PBV units.

To the extent units within the Development are subject to multiple sets of income limits, the most restrictive income limit will apply so long as the applicable term of affordability continues.

The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size.

3. <u>Limitations on Rental Rates</u>:

The Total Housing Expense (contract rent plus tenant-paid utilities) for 31 units is subject to the following limitations:

a. During the Period of Affordability required under the HOME program (20 years), the Total Housing Expense for the 8 Low-HOME units may not exceed the “Low-HOME Rent Limit” for the unit established and published annually by HUD.

b. During the Period of Affordability required under the HOME program (20 years), the Total Housing Expense for the 3 High-HOME units may not exceed the “High-HOME Rent Limit” established and published annually by HUD.

c. During the period of affordability required under the CERA program (20 years), the Total Housing Expense for all 5 CERA units (three-bedroom units), may not exceed one-twelfth (1/12th) of 30% of 50% of the MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom.

d. The Total Housing Expense for 4 units (3 two-bedroom units, and 1 three-bedroom unit), may not exceed one-twelfth (1/12th) of 30% of the 30% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

e. The Total Housing Expense for 4 units (2 two-bedroom units, and 2 three-bedroom units), may not exceed one-twelfth (1/12th) of 30% of the 40% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

f. The Total Housing Expense for 5 units (5 three-bedroom units), may not exceed one-twelfth (1/12th) of 30% of the 50% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

g. The Total Housing Expense for 19 units (13 two-bedroom units, and 6 three-bedroom units), may not exceed one-twelfth (1/12th) of 30% of the 60% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

h. So long as the PBV HAP Contract remains in effect, the Mortgagor agrees to establish and maintain rents ("Contract Rents") for all 8 HAP-assisted units (5 two-bedroom units, and 3 three-bedroom units) that comply with the rent levels established by the PBV HAP Contract and that do not exceed the rent levels approved by HUD.

The Total Housing Expense for the 11 HOME units may not exceed the “HOME Rent Limit” for the unit established and published annually by HUD. The rents to be paid for the units assisted with the PBV HAP Contract may not exceed the rent limits established and published annually by HUD for the PBV Program. The Authority is not responsible for the compliance monitoring or oversight of the HOME or PBV rents charged for or the regulations applicable to these units.

To the extent units within the Development are subject to multiple sets of rent limits, the most restrictive rent limit will apply so long as the applicable term of affordability continues.

While rental increases for these units may be permitted from time to time as HUD publishes updated median income limits, the Mortgagor must further agree that rental increases for targeted units 31 that do not receive assistance under the HAP Contract will be limited to not more than 5% for any resident household during any 12-month period.

For the initial lease term of the first household occupying each rent-restricted unit in the Development the initial rent may not exceed 105% of the rent approved in this Mortgage Loan Feasibility/Commitment Staff Report. Exceptions to these limitations may be granted by MSHDA’s Director of Asset Management for extraordinary increases in project operating expenses (exclusive of limited dividend payments) or mortgage loan increases to fund cost overruns pursuant to the Authority's policy on Mortgage Loan increases.

Rents on vacated units may be increased to the maximum level permissible by the applicable programs. Rents and utility allowances must be approved annually by the Authority's Division of Asset Management.

4. **Covenant Running with the Land**:

The Mortgagor must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the obligations issued or to be issued to finance the Mortgage Loan. This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is 15 years after the date on which 50% of the residential units in the Development are occupied, the first day on which no bonds are outstanding with respect to the project, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations. Additionally, if LIHTC is awarded to the Development, the Mortgagor must agree to subject the property to the extended low-income use commitment required by Section 42 of the Internal Revenue Code.

5. **Restriction on Prepayment and Subsequent Use**:

The Mortgage Loan is eligible for prepayment after the expiration of fifteen (15) years after the commencement of amortization. The Mortgagor must provide the Authority with at least 60 days' written notice prior to any such prepayment.

In the event of a prepayment, however, the Mortgagor must pay a prepayment fee equal to the sum of:

a. 1% of the balance being prepaid;
b. Any bond call premium, prepayment or swap penalty, or any other cost that the Authority incurs to prepay the bonds or notes that were used to fund the Mortgage Loan; and
c. Any loss of debt service spread between the Mortgage Loan and the bonds used to finance the loan from the date of the prepayment through the end of the 20th year of amortization.

Once the Mortgagor has been approved for the early prepayment of the underlying loan, it must sign an agreement with the Authority stating it is responsible for the cost of terminating the swap. The Mortgagor can then choose the timing of the termination and participate in the transaction with the swap counterparty. The swap counterparty will quote the cost of terminating the swap and the Mortgagor will have the ability to execute the transaction or cancel at its sole discretion. If the Mortgagor chooses not to terminate the swap, it will forfeit the right to prepay the Mortgage Loan.

Subordinate loans are eligible to prepay at any time upon 60 days prior written notice to the Authority, but prepayment may not extinguish federal affordability and compliance requirements.

6. **Operating Assurance Reserve:**

At Initial Closing, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to 4months of estimated Development operating expenses (estimated to be $130,118). The OAR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority in accordance with the Authority's written policy on the use of the Operating Assurance Reserve, as amended from time to time. The OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. **Replacement Reserve:**

The Mortgagor must agree to establish a replacement reserve fund (“Replacement Reserve”) by making annual deposits to the Replacement Reserve, beginning on the Mortgage Cut-Off Date, at a minimum of $300 per unit for the first year of operation, payable in monthly installments, with deposits in subsequent years to be the greater of (i) the prior year’s deposit, increased by 3%, or (ii) a percentage of the Development’s projected annual rental income or gross rent potential (“GRP”) for the year using the percentage obtained by dividing the first year’s deposit by the first year’s GRP shown on the operating proforma for the Development attached hereto. The annual deposit to the Replacement Reserve may also be increased to any higher amount that is determined to be necessary by the Authority, based on a CNA and the Authority’s Replacement Reserve policies. The Authority may update any CNA or obtain a new CNA every five years, or upon any frequency, as determined necessary by the Authority.

8. **Authority Subordinate Loan**

At Initial Closing, the Mortgagor must enter into agreements relating to the permanent CERA Loan. The CERA Loan will be secured by a subordinate mortgage and will bear simple interest at 1% with a 50-year term. No payments on the CERA Loan will be required until the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee, or (b) the 13th year following the commencement of amortization of the Mortgage Loan. Interest will continue to accrue on the CERA Loan until it is paid in full.

At the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee or (b) the 13th year following the date that Mortgage Loan amortization commences, in lieu of repayment of the CERA Loan, payments of fifty percent (50%) of any surplus cash available for distribution shall be deposited into a Subordinate Debt Subsidy Reserve and will be used to repay the CERA Loan periodically, if the amount of funds accumulated in the reserve warrant it, or at the end of the loan term, or otherwise used to assist the Development if needed. If reserve funds are used toward loan repayment, they shall be applied first to accrued interest, then to current interest and principal and shall continue until the sale of the Development or refinancing of the Mortgage Loan, at which time the CERA Loan shall be due in full. If the CERA Loan is still outstanding, then following repayment of the Mortgage Loan and continuing on the first day of every month thereafter, the Mortgagor shall make monthly payments of principal and interest equal to the monthly payments that were required on the Mortgage Loan on the first day of every month until the CERA Loan is paid in full, sale of the Development or the date that is 50 years from date of Initial Closing, whichever occurs first. There is no prohibition on prepayment of the CERA Loan.

9. Architectural Plans and Specifications; Contractor's Qualification Statement:

Prior to Mortgage Loan Commitment, the architect must submit architectural drawings and specifications that address all design review comments, acceptable to the Authority's Chief Architect and the Director of Development.

Prior to Mortgage Loan Commitment, the general contractor must submit AIA Document A305 as required by the Authority's Chief Architect.

10. Owner/Architect Agreement:

Prior to Mortgage Loan Commitment, the Mortgagor must provide the Authority with an executed Owner Architect Agreement acceptable in form and substance to the Chief Legal Affairs Officer.

11. Trade Payment Breakdown:

Prior to Mortgage Loan Commitment, the general contractor must submit a signed Trade Payment Breakdown acceptable to the Authority's Chief Construction Manager.

12. Cost Certification:

The contractor's cost certification must be submitted within 90 days following the completion of construction, and the Mortgagor's cost certification must be submitted within 90 days following the Mortgage Cut-off Date. For LIHTC, the owner is obligated to submit cost certifications applicable to itself and the contractor prior to issuance of IRS form 8609 (see LIHTC Program Cost Certification Guidelines).

13. Environmental Review and Indemnification:

Prior to Mortgage Loan Commitment, the Mortgagor must address any outstanding environmental issues, in form and substance acceptable to the Authority's Environmental Review Officer.

At Initial Closing, the Mortgagor must enter an agreement to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of any violation of environmental laws. The indemnification agreement must be acceptable to the Chief Legal Affairs Officer.

14. Title Insurance Commitment and Survey:

Prior to Mortgage Loan Commitment, the Mortgagor must provide an updated title insurance commitment, including zoning, pending disbursement, comprehensive, survey and such other endorsements as deemed necessary by the Authority's Chief Legal Affairs Officer. The updated title commitment must contain only exceptions to the insurance acceptable to the Authority's Chief Legal Affairs Officer.

Additionally, prior to Mortgage Loan Commitment, the Mortgagor must provide a surveyor's certificate of facts together with an ALTA survey certified to the 2021 minimum standards, and that appropriately reflects all easements, rights of way, and other issues noted on the title insurance commitment. All documents must be acceptable to the Chief Legal Affairs Officer.

15. **Organizational Documents/Equity Pay-In Schedule:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit a substantially final form syndication partnership agreement, including an equity pay-in schedule, that is acceptable in form and substance to the Director of Development and Chief Legal Affairs Officer.

At or prior to Initial Closing, the final, executed syndication partnership agreement must become effective and the initial installment of equity must be paid in an amount approved by the Director of Development.

16. **Designation of Authority Funds:**

The Authority reserves the express right, in its sole discretion, to substitute alternate subordinate funding sources.

17. **Management & Marketing:**

Prior to Mortgage Loan Commitment, the management and marketing agent must submit the following documents, which must be found acceptable to the Director of Asset Management:

a. Management Agreement
b. Marketing Addendum

18. **Guaranties:**

At Initial Closing, the Sponsor, General Partner, and any entity receiving a developer fee in connection with the Development must deliver certain guaranties. The required guaranties include a guaranty of an operating deficit guaranty and a performance completion guaranty. The required guaranties, the terms thereof and the parties who shall be required to deliver the guaranty must be determined and approved by the Authority's Director of Development.

19. **Financial Statements:**

Prior to Mortgage Loan Commitment, financial statements for the Sponsor, the guarantor(s) and the general contractor must be reviewed and found acceptable by the Authority's Chief Financial Officer.

If prior to Initial Closing the financial statements that were approved by the Authority become more than six months old, the Sponsor, the guarantor(s) and/or the general contractor must provide the Authority with updated financial statements meeting Authority requirements upon request.

20. Future Contributions:

To ensure the Authority is contributing the least amount of funding necessary to achieve project feasibility, any decrease in Development costs or any future equity sources not included in the Development proforma may, at the Authority's discretion, be utilized to reduce, in equal proportions, any deferred developer fee and Authority soft funds.

21. Ownership of Development Reserves:

At the Initial Closing, the Mortgagor must enter into an agreement confirming the Authority's ultimate ownership of excess cash reserves, escrows and accounts as may exist at the time the Authority's mortgage loans are paid off or the Development is sold or refinanced. This agreement must be acceptable to the Authority's Chief Legal Affairs Officer.

22. HAP Extension:

At Initial Closing, the Mortgagor must enter into an agreement to apply for and accept any HAP or other HUD subsidy extensions available in the future, subject to Authority approval.

23. HUD Subsidy Layering Review:

Prior to Initial Closing, the subsidy layering review must be performed by Authority staff and must be submitted to HUD for approval. The subsidy layering approval is subject to review and approval by the Authority's Director of Development.

24. Application for Disbursement:

Prior to Initial Closing, the Mortgagor must submit an "Application for Disbursement" along with supporting documentation, which must be found acceptable to the Authority's Director of Development.

Special Conditions:

1. Legal Requirements:

The Mortgagor and/or Sponsor must submit documentation acceptable to the Authority's Chief Legal Affairs Officer for the items listed below:

- Prior to Initial Closing, the Michigan Attorney General's Office must complete its review of the transaction and provide the Chief Legal Affairs Officer its recommendation.
- Prior to Initial Closing, submit documentation confirming that Lessor/Seller Church's right of first refusal has been released or satisfied.

- Prior to Initial Closing, submit documentation related to building restrictions affecting the subject property.
- Prior to Initial Closing, submit any and all documentation regarding a lot split/division affecting the subject property.
- Prior to Initial Closing submit a title commitment that includes all subject parcels.
- Prior to Initial Closing, submit substantially final documents regarding the $400,000 NFWF/Erb Grant Water Infiltration funding, including a subordination agreement, as needed.
- Prior to Initial Closing provide documentation extending the date by which the building permit must be pulled (currently, within 6 months of Feb. 2023) per BSEED's Variance.
- Prior to Initial Closing, provide substantially final documentation of a shared parking agreement between Mortgagor and Seller/Church as required by the Variance.
- Prior to Initial Closing, submit documents confirming that upon completion of construction, 8 units will be subsidized by a 20-year project-based voucher contract from the Detroit Housing Commission.
- The ground lease that is expected to be entered into must be subordinated to the Authority's mortgage and regulatory agreement, and the ground lessor must join in the regulatory agreement and the mortgage of the Development, but without responsibility for repayment.
- Any other documentation as required by the Chief Legal Affairs Officer, including acceptable evidence of insurance, permits, licenses, zoning approvals, utility availability, payment and performance bonds and other closing requirements.

2. **Syndicator Reserve:**

The Mortgagor shall fund a syndicator-held reserve ("Syndicator Reserve") with a one-time deposit in the amount of $60,000 paid from equity proceeds according to the terms of the Mortgagor's limited partnership agreement. The Syndicator Reserve shall be controlled by the syndicator. The purpose of this reserve will be to fund operations.

3. **PILOT Obtained Post-Commitment:**

The Development has been underwritten with a 4% PILOT indicating support from the municipality. Before Initial Closing, an amended PILOT ordinance acceptable in language, form and substance to the Authority's Chief Legal Affairs Officer must be provided. If the Development does not obtain a PILOT as described above, the Development must be re-underwritten and if feasible, presented to the Board. If the Development obtains a PILOT representing a lower PILOT payment amount, any savings generated by the PILOT may be applied, at the sole discretion of an Authorized Officer of the Authority, to reduce one or all of the Authority's subordinate loans or be applied against any other obligation that the Mortgagor owes the Authority with any remainder deposited in the Development's Operating Reserve Cash account.

4. **Sponsor Loan:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the Sponsor loan acceptable to the Authority's Chief Legal Affairs

Officer and Director of Development. The Sponsor loan must:

a) not be secured by a lien on the Development or any of the Development's property, funds or assets of any kind;
b) be payable solely from approved Limited Dividend payments, and not from other development funds;
c) be expressly subordinate to all Authority mortgage loans; and
d) have a loan term not less than the longest term of all Authority mortgage loans.

At or prior to Initial Closing, the final, executed Sponsor loan documents must become effective and initial funding of the loan must be made in an amount approved by the Director of Development.

5. **<u>Local HOME Loan:</u>**

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the City of Detroit's HOME Loan and a funding schedule acceptable to the Authority's Chief Legal Affairs Officer and Director of Development.

At or prior to Initial Closing, the final, executed City of Detroit's HOME Loan documents must become effective and initial funding of the loan must be made in an amount approved by the Director of Development. The City of Detroit, the Authority and the Mortgagor must enter into a subordination and intercreditor agreement in form and substance acceptable to the Chief Legal Affairs Officer.

DEVELOPMENT TEAM AND SITE INFORMATION

I. MORTGAGOR: GenesisHOPE Village Phase 1 LDHA LLC

II. GUARANTOR(S):

A. Guarantor #1:

Name: Cinnaire Solutions Corporation
Address: 1118 S Washington Ave
Lansing, MI 48910

III. DEVELOPMENT TEAM ANALYSIS:

A. Sponsor:

Name: Cinnaire Solutions Corporation
Address: 1118 S. Washington Avenue
Lansing, MI 48910

Individuals Assigned: Christopher Laurent
Telephone: 608-234-5291
E-mail: claurent@cinnaire.com

1. **Experience**: The Sponsor has experience working on Authority-financed developments.

2. **Interest in the Mortgagor and Members**: 70% = Cinnaire Solutions Corporation. 30% = GenesisHOPE CDC.

B. Architect:

Name: Christian Hurttienne Architects
Address: 2111 Woodward Avenue, Suite 201
Detroit, MI 48201

Individual Assigned: Brian Hurttienne
Telephone: 313-825-2005
E-Mail: brian@cha-c.com

1. **Experience**: Architect has previous experience with Authority-financed developments.

2. **Architect's License**: License number 1301033302, exp.11/16/2024.

C. Attorney:

Name: BakerHostetler
Address: 200 N. Washington Square
Lansing, MI 48933

Individual Assigned: Tracy Lackman
Telephone: 517-803-1223
E-Mail: tlackman@bakerlaw.com

1. **Experience**: This firm has experience in closing Authority-financed developments.

D. Builder:

Name: Continental Construction Management, LLC
Address: 32500 Telegraph Road, Suite 100
Bingham Farms, MI 48025

Individual Assigned: T. Van Fox
Telephone: 248-320-9006
E-mail: vanfox@mhthousing.net

1. **Experience**: The firm has previous experience in constructing Authority-financed developments.

2. **State Licensing Board Registration**: License number 2102192437, with

an expiration date of 05/31/2026.

E. **Management and Marketing Agent:**

Name: Elite Property Management, LLC
Address: 16250 Northland Drive, Suite 301
Southfield, MI 48085

Individual Assigned: Kim Hagood
Telephone: 248-228-1340
Fax: 248-228-1345
E-mail: Khagood@elitep-m.com

1. **Experience:** This firm has significant experience managing Authority-financed developments.

F. **Development Team Recommendation:** Go.

IV. SITE DATA:

A. Land Control/Purchase Price:
$220,000

B. Site Location:
7250 Mack Avenue, Detroit, MI 48214

C. Size of Site:
3.12 Acres

D. Density:
Medium Density Residential

E. Physical Description:

1. Present Use: Vacant lot
2. Existing Structures: None
3. Relocation Requirements: N/A

F. Zoning:
R5

G. Contiguous Land Use:

1. North: Commercial/Residential
2. South: Residential
3. East: Residential

4. West: Commercial/Residential

H. Tax Information:
PILOT

I. Utilities: DTE = Gas & Electric. City of Detroit = Water/Sewer.

J. Community Facilities:

1. Shopping:
   Meijer, 3 miles southwest of project. Eastern Market, 1.9 miles west. Dollar Tree, 2.6 miles southwest.
2. Recreation:
   Ford Field, 2.9 miles southwest. Comerica Park, 2.9 miles southwest. Bradley Playground, 0.3 miles west. Downtown Boxing Gym Youth Program, 1 mile southwest. Forest Park, 2.3 miles west. Detroit Dance Center, 3.3 miles west. Multiple houses of worship within 3-mile radius.
3. Public Transportation:
4. The site is directly adjacent to Route 31 Mack Ave DDOT bus service.
5. Road Systems
   I-94 is located 2.1 miles north of the project and runs east and west throughout southern Michigan. I-75 is located 3 miles northwest of the project and runs north and south throughout Michigan.
6. Medical Services and other Nearby Amenities:
   Detroit Medical Center, 2.8 miles west. Children's Hospital of Michigan, 2.6 miles west. DMC Harper University Hospital, 3 miles west. Ascension St. John Hospital, 8 miles east.
7. Description of Surrounding Neighborhood:
   The surrounding neighborhood is made up of older single-family and multifamily homes.
8. Local Community Expenditures Apparent:
9. In 2017, the Mayor of Detroit identified the community as one of its initial strategic neighborhoods – areas that are targeted for city and philanthropic investment. The City of Detroit's Planning & Development Department launched the Islandview/Greater Villages community planning process in 2017 to improve landscape, streetscapes, and connectivity, and stimulate economic and housing development. In the past few years, several new "high end" multimillion dollar mixed-use projects and infrastructure improvements have been completed, with dozens more underway thanks to the strategic neighborhood designation.
10. Indication of Local Support:
    The City of Detroit supports the approval of a 4% Payment in Lieu of Taxes (PILOT) for this project, with a final PILOT determination subject to the City's Board of Assessors review and Detroit City Council approval.

V. ENVIRONMENTAL FACTORS:

A Phase I Environmental Site Assessment was submitted to the Authority and has been reviewed by the Authority's Environmental Manager. (See Standard Condition No. 13).

VI. DESIGN AND COSTING STATUS:

Architectural plans and specifications consistent with the scope of work have been reviewed by the Chief Architect. A response to all design review comments and the submission of corrected and final plans and specifications must be made prior to initial closing.

This proposal will satisfy the State of Michigan barrier-free requirements, the Authority's policy regarding accessibility and non-discrimination for the disabled, the Fair Housing Amendments Act of 1988, and the HOME requirements for barrier-free vision and hearing designed units. Construction documents must be acceptable to the Authority's Chief Architect.

VII. MARKET SUMMARY:

The Market study has been reviewed by the Authority's Manager of the Office of Market Research and found to be acceptable. The Authority's Manager of the Office of Market Research has reviewed and approved the unit mix, rental structure, and unit amenities.

VIII. EQUAL OPPORTUNITY AND FAIR HOUSING:

The contractor's Equal Employment Opportunity Plan is currently being reviewed and must be approved by the Authority's Chief Construction Manager prior to initial closing. The management and marketing agent's Affirmative Fair Housing Marketing Plan has been approved.

IX. MANAGEMENT AND MARKETING:

The management/marketing agent has submitted application-level management and marketing information, to be approved prior to initial closing by the Authority's Director of Asset Management.

X. FINANCIAL STATEMENTS:

The sponsor's/guarantor's and the builder's financial statements have been submitted and are to be approved prior to initial closing by the Authority's Director of Rental Development.

XI. DEVELOPMENT SCHEDULING:

A. Mortgage Loan Commitment:	July 2024
B. Initial Closing and Disbursement:	October 2024
C. Construction Completion:	February 2026
D. Cut-Off Date:	July 2026

XII. ATTACHMENTS:

A. Development Proforma

APPROVALS:

Chad A. Benson 7/12/2024

Chad Benson Date
Director of Rental Development

Anthony Lentych 7/11/2024

Tony Lentych Date
Chief Housing Investment Officer

Clarence L. Stone, Jr. 7/10/2024

Clarence L. Stone, Jr. Date
Chief Legal Affairs Officer

Amy Hovey 07/12/24

Amy Hovey Date
Chief Executive and Executive Director

Development	GenesisHope Village: Preston Townhomes
Financing	Tax Exempt
MSHDA No.	4132
Step	Commitment
Date	07/18/2024
Type	New Construction

Mortgage Assumptions:

Debt Coverage Ratio	1.2	
Mortgage Interest Rate	6.625%	
Pay Rate	6.625%	
Mortgage Term	40	years
Income from Operations	No	

Instructions

			% of Revenue	Per Unit	Total	Initial Inflation Factor	Beginning in Year	Future Inflation Factor
Total Development Income Potential								
Annual Rental Income				13,534	419,544	1.0%	6	2.0%
Annual Non-Rental Income				77	2,400	1.0%	6	2.0%
Total Project Revenue				13,611	421,944			
Total Development Expenses								
							Future Vacancy	
Vacancy Loss	8.00%	of annual rent potential		1,083	33,564		6	8.0%
Management Fee	634	per unit per year		634	19,654	3.0%	1	3.0%
Administration				1,274	39,503	3.0%	1	3.0%
Project-paid Fuel				159	4,929	3.0%	6	3.0%
Common Electricity				276	8,550	4.0%	6	3.0%
Water and Sewer				655	20,305	5.0%	6	5.0%
Operating and Maintenance				1,907	59,103	3.0%	1	3.0%
Real Estate Taxes				0		5.0%	1	5.0%
Payment in Lieu of Taxes (PILOT)	4.00%	Applied to: All Units		454	14,088			
Insurance				634	19,650	3.0%	1	3.0%
Replacement Reserve	300	per unit per year		300	9,300	3.0%	1	3.0%
Other: HOME Payment				81	2,500	3.0%	1	3.0%
Other: DWSD - reduced by Stormwater Mgt.				40	1,250	3.0%	1	3.0%
				6,414	198,832			
Total Expenses			55.08%	**7,497**	**232,396**			
Base Net Operating Income				6,114	189,548	Override		
Part A Mortgage Payment			37.44%	5,095	157,957			
Part A Mortgage				**71,438**	**2,214,572**			
Non MSHDA Financing Mortgage Payment				0				
Non MSHDA Financing Type:				**0**				
Base Project Cash Flow (excludes ODR)			7.49%	1,019	31,591			

Development	GenesisHope Village: Preston Townhomes
Financing	Tax Exempt
MSHDA No.	4132
Step	Commitment
Date	07/18/2024
Type	New Construction

Instructions

Income Limits for	Wayne County					(Effective April 18,2022)
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	18,810	21,480	24,180	26,850	29,010	31,170
40% of area median	25,080	28,640	32,240	35,800	38,680	41,560
50% of area median	31,350	35,800	40,300	44,750	48,350	51,950
60% of area median	37,620	42,960	48,360	53,700	58,020	62,340

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	Current Section 8 Contract Rent	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense
30%	Area Median Income Units																
30%	Tenant AMI Restriction (if different from rent restriction)																
Yes	Local PHA Project Based Voucher Units																
Family	Occupancy																
A	3	Townhome	2	1.5	950	1,231	163	**1,394**	44,316	1,394	10.6%	9.7%	2,850	8.4%	2,850	Low HOME	604
B	1	Townhome	3	2.0	1,297	1,543	194	**1,737**	18,516	1,737	4.4%	3.2%	1,297	3.8%	1,297	Low HOME	698
									62,832	3,131	15.0%	12.9%	4,147	12.2%	4,147		
40%	Area Median Income Units																
30%	Tenant AMI Restriction (if different from rent restriction)																
Yes	Local PHA Project Based Voucher Units																
Family	Occupancy																
A	2	Townhome	2	1.5	950	1,231	163	**1,394**	29,544	1,394	7.0%	6.5%	1,900	5.6%	1,900	Low HOME	806
B	2	Townhome	3	2.0	1,297	1,543	194	**1,737**	37,032	1,737	8.8%	6.5%	2,594	7.6%	2,594	Low HOME	931
									66,576	3,131	15.9%	12.9%	4,494	13.2%	4,494		
50%	Area Median Income Units																
Family	Occupancy																
A	0	Townhome	2	1.5	950	844	163	1,007	0	1,394	0.0%	0.0%	0	0.0%	0	CERA	1,007
B	5	Townhome	3	2.0	1,297	969	194	1,163	58,140	1,737	13.9%	16.1%	6,485	19.1%	6,485	CERA	1,163
									58,140	3,131	13.9%	16.1%	6,485	19.1%	6,485		
60%	Area Median Income Units																
Family	Occupancy																
A	11	Townhome	2	1.5	950	1,046	163	1,209	138,072	1,394	32.9%	35.5%	10,450	30.8%	10,450		1,209
B	4	Townhome	3	2.0	1,297	1,202	194	1,396	57,696	1,737	13.8%	12.9%	5,188	15.3%	5,188		1,396
									195,768	3,131	46.7%	48.4%	15,638	46.0%	15,638		
60%	Area Median Income Units																
Family	Occupancy																
A	2	Townhome	2	1.5	950	921	163	1,084	22,104	1,394	5.3%	6.5%	1,900	5.6%	1,900	High HOME	1,084
B	1	Townhome	3	2.0	1,297	1,177	194	1,371	14,124	1,737	3.4%	3.2%	1,297	3.8%	1,297	High HOME	1,371
													33,961		**33,961**		

Total Revenue Units	**31**
Manager Units	**0**
Income Average	51.94%
Set Aside	100.00%

Gross Rent Potential	**419,544**
Average Monthly Rent	**1,128**
Gross Square Footage	**33,961**

HOME Units SF/Total Units SF	34.9%	**Within Range**
# HOME Units/# Total Units	35.5%	**Within Range**

Utility Allowances

	Tenant-Paid Electricity	Tenant-Paid A/C	Tenant-Paid Gas	Owner-Paid Water/ Sewer	Tenant-Paid Other	Total	Override
A	90.00		73.00			163	
B	113.00		81.00			194	
C						0	
D						0	
E						0	
F						0	
G						0	
H						0	

Annual Non-Rental Income

Misc. and Interest	2,400
Laundry	
Carports	
Other:	
Other:	
	2,400

Total Income	**Annual**	**Monthly**
Rental Income	419,544	34,962
Non-Rental Income	2,400	200
Total Project Revenue	421,944	35,162

Development	GenesisHope Village: Preston Townhomes
Financing	Tax Exempt
MSHDA No.	4132
Step	Commitment
Date	07/18/2024
Type	New Construction

Instructions

TOTAL DEVELOPMENT COSTS			Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Acquisition							
Land			7,097	220,000	0%	0	0
Existing Buildings			0		100%	0	0
Other: Holding Costs			806	25,000	0%	0	0
		Subtotal	**7,903**	**245,000**			
Construction/Rehabilitation							
Off Site Improvements			0	0	0%	0	0
On-site Improvements			40,900	1,267,891	100%	1,267,891	0
Landscaping and Irrigation/Vapor Mitigation			1,246	38,621	100%	38,621	38,621
Structures			207,933	6,445,914	100%	6,445,914	6,445,914
Community Building and/or Maintenance Facility			0		100%	0	0
Construction not in Tax Credit basis (i.e.Carports and Commercial Space)			0		0%	0	0
General Requirements	% of Contract 6.00%	Within Range	15,053	466,646	100%	466,646	466,646
Builder Overhead	% of Contract 2.00%	Within Range	5,319	164,881	100%	164,881	164,881
Builder Profit	% of Contract 6.00%	Within Range	16,275	504,537	100%	504,537	504,537
Bond Premium, Tap Fees, Cost Cert.			3,677	114,000	100%	114,000	114,000
Other: Temporary Site Security			806	25,000	100%	25,000	25,000
		Subtotal	**291,209**	**9,027,490**			
		15% of acquisition and $15,000/unit test:		met			
Professional Fees							
Design Architect Fees			8,871	275,000	100%	275,000	275,000
Supervisory Architect Fees			1,952	60,500	100%	60,500	60,500
Engineering/Survey			2,758	85,500	100%	85,500	85,500
Legal Fees			4,839	150,000	100%	150,000	150,000
		Subtotal	**18,419**	**571,000**			
Interim Construction Costs							
Property & Casualty Insurance			2,097	65,000	100%	65,000	65,000
Construction Loan Interest	Override	448,227	14,459	448,227	76%	341,506	341,506
Title Work			1,774	55,000	100%	55,000	0
Construction Taxes			484	15,000	100%	15,000	15,000
Permits			2,645	82,000	100%	82,000	82,000
		Subtotal	**21,459**	**665,227**			
Permanent Financing							
Loan Commitment Fee to MSHDA		2%	6,030	186,932	0%	0	0
Other:			0		0%	0	0
		Subtotal	**6,030**	**186,932**			
Other Costs (In Basis)							
Application Fee			65	2,000	0%	0	0
Market Study			470	14,575	100%	14,575	14,575
Environmental Studies			3,710	115,000	100%	115,000	115,000
Cost Certification			403	12,500	100%	12,500	12,500
Equipment and Furnishings			403	12,500	100%	12,500	0
Temporary Tenant Relocation			0		100%	0	0
Construction Contingency			14,560	451,375	100%	451,375	451,375
Appraisal and C.N.A.			242	7,500	100%	7,500	7,500
Other:			0		100%	0	0
		Subtotal	**19,853**	**615,450**			
Other Costs (NOT In Basis)							
Start-up and Organization			242	7,500	0%	0	0
Tax Credit Fees (based on 2022 QAP)	44,897	Within Range	1,448	44,897	0%	0	0
Compliance Monitoring Fee (based on 2022 QAP)			475	14,725	0%	0	0
Marketing Expense			242	7,500	0%	0	0
Syndication Legal Fees			1,613	50,000	0%	0	0
Rent Up Allowance	3.0	months	1,455	45,113	0%	0	0
Other: City of Detroit Legal Fee/Pre-Development Loan Fees/VMS Monitorin			6,290	195,000	0%	0	0
		Subtotal	**11,766**	**364,735**			

Summary of Acquisition Price		As of	
Attributed to Land	220,000	1st Mortgage Balance	
Attributed to Existing Structures	0	Subordinate Mortgage(s)	
Other: Holding Costs	25,000	Subordinate Mortgage(s)	
Fixed Price to Seller	245,000	Subordinate Mortgage(s)	
		Premium/(Deficit) vs Existing Debt	245,000

Construction Loan Term	Months
Construction Contract	16
Holding Period (50% Test)	2
Rent Up Period	3
Construction Loan Period	21

Appraised Value		Value As of:	May 2, 2022
"Encumbered As-Is" value as determined by appraisal:			1,570,000
Plus 5% of Appraised Value:			0
LESS Fixed Price to the Seller:			245,000
Surplus/(Gap)		Within Range	1,325,000

Override

			Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis	OAR Funded Yr 1	4 Month OAR
Project Reserves									
Operating Assurance Reserve	4.0 months	Funded in Cas	4,197	130,118	0%	0	0	130,118	130,118
Replacement Reserve		Not Required	0	0	0%	0	0		
Operating Deficit Reserve			0	0	0%	0	0		
Rent Subsidy Reserve	0.0 months		0	0	0%	0	0		
Syndicator Held Reserve			1,935	60,000	0%	0	0		
Rent Lag Escrow			0	0	0%	0	0		
Tax and Insurance Escrows			0	0	0%	0	0		
Other:			0		0%	0	0		
Other:			0		0%	0	0		
		Subtotal	**6,133**	**190,118**					
Miscellaneous									
Deposit to Development Operating Account (1MGRP)		Not Required	0	0	0%	0	0		
Other (Not in Basis):			0	0	0%	0	0		
Other (In Basis):			0	0	100%	0	0		
Other (In Basis):			0	0	100%	0	0		
		Subtotal	**0**	**0**					
Total Acquisition Costs			**7,903**	**245,000**					
Total Construction Hard Costs			**291,209**	**9,027,490**					
Total Non-Construction ("Soft") Costs			**83,660**	**2,593,462**					
Developer Overhead and Fee									
Maximum	2,318,801		67,742	2,100,000	100%	2,100,000	2,100,000		
7.5%	of Acquisition/Project Reserves	Override		**5% Attribution Test**					
20%	of All Other Development Costs	2,100,000		met					
						LIHTC Basis	**Historic Basis**	**Aggregate Basis**	
Total Development Cost			**450,515**	**13,965,952**		**12,870,446**	**11,535,055**	**13,090,446**	

TOTAL DEVELOPMENT SOURCES		% of TDC		
MSHDA Permanent Mortgage		15.86%	71,438	2,214,572
Conventional/Other Mortgage		0.00%	0	0
Equity Contribution from Tax Credit Syndication		41.16%	185,454	5,749,065
MSHDA NSP Funds		0.00%	0	
MSHDA HOME		0.00%	0	
Mortgage Resource Funds		0.00%	0	
MSHDA Housing Trust Funds or TCAP		0.00%	0	
MSHDA CERA		14.92%	67,236	2,084,313
Local HOME		17.90%	80,645	2,500,000
Income from Operations		0.00%	0	0
Other Equity		0.00%	0	
Transferred Reserves:		0.00%	0	0
Other:	Sponsor Loan (Water Infrastructure)	2.86%	12,903	400,000
Other:	Sponsor Loan (Developer Fee)	4.68%	21,065	653,002
Deferred Developer Fee		2.61%	11,774	365,000
Total Permanent Sources				**13,965,952**

# of Units	Gap to Hard Debt Ratio	Home Subsidy Limit	HOME Unit Mix	HTF Unit Mix
0.00	94.12%	2,558,506	7 Two Bedroom	0 Two Bedroom, 1.5 Bath
11.00			4 Three Bedroc	0 Three Bedroom, 2 Bath
		HTF Subsidy Limit		
0.00				
5.00	$ 67,235.90	0		

Deferred Dev Fee	Realized Fee
17.38%	1,081,998
48.48%	757,399
	324,599

Sources Equal Uses?	**Balanced**
Surplus/(Gap)	**0**

MSHDA Construction Loan		**52.00%**	**234,268**	**7,262,295**
Construction Loan Rate	6.625%			
Repaid from equity prior to final closing				**5,047,723**

Eligible Basis for LIHTC/TCAP		**Value of LIHTC/TCAP**		
Acquisition	0	Acquisition	0	
Construction	16,731,580	Construction	669,263	Override
Acquisition Credit %	4.00%	Total Yr Credit	669,263	
Rehab/New Const Credit %	4.00%	Equity Price	$0.8591	
Qualified Percentage	100.00%	Equity Effective Price	$0.8591	Override
QCT/DDA Basis Boost	130%	Equity Contribution	5,749,065	
Historic?	No			

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	5,749,065
Brownfield Equity	
Historic Tax Credit Equity	
General Partner Capital Contributions	
Other Equity Sources	
New Owner's Equity	**5,749,065**

Existing Reserve Analysis			
DCE Interest:		Current Owner's Reserves:	0
Insurance:		Reserves Transferred in to Project	0
Taxes:		Tax/Ins Escrows transferred to project	0
Rep. Reserve:			
ORC:			
DCE Principal:			
Other:			

Cash Flow Projections

Development GenesisHope Village: Preston Townhomes
Financing Tax Exempt
MSHDA No. 4132
Step Commitment
Date 07/18/2024
Type New Construction

	Initial Inflator	Starting in Yr	Future Inflator	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Income																							
Annual Rental Income	1.0%	6	2.0%	419,544	423,739	427,977	432,257	436,579	445,311	454,217	463,301	472,567	482,019	491,659	501,492	511,522	521,753	532,188	542,831	553,688	564,762	576,057	587,578
Annual Non-Rental Income	1.0%	6	2.0%	2,400	2,424	2,448	2,473	2,497	2,547	2,598	2,650	2,703	2,757	2,813	2,869	2,926	2,985	3,044	3,105	3,167	3,231	3,295	3,361
Total Project Revenue				**421,944**	**426,163**	**430,425**	**434,729**	**439,077**	**447,858**	**456,815**	**465,952**	**475,271**	**484,776**	**494,472**	**504,361**	**514,448**	**524,737**	**535,232**	**545,937**	**556,855**	**567,992**	**579,352**	**590,939**
Expenses																							
Vacancy Loss	8.0%	6	8.0%	33,564	33,899	34,238	34,581	34,926	35,625	36,337	37,064	37,805	38,561	39,333	40,119	40,922	41,740	42,575	43,427	44,295	45,181	46,085	47,006
Management Fee	3.0%	1	3.0%	19,654	20,244	20,851	21,476	22,121	22,784	23,468	24,172	24,897	25,644	26,413	27,206	28,022	28,863	29,728	30,620	31,539	32,485	33,460	34,463
Administration	3.0%	1	3.0%	39,503	40,688	41,909	43,166	44,461	45,795	47,169	48,584	50,041	51,543	53,089	54,682	56,322	58,012	59,752	61,545	63,391	65,293	67,252	69,269
Project-paid Fuel	3.0%	6	3.0%	4,929	5,077	5,229	5,386	5,548	5,714	5,885	6,062	6,244	6,431	6,624	6,823	7,028	7,238	7,456	7,679	7,910	8,147	8,391	8,643
Common Electricity	4.0%	6	3.0%	8,550	8,892	9,248	9,618	10,002	10,302	10,611	10,930	11,258	11,595	11,943	12,302	12,671	13,051	13,442	13,846	14,261	14,689	15,129	15,583
Water and Sewer	5.0%	6	5.0%	20,305	21,320	22,386	23,506	24,681	25,915	27,211	28,571	30,000	31,500	33,075	34,728	36,465	38,288	40,203	42,213	44,323	46,539	48,866	51,310
Operating and Maintenance	3.0%	1	3.0%	59,103	60,876	62,703	64,584	66,521	68,517	70,572	72,689	74,870	77,116	79,430	81,813	84,267	86,795	89,399	92,081	94,843	97,689	100,619	103,638
Real Estate Taxes	5.0%	1	5.0%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)				14,088	14,182	14,275	14,367	14,457	14,710	14,967	15,227	15,490	15,757	16,027	16,301	16,577	16,857	17,140	17,427	17,716	18,008	18,303	18,601
Insurance	3.0%	1	3.0%	19,650	20,240	20,847	21,472	22,116	22,780	23,463	24,167	24,892	25,639	26,408	27,200	28,016	28,857	29,722	30,614	31,532	32,478	33,453	34,456
Replacement Reserve	3.0%	1	3.0%	9,300	9,579	9,866	10,162	10,467	10,781	11,105	11,438	11,781	12,134	12,498	12,873	13,260	13,657	14,067	14,489	14,924	15,371	15,833	16,308
Other:	3.0%	1	3.0%	2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167	3,262	3,360	3,461	3,564	3,671	3,781	3,895	4,012	4,132	4,256	4,384
Other:	3.0%	1	3.0%	1,250	1,288	1,326	1,366	1,407	1,449	1,493	1,537	1,583	1,631	1,680	1,730	1,782	1,836	1,891	1,947	2,006	2,066	2,128	2,192
Subtotal: Operating Expenses				232,396	238,860	245,530	252,415	259,521	267,271	275,266	283,516	292,029	300,814	309,880	319,238	328,896	338,865	349,157	359,782	370,752	382,079	393,775	405,854
Debt Service																							
Debt Service Part A				157,957	157,957	157,957	157,957	157,957	157,957	157,957	157,957	157,957	157,957	157,957	157,957	157,957	157,957	157,957	157,957	157,957	157,957	157,957	157,957
Debt Service Conventional/Other Financing				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenses				**390,353**	**396,816**	**403,487**	**410,372**	**417,478**	**425,228**	**433,223**	**441,473**	**449,986**	**458,771**	**467,837**	**477,194**	**486,853**	**496,822**	**507,114**	**517,739**	**528,709**	**540,036**	**551,732**	**563,811**
Cash Flow/(Deficit)				**31,591**	**29,347**	**26,938**	**24,358**	**21,599**	**22,630**	**23,592**	**24,478**	**25,285**	**26,005**	**26,634**	**27,167**	**27,596**	**27,915**	**28,118**	**28,198**	**28,147**	**27,957**	**27,620**	**27,129**
Cash Flow Per Unit				1,019	947	869	786	697	730	761	790	816	839	859	876	890	900	907	910	908	902	891	875
Debt Coverage Ratio on Part A Loan				1.20	1.19	1.17	1.15	1.14	1.14	1.15	1.15	1.16	1.16	1.17	1.17	1.17	1.18	1.18	1.18	1.18	1.18	1.17	1.17
Debt Coverage Ratio on Conventional/Other Financing				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Interest Rate on Reserves: 3%

Average Cash Flow as % of Net Income

Operating Deficit Reserve (ODR) Analaysis

			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Maintained Debt Coverage Ratio (Hard Debt)	1.00																					
Maintained Operating Reserve (No Hard Debt)	250	Initial Deposit																				
Initial Balance		**0**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR			(0)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR			(0)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR			**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Maintained Cash Flow Per Unit			1,019	947	869	786	697	730	761	790	816	839	859	876	890	900	907	910	908	902	891	875
Maintained Debt Coverage Ratio on Part A Loan			1.20	1.19	1.17	1.15	1.14	1.14	1.15	1.15	1.16	1.16	1.17	1.17	1.17	1.18	1.18	1.18	1.18	1.18	1.17	1.17
Maintained Debt Coverage Ratio on Conventional/Other			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR		**0**																				
Non-standard ODR		**0**																				

Operating Assurance Reserve Analysis

			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
		130,118																				
Required in Year:	1	Initital Deposit																				
Initial Balance		**130,118**	130,118	134,021	138,042	142,183	146,448	150,842	155,367	160,028	164,829	169,774	174,867	180,113	185,517	191,082	196,814	202,719	208,800	215,064	221,516	228,162
Interest Income			3,904	4,021	4,141	4,265	4,393	4,525	4,661	4,801	4,945	5,093	5,246	5,403	5,565	5,732	5,904	6,082	6,264	6,452	6,645	6,845
Ending Balance			134,021	138,042	142,183	146,448	150,842	155,367	160,028	164,829	169,774	174,867	180,113	185,517	191,082	196,814	202,719	208,800	215,064	221,516	228,162	235,007

Deferred Developer Fee Analysis

			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Initial Balance			365,000	333,409	304,062	277,124	252,766	231,167	208,537	184,945	160,466	135,182	109,177	82,543	55,376	27,780	0	0	0	0	0	0
Dev Fee Paid			31,591	29,347	26,938	24,358	21,599	22,630	23,592	24,478	25,285	26,005	26,634	27,167	27,596	27,780	0	0	0	0	0	0
Ending Balance	Repaid in yea	0	333,409	304,062	277,124	252,766	231,167	208,537	184,945	160,466	135,182	109,177	82,543	55,376	27,780	0	0	0	0	0	0	0

Mortgage Resource Fund Loan

			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Interest Rate on Subordinate Financing	3%	Initial Balance																				
Principal Amount of all MSHDA Soft Funds		**0**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Current Yr Int			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Int			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal		% of Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Payment Due		**50%**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Year End Balance			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Development GenesisHope Village: Preston Townhomes Use Sources & Uses Page: Sources & Uses

Pay-In Schedule

Financing Tax Exempt
MSHDA No. 4132
Step Commitment
Date 07/18/2024
Type New Construction

	Amount Budgeted from Costs	Oct 2024 10/1/2024 Initial Closing	Nov 2024 Draw 2	Dec 2024 Draw 3	Jan 2025 Draw 4	Feb 2025 Draw 5	Mar 2025 Draw 6	Apr 2025 Draw 7	May 2025 Draw 8	Jun 2025 Draw 9	Jul 2025 Draw 10	Aug 2025 Draw 11	Sep 2025 Draw 12	Oct 2025 Draw 13	Nov 2025 Draw 14	Dec 2025 Draw 15	Jan 2026 Draw 16	Feb 2026 Draw 17	Mar 2026 Draw 18	Apr 2026 Draw 19	May 2026 Draw 20	Jun 2026 Draw 21	Jul 2026 Draw 22	Aug 2026 Draw 23	Sep 2026 Draw 24	Oct 2026 Draw 25	Total	Variance
			6%	12%	18%	24%	30%	36%	42%	48%	54%	60%	66%	72%	78%	84%	90%	96%	99%									
Uses																												
Acquisition	245,000	245,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	245,000	0
Land	220,000	220,000																									220,000	0
Existing Buildings	0	0																									0	0
Other: Holding Costs	25,000	25,000																									25,000	0
Override																											0	0
Construction/Rehabilitation	9,027,490	0	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	222,837	0	0	0	0	0	0	0	8,913,490	(114,000)
Off Site Improvements	0																										0	0
On-site Improvements	1,267,891																										0	(1,267,891)
Landscaping and Irrigation	38,621																										0	(38,621)
Structures	6,445,914																										0	(6,445,914)
Community Building and/or Ma	0																										0	0
Construction not in Tax Credit I	0																										0	0
General Requirements	466,646																										0	(466,646)
Builder Overhead	164,881																										0	(164,881)
Builder Profit	504,537																										0	(504,537)
Bond Premium, Tap Fees, Cos	114,000																										0	(114,000)
Other: Temporary Site Security	25,000																										0	(25,000)
Override			543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	543,166	222,837								8,913,490	8,913,490
Professional Fees	571,000	510,500	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	0	0	0	0	0	0	0	0	571,000	0
Design Architect Fees	275,000	275,000																									275,000	0
Supervisory Architect Fees	60,500	0	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781	3,781									60,500	0
Engineering/Survey	85,500	85,500																									85,500	0
Legal Fees	150,000	150,000																									150,000	0
Override																											0	0
Interim Contruction Costs	217,000	202,000	0	0	0	0	0	0	7,500	0	0	0	0	0	7,500	0	0	0	0	0	0	0	0	0	0	0	217,000	0
Property & Casualty Insurance	65,000	65,000																									65,000	0
Title Work	55,000	55,000																									55,000	0
Construction Taxes	15,000								7,500						7,500												15,000	0
Permits	82,000	82,000																									82,000	0
Override																											0	0
Construction Loan Interest	448,227		0	0	0	2,753	5,944	9,152	12,102	15,385	19,030	22,314	25,617	28,937	32,117	35,515	38,890	40,094	40,094	40,094	40,094	40,094	0	0	0	0	448,227	(0)
Permanent Financing	186,932	186,932	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	186,932	0
2% Loan Commitment Fee to I	186,932	186,932																									186,932	0
Other:	0																										0	0
Override																											0	0
Other Costs(In Basis)	615,450	139,075	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	53,211	0	0	0	0	0	0	0	0	615,450	0
Application Fee	2,000	2,000																									2,000	0
Market Study	14,575	14,575																									14,575	0
Environmental Studies	115,000	115,000																									115,000	0
Cost Certification	12,500																	12,500									12,500	0
Equipment and Furnishings	12,500																	12,500									12,500	0
Temporary Tenant Relocation	0																										0	0
Construction Contingency	451,375	0	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211	28,211									451,375	0
Appraisal and C.N.A.	7,500	7,500																									7,500	0
Other:	0																										0	0
Override																											0	0
Other Costs(NOT In Basis)	364,735	276,199	0	0	0	0	0	0	0	682	682	682	682	21,880	682	682	682	15,407	682	682	0	0	0	0	0	0	319,622	(45,113)
Start-up and Organization	7,500	7,500																									7,500	0
Tax Credit Fees (based on 202	44,897	23,699												21,199													44,897	0
Compliance Monitoring Fee (ba	14,725																	14,725									14,725	0
Marketing Expense	7,500									682	682	682	682	682	682	682	682	682	682	682							7,500	0
Syndication Legal Fees	50,000	50,000																									50,000	0
Rent Up Allowance	45,113																										0	(45,113)
Other: City of Detroit Legal Fee	195,000	195,000																									195,000	0
Override																											0	0
Project Reserves	190,118	130,118	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	60,000	0	0	0	0	0	190,118	0
Operating Assurance Reserve	130,118	130,118																									130,118	0
Replacement Reserve	0																										0	0
Operating Deficit Reserve	0																										0	0
Rent Subsidy Reserve	0																										0	0
Syndicator Held Reserve	60,000																				60,000						60,000	0
Rent Lag Escrow	0																										0	0
Tax and Insurance Escrows	0																										0	0
Other:	0																										0	0
Other:	0																										0	0
Override																											0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposit to Development Opera	0	0																									0	0
Other (Not in Basis):	0																										0	0
Other (In Basis):	0																										0	0
Other (In Basis):	0																										0	0
Override																											0	0
Developer Fee	2,100,000	275,840								68,960								461,563			472,837			100,000			1,379,200	(720,800)
Total Uses	13,965,952	1,965,664	575,158	575,158	575,158	577,911	581,102	584,310	594,760	660,185	594,870	598,154	601,456	625,976	615,457	611,355	614,730	1,117,222	263,613	40,776	572,931	40,094	0	100,000	0	0	13,086,038	(879,913)
Cumulative Uses		*1,965,664*	*2,540,821*	*3,115,979*	*3,691,137*	*4,269,049*	*4,850,150*	*5,434,460*	*6,029,220*	*6,689,405*	*7,284,275*	*7,882,430*	*8,483,886*	*9,109,862*	*9,725,318*	*10,336,673*	*10,951,403*	*12,068,625*	*12,332,238*	*12,373,013*	*12,945,944*	*12,986,038*	*12,986,038*	*13,086,038*	*13,086,038*	*13,086,038*		
Sources Interest Rate	6.625%																											
Construction Loan	7,262,295				498,712	577,911	581,102	534,310	594,760	660,185	594,870	598,154	601,456	575,976	615,457	611,355	218,047					-7,262,295					0	(7,262,295)
MSHDA Permanent Mortgage	2,214,572																					2,214,572					2,214,572	0
Conventional/Other Mortgage	0																										0	0
Equity Contribution from Tax Credit Syndicatior	5,749,065	1,108,112								277,028								831,084			3,224,337			100,000			5,540,561	(208,504)
MSHDA NSP Funds	0																										0	0
MSHDA HOME	0																										0	0
Mortgage Resource Funds	0																										0	0
MSHDA CERA	2,084,313	857,552	575,158	575,158	76,446																						2,084,313	0
Local HOME	2,500,000							50,000						50,000						40,776		2,359,224					2,500,000	0
Income from Operations	0																										0	0
Other Equity	0																										0	0
Transferred Reserves:	0																										0	0
Other: Sponsor Loan (Water Infrastruc	400,000	400,000																									400,000	0
Other: Sponsor Loan (Developer Fee)	653,002	653,002																									653,002	0
Deferred Developer Fee	365,000																										0	(365,000)
Construction Loan Running Balance		0	0	0	498,712	1,076,624	1,657,725	2,192,035	2,786,795	3,446,980	4,041,850	4,640,005	5,241,461	5,817,437	6,432,893	7,044,248	7,262,295	7,262,295	7,262,295	7,262,295	7,262,295	0	0	0	0	0		
Total Sources	13,965,952	3,018,666	575,158	575,158	575,158	577,911	581,102	584,310	594,760	937,213	594,870	598,154	601,456	625,976	615,457	611,355	218,047	831,084	0	40,776	3,224,337	-2,688,499	0	100,000	0	0	13,392,448	(573,504)
Cumulative Sources		*3,018,666*	*3,593,823*	*4,168,981*	*4,744,139*	*5,322,051*	*5,903,152*	*6,487,462*	*7,082,222*	*8,019,435*	*8,614,305*	*9,212,460*	*9,813,916*	*10,439,892*	*11,055,348*	*11,666,703*	*11,884,750*	*12,715,834*	*12,715,834*	*12,756,610*	*15,980,947*	*13,292,448*	*13,292,448*	*13,392,448*	*13,392,448*	*13,392,448*		
Balance	1	1,053,002	0	0	0	0	0	0	0	277,028	0	0	0	0	0	0	-396,683	-286,138	-263,613	0	2,651,406	-2,728,593	0	0	0	0	306,410	
Cumulative Balance		*1,053,002*	*1,053,002*	*1,053,002*	*1,053,002*	*1,053,002*	*1,053,002*	*1,053,002*	*1,053,002*	*1,330,030*	*1,330,030*	*1,330,030*	*1,330,030*	*1,330,030*	*1,330,030*	*1,330,030*	*933,347*	*647,209*	*383,596*	*383,596*	*3,035,002*	*306,410*	*306,410*	*306,410*	*306,410*	*306,410*	*0*	
Eligible basis items plus land	13,090,446																											
50% Test (for 4% deals)		0%	0%	0%	4%	8%	12%	16%	20%	25%	29%	33%	38%	42%	46%	50%	52%	52%	52%	52%	52%	0%	0%	0%	0%	0%		

Development	GenesisHope Village: Preston Townhomes
Financing	Tax Exempt
MSHDA No.	4132
Step	Commitment
Date	07/18/2024
Type	New Construction

Amenities Check List

x	Ceiling Fan				
x	Coat Closet				
x	Dishwasher				
	Exterior Storage				
x	Frost Free Refridgerator				
	Garbage Disposal				
x	Individual Entry				
x	Microwave				
x	Mini-blinds				
	Patio/balcany				
x	Self-cleaning oven				
	Walk-in closet				
	Basketball Court				
x	Playground				
	Clubhouse				
	Community room				
	Computer / Business Center				
	Elevator				
	Exercise room				
	On-site management				
x	Picnic area				
	Other:				
x	Laundry Type:	In-unit			
x	Air Conditioning:	Central			
x	Security: Lighting				
	Security: Intercom				
	Security: Other				
	Carport	Fee ($):		# of spaces:	
	Attached Garage	Fee ($):		# of spaces:	
	Detached Garage	Fee ($):		# of spaces:	

Congregate Facilities

	24-hour on-site management
	Activities
	Emergency Pullcord
	Healthcare services
	Housekeeping
	Activities director
	Library
	Movie theatre
	Transportation services

Development GenesisHope Village: Preston Townhomes
Financing Tax Exempt
MSHDA No. 4132
Step Commitment
Date 07/18/2024
Type New Construction

Replacement Reserve Analysis

Cost Inflation	103%
RR Period	20

Min. Deposit	21,700
15 Year	0
20 Year	0

Required Initial Deposit **21,700**
Per Unit **700**

Year	Starting Balance	RR Needs	Contribution	Net Annual Change	Interest	Ending Balance
1	21,700		9,300	9,300	651	31,651
2	31,651		9,579	9,579	950	42,180
3	42,180		9,866	9,866	1,265	53,311
4	53,311		10,162	10,162	1,599	65,073
5	65,073		10,467	10,467	1,952	77,492
6	77,492		10,781	10,781	2,325	90,598
7	90,598		11,105	11,105	2,718	104,421
8	104,421		11,438	11,438	3,133	118,992
9	118,992		11,781	11,781	3,570	134,342
10	134,342		12,134	12,134	4,030	150,507
11	150,507		12,498	12,498	4,515	167,521
12	167,521		12,873	12,873	5,026	185,420
13	185,420		13,260	13,260	5,563	204,242
14	204,242		13,657	13,657	6,127	224,026
15	224,026		14,067	14,067	6,721	**244,814**
16	244,814		14,489	14,489	7,344	266,648
17	266,648		14,924	14,924	7,999	289,571
18	289,571		15,371	15,371	8,687	313,629
19	313,629		15,833	15,833	9,409	338,871
20	338,871		16,308	16,308	10,166	**365,345**

Total Units	31
Interest Rate on Reserves	3%
Year 1 RR Deposits	300
Min Initial Deposit ($700/unit)	21700

DRAFT

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
PRESTON TOWNHOMES, MSHDA DEVELOPMENT NO. 4132
CITY OF DETROIT, WAYNE COUNTY

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (the "Act"), to make mortgage loans to qualified non-profit housing corporations, consumer housing cooperatives and limited dividend housing corporations and associations; and

WHEREAS, an Application for Mortgage Loan Feasibility has been filed with the Authority by Cinnaire Solutions Corporation (the "Applicant") for a multifamily housing project to be located in the City of Detroit, Wayne County, Michigan, having an estimated total development cost of Thirteen Million Nine Hundred Sixty Five Thousand Nine Hundred Fifty-Two Dollars ($13,965,952), a total estimated maximum mortgage loan amount of Seven Million Two Hundred Sixty Two Thousand Two Hundred Ninety-Five Dollars ($7,262,295) and a CERA loan in the amount of Two Million Eighty Four Thousand Three Hundred Thirteen Dollars ($2,084,313) (hereinafter referred to as the "Application"); and

WHEREAS, a housing association to be formed by the Applicant may become eligible to receive a mortgage loan from the Authority under the provisions of the Act and the Authority's General Rules; and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and his recommendations with respect thereto; and

WHEREAS, the Authority has considered the Application in the light of the Authority's project mortgage loan feasibility evaluation factors.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The following determinations be and they hereby are made:

   a. The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located, thereby enhancing the viability of such housing.

   b. The Applicant is reasonably expected to be able to achieve successful completion of the proposed housing project.

   c. The proposed housing project will meet a social need in the area in which it is to be located.

d. A mortgage loan, or a mortgage loan not made by the Authority that is a federally-aided mortgage, can reasonably be anticipated to be obtained to provide financing for the proposed housing project.

e. The proposed housing project is a feasible housing project.

f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Eight Million Five Hundred Seventy Thousand Dollars($8,570,000).

2. The proposed housing project be and it is hereby determined to be feasible for a mortgage loan on the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Report of the Authority Staff presented to the meeting, subject to any and all applicable determinations and evaluations issued or made with respect to the proposed housing project by other governmental agencies or instrumentalities or other entities concerning the effects of the proposed housing project on the environment as evaluated pursuant to the federal National Environmental Policy Act of 1969, as amended, and the regulations issued pursuant thereto as set forth in 24 CFR Part 58.

3. The determination of feasibility is based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this feasibility determination resolution may, at the option of the Chief Executive Officer and Executive Director , the Chief Housing Investment Officer, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in any of the foregoing capacities (each an "Authorized Officer"), be immediately rescinded.

4. Neither this determination of feasibility nor the execution prior to closing of any documents requested to facilitate processing of a proposed mortgage loan to be used in connection therewith constitutes a promise or covenant by the Authority that it will make a Mortgage Loan to the Applicant.

5. This determination of Mortgage Loan Feasibility is conditioned upon the availability of financing to the Authority. The Authority does not covenant that funds are or will be available for the financing of the subject proposed housing development.

6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MORTGAGE LOANS
PRESTON TOWNHOMES, MSHDA DEVELOPMENT NO. 4132
CITY OF DETROIT, WAYNE COUNTY

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized, under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (hereinafter referred to as the "Act"), to make mortgage loans to qualified nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations and associations and certain qualified individuals; and

WHEREAS, an application (the "Application") has been filed with the Authority by Cinnaire Solutions Corporation (the "Applicant") for a construction mortgage loan in the amount of Seven Million Two Hundred Sixty-Two Thousand Two Hundred Ninety-Five Dollars ($7,262,295), and a permanent mortgage loan in the amount of Two Million Two Hundred Fourteen Thousand Five Hundred Seventy-Two Dollars ($2,214,572), for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Thirteen Million Nine Hundred Sixty-Five Thousand Nine Hundred Fifty-Two Dollars ($13,965,952), to be known as Preston Townhomes, located in the City of Detroit, Wayne County, Michigan, and to be owned by GenesisHOPE Village Phase 1 Limited Dividend Housing Association, LLC (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a CERA Loan ("CERA") loan in the estimated amount of Two Million Eighty-Four Thousand Three Hundred Thirteen Dollars ($2,084,313) (the "CERA Loan"); and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and his recommendation with respect thereto; and

WHEREAS, the Authority has reviewed the Application and the recommendation of the Executive Director and, on the basis of the Application and recommendation, has made determinations that:

(a) The Mortgagor is an eligible applicant;

(b) The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located thereby enhancing the viability of such housing;

(c) The Applicant and the Mortgagor are reasonably expected to be able to achieve successful completion of the proposed housing project;

(d) The proposed housing project will meet a social need in the area in which it is to be located;

(e) The proposed housing project may reasonably be expected to be marketed successfully;

(f) All elements of the proposed housing project have been established in a manner consistent with the Authority's evaluation factors, except as otherwise provided herein;

(g) The construction or rehabilitation will be undertaken in an economical manner and it will not be of elaborate design or materials; and

(h) In light of the estimated total project cost of the proposed housing project, the amount of the mortgage loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation on the ratio of mortgage loan amount to estimated total project cost.

WHEREAS, the Authority has considered the Application in the light of the criteria established for the determination of priorities pursuant to General Rule 125.145 and hereby determines that the proposed housing project is consistent therewith; and

WHEREAS, Sections 83 and 93 of the Act provide that the Authority shall determine a reasonable and proper rate of return to limited dividend housing corporations and associations on their investment in Authority-financed housing projects.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Application be and it hereby is approved, subject to the terms and conditions of this Resolution, the Act, the General Rules of the Authority, and of the Mortgage Loan Commitment hereinafter authorized to be issued to the Applicant and the Mortgagor.

2. A construction and permanent mortgage loan (the "Mortgage Loan") be and it hereby is authorized and the Chief Executive Director and Executive Director, the Chief Housing Investment Officer, the Chief Legal Affairs Officer, the Director of Legal Transactions, the Director of In-House Legal Services, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction financing of the proposed housing project in an amount not to exceed Seven Million Two Hundred SixtyTwo Thousand Two Hundred Ninety-Five Dollars ($7,262,295), and permanent financing in an amount not to exceed of Two Million Two Hundred Fourteen Thousand Five Hundred Seventy-Two Dollars ($2,214,572), and to have a term of 40 years after amortization of principal commences and to bear interest at a rate of six and 625/100 percent (6.625%) per annum. The amount of proceeds of tax exempt bonds issued or to be issued and allocated to the financing of this housing project shall not exceed Eight Million Five Hundred Seventy Thousand Dollars (8,570,000). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

3. The CERA Loan be and it hereby is authorized and an Authorized Officer is hereby authorized to issue to the Applicant and the Mortgagor a commitment for a CERA Loan (together with the Commitment for the Mortgage Loan, the "Mortgage Loan Commitment") in the estimated amount of Two Million Eighty Four Thousand Three Hundred Thirteen Dollars ($2,084,313), and to have a term not to exceed fifty (50) years and to bear interest at a rate of one percent (1%) per annum.

4. The mortgage loan commitment resolution and issuance of the Mortgage Loan Commitment are based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this mortgage loan commitment resolution together with the commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded.

5. Notwithstanding passage of this resolution or execution of any documents in anticipation of the closing of the proposed mortgage loan, no contractual rights to receive the mortgage loan authorized herein shall arise unless and until an Authorized Officer shall have issued a Mortgage Loan Commitment and the Applicant shall have agreed in writing within fifteen days after receipt thereof, to the terms and conditions contained therein.

6. The proposed housing project be and it hereby is granted a priority with respect to proceeds from the sale of Authority securities which are determined by the Executive Director to be available for financing the construction and permanent loans of the proposed housing project. Availability of funds is subject to the Authority's ability to sell bonds at a rate or rates of interest and at a sufficient length of maturity so as not to render the permanent financing of the development unfeasible.

7. In accordance with Section 93(b) of the Act, the maximum reasonable and proper rate of return on the investment of the Mortgagor in the housing project be and it hereby is determined to be twelve percent (12%) per annum initially. Following the payment in full of the gap loan, the Mortgagor's rate of return may be increased by one percent (1%) annually until a cap of twenty-five percent (25%) is reached.

8. The Mortgage Loan shall be subject to, and the Commitment shall contain, the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

9. The Authority hereby waives Section VI.I.2 of the Multifamily Direct Lending Parameters adopted on June 28, 2017, requiring approval by the City of Detroit of a payment in lieu of taxes for the Development prior to the adoption of this resolution.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO:	Authority Members
FROM:	Amy Hovey, Chief Executive Officer and Executive Director Amy Hovey
DATE:	July 18, 2024
RE:	Wellspring, MSHDA Development No. 4123

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize a tax-exempt bond mortgage loan and a HOME American Rescue Plan Loan in the amounts set forth in this report, 3) authorize a waiver of the Multifamily Direct Lending Parameters ("Parameters") that requires for underwriting purposes on all new construction or vacant acquisition-rehab transactions that rents be underwritten on all units restricted to the Multifamily Tax Subsidy Program ("MTSP") 60% AMI limit, and 4) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

PROJECT SUMMARY:

MSHDA No:	4123
Development Name:	Wellspring
Development Location:	City of Southfield, Oakland County
Sponsor:	Southwest Housing Solutions Corporation, d/b/a MiSide Housing
Mortgagor:	Wellspring Limited Dividend Housing Association Limited Partnership
Number of Units (Affordable and Market Rate):	72 Family units of new construction
Number of Units Designated for Accessible Use:	12 Accessible units.
Total Development Cost:	$33,187,842
TE Bond Construction Loan:	$17,600,000
MSHDA Gap Funds:	$11,199,406 MSHDA HOME-ARP $1,000,000 MSHDA Opioid Settlement Funds
Other Funds:	$2,600,000 Oakland County ARPA-SLFRF $32,287 Income from Operations $1,535,193 Sponsor Loan

$2,100,037 Deferred Developer Fee

EXECUTIVE SUMMARY:

Wellsprings is a 72-unit proposal that will be located within six buildings. Sixty (60) of the units will be Permanent Supportive Housing ("PSH") units. There will be one building with one-bedroom units and a second building with two- and three-bedroom units for the PSH residents. Each of these buildings will have more than 1,000 net square feet of community space and will be located on a 1.64-acre parcel at 24201 Hooper Blvd. in Southfield. The remaining four buildings will consist of three townhomes each for a total of 12 townhomes, located on a 1.21-acre parcel at the corner of Berg Road and Hooper Blvd. in Southfield. The townhomes include one unit for a property manager and 11 non-PSH units for families earning less than 60% of area median income ("AMI"). The two non-contiguous parcels will be separated by 5 parcels that equal 2.65 acres.

All 60 PSH units will be for individuals and/or families with a member who has a substance use disorder, with a focus on opioid disorders. Individuals will be referred from Oakland County referral agencies. PSH residents must be in recovery and participating in an Adult Treatment Court. This population frequently faces a variety of problems including long histories of drug use, co-occurring mental health issues, homelessness, general unmanageability of life, a loss of family and pro-sober support systems and heavy involvement in the opioid using subculture.

All PSH households will be able to enroll in social services, receive case management services, work with peer support specialists, and enroll in job training classes, educational classes, and various programs to increase their stabilizations and enhance their well-being. The proposed housing would bring Treatment Courts services into these properties, efficiently linking participants with services. Addressing homelessness issues among those with substance use disorders with residence in a supervised, drug free environment can increase successful drug treatment outcomes and become a long-term solution for addressing opiate addiction.

Prospective PSH residents will undergo a two-stage screening process. To determine eligibility for the Low-Income Housing Tax Credit ("LIHTC") PSH units at Wellspring the Lead Service Provider, South Oakland Shelter, a Michigan nonprofit corporation doing business as Lighthouse MI, will work with the Housing Assessment and Resource Agency ("HARA") to utilize Oakland County's current coordinated process for filling vacant PSH beds throughout the community. Eligible applicants, as determined by the HARA, will then work with the property manager, KMG, to complete the tenant application process. Applicants will also be required to have 60-90 days of sobriety prior to move-in in consultation with the Adult Treatment Court.

ADVANCING THE AUTHORITY'S MISSION:

Wellsprings will be located in Region L of the Statewide Housing Plan Regional Housing Partnerships, and this development supports the following goals of the Region L Action Plan:

- Goal 3.2: Increase access to stable and affordable quality housing options for households with extremely low incomes.
- Goal 3.3: Improve the quality of the homelessness response system to be client-centered, flexible, grounded in respect, trauma informed, and aware and inclusive of the cultural values, beliefs, and practices of those they serve.
- Goal 3.4: Increase cross-system partnerships to strengthen the homelessness response system, achieve greater housing stability, and impact social determinants of health.

- Goal 4.1, increase the supply of the full spectrum of housing that is affordable and attainable to Michigan residents.
- Goal 8.1: Increase awareness of and support for the importance and benefits of accessible, affordable, and attainable housing throughout Michigan.

MUNICIPAL SUPPORT:

- The City of Southfield has approved a 4% PILOT for the project.
- Oakland County has awarded this proposal with $2,600,000 in ARPA -SLFRF funding.

COMMUNITY ENGAGEMENT/IMPACT:

The Sponsor engaged the community at the Southfield City Council Goal Session meeting held on December 7, 2022. It was discussed that the Southfield Non-Profit Neighborhood Corporation will form a joint venture with Southwest Housing Solutions Corporation for this project. This topic was also discussed at the December 12, 2022, Southfield City Council meeting. At this City Council meeting, the Southfield Non-profit Neighborhood Corporation (formerly Southfield Nonprofit Housing Corporation) received approval to acquire eight City-owned properties along Simmons and Hooper Boulevard.

The Sponsor and the Southfield Nonprofit Neighborhood Corporation do not believe the Wellspring (new construction) project will have any negative impact on the surrounding community. Hooper Boulevard will be repaved as a result of the Wellspring project, and utility services will be upgraded. Sidewalks will be installed on the south side of Hooper Boulevard.

Based on advice from City officials, Wellspring's preliminary site plan, architectural plans and management plans incorporate all of the best practices of Andy's Place, a comparable, Authority-funded recovery housing development in Jackson, which is the first successful recovery housing project completed with low-income housing tax credits. These practices will include the following:

- Annual full-time security personnel
- One apartment building dedicated for one-bedroom units for individuals with an enclosed passive recreation area.
- Second apartment building dedicated for two- and three-bedroom units for families with an enclosed tot lot/playground area.
- Site situated around woodland and wetland areas to provide a serene, restorative and calming environment.
- First floor areas in both buildings reserved for multi-purpose areas including kitchen and dining, exercise, private offices for meetings with parole officers and social service providers plus property management.
- On-site full-time property manager and on-site maintenance supervisor
- Entire project with a gated fence plus secure entrance and exist.
- Each unit will be furnished.
- National Green Building Standard – Silver Certification.
- Orientation of the buildings which are perpendicular to Hooper Boulevard.
- Reduction of parking lot spaces to align with assisted senior housing; this allows for preservation of existing and mature trees as well as other natural features located on the subject property.

- Four story building height to allow for preservation of existing natural features plus scenic vistas observed from apartments.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

The project consists of 60 Permanent Supportive Housing ("PSH") units and 12 non-PSH townhomes that will be located within six (6) buildings. There will be one building with 1- bedroom units and a second building with two- and three-bedroom units for the PSH residents. Each of these buildings will have more than 1,000 net square feet of community space. The remaining four (4) buildings will consist of 3 townhomes each for a total of 12 townhomes. The townhomes include 1 unit for a property manager and 11 non-PSH units for families earning less than 60% AMI.

It is also recommended that a waiver be granted of the Authority's lending parameter (Section VI.E.1) that requires for underwriting purposes, on all new construction or vacant acquisition-rehab transactions, that rents be underwritten on all units restricted to the Multifamily Tax Subsidy Program ("MTSP") 60% AMI limit, will be limited to 95% of 30% of the MTSP 60% AMI limit be granted.

The Development will require a waiver of the per-unit total development costs from the Authority's Rental Development division, per the Qualified Allocation Plan ("QAP").

The Authority's lending parameters (Section II.B.2(f)) state that annual payments equal to 50% of cash available for distribution are required on gap loans after 12 years or the year in which the sum of all surplus cash available for distribution equals the amount of deferred developer fee. In this case the 50% payment will begin immediately following the first year after construction completion because the development fee is over $2.1 million. Furthermore, any cost savings and residual receipts during the construction period will be used to pay down the gap loan.

MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

July 18, 2024

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize a tax-exempt bond loan and a HOME American Rescue Plan Loan in the amounts set forth in this report, 3) authorize a waiver of the Multifamily Direct Lending Parameters ("Parameters") that requires for underwriting purposes on all new construction or vacant acquisition-rehab transactions that rents be underwritten on all units restricted to the Multifamily Tax Subsidy Program ("MTSP") 60% AMI limit, and 4) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

MSHDA No.:	4123
Development Name:	Wellspring
Development Location:	City of Southfield, Oakland County
Sponsor:	Southwest Housing Solutions Corporation, d/b/a MiSide Housing
Mortgagor:	Wellspring Limited Dividend Housing Association Limited Partnership
TE Bond Construction Loan:	$17,600,000 (52.64% of TDC)
TE Bond Permanent Loan:	$3,756,092 (new construction)
MSHDA Permanent HOME ARP Loan:	$11,199,406
Opioid Settlement Funds Forgivable Loan:	$1,000,000
Oakland County ARPA-SLFRF:	$2,600,000
Total Development Cost:	$33,187,842
Mortgage Amortization and Term:	40 years for the tax-exempt bond loan; 50 years for the HOME-ARP loan.
Interest Rate:	6.625% for the tax-exempt bond loan; 1% simple interest for the HOME-ARP loan.
Program:	Tax-Exempt Bond and Gap Financing Programs
Number of Units:	72 family units of new construction (including 1 manager unit)
Accessible Units:	12 Accessible Units
Unit Configuration:	35 1-bedroom/1-bath apartments, 20 2-bedroom/1-bath apartments, 5 3-bedroom/1-bath apartments, and 12 3-bedroom/2-bath townhomes.
Builder:	Oakwood Construction Company (including 1

	manager unit)
Syndicator:	Cinnaire
Date Application Received:	May 1, 2023
HDO:	Karen Waite

Issuance of the Authority's Mortgage Loan Commitment is subject to fulfillment of all Authority processing and review requirements and obtaining all necessary staff approvals as required by the Authority's underwriting standards.

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

The project consists of 60 Permanent Supportive Housing ("PSH") units and 12 non-PSH townhomes that will be located within six (6) buildings. There will be one building with 1- bedroom units and a second building with two- and three-bedroom units for the PSH residents. Each of these buildings will have more than 1,000 net square feet of community space. The remaining four (4) buildings will consist of 3 townhomes each for a total of 12 townhomes. The townhomes include 1 unit for a property manager and 11 non-PSH units for families earning less than 60% AMI.

It is also recommended that a waiver be granted of the Authority's lending parameter (Section VI.E.1) that requires for underwriting purposes, on all new construction or vacant acquisition-rehab transactions, that rents be underwritten on all units restricted to the Multifamily Tax Subsidy Program ("MTSP") 60% AMI limit, will be limited to 95% of 30% of the MTSP 60% AMI limit be granted.

The Development will require a waiver of the per-unit total development costs from the Authority's Rental Development division, per the Qualified Allocation Plan ("QAP").

The Authority's lending parameters (Section II.B.2(f)) state that annual payments equal to 50% of cash available for distribution are required on gap loans after 12 years or the year in which the sum of all surplus cash available for distribution equals the amount of deferred developer fee. In this case the 50% payment will begin immediately following the first year after construction completion because the development fee is over $2.1 million. Furthermore, any cost savings and residual receipts during the construction period will be used to pay down the gap loan.

EXECUTIVE SUMMARY:

Wellsprings is a 72-unit proposal that will be located within six buildings. Sixty (60) of the units will be Permanent Supportive Housing ("PSH") units. There will be one building with 1-bedroom units and a second building with two- and three-bedroom units for the PSH residents. Each of these buildings will have more than 1,000 net square feet of community space, and will be located on a 1.64 acre parcel at 24201 Hooper Blvd. in Southfield. The remaining four buildings will consist of three townhomes each for a total of 12 townhomes, located on a 1.21-acre parcel at the corner of Berg Road and Hooper Blvd. in Southfield. The townhomes include one unit for a property manager and 11 non-PSH units for families earning less than 60% of area median income ("AMI"). The two non-contiguous parcels will be separated by 5 parcels that equal 2.65 acres.

All 60 PSH units will be for individuals and/or families with a member who has a substance use disorder, with a focus on opioid disorders. Individuals will be referred from Oakland County referral agencies. PSH residents must be in recovery and participating in an Adult Treatment Court. This population frequently faces a variety of problems including long histories of drug use, co-occurring mental health issues, homelessness, general unmanageability of life, a loss of family and pro-sober support systems, and heavy involvement in the opioid using subculture.

All PSH households will be able to enroll in social services, receive case management services, work with peer support specialists, and enroll in job training classes, educational classes, and various programs to increase their stabilizations and enhance their well-being. The proposed housing would bring Treatment Court services into these properties, efficiently linking participants with services. Addressing homelessness issues among those with substance use disorders with residence in a supervised, drug free environment can increase successful drug treatment outcomes and become a long-term solution for addressing opiate addiction.

Prospective PSH residents will undergo a two-stage screening process. To determine eligibility for the Low-Income Housing Tax Credit ("LIHTC") PSH units at Wellspring the Lead Service Provider, South Oakland Shelter, a Michigan nonprofit corporation doing business as Lighthouse MI, will work with the Housing Assessment and Resource Agency ("HARA") to utilize Oakland County's current coordinated process for filling vacant PSH beds throughout the community. Eligible applicants, as determined by the HARA, will then work with the property manager, KMG Prestige ("KMG"), to complete the tenant application process. Applicants will also be required to have 60-90 days of sobriety prior to move-in in consultation with the Adult Treatment Court.

Structure of the Transaction and Funding:

There are several elements to this transaction that are common to new construction transactions:

- A tax-exempt bond construction loan (the "Mortgage Loan") will be provided by the Authority in the amount of $17,600,000 at 6.625% interest with a 22-month term (a 16-month construction term and a 6-month rent-up period, which will be used to bridge an extended equity pay-in period. Payments of interest only will be required during the construction loan. The principal balance of the construction loan must be reduced to the permanent loan amount on the first day of the month following the month in which the 22-month construction loan term expires or such later date as is established by an Authorized Officer of the Authority (the "Permanent Financing Date").

- A permanent Mortgage Loan will be provided by the Authority in the amount of $3,756,092. The permanent loan amount is based upon the current rents, less vacancy loss, payments to reserves and escrows, operating costs based on historical data unless modified by project improvements and construction and soft costs at levels appropriate for this specific transaction. The permanent loan is based on a 1.40 debt service coverage ratio, an annual interest rate of 6.625%, with a fully amortizing term of 40 years commencing on the Permanent Financing Date. The permanent Mortgage Loan will be in **First Position**.

- A permanent subordinate loan using Authority HOME ARP Funds (the "HOME ARP Loan") in the amount of $11,199,406 will be provided at 1% simple interest with payments initially deferred. The HOME ARP Loan will be in **Second Position**.

- The Sponsor is providing a loan in the amount of $1,535,193. See Special Condition No. 2.

- A $1,000,000 MSHDA Opioid Settlement Fund Forgivable Loan is being provided from the State of Michigan restricted fund for the purpose of developing housing opportunities for those in recovery from opioid use disorder or substance abuse due to illicit drug use.

- Equity support comes from an investment related to the 4% LIHTC in the estimated amount of $10,964,827.

- The Authority is providing sixty (60) project-based vouchers from the Authority's Housing Choice Voucher ("HCV") program. The Housing Assistance Payment ("HAP") contract will be for an initial term of 15 years with up to three 5-year extensions possible.

- Income from operations will be used as a source of funding to make the interest only payments and the tax and insurance payments during the construction period in the amount of $32,287.

- Oakland County is providing a $2,600,000 American Rescue Plan Act - State and Local Fiscal Recovery Funds Loan (the "ARPA-SLFRF" Loan). This loan will have a 50-year term and a 1% interest rate with a repayment from 25% of cash flow.

- The Sponsor has agreed to defer $2,100,037 of the developer fee to fill the remaining funding gap.

- An operating assurance reserve ("OAR") will be required in the amount identified in the attached proforma. The reserve will be capitalized at closing in an amount which, along with accumulated interest, is expected to meet the Development's unanticipated operating needs. This reserve will be held by the Authority.

Site Selection:

The site has been reviewed by Authority Staff and the Authority's Manager of the Office of Market Research has indicated that the site meets the Authority's current site selection criteria.

Market Evaluation:

The unit mix as well as the amenities package and rent levels have been approved by the Manager of the Office of Market Research.

Valuation of the Property:

An appraisal dated March 24, 2023, estimates the value of the vacant land at $840,000.

CONDITIONS:

At or prior to (i) issuance of the Authority's mortgage loan commitment ("Mortgage Loan Commitment"), (ii) the initial Mortgage Loan Closing (the "Initial Closing"), or (iii) such other date as may be specified herein, the new Mortgagor and other members of the Development team, where appropriate, must satisfy each of the following conditions by entering into a written agreement or providing documentation acceptable to the Authority:

Standard Conditions:

1. **Limitation for Return on Equity:**

   For each year of the Development's operation, beginning in the year in which the Mortgage Cut-Off Date occurs, payments are limited to twelve percent (12%) of the Mortgagor's equity. For purposes of distributions, the Mortgagor's equity will be the sum of (i) the LIHTC equity; (ii) the brownfield tax credit equity; (iii) the historic tax credit equity; (iv) general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority (estimated to be a total of $10,964,827). All such payments shall be referred to as "Limited Dividend Payments". The Mortgagor's return shall be fully cumulative. If Authority gap funds are included in the development sources the Limited Dividend Payments are capped at 12% per annum, while those loans remain outstanding. If there are no Authority gap loan outstanding, then Limited Dividend Payments may increase 1% per annum until a cap of 25% per annum is reached.

2. **Income Limits:**

   The income limitations for 72 units of this proposal are as follows:

   a. Twenty-five (25) units have been designated as HOME-ARP units and during the Period of Affordability required under the HOME-ARP program (15 years) must be available for occupancy by households whose incomes do not exceed one-twelfth (1/12th) of 30% of 30% of the MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom.

   b. 71 units (35 one-bedroom units, 20 two-bedroom units, and 16 three-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 60% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC “Extended Use Period” as defined in the Development’s LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

   c. 60 units (35 one-bedroom units, 20 two-bedroom units, and 5 three-bedroom units) must be occupied or available for occupancy by households whose incomes do not exceed the income limits in the HAP Contract for so long as the HAP Contract between the Mortgagor and the Authority is in effect (including extensions and renewals), or for such longer period as determined by HUD.

   d. 1 unit (three-bedroom unit) will be used as a manager’s unit. If this unit is later converted to rental use, it must be available for occupancy by households whose incomes do not exceed the MTSP 60% income limits, adjusted for family size as determined by HUD.

   Six (6) units have been designated as ARPA-SLFRF units by Oakland County for the remainder of the Period of Affordability required under the HOME-ARP program and must be available for occupancy by households whose incomes do not exceed ARPA-SLFRF restrictions. The Authority is not responsible for the non-MSHDA ARPA-SLFRF compliance monitoring or oversight of the occupancy.

To the extent units within the Development are subject to multiple sets of income limits, the most restrictive income limit will apply so long as the applicable term of affordability continues.

The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size.

3. **<u>Limitations on Rental Rates</u>:**

The Total Housing Expense (contract rent plus tenant-paid utilities) for 72 units is subject to the following limitations:

a. During the Period of Affordability required under the HOME-ARP program (15 years), the Total Housing Expense for the twenty-five (25) HOME ARP units may not exceed one-twelfth ($1/12^{th}$) of 30% of 30% of the MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom.

b. The Total Housing Expense for all 71 units (35 one-bedroom units, 20 two-bedroom units, and 16 three-bedroom units), may not exceed one-twelfth ($1/12^{th}$) of 30% of the 60% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

c. So long as the HAP Contract remains in effect, the Mortgagor agrees to establish and maintain rents ("Contract Rents") for all 60 HAP-assisted units (35 one-bedroom units, 20 two-bedroom units and 5 three-bedroom units) that comply with the rent levels established by the HAP Contract and that do not exceed the rent levels approved by HUD.

d. 1 unit (3-bedroom unit) will be used as a manager's unit. If this unit is later converted to rental use, the Total Housing Expense will be limited to one-twelfth ($1/12^{th}$) of 30% of 60% of the MTSP income limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom.

The Total Housing Expense for the six Oakland County ARPA-SLFRF units may not exceed the ARPA-SLFRF rent limits. The Authority is not responsible for the compliance monitoring or oversight of the non-MSHDA ARPA-SLFRF rents charged for or the regulations applicable to these units.

To the extent units within the Development is subject to multiple sets of rent limits, the most restrictive rent limit will apply so long as the applicable term of affordability continues.

While rental increases for these units may be permitted from time to time as HUD publishes updated median income limits, the Mortgagor must further agree that rental increases for targeted units. Twelve units that do not receive assistance under the HAP Contract will be limited to rental increased of not more than 5% for any resident household during any 12-month period.

For the initial lease term of the first household occupying each rent-restricted unit in the Development the initial rent may not exceed 105% of the rent approved in this Mortgage Loan Feasibility/Commitment Staff Report. While rental increases for all units may be permitted from time to time as HUD publishes updated median income limits rental increases on occupied units during any 12-month period will be limited to not more than 5% of the rent paid by the resident household at the beginning of that annual period. Exceptions to these limitations may be granted by MSHDA's Director of Asset Management for extraordinary increases in project operating expenses (exclusive of limited dividend payments) or mortgage loan increases to fund cost overruns pursuant to the Authority's policy on Mortgage Loan increases. Rents on vacated units may be increased to the maximum level permissible by the applicable programs. Rents and utility allowances must be approved annually by the Authority's Division of Asset Management. Increases in rents relating to PBV-assisted units must also be requested to the assigned PBV Specialist per guidance outlined on the MSHDA/PBV website.

4. **<u>Covenant Running with the Land</u>:**

The Mortgagor must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the obligations issued or to be issued to finance the Mortgage Loan. This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is 15 years after the date on which 50% of the residential units in the Development are occupied, the first day on which no bonds are outstanding with respect to the project, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations. Additionally, if LIHTC is awarded to the Development, the Mortgagor must agree to subject the property to the extended low-income use commitment required by Section 42 of the Internal Revenue Code.

5. **<u>Restriction on Prepayment and Subsequent Use</u>:**

The Mortgage Loan is eligible for prepayment after the expiration of fifteen (15) years after the commencement of amortization. The Mortgagor must provide the Authority with at least 60 days' written notice prior to any such prepayment.

In the event of a prepayment, however, the Mortgagor must pay a prepayment fee equal to the sum of:

a. 1% of the balance being prepaid;

b. Any bond call premium, prepayment or swap penalty, or any other cost that the Authority incurs to prepay the bonds or notes that were used to fund the Mortgage Loan; and
c. Any loss of debt service spread between the Mortgage Loan and the bonds used to finance the loan from the date of the prepayment through the end of the 20^{th} year of amortization.

Once the Mortgagor has been approved for the early prepayment of the underlying loan, it must sign an agreement with the Authority stating it is responsible for the cost of terminating the swap. The Mortgagor can then choose the timing of the termination and participate in the transaction with the swap counterparty. The swap counterparty will quote the cost of terminating the swap and the Mortgagor will have the ability to execute the transaction or cancel at its sole discretion. If the Mortgagor chooses not to terminate the swap, it will forfeit the right to prepay the Mortgage Loan.

Subordinate loans are eligible to prepay at any time upon 60 days prior written notice to the Authority, but prepayment may not extinguish federal affordability and compliance requirements.

6. <u>Operating Assurance Reserve:</u>

At Initial Closing, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to 4 months of estimated Development operating expenses (estimated to be $646,001). The OAR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority in accordance with the Authority's written policy on the use of the Operating Assurance Reserve, as amended from time to time. The OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. <u>Replacement Reserve:</u>

The Mortgagor must agree to establish a replacement reserve fund (“Replacement Reserve”) by making annual deposits to the Replacement Reserve, beginning on the Mortgage Cut-Off Date, at a minimum of $300 per unit for the first year of operation, payable in monthly installments, with deposits in subsequent years to be the greater of (i) the prior year’s deposit, increased by 3%, or (ii) a percentage of the Development’s projected annual rental income or gross rent potential (“GRP”) for the year using the percentage obtained by dividing the first year’s deposit by the first year’s GRP shown on the operating proforma for the Development attached hereto. The annual deposit to the Replacement Reserve may also be increased to any higher amount that is determined to be necessary by the Authority, based on a CNA and the Authority’s Replacement Reserve policies. The Authority may update any CNA or obtain a new CNA every five years, or upon any frequency, as determined necessary by the Authority.

8. <u>Authority Subordinate Loan(s):</u>

At Initial Closing, the Mortgagor must enter into agreements relating to the HOME-ARP

Loan. The HOME-ARP Loan will be secured by a subordinate mortgage and will bear simple interest at 1% with a 50-year term. Following the first year after construction completion, repayment of the HOME-ARP Loan will be made from fifty percent (50%) of any surplus cash available for distribution. Such payments shall be applied first to accrued interest, then to current interest and principal. Payments shall continue until the sale of the Development or refinancing of the Mortgage Loan, at which time the HOME-ARP Loan shall be due in full. If the HOME-ARP Loan is still outstanding, then following repayment of the Mortgage Loan and continuing on the first day of every month thereafter, the Mortgagor shall make monthly payments of principal and interest equal to the monthly payments that were required on the Mortgage Loan on the first day of every month until the HOME-ARP Loan is paid in full, sale of the Development or the date that is 50 years from date of Initial Closing, whichever occurs first.

9. Architectural Plans and Specifications; Contractor's Qualification Statement:

Prior to Mortgage Loan Commitment, the architect must submit architectural drawings and specifications that address all design review comments, acceptable to the Authority's Chief Architect and the Director of Development.

Prior to Mortgage Loan Commitment, the general contractor must submit AIA Document A305 as required by the Authority's Chief Architect.

10. Owner/Architect Agreement:

Prior to Mortgage Loan Commitment, the Mortgagor must provide the Authority with an executed Owner Architect Agreement acceptable in form and substance to the Chief Legal Affairs Officer.

11. Trade Payment Breakdown:

Prior to Mortgage Loan Commitment, the general contractor must submit a signed Trade Payment Breakdown acceptable to the Authority's Chief Construction Manager.

12. Section 3 Requirements:

Prior to Mortgage Loan Commitment, the general contractor must agree to comply with all federal Section 3 hiring requirements. The general contractor must provide a copy of the contractor's "Section 3 Hiring Plan" which must be reviewed and found acceptable to the Authority's Section 3 Compliance Officer. In addition, the general contractor must agree to adhere to follow-up reporting requirements as established by the Authority.

13. Equal Opportunity and Fair Housing:

Prior to Mortgage Loan Commitment, the management and marketing agent's Affirmative Fair Housing Marketing Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer for Fair Housing Requirements.

In addition, prior to Mortgage Loan Commitment, the general contractor's Equal Employment Opportunity Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer.

14. Davis-Bacon and Cross-cutting Federal Requirements:

The general contractor will be required to comply with all federal prevailing wage requirements, the requirements of the Davis-Bacon and Related Acts, and other applicable federal regulations as required under the terms of the HOME-ARP Program, and the Housing Choice Voucher Program.

15. Cost Certification:

The contractor's cost certification must be submitted within 90 days following the completion of construction, and the Mortgagor's cost certification must be submitted within 90 days following the Mortgage Cut-off Date. For LIHTC, the owner is obligated to submit cost certifications applicable to itself and the contractor prior to issuance of IRS form 8609 (see LIHTC Program Cost Certification Guidelines).

16. Environmental Review and Indemnification:

Prior to Mortgage Loan Commitment, the Mortgagor must address any outstanding environmental issues, in form and substance acceptable to the Authority's Environmental Review Officer.

At Initial Closing, the Mortgagor must enter an agreement to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of any violation of environmental laws. The indemnification agreement must be acceptable to the Chief Legal Affairs Officer.

17. Title Insurance Commitment and Survey:

Prior to Mortgage Loan Commitment, the Mortgagor must provide an updated title insurance commitment, including zoning, pending disbursement, comprehensive, survey and such other endorsements as deemed necessary by the Authority's Chief Legal Affairs Officer. The updated title commitment must contain only exceptions to the insurance acceptable to the Authority's Chief Legal Affairs Officer.

Additionally, prior to Mortgage Loan Commitment, the Mortgagor must provide a surveyor's certificate of facts together with an ALTA survey certified to the 2021 minimum standards, and that appropriately reflects all easements, rights of way, and other issues noted on the title insurance commitment. All documents must be acceptable to the Chief Legal Affairs Officer.

18. Organizational Documents/Equity Pay-In Schedule:

Prior to Mortgage Loan Commitment, the Mortgagor must submit a substantially final form syndication partnership agreement, including an equity pay-in schedule, that is acceptable in form and substance to the Director of Development and Chief Legal Affairs Officer.

At or prior to Initial Closing, the final, executed syndication partnership agreement must become effective and the initial installment of equity must be paid in an amount approved by the Director of Development.

19. Designation of Authority Funds:

The Authority reserves the express right, in its sole discretion, to substitute alternate subordinate funding sources.

20. Management & Marketing:

Prior to Mortgage Loan Commitment, the management and marketing agent must submit the following documents, which must be found acceptable to the Director of Asset Management:

a. Management Agreement
b. Marketing Addendum

21. Guaranties:

At Initial Closing, the Sponsor, General Partner, and any entity receiving a developer fee in connection with the Development must deliver certain guaranties. The required guaranties include a guaranty of HOME ARP recapture liability, an operating deficit guaranty and a performance completion guaranty. The required guaranties, the terms thereof and the parties who shall be required to deliver the guaranty must be determined and approved by the Authority's Director of Development.

22. Financial Statements:

Prior to Mortgage Loan Commitment, financial statements for the Sponsor, the guarantor(s) and the general contractor must be reviewed and found acceptable by the Authority's Chief Financial Officer.

If prior to Initial Closing the financial statements that were approved by the Authority become more than six months old, the Sponsor, the guarantor(s) and/or the general contractor must provide the Authority with updated financial statements meeting Authority requirements upon request.

23. Future Contributions:

To ensure the Authority is contributing the least amount of funding necessary to achieve project feasibility, any decrease in Development costs or any future equity sources not included in the Development proforma may, at the Authority's discretion, be utilized to reduce, in equal proportions, any deferred developer fee and Authority soft funds.

24. Ownership of Development Reserves:

At the Initial Closing, the Mortgagor must enter into an agreement confirming the Authority's ultimate ownership of excess cash reserves, escrows and accounts as may exist at the time the Authority's mortgage loans are paid off or the Development is sold or refinanced. This agreement must be acceptable to the Authority's Chief Legal Affairs Officer.

25. HAP Extension:

At Initial Closing, the Mortgagor must enter into an agreement to apply for and accept any HAP or other HUD subsidy extensions available in the future, subject to Authority approval.

26. AHAP Contract:

Prior to Initial Closing, the Authority and the Mortgagor must enter into an Agreement to enter into a Housing Assistance Payment ("AHAP") contract. The AHAP must be acceptable to the Authority's Director of Development. Once construction is complete, and the Authority's and Owner's final completion signoffs have been accepted, and the units pass HUD's Housing Quality Standards inspection, a Housing Assistance Payments ("HAP") Contract will be prepared and executed.

27. Services for Residents:

Sixty (60) of the units in the Development will be designated as Permanent Supportive Housing ("PSH") units and must be marketed to those with substance use disorders, with a focus on opioid disorders s defined in the Authority's PSH Gap Financing Addendum III. At or prior to Initial Closing, the Mortgagor must enter into an MOU with local service providers and a Supportive Services Agreement to provide support services as described in Addendum III for these tenants for so long as the Mortgagor receives assistance under the HAP contract. The agreement must be acceptable to the Chief Legal Affairs Officer. The cost of these services must be paid from other than loan proceeds, Development operating income and residual receipts.

28. HUD Authority to Use Grant Funds:

Prior to Mortgage Loan Commitment, the Authority must receive HUD's Authority to Use Grant Funds (HUD 7015.16) in connection with the proposed HOME Loan from the Authority or confirmation that the Development is categorically excluded from National Environmental Policy Act Review Process ("NEPA") review.

29. HUD Subsidy Layering Review:

Prior to Initial Closing, the subsidy layering review must be performed by Authority staff and must be submitted to HUD for approval. The subsidy layering approval is subject to review and approval by the Authority's Director of Development.

30. Application for Disbursement:

Prior to Initial Closing, the Mortgagor must submit an "Application for Disbursement" along with supporting documentation, which must be found acceptable to the Authority's Director of Development.

Special Conditions:

1. Legal Requirements:

The Mortgagor and/or Sponsor must submit documentation acceptable to the Authority's

Chief Legal Affairs Officer for the items listed below:

- Prior to issuance of the Mortgage Loan Commitment, the Mortgagor and/or Sponsor must provide an updated municipal zoning letter evidencing approval of a Residential Unit Development District ("RUDD") allowing multifamily housing as a permitted use under the proposed RUDD.
- Prior to Initial Closing, the Michigan Attorney General's Office must complete its review of the transaction and provide the Chief Legal Affairs Officer its recommendation.
- Any other documentation as required by the Chief Legal Affairs Officer, including acceptable evidence of insurance, permits, licenses, zoning approvals, utility availability, payment and performance bonds and other closing requirements.

2. Sponsor Loan:

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the Sponsor loan acceptable to the Authority's Chief Legal Affairs Officer and Director of Development. The Sponsor loan must:

a) not be secured by a lien on the Development or any of the Development's property, funds or assets of any kind;
b) be payable solely from approved Limited Dividend payments, and not from other development funds;
c) be expressly subordinate to all Authority mortgage loans; and
d) have a loan term not less than the longest term of all Authority mortgage loans.

At or prior to Initial Closing, the final, executed Sponsor loan documents must become effective and initial funding of the loan must be made in an amount approved by the Director of Development.

3. Residual receipts and cost savings at the end of the construction period:

Any cost savings and residual receipts identified in any post-construction cost certification or audit that would otherwise be used to pay down deferred developer fee will be applied to the HOME-ARP loan interest, then principal, if available.

4. Local ARPA-SLFRF:

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the Oakland County's ARPA-SLFRF Loan and a funding schedule acceptable to the Authority's Chief Legal Affairs Officer and Director of Development.

At or prior to Initial Closing, the final, executed Oakland County's ARPA-SLFRF Loan documents must become effective and initial funding of the loan must be made in an amount approved by the Director of Development. Oakland County, the Authority and the Mortgagor must enter into a subordination and intercreditor agreement in form and substance acceptable to the Chief Legal Affairs Officer.

DEVELOPMENT TEAM AND SITE INFORMATION

I. MORTGAGOR: Wellspring Limited Dividend Housing Association Limited Partnership

II. GUARANTOR(S):

A. Guarantor #1:

Name: Southwest Housing Solutions Corporation d/b/a MiSide Housing
Address: 1920 25th Street, Suite A
Detroit, MI 48216

III. DEVELOPMENT TEAM ANALYSIS:

A. Sponsor:

Name: Southwest Housing Solutions Corporation d/b/a MiSide Housing
Address: 1920 25th Street, Suite A
Detroit, MI 48216

Individuals Assigned: Timothy Thorland
Telephone: 313-841-3727
E-mail: tthorland@swsol.org

1. **Experience**: The Sponsor has experience working on Authority-financed developments.

2. **Interest in the Mortgagor and Members**:
Co-General Partner - Wellspring GP, Inc. (.0051%)
Co-General Partner – Southfield Hooper Street Investors, LLC (.0049%)
Limited Partner - Southwest Housing Solutions Corporation (99.99%)

B. Architect:

Name: Shelter Design Studio, LLC
Address: 104 W. Fourth Street, Suite 303
Royal Oak, MI 48067

Individual Assigned: Steve Pariseau
Telephone: 248-721-2488
E-Mail: spariseau@shelterstudiollc.com

1. **Experience**: Architect has previous experience with Authority-financed

developments.

2. **Architect's License**: License number 1301060682, exp. 10/17/2025.

C. Attorney:

Name:	Dykema Gossett (Dykema Gossett P.L.L.C.)
Address:	400 Renaissance Center Detroit, MI 48243
Individual Assigned:	Rochelle Lento
Telephone:	313-568-5322
E-Mail:	rlento@dykema.com

1. **Experience**: This firm has experience in closing Authority-financed developments.

D. Builder:

Name:	O'Brien Construction Company, Inc.
Address:	966 Livernois Road Troy, MI 48083
Individual Assigned:	Dave Vivio
Telephone:	248-334-2470
E-mail:	dvivio@obriencc.com

1. **Experience**: The firm has previous experience in constructing Authority-financed developments.

2. **State Licensing Board Registration**: License number 2102195384, with an expiration date of 05/31/2026.

E. Management and Marketing Agent:

Name:	KMG Prestige, Inc.
Address:	102 South Main Street Mt. Pleasant, MI 48858
Individual Assigned:	James Breidenstein
Telephone:	989-772-3261
Fax:	989-400-4552
E-mail:	james.breidenstein@kmgprestige.com

1. **Experience:** This firm has significant experience managing Authority-financed developments.

F. Development Team Recommendation: Go

IV. SITE DATA:

A. Land Control/Purchase Price:
$299,500

B. Site Location:
24201 Hooper Boulevard
Southfield, MI 48033

C. Size of Site:
5.5 Acres

D. Density:
Highest and best use

E. Physical Description:

1. Present Use: Vacant
2. Existing Structures: None
3. Relocation Requirements: N/A

F. Zoning:
The properties are currently zoned R2, Single Family Residential. The applicant, Wellspring Limited Dividend Housing Association Limited Partnership, has applied for a zoning amendment to a Residential Unit Development District ("RUDD"). The RUDD approval requires the recommendation of the Southfield Planning Commission and approval by City Council.

G. Contiguous Land Use:

1. North: Single/Multifamily Housing
2. South: Multifamily Housing
3. East: Multifamily Housing
4. West: Commercial

H. Tax Information:
4% PILOT

I. Utilities: Electric = DTE, Water/Sewer = City of Southfield, Gas = Consumers Energy

J. Community Facilities:

1. Shopping:
Meijer 1.9 miles north. Kroger 3.4 miles west. Walmart Supercenter 7.0

miles southwest. Kohl's Department Store 7.0 miles southwest. Best Buy 1.6 miles north.

2. Recreation:
   The Burgh Historical Park 0.3 miles east. Beech Woods Recreation Center 3.0 miles southwest. YMCA 5.9 miles west.
3. Public Transportation:
   There is a SMART public bus stop on the corner of Berg Street and Hooper Boulevard.
4. Road Systems
   Site located 1/4 mile east of Telegraph Road, which runs North and South throughout eastern Detroit. Site located ½ mile south of 696, which runs east and west throughout southeastern Michigan.
5. Medical Services and other Nearby Amenities:
   Beaumont Hospital 1 mile northeast. Farmington Medical Clinic 4.7 miles northwest.
6. Description of Surrounding Neighborhood:
   The vacant lot at the corner of Hooper and Berg Street is primarily made up of dense vegetation. The immediate surrounding area is a combination of single and multifamily housing.
7. Local Community Expenditures Apparent:
   Between 2018 and 2023, $1,943,000 was spent on Burgh Historical Park, located 0.3 miles from the project, with another $400,000 scheduled to be spent between 2024 and 2028. Denso Drive reconstruction and bridge repairs are taking place between 2023 and 2024, Civic Center Drive Road and bridge repairs between 2020 and 2021, and Bellwood Drive road and bridge repairs between 2023 and 2024. A $57,350,000 investment into Southfield High School Arts and Technology is taking place between 2023 and 2024.
8. Indication of Local Support:
   The following entities wrote letters of support for the project: Corewell Health, Lighthouse, Michigan State University Extension, CNS Healthcare, MiSide, Southwest Economic Solutions, Community Housing Network, Meridian Health Services, Sacred Heart, Oakland Family Services, Hegira Health, Inc., The Salvation Army, and Lakeshore Legal Aid.

V. ENVIRONMENTAL FACTORS:

A Phase I Environmental Site Assessment was submitted to the Authority and has been reviewed by the Authority's Environmental Manager. (See Standard Condition No. 16).

VI. DESIGN AND COSTING STATUS:

Architectural plans and specifications consistent with the scope of work have been reviewed by the Chief Architect. A response to all design review comments and the submission of corrected and final plans and specifications must be made prior to initial closing.

This proposal will satisfy the State of Michigan barrier-free requirements, the Authority's policy regarding accessibility and non-discrimination for the disabled, the Fair Housing Amendments Act of 1988, and the HOME requirements for barrier-free vision and hearing designed units. Construction documents must be acceptable to the Authority's Chief Architect.

VII. MARKET SUMMARY:

The Market study has been reviewed by the Authority's Manager of the Office of Market Research and found to be acceptable. The Authority's Manager of the Office of Market Research has reviewed and approved the unit mix, rental structure, and unit amenities.

VIII. EQUAL OPPORTUNITY AND FAIR HOUSING:

The contractor's Equal Employment Opportunity Plan is currently being reviewed and must be approved by the Authority's Chief Construction Manager prior to initial closing. The management and marketing agent's Affirmative Fair Housing Marketing Plan has been approved.

IX. MANAGEMENT AND MARKETING:

The management/marketing agent has submitted application-level management and marketing information, to be approved prior to initial closing by the Authority's Director of Asset Management.

X. FINANCIAL STATEMENTS:

The sponsor's/guarantor's and the builder's financial statements have been submitted and are to be approved prior to initial closing by the Authority's Director of Development.

XI. DEVELOPMENT SCHEDULING:

A. Mortgage Loan Commitment:	July 2024
B. Initial Closing and Disbursement:	October 2024*
C. Construction Completion:	February 2026
D. Cut-Off Date:	August 2026

*Closing timeline contingent on development team completing required and special conditions to the satisfaction of the Authority's Chief Legal Affairs Officer.

XII. ATTACHMENTS:

A. Development Proforma

APPROVALS:

Chad A. Benson 7/12/2024

Chad Benson Date
Director of Development

Anthony Lentych 7/11/2024

Tony Lentych Date
Chief Housing Investment Officer

Clarence L. Stone, Jr. 7/11/2024

Clarence L. Stone, Jr. Date
Chief Legal Affairs Officer

Amy Hovey 07/12/24

Amy Hovey Date
Chief Executive Officer and Executive Director

Development Wellspring - Southfield
Financing Tax Exempt
MSHDA No. 4123
Step Commitment
Date 06/20/2024
Type New Construction

Instructions

TOTAL DEVELOPMENT COSTS

		Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Acquisition						
Land		4,160	299,500	0%	0	0
Existing Buildings		0		100%	0	0
Other:		0		0%	0	0
Subtotal		**4,160**	**299,500**			
Construction/Rehabilitation						
Off Site Improvements		0		100%	0	0
On-site Improvements		20,129	1,449,276	100%	1,449,276	0
Landscaping and Irrigation		0		100%	0	0
Structures		256,899	18,496,710	100%	18,496,710	18,496,710
Community Building and/or Maintenance Facility		0	0	100%	0	0
Construction not in Tax Credit basis (i.e.Carports and Commercial Space)		0		0%	0	0
General Requirements	% of Contract 6.00% **Within Range**	16,642	1,198,259	100%	1,198,259	1,198,259
Builder Overhead	% of Contract 2.00% **Out of Range**	5,880	423,385	100%	423,385	423,385
Builder Profit	% of Contract 6.00% **Out of Range**	17,994	1,295,558	100%	1,295,558	1,295,558
Bond Premium, Tap Fees, Cost Cert.		4,776	343,889	100%	343,889	343,889
Other:		347	25,000	100%	25,000	25,000
Subtotal		**322,668**	**23,232,077**			
15% of acquisition and $15,000/unit test:			met			
Professional Fees						
Design Architect Fees		7,014	505,000	100%	505,000	505,000
Supervisory Architect Fees		1,764	127,000	100%	127,000	127,000
Engineering/Survey		3,194	230,000	100%	230,000	230,000
Legal Fees		984	70,850	100%	70,850	70,850
Subtotal		**12,956**	**932,850**			
Interim Construction Costs						
Property & Casualty Insurance		4,306	310,000	100%	310,000	310,000
Construction Loan Interest	Override	10,796	777,333	73%	565,333	565,333
Title Work		1,181	85,000	100%	85,000	0
Construction Taxes		208	15,000	100%	15,000	15,000
Building Permits		2,200	158,400	100%	158,400	158,400
Subtotal		**18,691**	**1,345,733**			
Permanent Financing						
Loan Commitment Fee to MSHDA	2%	8,000	575,988	0%	0	0
Other:		0		0%	0	0
Subtotal		**8,000**	**575,988**			
Other Costs (In Basis)						
Application Fee		35	2,500	100%	2,500	2,500
Market Study		90	6,500	100%	6,500	6,500
Environmental Studies		1,007	72,500	100%	72,500	72,500
Cost Certification		222	16,000	100%	16,000	16,000
Equipment and Furnishings		5,000	360,000	100%	360,000	0
Temporary Tenant Relocation		0	0	100%	0	0
Construction Contingency		16,133	1,161,604	100%	1,161,604	1,161,604
Appraisal and C.N.A.		34	2,429	100%	2,429	2,429
Other: Rezoning and Site Plan Fees		458	33,000	100%	33,000	33,000
Subtotal		**22,980**	**1,654,533**			
Oth						
Start-up and Organization		0	0	0%	0	0
Tax Credit Fees (based on 2022 QAP)	83,498 **Out of Range**	1,168	84,088	0%	0	0
Compliance Monitoring Fee (based on 2022 QAP)		468	33,725	0%	0	0
Marketing Expense		139	10,000	0%	0	0
Syndication Legal Fees		0	0	0%	0	0
Rent Up Allowance	6.0 months	2,408	173,347	0%	0	0
Other:		0		0%	0	0
Subtotal		**4,183**	**301,160**			

			Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis	OAR Funded Yr 1	4 Month OAR
Project Reserves									
Operating Assurance Reserve	4.0 months	Funded in Casl	8,972	646,001	0%	0	0	344,721	344,721
Replacement Reserve		Not Required	0	0	0%	0	0		
Operating Deficit Reserve			0	0	0%	0	0		
Rent Subsidy Reserve			0	0	0%	0	0		
Syndicator Held Reserve			0	0	0%	0	0		
Rent Lag Escrow			0	0	0%	0	0		
Tax and Insurance Escrows			0	0	0%	0	0		
Other:			0		0%	0	0		
Other:			0		0%	0	0		
		Subtotal	**8,972**	**646,001**					
Miscellaneous									
Deposit to Development Operating Account (1MGRP)		Not Required	0	0	0%	0	0		
Other (Not in Basis):			0	0	0%	0	0		
Other (In Basis):			0	0	100%	0	0		
Other (In Basis):			0	0	100%	0	0		
		Subtotal	**0**	**0**					
Total Acquisition Costs			**4,160**	**299,500**					
Total Construction Hard Costs			**322,668**	**23,232,077**					
Total Non-Construction ("Soft") Costs			**75,781**	**5,456,265**					
Developer Overhead and Fee									
Maximum	4,277,264		58,333	4,200,000	100%	4,200,000	4,200,000		
7.5%	of Acquisition/Project Reserves	Override		**5% Attribution Test**					
15%	of All Other Development Costs	4,200,000		met					
Total Development Cost			**460,942**	**33,187,842**					

LIHTC Basis	Historic Basis	Aggregate Basis
31,153,193	**29,258,917**	**31,452,693**

TOTAL DEVELOPMENT SOURCES

		% of TDC	Per Unit	Total
MSHDA Permanent Mortgage		11.32%	52,168	3,756,092
Conventional/Other Mortgage		0.00%	0	0
Equity Contribution From Tax Credit Syndication		33.04%	152,289	10,964,827
MSHDA NSP Funds		0.00%	0	
MSHDA HOME		0.00%	0	
Opioid Settlement Funds - Forgivable Loan		3.01%	13,889	1,000,000
MSHDA TCAP		0.00%	0	
MSHDA Housing Trust Funds		0.00%	0	
MSHDA CERA		0.00%	0	
MSHDA HOME-ARP		33.75%	155,547	11,199,406
MSHDA HCDF		0.00%	0	
Oakland County ARPA/SLFRF		7.83%	36,111	2,600,000
Income from Operations		0.10%	448	32,287
Other Equity		0.00%	0	
Transferred Reserves:		0.00%	0	0
Other:	Southfield NonProfit Housing Corp Loa	4.63%	21,322	1,535,193
Other:		0.00%	0	0
Deferred Developer Fee		6.33%	29,167	2,100,037
Total Permanent Sources				**33,187,842**

# of Units	Gap to Hard Debt Ratio	Home Subsidy Limit	HOME Unit Mix	HTF Unit Mix
0.00	324.79%	3,119,282	7 One Bedroom	0 One Bedroom, 1 Bath, 7
14.00		**HTF**	4 Two Bedroom	0 Two Bedroom, 1 Bath, 9
		Subsidy	1 Three Bedroc	0 Three Bedroom, 1 Bath,
0.00		**Limit**		
0.00		0	2 Three Bedroc	0 Three Bedroom, 2 Bath,
0.00				
25.00				
0.00				

Deferred Dev Fee
50.00%

Sources Equal Uses?	**Balanced**
Surplus/(Gap)	**0**

MSHDA Construction Loan	**53.03%**	**244,444**	**17,600,000**
Construction Loan Rate	6.625%		
Repaid from equity prior to final closing			**13,843,908**

Summary of Acquisition Price		As of	
Attributed to Land	299,500	1st Mortgage Balance	
Attributed to Existing Structures	0	Subordinate Mortgage(s)	
Other:	0	Subordinate Mortgage(s)	
Fixed Price to Seller	299,500	Subordinate Mortgage(s)	
		Premium/(Deficit) vs Existing Debt	**299,500**

Construction Loan Term	Months
Construction Contract	16
Holding Period (50% Test)	0
Rent Up Period	6
Construction Loan Period	22

Eligible Basis for LIHTC/TCAP		
Acquisition	0	
Construction	31,153,193	
Acquisition Credit %		4.00%
Rehab/New Const Credit %		4.00%
Qualified Percentage		100.00%
QCT/DDA Basis Boost		100%
Historic?		No

Value of LIHTC/TCAP		
Acquisition	0	
Construction	1,246,128	Override
Total Yr Credit	1,246,128	
Equity Price	$0.8800	
Equity Effective Price	$0.8800	Override
Equity Contribution	10,964,827	

Existing Reserve Analysis			
DCE Interest:		Current Owner's Reserves:	0
Insurance:		Reserves Transferred in to Project	0
Taxes:		Tax/Ins Escrows transferred to project	0
Rep. Reserve:			
ORC:			
DCE Principal:			
Other:			

Appraised Value	Value As of:	March 24, 2023
"Encumbered As-Is" value as determined by appraisal:		840,000
Plus 5% of Appraised Value:		0
LESS Fixed Price to the Seller:		299,500
Surplus/(Gap)	**Within Range**	**540,500**

Override

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	10,964,827
Brownfield Equity	
Historic Tax Credit Equity	
General Partner Capital Contributions	
Other Equity Sources	
New Owner's Equity	**10,964,827**

Development	Wellspring - Southfield
Financing	Tax Exempt
MSHDA No.	4123
Step	Commitment
Date	06/20/2024
Type	New Construction

Mortgage Assumptions:

Debt Coverage Ratio	1.4	
Mortgage Interest Rate	6.625%	
Pay Rate	6.625%	
Mortgage Term	40	years
Income from Operations	No	

Instructions

			Per Unit	Total	Initial Inflation Factor	Beginning in Year	Future Inflation Factor
Total Development Income Potential							
Annual Rental Income			15,800	1,137,600	1.0%	6	2.0%
Annual Non-Rental Income			67	4,799	1.0%	6	2.0%
Total Project Revenue			15,867	1,142,399			
Total Development Expenses							
						Future Vacancy	
Vacancy Loss	8.00%	of annual rent potential	1,264	91,008		6	8.0%
Management Fee	634	per unit per year	634	45,648	3.0%	1	3.0%
Administration			1,486	107,006	3.0%	1	3.0%
Project-paid Fuel			208	14,940	3.0%	6	3.0%
Common Electricity			1,102	79,320	4.0%	6	3.0%
Water and Sewer			604	43,488	5.0%	6	5.0%
Operating and Maintenance			3,416	245,936	3.0%	1	3.0%
Real Estate Taxes			0		5.0%	1	5.0%
Payment in Lieu of Taxes (PILOT)	4.00%	Applied to: All Units	505	36,354			
Insurance			854	61,500	3.0%	1	3.0%
Replacement Reserve	300	per unit per year	300	21,600	3.0%	1	3.0%
Other: Employee Insurance			270	19,457	3.0%	1	3.0%
Other:			0		3.0%	1	3.0%

	% of Revenue	Per Unit	Total	
Total Expenses	67.07%	**10,642**	**766,257**	
Base Net Operating Income		5,224	376,142	Override
Part A Mortgage Payment	23.45%	3,721	267,908	
Part A Mortgage		**52,168**	**3,756,092**	
Non MSHDA Financing Mortgage Payment		0		
Non MSHDA Financing Type:		**0**		
Base Project Cash Flow (excludes ODR)	9.47%	1,503	108,235	

Development	Wellspring - Southfield
Financing	Tax Exempt
MSHDA No.	4123
Step	Commitment
Date	06/20/2024
Type	New Construction

Instructions

Income Limits for	Oakland County			(Effective May 15,2023)		
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	19,890	22,740	25,590	28,410	30,690	32,970
40% of area median	26,520	30,320	34,120	37,880	40,920	43,960
50% of area median	33,150	37,900	42,650	47,350	51,150	54,950
60% of area median	39,780	45,480	51,180	56,820	61,380	65,940

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	Current Section 8 Contract Rent	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense
60%	Area Median Income Units																
30%	Tenant AMI Restriction (if different from rent restriction)																
Yes	MSHDA Project Based Voucher Units																
Family	Occupancy																
A	18	Apartment	1	1.0	784	1,170	0	1,170	252,720		22.2%	25.4%	14,112	21.0%	14,112		1,065
B	10	Apartment	2	1.0	948	1,480	0	1,480	177,600		15.6%	14.1%	9,480	14.1%	9,480		1,279
C	2	Apartment	3	1.0	1,100	1,830	0	1,830	43,920		3.9%	2.8%	2,200	3.3%	2,200		1,477
									0	0	0.0%	ital Magnet F	0	0.0%	0		
60%	Area Median Income Units																2,100,037
30%	Tenant AMI Restriction (if different from rent restriction)																
Yes	MSHDA Project Based Voucher Units																
Family	Occupancy																
A	17	Apartment	1	1.0	784	1,170	0	1,170	238,680	0	21.0%	23.9%	13,328	19.8%	13,328	HOME-ARP	1,065
B	10	Apartment	2	1.0	948	1,480	0	1,480	177,600	0	15.6%	14.1%	9,480	14.1%	9,480	HOME-ARP	1,279
C	3	Apartment	3	1.0	1,100	1,830	0	1,830	65,880	0	5.8%	4.2%	3,300	4.9%	3,300		1,477
									0	0	0.0%	0.0%	0	0.0%	0		
60%	Area Median Income Units																
Family	Occupancy																
A	0	Apartment	1	1.0	784		0	0	0	0	0.0%	0.0%	0	0.0%	0		1,065
B	0	Apartment	2	1.0	948		0	0	0	0	0.0%	0.0%	0	0.0%	0		1,279
C	0	Apartment	3	1.0	1,100		0	0	0	0	0.0%	0.0%	0	0.0%	0		1,477
D	11	Townhome	3	2.0	1,400	1,300	140	1,440	171,600	0	15.1%	15.5%	15,400	22.9%	15,400		1,477
E		0	0	0.0	0		0	0	0	0	0.0%	0.0%	0	0.0%	0		N/A
F		0	0	0.0	0		0	0	0	0	0.0%	0.0%	0	0.0%	0		N/A
G		0	0	0.0	0		0	0	0	0	0.0%	0.0%	0	0.0%	0		N/A
H		0	0	0.0	0		0	0	0	0	0.0%	0.0%	0	0.0%	0		N/A
I		0	0	0.0	0		0	0	0	0	0.0%	0.0%	0	0.0%	0		N/A
J		0	0	0.0	0		0	0	0	0	0.0%	0.0%	0	0.0%	0		N/A
									171,600	0	15.1%	15.5%	15,400	22.9%	15,400		
									0	0	0.0%	0.0%	0	0.0%	0		
Mgrs	1	Townhome	3	2.0	1,400	800	140	940	9,600	0	0.0%	0.0%	0	0.0%	0		
													67,300		**67,300**		

Total Revenue Units	**71**
Manager Units	**1**
Income Average	60.00%
Set Aside	100.00%

Gross Rent Potential	**1,137,600**
Average Monthly Rent	**1,335**
Gross Square Footage	**67,300**

HOME Units SF/Total Units SF	0.0%	**Within Range**
# HOME Units/# Total Units	0.0%	**Within Range**

Utility Allowances

	Electricity	A/C	Gas	Water/ Sewer	Other	Total	Override
	Owner-Paid	Owner-Paid	Owner-Paid	Owner-Paid			
A						0	
B						0	
C						0	
D						0	
E						0	
F						0	
G						0	
H						0	

Annual Non-Rental Income

Misc. and Interest	
Laundry	
Carports	
Other: Application Fees & Late Fees	4,799
Other:	
	4,799

Total Income	Annual	Monthly
Rental Income	1,137,600	94,800
Non-Rental Income	4,799	400
Total Project Revenue	1,142,399	95,200

Cash Flow Projections

Development Wellspring - Southfield
Financing Tax Exempt
MSHDA No. 4123
Step Commitment
Date 06/20/2024
Type New Construction

	Initial Inflator	Starting in Yr	Future Inflator		1	2	3	4	5	6	7	8	9	10
Income														
Annual Rental Income	1.0%	6	2.0%		1,137,600	1,148,976	1,160,466	1,172,070	1,183,791	1,207,467	1,231,616	1,256,249	1,281,374	1,307,001
Annual Non-Rental Income	1.0%	6	2.0%		4,799	4,847	4,895	4,944	4,994	5,094	5,196	5,300	5,406	5,514
Total Project Revenue					**1,142,399**	**1,153,823**	**1,165,361**	**1,177,015**	**1,188,785**	**1,212,561**	**1,236,812**	**1,261,548**	**1,286,779**	**1,312,515**
Expenses														
Vacancy Loss	8.0%	6	8.0%		91,008	91,918	92,837	93,766	94,703	96,597	98,529	100,500	102,510	104,560
Management Fee	3.0%	1	3.0%		45,648	47,017	48,428	49,881	51,377	52,919	54,506	56,141	57,826	59,560
Administration	3.0%	1	3.0%		107,006	110,216	113,523	116,928	120,436	124,049	127,771	131,604	135,552	139,619
Project-paid Fuel	3.0%	6	3.0%		14,940	15,388	15,850	16,325	16,815	17,320	17,839	18,374	18,926	19,493
Common Electricity	4.0%	6	3.0%		79,320	82,493	85,793	89,224	92,793	95,577	98,444	101,398	104,440	107,573
Water and Sewer	5.0%	6	5.0%		43,488	45,662	47,946	50,343	52,860	55,503	58,278	61,192	64,252	67,464
Operating and Maintenance	3.0%	1	3.0%		245,936	253,314	260,914	268,741	276,803	285,107	293,660	302,470	311,544	320,891
Real Estate Taxes	5.0%	1	5.0%		0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)					36,354	36,541	36,722	36,896	37,065	37,699	38,341	38,991	39,650	40,316
Insurance	3.0%	1	3.0%		61,500	63,345	65,245	67,203	69,219	71,295	73,434	75,637	77,906	80,244
Replacement Reserve	3.0%	1	3.0%		21,600	22,248	22,915	23,603	24,311	25,040	25,792	26,565	27,362	28,183
Other: Employee Insurance	3.0%	1	3.0%		19,457	20,041	20,642	21,261	21,899	22,556	23,233	23,930	24,648	25,387
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses					766,257	788,183	810,814	834,171	858,282	883,662	909,828	936,803	964,614	993,290
Debt Service														
Debt Service Part A					267,908	267,908	267,908	267,908	267,908	267,908	267,908	267,908	267,908	267,908
Debt Service Conventional/Other Financing					0	0	0	0	0	0	0	0	0	0
Total Expenses					**1,034,164**	**1,056,091**	**1,078,721**	**1,102,079**	**1,126,189**	**1,151,570**	**1,177,735**	**1,204,710**	**1,232,522**	**1,261,197**
Cash Flow/(Deficit)					**108,235**	**97,732**	**86,640**	**74,936**	**62,596**	**60,991**	**59,077**	**56,838**	**54,257**	**51,317**
Cash Flow Per Unit					1,503	1,357	#########	1,041	869	847	821	789	754	713
Debt Coverage Ratio on Part A Loan					1.40	1.36	1.32	1.28	1.23	1.23	1.22	1.21	1.20	1.19
Debt Coverage Ratio on Conventional/Other Financing					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Rate on Reserves	3%				Average Cash Flow as % of Net Income									
Operating Deficit Reserve (ODR) Analaysis														
Maintained Debt Coverage Ratio (Hard Debt)	1.00													
Maintained Operating Reserve (No Hard Debt)	250			Initial Deposit										
Initial Balance				**1,280**	1,280	1,318	1,358	1,399	1,441	1,484	1,528	1,574	1,622	1,670
Total Annual Draw to achieve 1.0 DCR					0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR					(0)	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR					(0)	0	0	0	0	0	0	0	0	0
Interest					38	40	41	42	43	45	46	47	49	50
Ending Balance at Maintained DCR					1,318	1,358	1,399	1,441	1,484	1,528	1,574	1,622	1,670	1,720
Maintained Cash Flow Per Unit					1,503	1,357	1,203	1,041	869	847	821	789	754	713
Maintained Debt Coverage Ratio on Part A Loan					1.40	1.36	1.32	1.28	1.23	1.23	1.22	1.21	1.20	1.19
Maintained Debt Coverage Ratio on Conventional/Other					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR				**0**										
Non-standard ODR				**1,280**										
Operating Assurance Reserve Analysis				344,721										
Required in Year:	1			Initial Deposit										
Initial Balance				**644,721**	644,721	664,063	683,985	704,505	725,640	747,409	769,831	792,926	816,714	841,215
Interest Income					19,342	19,922	20,520	21,135	21,769	22,422	23,095	23,788	24,501	25,236
Ending Balance					664,063	683,985	704,505	725,640	747,409	769,831	792,926	816,714	841,215	866,452
Deferred Developer Fee Analysis														
Initial Balance					2,100,037	1,991,802	1,942,936	1,899,616	1,862,148	1,830,851	1,800,355	1,770,817	1,742,398	1,715,269
Dev Fee Paid					108,235	48,866	43,320	37,468	31,298	30,495	29,538	28,419	27,129	25,659
Ending Balance	Repaid in ye #N/A				1,991,802	1,942,936	1,899,616	1,862,148	1,830,851	1,800,355	1,770,817	1,742,398	1,715,269	1,689,611
Mortgage Resource Fund Loan														
Interest Rate on Subordinate Financing	3%			Initial Balance										
Principal Amount of all MSHDA Soft Funds				**1,000,000**	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Current Yr Int					30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Accrued Int					0	30,000	60,000	90,000	120,000	150,000	180,000	210,000	240,000	270,000
Subtotal				% of Cash Flow	1,030,000	1,060,000	1,090,000	1,120,000	1,150,000	1,180,000	1,210,000	1,240,000	1,270,000	1,300,000
Annual Payment Due				**50%**	0	0	0	0	0	0	0	0	0	0
Year End Balance					1,030,000	1,060,000	1,090,000	1,120,000	1,150,000	1,180,000	1,210,000	1,240,000	1,270,000	1,300,000

Cash Flow Projections

	Initial Inflator	Starting in Yr	Future Inflator		11	12	13	14	15	16	17	18	19	20
Income														
Annual Rental Income	1.0%	6	2.0%		1,333,141	1,359,804	1,387,000	1,414,740	1,443,035	1,471,895	1,501,333	1,531,360	1,561,987	1,593,227
Annual Non-Rental Income	1.0%	6	2.0%		5,624	5,736	5,851	5,968	6,087	6,209	6,333	6,460	6,589	6,721
Total Project Revenue					**1,338,765**	**1,365,540**	**1,392,851**	**1,420,708**	**1,449,122**	**1,478,105**	**1,507,667**	**1,537,820**	**1,568,577**	**1,599,948**
Expenses														
Vacancy Loss	8.0%	6	8.0%		106,651	108,784	110,960	113,179	115,443	117,752	120,107	122,509	124,959	127,458
Management Fee	3.0%	1	3.0%		61,347	63,188	65,083	67,036	69,047	71,118	73,252	75,449	77,713	80,044
Administration	3.0%	1	3.0%		143,807	148,121	152,565	157,142	161,856	166,712	171,713	176,865	182,171	187,636
Project-paid Fuel	3.0%	6	3.0%		20,078	20,680	21,301	21,940	22,598	23,276	23,974	24,694	25,434	26,197
Common Electricity	4.0%	6	3.0%		110,800	114,124	117,548	121,074	124,706	128,447	132,301	136,270	140,358	144,569
Water and Sewer	5.0%	6	5.0%		70,837	74,379	78,098	82,003	86,103	90,408	94,929	99,675	104,659	109,892
Operating and Maintenance	3.0%	1	3.0%		330,517	340,433	350,646	361,165	372,000	383,160	394,655	406,495	418,690	431,250
Real Estate Taxes	5.0%	1	5.0%		0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)					40,991	41,673	42,364	43,062	43,767	44,480	45,201	45,928	46,663	47,404
Insurance	3.0%	1	3.0%		82,651	85,130	87,684	90,315	93,024	95,815	98,689	101,650	104,700	107,841
Replacement Reserve	3.0%	1	3.0%		29,029	29,899	30,796	31,720	32,672	33,652	34,662	35,702	36,773	37,876
Other: Employee Insurance	3.0%	1	3.0%		26,149	26,933	27,741	28,573	29,430	30,313	31,223	32,159	33,124	34,118
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses					1,022,857	1,053,346	1,084,786	1,117,209	1,150,648	1,185,135	1,220,705	1,257,396	1,295,243	1,334,285
Debt Service														
Debt Service Part A					267,908	267,908	267,908	267,908	267,908	267,908	267,908	267,908	267,908	267,908
Debt Service Conventional/Other Financing					0	0	0	0	0	0	0	0	0	0
Total Expenses					**1,290,765**	**1,321,254**	**1,352,694**	**1,385,117**	**1,418,555**	**1,453,042**	**1,488,613**	**1,525,303**	**1,563,150**	**1,602,193**
Cash Flow/(Deficit)					**48,000**	**44,287**	**40,157**	**35,591**	**30,567**	**25,062**	**19,054**	**12,517**	**5,426**	**(2,245)**
Cash Flow Per Unit					667	615	558	494	425	348	265	174	75	(31)
Debt Coverage Ratio on Part A Loan					1.18	1.17	1.15	1.13	1.11	1.09	1.07	1.05	1.02	0.99
Debt Coverage Ratio on Conventional/Other Financing					N/A	N/A	N/A	N/A	N/A	#########	N/A	N/A	N/A	N/A
Interest Rate on Reserves	3%													
Operating Deficit Reserve (ODR) Analaysis										11219814				
Maintained Debt Coverage Ratio (Hard Debt)	1.00													
Maintained Operating Reserve (No Hard Debt)	250			Initial Deposit										
Initial Balance				1,280	1,720	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	2,100,037	2,163,038	2,227,929	2,294,767
Total Annual Draw to achieve 1.0 DCR					0	0	0	0	0	0	0	0	0	(2,245)
Total Annual Deposit to achieve Maintained DCR					0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR					Southfield N	0	0	0	0	0	0	0	0	(2,245)
Interest					2017 Capital	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	63,001	64,891	66,838	68,843
Ending Balance at Maintained DCR					#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	2,100,037	2,163,038	2,227,929	2,294,767	2,361,366
Maintained Cash Flow Per Unit					#VALUE!	615	558	494	425	348	265	174	75	0
Maintained Debt Coverage Ratio on Part A Loan					1.18	1.17	1.15	1.13	1.11	1.09	1.07	1.05	1.02	1.00
Maintained Debt Coverage Ratio on Conventional/Other					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR				**0**										
Non-standard ODR				**1,280**										
Operating Assurance Reserve Analysis				344,721										
Required in Year:	1			Initial Deposit										
Initial Balance				**644,721**	866,452	892,445	919,219	946,795	975,199	1,004,455	1,034,589	1,065,626	1,097,595	1,130,523
Interest Income					25,994	26,773	27,577	28,404	29,256	30,134	31,038	31,969	32,928	33,916
Ending Balance					892,445	919,219	946,795	975,199	1,004,455	1,034,589	1,065,626	1,097,595	1,130,523	1,164,439
Deferred Developer Fee Analysis														
Initial Balance					1,689,611	1,665,611	1,643,467	1,623,389	1,605,593	1,590,310	1,577,778	1,568,251	1,561,993	1,559,280
Dev Fee Paid					24,000	22,143	20,079	17,796	15,284	12,531	9,527	6,258	2,713	FALSE
Ending Balance Repaid in ye	#N/A				1,665,611	1,643,467	1,623,389	1,605,593	1,590,310	1,577,778	1,568,251	1,561,993	1,559,280	1,559,280
Mortgage Resource Fund Loan														
Interest Rate on Subordinate Financing	3%			Initial Balance										
Principal Amount of all MSHDA Soft Funds				**1,000,000**	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Current Yr Int					30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Accrued Int					300,000	330,000	360,000	390,000	420,000	450,000	480,000	510,000	540,000	570,000
Subtotal				% of Cash Flow	1,330,000	1,360,000	1,390,000	1,420,000	1,450,000	1,480,000	1,510,000	1,540,000	1,570,000	1,600,000
Annual Payment Due				**50%**	0	0	0	0	0	0	0	0	0	0
Year End Balance					1,330,000	1,360,000	1,390,000	1,420,000	1,450,000	1,480,000	1,510,000	1,540,000	1,570,000	1,600,000

DRAFT
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
WELLSPRINGS, MSHDA DEVELOPMENT NO. 4123
CITY OF SOUTHFIELD, OAKLAND COUNTY

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (the "Act"), to make mortgage loans to qualified non-profit housing corporations, consumer housing cooperatives and limited dividend housing corporations and associations; and

WHEREAS, an Application for Mortgage Loan Feasibility has been filed with the Authority by Southwest Housing Solutions Corporation, d/b/a MiSide Housing (the "Applicant") for a multifamily housing project to be located in the City of Southfield, Oakland County, Michigan, having an estimated total development cost of Thirty-Three Million One Hundred Eighty-Seven Thousand Eight Hundred Forty-Two Dollars ($33,187,842), a total estimated maximum mortgage loan amount of Seventeen Million Six Hundred Thousand Dollars ($17,600,000) and a HOME American Rescue Plan (“ARP”) Loan (the “HOME ARP Loan”) in the amount of Eleven Million One Hundred Ninety-Nine Thousand and Four Hundred Six Dollars ($11,199,406) (hereinafter referred to as the "Application"); and

WHEREAS, a housing association to be formed by the Applicant may become eligible to receive a mortgage loan from the Authority under the provisions of the Act and the Authority's General Rules; and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and her recommendation with respect thereto; and

WHEREAS, the Authority has considered the Application in the light of the Authority's project mortgage loan feasibility evaluation factors.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The following determinations be and they hereby are made:

   a. The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located, thereby enhancing the viability of such housing.

   b. The Applicant is reasonably expected to be able to achieve successful completion of the proposed housing project.

   c. The proposed housing project will meet a social need in the area in which it is to be located.

d. A mortgage loan, or a mortgage loan not made by the Authority that is a federally-aided mortgage, can reasonably be anticipated to be obtained to provide financing for the proposed housing project.

e. The proposed housing project is a feasible housing project.

f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Twenty Million Seven Hundred Seventy Thousand Dollars ($20,770,000).

2. The proposed housing project be and it is hereby determined to be feasible for a mortgage loan on the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Report of the Authority Staff presented to the meeting, subject to any and all applicable determinations and evaluations issued or made with respect to the proposed housing project by other governmental agencies or instrumentalities or other entities concerning the effects of the proposed housing project on the environment as evaluated pursuant to the federal National Environmental Policy Act of 1969, as amended, and the regulations issued pursuant thereto as set forth in 24 CFR Part 58.

3. The determination of feasibility is based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this feasibility determination resolution may, at the option of the Chief Executive Officer and Executive Director, the Chief Housing Investment Officer, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in any of the foregoing capacities (each an "Authorized Officer"), be immediately rescinded.

4. Neither this determination of feasibility nor the execution prior to closing of any documents requested to facilitate processing of a proposed mortgage loan to be used in connection therewith constitutes a promise or covenant by the Authority that it will make a Mortgage Loan to the Applicant.

5. This determination of Mortgage Loan Feasibility is conditioned upon the availability of financing to the Authority. The Authority does not covenant that funds are or will be available for the financing of the subject proposed housing development.

6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MORTGAGE LOANS
WELLSPRINGS, MSHDA DEVELOPMENT NO. 4123
CITY OF SOUTHFIELD, OAKLAND COUNTY

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized, under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (hereinafter referred to as the "Act"), to make mortgage loans to qualified nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations and associations and certain qualified individuals; and

WHEREAS, an application (the "Application") has been filed with the Authority by Southwest Housing Solutions Corporation, d/b/a MiSide Housing (the "Applicant") for a construction mortgage loan in the amount of Seventeen Million Six Hundred Thousand Dollars ($17,600,000), and a permanent mortgage loan in the amount of Three Million Seven Hundred Fifty-Six Thousand Ninety-Two Dollars (3,756,092), for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Thirty-Three Million One Hundred Eighty-Seven Thousand Eight Hundred Forty-Two Dollars ($33,187,842), to be known as Wellspring, located in the City of Southfield, Oakland County, Michigan, and to be owned by Wellspring Limited Dividend Housing Association Limited Partnership (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a HOME American Rescue Plan (“ARP”) Loan in the estimated amount of Eleven Million One Hundred Ninety-Nine Thousand and Four Hundred Six Dollars ($11,199,406) (the “HOME ARP Loan”); and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and her recommendation with respect thereto; and

WHEREAS, the Authority has reviewed the Application and the recommendation of the Chief Executive Officer and Executive Director and, on the basis of the Application and recommendation, has made determinations that:

(a) The Mortgagor is an eligible applicant;

(b) The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located thereby enhancing the viability of such housing;

(c) The Applicant and the Mortgagor are reasonably expected to be able to achieve successful completion of the proposed housing project;

(d) The proposed housing project will meet a social need in the area in which it is to be located;

(e) The proposed housing project may reasonably be expected to be marketed successfully;

(f) All elements of the proposed housing project have been established in a manner consistent with the Authority's evaluation factors, except as otherwise provided herein;

(g) The construction or rehabilitation will be undertaken in an economical manner and it will not be of elaborate design or materials; and

(h) In light of the estimated total project cost of the proposed housing project, the amount of the mortgage loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation on the ratio of mortgage loan amount to estimated total project cost.

WHEREAS, the Authority has considered the Application in the light of the criteria established for the determination of priorities pursuant to General Rule 125.145 and hereby determines that the proposed housing project is consistent therewith; and

WHEREAS, Sections 83 and 93 of the Act provide that the Authority shall determine a reasonable and proper rate of return to limited dividend housing corporations and associations on their investment in Authority-financed housing projects.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Application be and it hereby is approved, subject to the terms and conditions of this Resolution, the Act, the General Rules of the Authority, and of the Mortgage Loan Commitment hereinafter authorized to be issued to the Applicant and the Mortgagor.

2. A construction and permanent mortgage loan (the "Mortgage Loan") be and it hereby is authorized and the Chief Executive Officer and Executive Director, the Chief Housing Investment Officer, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction financing of the proposed housing project in an amount not to exceed Seventeen Million Six Hundred Thousand Dollars ($17,600,000)), and permanent financing in an amount not to exceed Three Million Seven Hundred Fifty-Six Thousand Ninety-Two Dollars ($3,756,092), and to have a term of forty (40) years after amortization of principal commences and to bear interest at a rate of six and 625/1000 percent (6.625%) per annum. The amount of proceeds of tax-exempt bonds issued or to be issued and allocated to the financing of this housing project shall not exceed Twenty Million Seven Hundred Seventy Thousand Dollars ($20,770,000). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

3. The HOME ARP Loan be and it hereby is authorized and an Authorized Officer is hereby authorized to issue to the Applicant and the Mortgagor a commitment for an HOME ARP Loan (together with the Commitment for the Mortgage Loan, the "Mortgage Loan Commitment") in the estimated amount of Eleven Million One Hundred Ninety-Nine Thousand and Four Hundred Six Dollars ($11,199,406), and to have a term not to exceed fifty (50) years and to bear interest

at a rate of one percent (1%) per annum.

4. The mortgage loan commitment resolution and issuance of the Mortgage Loan Commitment are based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this mortgage loan commitment resolution together with the commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded.

5. Notwithstanding passage of this resolution or execution of any documents in anticipation of the closing of the proposed mortgage loan, no contractual rights to receive the mortgage loan authorized herein shall arise unless and until an Authorized Officer shall have issued a Mortgage Loan Commitment and the Applicant shall have agreed in writing within fifteen days after receipt thereof, to the terms and conditions contained therein.

6. The proposed housing project be and it hereby is granted a priority with respect to proceeds from the sale of Authority securities which are determined by the Chief Executive Officer and Executive Director to be available for financing the construction and permanent loans of the proposed housing project. Availability of funds is subject to the Authority's ability to sell bonds at a rate or rates of interest and at a sufficient length of maturity so as not to render the permanent financing of the development unfeasible.

7. In accordance with Section 93(b) of the Act, the maximum reasonable and proper rate of return on the investment of the Mortgagor in the housing project be and it hereby is determined to be twelve percent (12%) per annum initially. Following the payment in full of the HOME ARP Loan, the Mortgagor's rate of return may be increased by one percent (1%) annually until a cap of twenty-five percent (25%) is reached.

8. The Mortgage Loan shall be subject to, and the Commitment shall contain, the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

9. The Authority hereby waives Section VI.E.1 of the Multifamily Direct Lending Parameters adopted on June 28, 2017, requiring on all new construction or vacant acquisition-rehabilitation transactions, that rents be underwritten on all units restricted to the Multifamily Tax Subsidy Program ("MTSP") 60% AMI limit, will be limited to 95% of 30% of the MTSP 60% AMI limit.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director *Amy Hovey*

DATE: July 18, 2024

RE: Piety Hill 2, MSHDA Development No. 4021

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize a tax-exempt bond mortgage loan and a COVID Emergency Rental Assistance ("CERA") mortgage loan in the amounts set forth in this report, 3) authorize a waiver of the Multifamily Direct Lending Parameters ("Parameters") regarding the payment in lieu of taxes ("PILOT"), and 4) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in the accompanying report.

PROJECT SUMMARY:

MSHDA No:	4021
Development Name:	Piety Hill 2 (the "Development")
Development Location:	City of Detroit, Wayne County
Sponsor:	Central Detroit Christian Community Development Corporation
Mortgagor:	Piety Hill 2 Limited Dividend Housing Association Limited Partnership
Number of Units (Affordable and Market Rate):	43 Units
Number of Units Designated for Accessible Use:	3 Accessible Units
Occupancy Rate:	100% occupancy for Kingston Place Apartments
Total Development Cost:	$16,053,285
TE Bond Construction Loan:	$8,347,708
TE Bond Permanent Loan:	$2,051,259
MSHDA Permanent CERA Loan:	$2,584,288
LIHTC Equity:	$6,765,633
Local HOME:	$3,591,367
Income from Operations:	$15,592
General Partner Capital Contribution:	$200,000
Sponsor Loan:	$450,000

Deferred Developer Fee: $395,146

EXECUTIVE SUMMARY:

Central Detroit Christian Community Development Corporation (the "Sponsor") seeks to rehabilitate the existing 11-unit Kingston Place Apartments as well as acquire several lots in the neighborhood to construct 32 units of new housing contained in 14 duplex style townhouse buildings and 2 stacked flats style apartment buildings. Kingston Place Apartments originally claimed 9% Low Income Housing Tax Credits ("LIHTC") in 2009 and the initial 15-year compliance period ended in December 2023. The apartments are now in need of significant rehabilitation to maintain their viability as safe affordable housing. The inclusion of 32 newly constructed units will assist in the revitalization of the neighborhood while providing needed affordable housing to low- and moderate-income families. In existence for over 25 years, the Sponsor is a service-oriented non-profit that primarily provides educational, social, youth and children's programming, and has facilitated the construction of single-family homes in the neighborhood; the Sponsor has, however, minimal experience developing multi-family housing and no experience with Authority financing.

ADVANCING THE AUTHORITY'S MISSION:

Piety Hill 2 is located within Region O of the Statewide Housing Plan Regional Housing Partnerships, and this development supports the following goals of the Region O Action Plan:

- Goal 1.3: increase the amount of housing that is accessible, safe, and healthy regardless of age, disability, or family size across all neighborhoods and communities.
- Goal 2.2: increase the availability of statewide, regional, county-level, local/municipal-level, and market-level data on housing needs and opportunities to inform and improve policy, resource, and program decision-making.
- Goal 4.1: increase the supply of the full spectrum of housing that is affordable and attainable to Michigan residents.
- Goal 4.3: ensure that new housing development meets state climate and healthy housing goals and is affordable for the lifetime use of the building without increasing costs to residents.

MUNICIPAL SUPPORT:

- The City of Detroit supports the approval of a 4% PILOT for the project, with a final PILOT determination subject to the City of Detroit's Board of Assessors' review and Detroit City Council approval.
- The City of Detroit has awarded this proposal with $3,591,367 in HOME funding.

COMMUNITY ENGAGEMENT/IMPACT:

The Sponsor engaged the community by holding a community meeting exclusively dedicated to presenting this project and has held a question-and-answer session at a subsequent community meeting.

The project will impact the community positively by providing infill housing where vacancy and abandonment have been most of the landscape. This flows with the strategic plan that the community leaders outlined 5 years ago.

The community recommended that the Sponsor continue rehabbing homes and building new homes (single or duplex) for infill housing as there is an abundance of vacant land (300 vacant lots in 24 blocks).

RESIDENT IMPACT:

The Sponsor does not plan to relocate any tenants off-site during the renovations and all tenants will have access to their units with utilities at the close of each workday by 4:00pm. Only 2-3 working days will be required to complete all work inside of each unit.

One hundred percent (100%) of the tenants will remain in the building following renovations, pending qualification under Authority and HOME guidelines. The goal is to create the least disturbance possible to the lives of the current tenants and to provide the current tenants with a renovated unit as quickly as possible. The developer and contractor both have extensive experience managing in-place renovations.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

U.S. Treasury Regulations require, among other matters, that buildings within a single tax-exempt bond funded project be situated on contiguous parcels in order to treat the buildings as a single qualified residential rental project. In its current configuration, Piety Hill 2 does not meet this requirement because the buildings are situated on fifteen parcels that are not contiguous. In order to comply with U.S. Treasury Regulations relating to tax-exempt bonds, the Authority's bond counsel advises the Authority to treat Piety Hill 2 as distinct projects, including having each project meet the minimum set-aside test set forth in Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"). The set-aside test requires at least 20% of the units be occupied by individuals earning 50% or less of area median gross income (the "20/50 test") or at least 40% of the units be occupied by individuals earning 60% or less of area median gross income (the "40/60 test"). The Authority and the Mortgagor must ensure the set-aside test is met in each project throughout the entire qualified project period established for the project under Section 142(d).

To enable Piety Hill 2 to be financed with a single tax-exempt bond loan and secured by one mortgage, the Authority's bond counsel also recommends the following:

- All projects must be owned by the same entity.
- The Authority must issue one tax-exempt mortgage note to finance the rehabilitation of all projects.
- Common area square footage must be rehabilitated with funds other than tax-exempt bond proceeds.
- Each of the projects must receive rehabilitation funding from tax-exempt bonds equal to at least 15% of its corresponding acquisition cost.
- The Authority may publish a single Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) notice listing each project separately.
- All projects may be managed as one property.
- One tax credit award that covers all projects may be issued by the Authority.

The Development will require a waiver of the following Parameters (Section VI I 2.) conditioned on the PILOT being found acceptable prior to the Authority's disbursement of any funds:

- Proposals that do not include an approved PILOT arrangement will be underwritten based on the ad valorem taxes applicable to the property.

- For a proposal to be underwritten on the basis of a PILOT, the PILOT must be approved prior to Authority Board consideration.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

July 18, 2024

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize a tax-exempt bond mortgage loan and a COVID Emergency Rental Assistance ("CERA") mortgage loan in the amounts set forth in this report, 3) authorize a waiver of the Multifamily Direct Lending Parameters ("Parameters") regarding the payment in lieu of taxes ("PILOT"), and 4) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

MSHDA No.:	4021
Development Name:	Piety Hill 2
Development Location:	City of Detroit, Wayne County
Sponsor:	Central Detroit Christian Community Development Corporation
Mortgagor:	Piety Hill 2 Limited Dividend Housing Association Limited Partnership
TE Bond Construction Loan:	$8,347,708 (52% of TDC)
TE Bond Permanent Loan:	$2,051,259
MSHDA Permanent CERA Loan:	$2,584,288
Total Development Cost:	$16,053,285
Mortgage Amortization and Term:	40 years for the tax-exempt bond loan; 50 years for the CERA loan
Interest Rate:	6.625% for the tax-exempt bond loan; 1% simple interest for the CERA loan
Program:	Tax-Exempt Bond and Gap Financing Programs
Number of Units:	43 total units: 11 family units of rehabilitation and 32 family units of new construction
Accessible Units:	3 accessible units
Unit Configuration:	3 one-bedroom, 7 two-bedroom, and 1 three-bedroom apartments in one three-story building, 28 three-bedroom townhouse units in fourteen buildings, and 4 two-bedroom stacked flats in two buildings.
Builder:	G. Fisher Construction Company
Syndicator:	National Equity Fund ("NEF")
Date Application Received:	September 4, 2023
HDO:	Karen Waite

Issuance of the Authority's Mortgage Loan Commitment is subject to fulfillment of all Authority processing and review requirements and obtaining all necessary staff approvals as required by the Authority's underwriting standards.

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

U.S. Treasury Regulations require that buildings within a single tax-exempt bond funded project be situated on contiguous parcels in order to treat the buildings as a single qualified residential rental project. In its current configuration, Piety Hill 2 does not meet this requirement because the buildings are situated on fifteen parcels that are not contiguous. In order to comply with U.S. Treasury Regulations relating to tax-exempt bonds, the Authority's bond counsel advises the Authority to treat Piety Hill 2 as distinct projects, including having each project meet the minimum set-aside test set forth in Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"). The set-aside test requires at least 20% of the units be occupied by individuals earning 50% or less of area median gross income (the "20/50 test") or at least 40% of the units be occupied by individuals earning 60% or less of area median gross income (the "40/60 test"). The Authority and the Mortgagor must ensure the set-aside test is met in each project throughout the entire qualified project period established for the project under Section 142(d).

To enable Piety Hill 2 to be financed with a single tax-exempt bond loan and secured by one mortgage, the Authority's bond counsel also recommends the following:

- All projects must be owned by the same entity.
- The Authority must issue one tax-exempt mortgage note to finance the rehabilitation of all projects.
- Common area square footage must be rehabilitated with funds other than tax-exempt bond proceeds.
- Each of the projects must receive rehabilitation funding from tax-exempt bonds equal to at least 15% of its corresponding acquisition cost.
- The Authority may publish a single Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") notice listing each project separately.
- All projects may be managed as one property.
- One tax credit award that covers all projects may be issued by the Authority.

The projects are comprised of the following (together, the Development):

- 101 Blaine Street, 2 total units of new construction
- 130 Blaine Street, 2 total units of new construction
- 619 Gladstone Avenue, 2 total units of new construction
- 646 Blaine Street, 2 total units of new construction
- 656 Blaine Street, 2 total units of new construction
- 667 Blaine Street, 2 total units of new construction
- 668 Blaine Street, 2 total units of new construction
- 676 Blaine Street, 2 total units of new construction
- 803 Blaine Street, 2 total units of new construction
- 111 Gladstone Avenue, 2 total units of new construction
- 121 Gladstone Avenue, 2 total units of new construction

- 650 Gladstone Avenue, 6 total units of new construction
- 669 Gladstone Avenue, 2 total units of new construction
- 679 Gladstone Avenue, 2 total units of new construction
- 8840 2[nd] Avenue, 11 total units and common area rehabilitation (known as "Kingston Place Apartments")

The Development will require a waiver of Authority Direct Lending Parameter Section VI I 2, conditioned on the PILOT being found acceptable prior to the Authority's disbursement of any funds. See Special Condition No. 2.

- Proposals that do not include an approved PILOT arrangement will be underwritten based on the ad valorem taxes applicable to the property.
- For a proposal to be underwritten on the basis of a PILOT, the PILOT must be approved prior to Authority Board consideration.

EXECUTIVE SUMMARY:

Central Detroit Christian Community Development Corporation (the "Sponsor") seeks to rehabilitate the existing 11-unit Kingston Place Apartments as well as acquire several lots in the neighborhood to construct 32 units of new housing contained in 14 duplex style townhouse buildings and 2 stacked flats style apartment buildings. Kingston Place Apartments originally claimed 9% Low Income Housing Tax Credits ("LIHTC") in 2009 and the initial 15-year compliance period ended in December 2023. The apartments are now in need of significant rehabilitation to maintain their viability as safe, affordable housing. The inclusion of 32 newly constructed units will assist in the revitalization of the neighborhood while providing needed affordable housing to low- and moderate-income families. In existence for over 25 years, the Sponsor is a service-oriented non-profit that primarily provides educational, social, youth and children's programming, and has facilitated the construction of single-family homes in the neighborhood; the Sponsor has, however, minimal experience developing multifamily housing and no experience with Authority financing.

Structure of the Transaction and Funding:

There are several elements to this transaction that are common to new construction and preservation transactions:

- A tax-exempt bond construction loan will be provided by the Authority in the amount of $8,347,708 at 6.625% interest with an 18-month term (a 12-month construction term, a 5-month rent-up period, and a 1-month holding period), which will be used to bridge an extended equity pay-in period (the "Construction Loan"). Payments of interest only will be required during the term of the Construction Loan. The principal balance of the Construction Loan will be reduced to the permanent loan amount due on the first day of the month following the month in which the 18-month construction loan term expires or such later date as established by an Authorized Officer of the Authority (the "Permanent Financing Date").

- A permanent mortgage loan will be provided by the Authority in the amount of $2,051,259 (the "Mortgage Loan"). The permanent Mortgage Loan amount is based upon the current rents, less vacancy loss, payments to reserves and escrows, operating costs based on historical data unless modified by project improvements and construction and soft costs at levels appropriate for this specific transaction. The permanent Mortgage Loan is based on a 1.32 debt service coverage ratio, an annual interest rate of 6.625%, with a fully amortizing term of 40 years commencing on the Permanent Financing Date. The permanent Mortgage Loan will begin to amortize on the Permanent Financing Date and will be in **First Position**.

- A permanent subordinate loan using the Authority's CERA funds (the "CERA Loan") in the amount of $2,584,288 will be provided at 1% simple interest with payments initially deferred. The CERA Loan will be in **Second Position**.

- The City of Detroit will provide a HOME Loan in the amount of $3,591,367. This loan will be in **Third Position**. See Special Condition No. 4.

- The general partner will make a capital contribution in the amount of $200,000.

- Equity support comes from an investment related to the 4% LIHTC in the estimated amount of $6,765,633.

- Income from operations will be used as a source of funding to make the interest only payments and the tax and insurance payments during the construction period in the amount of $15,592.

- A Renew Michigan Fund Grant has been awarded to the project by the Michigan Department of Environment, Great Lakes, and Energy ("EGLE") and will come in as a Sponsor Loan in the amount of $450,000. See Special Condition No. 3.

- The Sponsor has agreed to defer $395,146 of the developer fee to help fill the remaining funding gap.

- A five (5) month rent-up allowance in the amount identified in the attached proforma will be required to support interest payments between construction completion and the Mortgage Cut-Off Date, as determined by the Authority.

- An amount equal to one month's gross rent potential will be funded in the Development's operating account.

- An operating assurance reserve ("OAR") will be required in the amount identified in the attached proforma. The reserve will be capitalized at closing in an amount which, along with accumulated interest, is expected to meet the Development's unanticipated operating needs. This reserve will be held by the Authority.

- The Development will be renovated, and a new replacement reserve requirement will be imposed, based upon a capital needs assessment ("CNA"), to ensure an extension of the useful life of the property and to maintain an excellent quality of life for the residents. At the closing, the Mortgagor must deposit the amount determined necessary to satisfy the requirements of the Authority-approved CNA over a 20-year period. This reserve will be held by the Authority.

Scope of Rehabilitation:

The following improvements to the property located at 8840 2nd Avenue, in addition to the new construction of 32 units at various addresses, are included in the Scope of Work:

- Add handicapped parking space and signage
- Repair concrete walkways and curbing
- Enhance and replace landscaping
- Install new LED light fixtures
- Install new dumpster enclosure
- Install new exterior wheelchair lift to first floor
- Install new entry doors
- Install new interior doors
- Repaint units and common areas
- Install new unit flooring
- Install new unit kitchen cabinetry and appliances
- Install new HVAC system
- Install new tubs and surrounds
- Install new bathroom vanities, toilets, and fixtures
- Repair and tuck point brickwork

Affordability Requirements:

The Authority's tax-exempt bond regulatory agreement will require that all the dwelling units in the property remain occupied by households with incomes at or below 60% of the Multifamily Tax Subsidy Project ("MTSP") income limit, adjusted for family size. The number of restricted units is controlled by the number of eligible households in place at closing, estimated to be 25.5% of the units. Fifteen (15) units will be further restricted to the income limits required by the Authority's Gap Financing Program.

Protections for Existing Residents:

The preservation and renovation of the Kingston Place Apartments portion of the Development will not result in a rent increase for the existing tenants. There will be no tenant displacement as a result of this transaction.

Site Selection:

The site has been vetted by Authority Staff and the Authority's Manager of the Office of Market Research has indicated that the site meets the Authorities current site selection criteria with the implementation of the approved blight elimination plan.

Market Evaluation:

The unit mix as well as the amenities package and rent levels have been approved by the Manager of the Office of Market Research.

Valuation of the Property:

An appraisal dated January 8, 2024, estimates the value of the vacant parcels at $277,000 in total, and an appraisal dated April 11, 2023, estimates the value of the existing Kingston Place Apartments at $560,000.

CONDITIONS:

At or prior to (i) issuance of the Authority's mortgage loan commitment ("Mortgage Loan Commitment"), (ii) the initial Mortgage Loan Closing (the "Initial Closing"), or (iii) such other date as may be specified herein, the new Mortgagor, and other members of the Development team, where appropriate, must satisfy each of the following conditions by entering into a written agreement or providing documentation acceptable to the Authority:

Standard Conditions:

1. **Limitation for Return on Equity:**

   For each year of the Development's operation, beginning in the year in which the Mortgage Cut-Off Date occurs, payments are limited to twelve percent (12%) of the Mortgagor's equity. For purposes of distributions, the Mortgagor's equity will be the sum of (i) the LIHTC equity; (ii) the brownfield tax credit equity; (iii) the historic tax credit equity; (iv) general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority (estimated to be a total of $6,965,633). All such payments shall be referred to as "Limited Dividend Payments". The Mortgagor's return shall be fully cumulative. If Authority gap funds are included in the development sources the Limited Dividend Payments are capped at 12% per annum, while those loans remain outstanding. If there are no Authority gap loan outstanding, then Limited Dividend Payments may increase 1% per annum until a cap of 25% per annum is reached.

2. **Income Limits:**

   The income limitations for 43 units of this proposal are as follows:

   a. 8 units have been designated as Low-HOME units and during the Period of Affordability required under the HOME program (20 years) must be available for occupancy by households whose incomes do not exceed the Low HOME income limit as published by HUD, adjusted for family size.

   b. 7 units have been designated as High-HOME units and during the Period of Affordability required under the HOME program (20 years) must be available for occupancy by households whose incomes do not exceed the lesser of 60% of the Multifamily Tax Subsidy Program ("MTSP") income limits or the High HOME income limit, as published by HUD, adjusted for family size.

   c. 7 units (2 two-bedroom apartments, 1 three-bedroom apartment, 2 two-bedroom, and 2 three-bedroom townhouse units) have been designated as CERA units and during the Period of Affordability required under the CERA program (20 years) must be available for occupancy by households whose incomes do not exceed the MTSP 50% income limits, adjusted for family size.

d. 5 units (3 one-bedroom apartment and 2 two-bedroom apartment units) must be available for occupancy by households whose incomes do not exceed the MTSP 30% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC “Extended Use Period” as defined in the Development’s LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

e. 5 units (5 two-bedroom apartment units) must be available for occupancy by households whose incomes do not exceed the MTSP 40% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC “Extended Use Period” as defined in the Development’s LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

f. 5 units (1 three-bedroom apartment, 2 two-bedroom townhouse, and 2 three bedroom townhouse units) must be available for occupancy by households whose incomes do not exceed the MTSP 50% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC “Extended Use Period” as defined in the Development’s LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

g. 28 units (2 two-bedroom townhouse and 26 three-bedroom townhouse units) must be available for occupancy by households whose incomes do not exceed the MTSP 60% income limits, adjusted for family size, until the latest of (i) the expiration of the LIHTC “Extended Use Period” as defined in the Development’s LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

15 units have been designated as HOME units by the City of Detroit, and for the remainder of the Period of Affordability required under the HOME program must be available for occupancy by households whose incomes do not exceed the Low- and High-HOME Income Limits, published annually by HUD, adjusted for family size. The Authority is not responsible for the HOME compliance monitoring or oversight of the occupancy or the regulations applicable to these HOME units.

To the extent units within the Development are subject to multiple sets of income limits, the most restrictive income limit will apply so long as the applicable term of affordability continues.

The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size.

3. Limitations on Rental Rates:

The Total Housing Expense (contract rent plus tenant-paid utilities) for 43 units is subject to the following limitations:

a. During the Period of Affordability required under the HOME program (20 years), the Total Housing Expense for the 8 Low-HOME units may not exceed the “Low-

HOME Rent Limit" for the unit established and published annually by HUD.

b. During the Period of Affordability required under the HOME program (20 years), the Total Housing Expense for the 7 High-HOME units may not exceed the "High-HOME Rent Limit" established and published annually by HUD.

c. During the period of affordability required under the CERA program (20 years), the Total Housing Expense for 7 CERA units (2 two-bedroom apartment, 1 three-bedroom apartment, 2 two-bedroom townhouse, and 2 three-bedroom townhouse units), may not exceed one-twelfth (1/12th) of 30% of 50% of the MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

d. The Total Housing Expense for 5 units (3 one-bedroom apartment and 2 two-bedroom apartment units), may not exceed one-twelfth (1/12th) of 30% of 30% of the MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

e. The Total Housing Expense for 5 units (5 two-bedroom apartment units), may not exceed one-twelfth (1/12th) of 30% of 40% of the MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

f. The Total Housing Expense for 5 units (1 three-bedroom apartment, 2 two-bedroom townhouse, and 2 three-bedroom townhouse units), may not exceed one-twelfth (1/12th) of 30% of 50% of the MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

g. The Total Housing Expense for 28 units (2 two-bedroom townhouse and 26 three-bedroom townhouse units), may not exceed one-twelfth (1/12th) of 30% of 60% of the MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

The Total Housing Expense for the City of Detroit 15 HOME units may not exceed the "Low- or High- HOME Rent Limit" for the unit established and published annually by HUD. The Authority is not responsible for the compliance monitoring or oversight of the HOME rents charged for or the regulations applicable to these units.

To the extent units within the Development are subject to multiple sets of rent limits, the most restrictive rent limit will apply so long as the applicable term of affordability continues.

For the initial lease term of the first household occupying each rent-restricted unit in the Development the initial rent may not exceed 105% of the rent approved in this Mortgage Loan Feasibility/Commitment Staff Report. Rental increases on occupied units during any 12-month period will be limited to not more than 5% of the rent paid by the resident household at the beginning of that annual period. Exceptions to this limitation may be granted by the Authority's Director of Asset Management for extraordinary increases in project operating expenses (exclusive of limited dividend payments) or mortgage loan increases to fund cost overruns pursuant to the Authority's policy on Mortgage Loan increases. Rents on vacated units may be increased to the maximum level permissible by the applicable programs. Rents and utility allowances must be approved annually by the Authority's Division of Asset Management.

4. <u>Covenant Running with the Land</u>:

The Mortgagor must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the obligations issued or to be issued to finance the Mortgage Loan. This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is 15 years after the date on which 50% of the residential units in the Development are occupied, the first day on which no bonds are outstanding with respect to the project, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations. Additionally, if LIHTC is awarded to the Development, the Mortgagor must agree to subject the property to the extended low-income use commitment required by Section 42 of the Internal Revenue Code.

5. <u>Restriction on Prepayment and Subsequent Use</u>:

The Mortgage Loan is eligible for prepayment after the expiration of fifteen (15) years after the commencement of amortization. The Mortgagor must provide the Authority with at least 60 days' written notice prior to any such prepayment.

In the event of a prepayment, however, the Mortgagor must pay a prepayment fee equal to the sum of:

a. 1% of the balance being prepaid;
b. Any bond call premium, prepayment or swap penalty, or any other cost that the Authority incurs to prepay the bonds or notes that were used to fund the Mortgage

Loan; and

c. Any loss of debt service spread between the Mortgage Loan and the bonds used to finance the loan from the date of the prepayment through the end of the 20th year of amortization.

Once the Mortgagor has been approved for the early prepayment of the underlying loan, it must sign an agreement with the Authority stating it is responsible for the cost of terminating the swap. The Mortgagor can then choose the timing of the termination and participate in the transaction with the swap counterparty. The swap counterparty will quote the cost of terminating the swap and the Mortgagor will have the ability to execute the transaction or cancel at its sole discretion. If the Mortgagor chooses not to terminate the swap, it will forfeit the right to prepay the Mortgage Loan.

Subordinate loans are eligible to prepay at any time upon 60 days prior written notice to the Authority, but prepayment may not extinguish federal affordability and compliance requirements.

6. **Operating Assurance Reserve:**

At Initial Closing, the Mortgagor shall fund an operating assurance reserve (“OAR”) in the amount equal to 6 months of estimated Development operating expenses (estimated to be $243,843). The OAR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority in accordance with the Authority’s written policy on the use of the Operating Assurance Reserve, as amended from time to time. The OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. **Replacement Reserve:**

At Initial Closing, the Mortgagor must establish a replacement reserve fund (“Replacement Reserve”) with an initial deposit in an amount of $700 per unit. The Mortgagor must agree to make annual deposits to the Replacement Reserve, beginning on the Mortgage Cut-Off Date, at a minimum of $300 per unit for the first year of operation, payable in monthly installments, with deposits in subsequent years to be the greater of (i) the prior year’s deposit, increased by 3%, or (ii) a percentage of the Development’s projected annual rental income or gross rent potential (“GRP”) for the year using the percentage obtained by dividing the first year’s deposit by the first year’s GRP shown on the operating proforma for the Development attached hereto. The annual deposit to the Replacement Reserve may also be increased to any higher amount that is determined to be necessary by the Authority, based on a CNA and the Authority’s Replacement Reserve policies. The Authority may update any CNA or obtain a new CNA every five years, or upon any frequency, as determined necessary by the Authority.

8. One Month's Gross Rent Potential:

At Initial Closing, the Mortgagor shall deposit an amount equal to one month's gross rent potential ($44,542) into the Development's operating account.

9. Authority Subordinate Loan(s):

At Initial Closing, the Mortgagor must enter into agreements relating to the permanent CERA Loan. The CERA Loan will be secured by a subordinate mortgage and will bear simple interest at 1% with a 50-year term. No payments on the CERA Loan will be required until the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee, or (b) the 13th year following the commencement of amortization of the Mortgage Loan. Interest will continue to accrue on each loan until paid in full.

At the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee or (b) the 13th year following the date that Mortgage Loan amortization commences, repayment of the CERA Loan will be made from fifty percent (50%) of any surplus cash available for distribution. Such payments shall be applied first to accrued interest, then to current interest and principal and shall continue until the sale of the Development or refinancing of the Mortgage Loan, at which time the CERA Loan shall be due in full. If the CERA Loan is still outstanding, then following repayment of the Mortgage Loan and continuing on the first day of every month thereafter, the Mortgagor shall make monthly payments of principal and interest equal to the monthly payments that were required on the Mortgage Loan on the first day of every month until the CERA Loan is paid in full, sale of the Development or the date that is 50 years from date of Initial Closing, whichever occurs first.

10. Architectural Plans and Specifications; Contractor's Qualification Statement:

Prior to Mortgage Loan Commitment, the architect must submit architectural drawings and specifications that address all design review comments, acceptable to the Authority's Chief Architect and the Director of Development.

Prior to Mortgage Loan Commitment, the general contractor must submit AIA Document A305 as required by the Authority's Chief Architect.

11. Owner/Architect Agreement:

Prior to Mortgage Loan Commitment, the Mortgagor must provide the Authority with an executed Owner Architect Agreement acceptable in form and substance to the Chief Legal Affairs Officer.

12. Trade Payment Breakdown:

Prior to Mortgage Loan Commitment, the general contractor must submit a signed Trade Payment Breakdown acceptable to the Authority's Design and Construction Manager.

13. Section 3 Requirements:

Prior to Mortgage Loan Commitment, the general contractor must agree to comply with all federal Section 3 hiring requirements. The general contractor must provide a copy of the contractor's "Section 3 Hiring Plan" approved by the City of Detroit, if requested by the Authority. In addition, the general contractor must agree to adhere to follow-up reporting requirements as established by the City of Detroit. The Authority is not responsible for Section 3 compliance, monitoring, or oversight, which will be performed by the City of Detroit.

14. Equal Opportunity and Fair Housing:

Prior to Mortgage Loan Commitment, the management and marketing agent's Affirmative Fair Housing Marketing Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer for Fair Housing Requirements.

In addition, prior to Mortgage Loan Commitment, the general contractor's Equal Employment Opportunity Plan must be reviewed and found acceptable to the City of Detroit's Equal Employment Officer.

15. Davis-Bacon and Cross-cutting Federal Requirements:

The general contractor will be required to comply with all federal prevailing wage requirements, the requirements of the Davis-Bacon and Related Acts, and other applicable federal regulations as required under the terms of the City of Detroit's HOME Program, and all necessary documentation and all monitoring and oversight will be handled by the City of Detroit.

16. Cost Certification:

The contractor's cost certification must be submitted within 90 days following the completion of construction, and the Mortgagor's cost certification must be submitted within 90 days following the Mortgage Cut-off Date. For LIHTC, the owner is obligated to submit cost certifications applicable to itself and the contractor prior to issuance of IRS form 8609 (see LIHTC Program Cost Certification Guidelines).

17. Environmental Review and Indemnification:

Prior to Mortgage Loan Commitment, the Mortgagor must address any outstanding environmental issues, in form and substance acceptable to the Authority's Environmental Review Officer.

At Initial Closing, the Mortgagor must enter an agreement to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of any violation of environmental laws. The indemnification agreement must be acceptable to the Chief Legal Affairs Officer.

18. Title Insurance Commitment and Survey:

Prior to Mortgage Loan Commitment, the Mortgagor must provide an updated title insurance commitment, including zoning, pending disbursement, comprehensive, survey and such other endorsements as deemed necessary by the Authority's Chief Legal Affairs Officer. The updated title commitment must contain only exceptions to the insurance acceptable to the Authority's Chief Legal Affairs Officer.

Additionally, prior to Mortgage Loan Commitment, the Mortgagor must provide a surveyor's certificate of facts together with an ALTA survey certified to the 2021 minimum standards, and that appropriately reflects all easements, rights of way, and other issues noted on the title insurance commitment. All documents must be acceptable to the Chief Legal Affairs Officer.

19. <u>Organizational Documents/Equity Pay-In Schedule:</u>

Prior to Mortgage Loan Commitment, the Mortgagor must submit a substantially final form syndication partnership agreement, including an equity pay-in schedule, that is acceptable in form and substance to the Director of Development and Chief Legal Affairs Officer.

At or prior to Initial Closing, the final, executed syndication partnership agreement must become effective and the initial installment of equity must be paid in an amount approved by the Director of Development.

20. <u>Designation of Authority Funds:</u>

The Authority reserves the express right, in its sole discretion, to substitute alternate subordinate funding sources.

21. <u>Management & Marketing:</u>

Prior to Mortgage Loan Commitment, the management and marketing agent must submit the following documents, which must be found acceptable to the Director of Asset Management:

a. Management Agreement
b. Marketing Addendum
c. Marketing/Construction Transition Plan

22. <u>Guaranties:</u>

At Initial Closing, the Sponsor, General Partner, and any entity receiving a developer fee in connection with the Development must deliver certain guaranties. The required guaranties include a guaranty of CERA recapture liability, an operating deficit guaranty and a performance completion guaranty. The required guaranties, the terms thereof and the parties who shall be required to deliver the guaranty must be determined and approved by the Authority's Director of Development.

23. <u>Financial Statements:</u>

Prior to Mortgage Loan Commitment, financial statements for the Sponsor, the guarantor(s) and the general contractor must be reviewed and found acceptable by the Authority's Chief Financial Officer.

If prior to Initial Closing the financial statements that were approved by the Authority become more than six months old, the Sponsor, the guarantor(s) and/or the general contractor must provide the Authority with updated financial statements meeting Authority requirements upon request.

24. Future Contributions:

To ensure the Authority is contributing the least amount of funding necessary to achieve project feasibility, any decrease in Development costs or future contributions not included in the Development proforma may, at the Authority's discretion, be utilized to reduce, in equal proportions, any deferred developer fee and Authority soft funds.

25. Ownership of Development Reserves:

At the Initial Closing, the Mortgagor must enter into an agreement confirming the Authority's ultimate ownership of excess cash reserves, escrows and accounts as may exist at the time the Authority's mortgage loans are paid off or the Development is sold or refinanced. This agreement must be acceptable to the Authority's Chief Legal Affairs Officer.

26. HUD Subsidy Layering Review:

Prior to Initial Closing, the subsidy layering review must be performed by Authority staff and must be submitted to HUD for approval. The subsidy layering approval is subject to review and approval by the Authority's Director of Development.

27. Application for Disbursement:

Prior to Initial Closing, the Mortgagor must submit an "Application for Disbursement" along with supporting documentation, which must be found acceptable to the Authority's Director of Development.

28. Uniform Relocation Act Compliance:

If the Development is occupied at Initial Closing and any occupants of the Development will be displaced and/or relocated as a result of the rehabilitation of the Development, then the Mortgagor and/or the Sponsor shall ensure compliance with all requirements of the Uniform Relocation Act and implementing regulations as set forth in 24 CFR Part 42 and 49 CFR Part 24, as well as 24 CFR §570.606. Such compliance shall be at the Mortgagor's or Sponsor's sole cost and expense. Prior to Final Closing, the Mortgagor must submit documentation that it has complied with all requirements of the Uniform Relocation Act. This documentation must be found acceptable by the Authority's Director of Development and the Chief Legal Affairs Officer.

Special Conditions:

1. Legal Requirements:

The Mortgagor and/or Sponsor must submit documentation acceptable to the Authority's Chief Legal Affairs Officer for the items listed below:

- Prior to issuance of the Authority's Mortgage Loan Commitment, the Sponsor and/or Mortgagor and/or the Detroit Land Bank ("DLBA") must provide a Subordination Agreement regarding the DLBA's reconveyance right in the following parcels and updates to the Purchase Agreement covering these parcels to the satisfaction of the Chief Legal Affairs Officer:
  - 101 Blaine Street, 2 total units new construction, and
  - 8840 2nd Avenue, 11 total units and common area rehabilitation (known as "Kingston Place Apartments").
- Prior to issuance of the Authority's Mortgage Loan Commitment, the Sponsor and/or Mortgagor must provide:
  - Recorded deeds for 619 Gladstone and 667 Blaine.
  - Recorded releases that confirm that the conditions noted in the deeds for the following properties have been completed and released.
    - 803 Blaine, 646 Blaine, 656 Blaine, 619 Gladstone and 667 Blaine
  - Copies of the respective Exhibit(s) 1 for the deeds for 803 Blaine, 646 Blaine, and 656 Blaine.

- Prior to Initial Closing, any Reservations of Aboriginal Antiquities on title must be discharged and released.
- Prior to Initial Closing, the Michigan Attorney General's Office must complete its review of the transaction and provide the Chief Legal Affairs Officer its recommendation.
- Any other documentation as required by the Chief Legal Affairs Officer, including acceptable evidence of insurance, permits, licenses, zoning approvals, utility availability, survey, title, architect agreement and insurance, payment and performance bonds and other closing requirements.

2. **PILOT Obtained Post-Commitment:**

The Development has been underwritten with a 4% PILOT indicating support from the municipality. Before Initial Closing, an amended PILOT ordinance acceptable in language, form and substance to the Authority's Chief Legal Affairs Officer must be provided. If the Development does not obtain a PILOT as described above, the Development must be re-underwritten and if feasible, presented to the Board. If the Development obtains a PILOT representing a lower PILOT payment amount, any savings generated by the PILOT may be applied, at the sole discretion of an Authorized Officer of the Authority, to reduce one or all of the Authority's subordinate loans or be applied against any other obligation that the Mortgagor owes the Authority with any remainder deposited in the Development's Operating Reserve Cash account.

3. **Sponsor Loan:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the Sponsor loan acceptable to the Authority's Chief Legal Affairs Officer and Director of Development. The Sponsor loan must:

a) not be secured by a lien on the Development or any of the Development's property, funds or assets of any kind;
b) be payable solely from approved Limited Dividend payments, and not from other development funds;
c) be expressly subordinate to all Authority mortgage loans; and
d) have a loan term not less than the longest term of all Authority mortgage loans.

At or prior to Initial Closing, the final, executed Sponsor loan documents must become effective and initial funding of the loan must be made in an amount approved by the Director of Development.

4. **Local HOME Loan:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the City of Detroit's HOME Loan and a funding schedule acceptable to the Authority's Chief Legal Affairs Officer and Director of Development.

At or prior to Initial Closing, the final, executed City of Detroit HOME Loan documents must become effective and initial funding of the loan must be made in an amount approved by the Director of Development.

5. **Bond Requirements:**

At or prior to initial Mortgage Closing, the Mortgagor shall submit documentation satisfactory to the Chief Legal Affairs Officer evidencing compliance with the requirements for a single, tax-exempt bond loan.

The tax-exempt bond loan financing of the rehabilitation of the projects shall be evidenced by one mortgage note and one mortgage loan.

All common area square footage (including without limitation office space, club house facilities and shared parking) must be rehabilitated with funds other than tax-exempt bond proceeds. Final determinations regarding common area square footage shall be made by the Authority's Chief Construction Manager.

Each of the projects must receive rehabilitation funding from tax-exempt bonds equal to at least 15% of its acquisition cost.

Throughout the Qualified Project Period of the tax-exempt bonds, as defined in IRS Section 142(d)(2)(A), the Mortgagor and the Authority must ensure that the minimum set-aside test found in IRS Section 142(d) is met for each of the projects.

DEVELOPMENT TEAM AND SITE INFORMATION

I. MORTGAGOR: Piety Hill 2 Limited Dividend Housing Association Limited Partnership

II. GUARANTOR(S):

A. Guarantor #1:

Name:	Central Detroit Chistian Community Development Corporation
Address:	1550 Taylor Street Detroit, MI 48207

III. DEVELOPMENT TEAM ANALYSIS:

A. Sponsor:

Name:	Central Detroit Christion Community Development Corporation
Address:	1550 Taylor Street Detroit, MI 48207
Individuals Assigned:	Lisa Johanon
Telephone:	313-220-3328
E-mail:	lisa@detcdc.org

1. **Experience**: The Sponsor does not have experience working on Authority-financed developments.

2. **Interest in the Mortgagor and Members**:

   General Partner (0.01%) – Piety Hill 2, LLC

   Initial Limited Partner (99.99%) – Central Detroit Christian Community Development Corporation

   Substitute Investor Limited Partner – Affiliate entity of NEF (to be determined prior to Initial Closing)

B. Architect:

Name:	Berardi + Partners
Address:	1398 Goodale Boulevard Columbus, OH 43212
Individual Assigned:	George Berardi
Telephone:	616-221-1110
E-Mail:	george@berardipartners.com

1. **Experience**: Architect has previous experience with Authority-financed

developments.

2. **Architect's License**: License number 1301043743, exp. 03/24/2025.

C. **Attorney:**

Name:	Dean and Associates
Address:	604 Butternut Royal Oak, MI 46703
Individual Assigned:	Warren Dean
Telephone:	248-506-3222
E-Mail:	wtdean@mac.com

1. **Experience**: This firm has experience in closing Authority-financed developments.

D. **Builder:**

Name:	G. Fisher Construction Company
Address:	31313 Northwestern Highway, Suite 206 Farmington Hills, MI 48334-2577
Individual Assigned:	John Gelle
Telephone:	248-855-3500
E-mail:	johng@gfisherconst.com

1. **Experience**: The firm has previous experience in constructing Authority-financed developments.

2. **State Licensing Board Registration**: License number 2102076330, Glen Fisher Qualifying Officer, with an expiration date of 05/31/2026.

E. **Management and Marketing Agent:**

Name:	Premier Property Management
Address:	120 North Leroy Street Fenton, MI 48430
Individual Assigned:	Robert Beale
Telephone:	810-629-9500
E-mail:	rbeale@4premier.net

1. **Experience:** This firm has significant experience managing Authority-financed developments.

F. **Development Team Recommendation:** Acceptable.

IV. SITE DATA:

A. Land Control/Purchase Price:
Amendment to the Purchase Agreement between Kingston Place on Second Avenue Limited Dividend Housing Association LLC ("Seller") and Piety Hill 2 Limited Dividend Housing Association Limited Partnership ("Buyer") with an expiration date of December 31, 2025, and a purchase price of $200,000.

B. Site Location:
East of the John C. Lodge Freeway, north of Pingree Street, west of Woodward Avenue, and south of Hazelwood Street in the Piety Hill neighborhood.

C. Size of Site:
2.19 +/- acres

D. Density:
Appropriate to current and planned use.

E. Physical Description:

1. Present Use: Multi-family residential and vacant lots
2. Existing Structures: One multi-family apartment building
3. Relocation Requirements: None

F. Zoning:
8840 Second Street – B4 (General Business with a 'multiple-family dwelling' permit allowing for continued use). 101 Blaine Street; 130 Blaine Street; 619 Gladstone Ave.; 646 Blaine Street; 656 Blaine Street; 667 Blaine Street; 668 Blaine Street; 676 Blaine Street; 803 Blaine Street; 111 Gladstone Ave.; 121 Gladstone Ave.; 650 Gladstone Ave.; 669 Gladstone Ave.; 679 Gladstone Ave. are zoned R5 (Medium Density Residential).

G. Contiguous Land Use:

1. North: Single-family residential and commercial
2. South: Single-family residential
3. East: Multi-family and single-family residential
4. West: Multi-family and single-family residential

H. Tax Information:
The City of Detroit supports, but has not yet issued, a 4% PILOT for all parcels.

I. Utilities:
Water & Sewer: City of Detroit
Gas: DTE
Electric: DTE

J. Community Facilities:

1. Shopping:
Several small markets are within walking distance including Family Dollar located 2 ½ blocks to the southeast, Detroit People's Food Coop located 5 blocks to the southeast, Peaches & Greens one block west of the site, and King Cole Foods located 2 blocks to the north.
2. Recreation:
There are several parks in the area including Voight Park 3 blocks north and Malena Marks Park 1 block to the west. Multiple restaurants and small retail shops are in the neighborhood. There are several churches throughout the area.
3. Public Transportation:
Detroit Department of Transportation offers bus service throughout the City with stops located along Woodward Avenue to the east, Clairmont Avenue to the north and 3rd Avenue to the west. Detroit Metro Airport is 18 miles southwest of the site.
4. Road Systems
M-10 (The Lodge Freeway) forms the western boundary of the neighborhood, Woodward Avenue lies to the east; the properties are scattered between these two main thoroughfares and Hazelwood Street to the north, and Pingree Street to the south.
5. Medical Services and other Nearby Amenities:
A&M Pharmacy is 2 blocks to the southeast; BMC Urgent Care-MI is 6 blocks to the south; and Henry Ford Hospital is southwest of the site, on the west side of M-10 (the Lodge Freeway).
6. Description of Surrounding Neighborhood:
A mix of single-family, multi-family, commercial, religious, and educational uses.
7. Local Community Expenditures Apparent:
The Land Bank has been busy securing and clearing titles on several lots in the neighborhood for the benefit of the Development.
8. Indication of Local Support:
The City is making HOME gap funds available to the project and is in support of providing a new 4% PILOT.

V. ENVIRONMENTAL FACTORS:

A Phase I Environmental Site Assessment was submitted to the Authority and has been reviewed by the Authority's Environmental Manager. (See Standard Condition No. 17).

VI. DESIGN AND COSTING STATUS:

Architectural plans and specifications consistent with the scope of work have been reviewed by the Chief Architect. A response to all design review comments and the submission of corrected and final plans and specifications must be made prior to initial closing.

This proposal will satisfy the State of Michigan barrier-free requirements, the Authority's policy regarding accessibility and non-discrimination for the disabled, the Fair Housing Amendments Act of 1988, and the HOME requirements for barrier-free vision and hearing designed units. Construction documents must be acceptable to the Authority's Chief Architect.

VII. MARKET SUMMARY:

The Market study has been reviewed by the Authority's Chief Market Analyst and found to be acceptable. The Authority's Chief Market Analyst has reviewed and approved the unit mix, rental structure, and unit amenities.

VIII. EQUAL OPPORTUNITY AND FAIR HOUSING:

The contractor's Equal Employment Opportunity Plan is currently being reviewed and must be approved by the Authority's Design and Construction Manager prior to initial closing. The management and marketing agent's Affirmative Fair Housing Marketing Plan has been approved.

IX. MANAGEMENT AND MARKETING:

The management/marketing agent has submitted application-level management and marketing information, to be approved prior to initial closing by the Authority's Director of Asset Management.

X. FINANCIAL STATEMENTS:

The sponsor's/guarantor's and the builder's financial statements have been submitted and are to be approved prior to initial closing by the Authority's Director of Development.

XI. DEVELOPMENT SCHEDULING:

A. Mortgage Loan Commitment:	July 2024
B. Initial Closing and Disbursement:	September 2024*
C. Construction Completion:	August 2025
D. Cut-Off Date:	February 2026

*Closing timeline contingent on development team completing required and special conditions to the satisfaction of the Authority's Chief Legal Affairs Officer.

XII. ATTACHMENTS:

A. Development Proforma

APPROVALS:

Chad A. Benson — 7/12/2024

Chad Benson — Date
Director of Development

Anthony Lentych — 7/11/2024

Anthony Lentych — Date
Chief Housing Investment Officer

Clarence L. Stone, Jr. — 7/11/2024

Clarence L. Stone, Jr. — Date
Chief Legal Affairs Officer

Amy Hovey — 07/12/24

Amy Hovey — Date
Chief Executive Officer and Executive Director

Development	Piety Hill 2
Financing	Tax Exempt
MSHDA No.	4021
Step	Commitment
Date	07/18/2024
Type	Rehab & New Construction

Instructions

TOTAL DEVELOPMENT COSTS

			Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Acquisition							
Land			186	8,000	0%	0	0
Existing Buildings			4,465	192,000	100%	192,000	0
Other:			0		0%	0	0
		Subtotal	**4,651**	**200,000**			
Construction/Rehabilitation							
Off Site Improvements			0		100%	0	0
On-site Improvements			13,209	568,000	100%	568,000	0
Landscaping and Irrigation			2,791	120,000	100%	120,000	120,000
Structures			202,972	8,727,800	100%	8,727,800	8,727,800
Community Building and/or Maintenance Facility			0		100%	0	0
Construction not in Tax Credit basis (i.e.Carports and Commercial Space)			0		0%	0	0
General Requirements	% of Contract 6.00%	Within Range	13,138	564,948	100%	564,948	564,948
Builder Overhead	% of Contract 2.00%	Within Range	4,642	199,615	100%	199,615	199,615
Builder Profit	% of Contract 6.00%	Within Range	14,205	610,822	100%	610,822	610,822
Bond Premium, Tap Fees, Cost Cert.			2,314	99,484	100%	99,484	99,484
Other:			0		100%	0	0
		Subtotal	**253,271**	**10,890,669**			
		15% of acquisition and $15,000/unit test:		met			
Professional Fees							
Design Architect Fees			4,549	195,600	100%	195,600	195,600
Supervisory Architect Fees			837	36,000	100%	36,000	36,000
Landscape Architect Fees			0	0	100%	0	0
Engineering/Survey			1,279	55,000	100%	55,000	55,000
Legal Fees			4,186	180,000	100%	180,000	180,000
Interior Design Fees			0		100%	0	0
Other:			0		100%	0	0
		Subtotal	**10,851**	**466,600**			
Interim Construction Costs							
Property & Casualty Insurance			1,744	75,000	100%	75,000	75,000
Construction Loan Interest	Override	376,590	8,758	376,590	67%	251,060	251,060
Title Work			512	22,000	100%	22,000	
Construction Taxes			584	25,108	100%	25,108	25,108
Permits			6,605	284,010	100%	284,010	284,010
Other:			0		100%	0	0
		Subtotal	**18,203**	**782,708**			
Permanent Financing							
Loan Commitment Fee to MSHDA		2%	5,085	218,640	0%	0	0
Other:			0		0%	0	0
		Subtotal	**5,085**	**218,640**			
Other Costs (In Basis)							
Application Fee			47	2,000	100%	2,000	2,000
Market Study			151	6,500	100%	6,500	6,500
Environmental Studies			1,977	85,000	100%	85,000	85,000
Cost Certification			465	20,000	100%	20,000	20,000
Equipment and Furnishings			186	8,000	100%	8,000	0
Temporary Tenant Relocation			581	25,000	100%	25,000	25,000
Construction Contingency			15,000	645,000	100%	645,000	645,000
Appraisal and C.N.A.			665	28,600	100%	28,600	28,600
Other:			0		100%	0	0
		Subtotal	**19,072**	**820,100**			
Other Costs (NOT In Basis)							
Start-up and Organization			814	35,000	0%	0	0
Tax Credit Fees (based on 2022 QAP)	52,780	Out of Range	1,219	52,397	0%	0	0
Compliance Monitoring Fee (based on 2022 QAP)			475	20,425	0%	0	0
Marketing Expense			116	5,000	0%	0	0
Syndication Legal Fees			1,279	55,000	0%	0	0
Rent Up Allowance	5.0	months	1,750	75,264	0%	0	0
Other: City of Detroit HOME Loan Legal			1,163	50,000	0%	0	0
		Subtotal	**6,816**	**293,086**			

Summary of Acquisition Price		As of	
Attributed to Land	8,000	1st Mortgage Balance	
Attributed to Existing Structures	192,000	Subordinate Mortgage(s)	
Other:	0	Subordinate Mortgage(s)	
Fixed Price to Seller	200,000	Subordinate Mortgage(s)	
		Premium/(Deficit) vs Existing Debt	200,000

Construction Loan Term	Months
Construction Contract	12
Holding Period (50% Test)	1
Rent Up Period	5
Construction Loan Period	18

Appraised Value	Value As of:	March 24, 2023
"Encumbered As-Is" value as determined by appraisal:		837,000
Plus 5% of Appraised Value:		0
LESS Fixed Price to the Seller:		200,000
Surplus/(Gap)	Within Range	637,000

Override

Existing Kingston Place Apts. Only

Land:	8000
Building:	552,000
Total	560,000

Vacant Parcels

			Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Project Reserves							
Operating Assurance Reserv	6.0 months	Funded in Cash	5,671	243,843	0%	0	0
Replacement Reserve		Required	700	30,100	0%	0	0
Operating Deficit Reserve		Not Required	0	0	0%	0	0
Rent Subsidy Reserve			0	0	0%	0	0
Syndicator Held Reserve			0	0	0%	0	0
Rent Lag Escrow			0	0	0%	0	0
Tax and Insurance Escrows			0	0	0%	0	0
Other:			0		0%	0	0
Other:			0		0%	0	0
		Subtotal	**6,371**	**273,943**			
Miscellaneous							
Deposit to Development Operating Account (1MGRF		Required	1,036	44,542	0%	0	0
Other (Not in Basis):			0	0	0%	0	0
Other (In Basis):			0	0	100%	0	0
Other (In Basis):			0	0	100%	0	0
		Subtotal	**1,036**	**44,542**			
Total Acquisition Costs			**4,651**	**200,000**			
Total Construction Hard Costs			**253,271**	**10,890,669**			
Total Non-Construction ("Soft") Costs			**67,433**	**2,899,619**			
Developer Overhead and Fee							
Maximum	2,062,997		47,977	2,062,997	100%	2,062,997	2,062,997
7.5%	of Acquisition/Project Reserves	Override		**5% Attribution Test**			
15%	of All Other Development Costs			met			
Total Development Cost			**373,332**	**16,053,285**			

OAR Funded Yr 1	4 Month OAR
243,843	162,562

LIHTC Basis	Historic Basis	Aggregate Basis
15,089,544	14,299,544	15,097,544

TOTAL DEVELOPMENT SOURCES		% of TDC	Per Unit	Total
MSHDA Permanent Mortgage		12.78%	47,704	2,051,259
Conventional/Other Mortgage		0.00%	0	0
Equity Contribution From Tax Credit Syndication		42.14%	157,340	6,765,633
MSHDA NSP Funds		0.00%	0	
MSHDA HOME		0.00%	0	
MSHDA Mortgage Resource Funds		0.00%	0	
MSHDA TCAP		0.00%	0	
MSHDA Housing Trust Funds		0.00%	0	
MSHDA CERA		16.10%	60,100	2,584,288
MSHDA HOME-ARP		0.00%	0	
MSHDA HCDF		0.00%	0	
Local HOME		22.37%	83,520	3,591,367
Income from Operations		0.10%	363	15,592
Other Equity	GP Land and Building Acquisition	1.25%	4,651	200,000
Transferred Reserves:		0.00%	0	0
Other:	Sponsor Loan (sourced with EGLE gra	2.80%	10,465	450,000
Other:		0.00%	0	
Deferred Developer Fee		2.46%	9,189	395,146
Total Permanent Sources				**16,053,285**

# of Units	Gap to Hard Debt Ratio	Home Subsidy Limit	HOME Unit Mix	HTF Unit Mix
0.00	125.99%	3,609,467	3 One Bedroon	0 One Bedroom, 1 Bath,
15.00		**HTF Subsidy Limit**	5 Two Bedroon	0 Two Bedroom, 1 Bath,
			1 Three Bedroo	0 Three Bedroom, 2 Bath
0.00			1 Two Bedroon	0 Two Bedroom, 1 Bath,
0.00		0	6 Three Bedroo	0 Three Bedroom, 1.5 Ba
7.00				
0.00				
0.00				

Deferred Dev	825,199
Dev Fee	
19.15%	595,146

Sources Equal Uses?	**Balanced**
Surplus/(Gap)	**0**

MSHDA Construction Loan		52.00%	194,133	8,347,708
Construction Loan Rate	6.625%			
Repaid from equity prior to final closing				6,296,449

Eligible Basis for LIHTC/TCAP			**Value of LIHTC/TCAP**		
Acquisition	202,000		Acquisition	8,080	
Construction	19,353,808		Construction	774,152	Override
Acquisition Credit %		4.00%	Total Yr Credit	782,232	
Rehab/New Const Credit %		4.00%	Equity Price	$0.8650	
Qualified Percentage		100.00%	Equity Effective Price	$0.8650	Override
QCT/DDA Basis Boost		130%	Equity Contribution	6,765,633	
Historic?		No			

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	6,765,633
Brownfield Equity	
Historic Tax Credit Equity	
General Partner Capital Contributions	200,000
Other Equity Sources	
New Owner's Equity	**6,965,633**

Existing Reserve Analysis			
DCE Interest:		Current Owner's Reserves:	0
Insurance:		Reserves Transferred in to Project	0
Taxes:		Tax/Ins Escrows transferred to project	0
Rep. Reserve:			
ORC:			
DCE Principal:			
Other:			

Development	Piety Hill 2
Financing	Tax Exempt
MSHDA No.	4021
Step	Commitment
Date	07/18/2024
Type	Rehab & New Construction

Mortgage Assumptions:

Debt Coverage Ratio	1.32	
Mortgage Interest Rate	6.625%	
Pay Rate	6.625%	
Mortgage Term	40	years
Income from Operations	No	

Instructions

Total Development Income Potential				Per Unit	Total	Initial Inflation Factor	Beginning in Year	Future Inflation Factor
Annual Rental Income				12,430	534,504	1.0%	6	2.0%
Annual Non-Rental Income				0	0	1.0%	6	2.0%
Total Project Revenue				12,430	534,504			
Total Development Expenses								
							Future Vacancy	
Vacancy Loss	10.00%	of annual rent potential		1,243	53,450		6	8.0%
Management Fee	634	per unit per year		634	27,262	3.0%	1	3.0%
Administration				1,247	53,615	3.0%	1	3.0%
Project-paid Fuel				234	10,058	3.0%	6	3.0%
Common Electricity				60	2,568	4.0%	6	3.0%
Water and Sewer				1,162	49,964	5.0%	6	5.0%
Operating and Maintenance				1,561	67,121	3.0%	1	3.0%
Real Estate Taxes				0		5.0%	1	5.0%
Payment in Lieu of Taxes (PILOT)	4.00%	Applied to: All Units		389	16,739			
Insurance				651	28,000	3.0%	1	3.0%
Replacement Reserve	700	per unit per year		700	30,100	3.0%	1	3.0%
Other:				0		3.0%	1	3.0%
Other: City of Detroit Loan Repayment				58	2,500	3.0%	1	3.0%
			% of Revenue					
Total Expenses			63.87%	**7,939**	**341,377**			
Base Net Operating Income				4,491	193,127	Override		
Part A Mortgage Payment			27.37%	3,403	146,308			
Part A Mortgage				**47,704**	**2,051,259**			
Non MSHDA Financing Mortgage Payment				0				
Non MSHDA Financing Type:				**0**				
Base Project Cash Flow (excludes ODR)			8.76%	1,089	46,819			

Development	Piety Hill 2
Financing	Tax Exempt
MSHDA No.	4021
Step	Commitment
Date	########
Type	Rehab & New Construction

Instructions

Income Limits for	Wayne County				(Effective May 15,2023)	
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	19,890	22,740	25,590	28,410	30,690	32,970
40% of area median	26,520	30,320	34,120	37,880	40,920	43,960
50% of area median	33,150	37,900	42,650	47,350	51,150	54,950
60% of area median	39,780	45,480	51,180	56,820	61,380	65,940

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	Current Section 8 Contract Rent	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense
30% Family	Area Median Income Units Occupancy																
A	3	Apartment	1	1.0	575	456	47	503	16,416		3.1%	7.0%	1,725	3.7%	1,725	Low HOME	532
B	2	Apartment	2	1.0	635	543	61	604	13,032		2.4%	4.7%	1,270	2.7%	1,270	CERA	639
									29,448	0	5.5%	11.6%	2,995	6.4%	2,995		
40% Family	Area Median Income Units Occupancy																
B	5	Apartment	2	1.0	635	739	61	800	44,340	0	8.3%	11.6%	3,175	6.8%	3,175	Low HOME	853
									44,340	0	8.3%	11.6%	3,175	6.8%	3,175		
50% Family	Area Median Income Units Occupancy																
C	1	Apartment	3	2.0	1,082	1,084	79	1,163	13,008	0	2.4%	2.3%	1,082	2.3%	1,082	CERA	1,231
D	2	Townhome	2	1.0	990	865	142	1,007	20,760	0	3.9%	4.7%	1,980	4.2%	1,980	CERA	1,066
E	2	Townhome	3	1.5	1,270	996	167	1,163	23,904	0	4.5%	4.7%	2,540	5.4%	2,540	CERA	1,231
									57,672	0	10.8%	11.6%	5,602	12.0%	5,602		
60% Family	Area Median Income Units Occupancy																
E	21	Townhome	3	1.5	1,270	1,223	167	1,390	308,196	0	57.7%	48.8%	26,670	57.0%	26,670		1,477
									308,196	0	57.7%	48.8%	26,670	57.0%	26,670		
60% Family	Area Median Income Units Occupancy																
D	2	Townhome	2	1.0	990	942	142	1,084	22,608	0	4.2%	4.7%	1,980	4.2%	1,980	High HOME	1,213
E	5	Townhome	3	1.5	1,270	1,204	167	1,371	72,240	0	13.5%	11.6%	6,350	13.6%	6,350	High HOME	1,477
									94,848	0	17.7%	16.3%	8,330	17.8%	8,330		
Mgrs									0	0	0.0%	0.0%	0	0.0%	0		
													46,772		**46,772**		

Total Revenue Units	**43**
Manager Units	**0**
Income Average	53.02%
Set Aside	100.00%

Gross Rent Potential	**534,504**
Average Monthly Rent	**1,036**
Gross Square Footage	**46,772**

HOME Units SF/Total Units SF	28.3%	**Within Range**
# HOME Units/# Total Units	34.9%	**Within Range**

Utility Allowances

	Tenant-Paid Electricity	A/C	Tenant-Paid Gas	Owner-Paid Water/ Sewer	Owner-Paid Other	Total	Override
A	47					47	
B	61					61	
C	79					79	
D	73		69			142	
E	91		76			167	
F						0	
G						0	
H						0	

Annual Non-Rental Income

Misc. and Interest	
Laundry	
Carports	
Other:	
Other:	
	0

Total Income	Annual	Monthly
Rental Income	534,504	44,542
Non-Rental Income	0	0
Total Project Revenue	534,504	44,542

Development	Piety Hill 2
Financing	Tax Exempt
MSHDA No.	4021
Step	Commitment
Date	07/18/2024
Type	Rehab & New Construction

Amenities Check List

X	Ceiling Fan				
X	Coat Closet				
X	Dishwasher				
	Exterior Storage				
X	Frost Free Refridgerator				
X	Garbage Disposal				
X	Individual Entry				
X	Microwave				
X	Mini-blinds				
X	Patio/balcany	TH Units only			
X	Self-cleaning oven				
	Walk-in closet				
	Basketball Court				
	Playground				
	Clubhouse				
	Community room				
	Computer / Business Center				
	Elevator				
	Exercise room				
	On-site management				
	Picnic area				
	Other:				
X	Laundry Type:	In-unit	TH Units only		
X	Air Conditioning:	Central	TH Units only		
X	Security: Lighting				
X	Security: Intercom				
	Security: Other				
	Carport	Fee ($):		# of spaces:	
	Attached Garage	Fee ($):		# of spaces:	
	Detached Garage	Fee ($):		# of spaces:	

Congregate Facilities

	24-hour on-site management
	Activities
	Emergency Pullcord
	Healthcare services
	Housekeeping
	Activities director
	Library
	Movie theatre
	Transportation services

Development Piety Hill 2
Financing Tax Exempt
MSHDA No. 4021
Step Commitment
Date 07/18/2024
Type Rehab & New Construction

Replacement Reserve Analysis

Cost Inflation	103%
RR Period	20

Min. Deposit	30,100
15 Year	0
20 Year	0

Required Initial Deposit	**30,100**
Per Unit	**700**

Year	Starting Balance	RR Needs	Contribution	Net Annual Change	Interest	Ending Balance
1	30,100	790	30,100	29,310	903	60,313
2	60,313	247	31,003	30,756	1,809	92,878
3	92,878	255	31,933	31,678	2,786	127,343
4	127,343	262	32,891	32,629	3,820	163,792
5	163,792	1,733	33,878	32,145	4,914	200,851
6	200,851	4,336	34,894	30,558	6,026	237,434
7	237,434	943	35,941	34,998	7,123	279,555
8	279,555	295	37,019	36,724	8,387	324,666
9	324,666	618	38,130	37,512	9,740	371,918
10	371,918	59,441	39,274	(20,167)	11,158	362,908
11	362,908	13,214	40,452	27,238	10,887	401,033
12	401,033	7,250	41,665	34,415	12,031	447,480
13	447,480	4,691	42,915	38,224	13,424	499,129
14	499,129	2,206	44,203	41,997	14,974	556,099
15	556,099	16,747	45,529	28,782	16,683	**601,564**
16	601,564	18,746	46,895	28,149	18,047	647,760
17	647,760	10,511	48,302	37,791	19,433	704,984
18	704,984	134,802	49,751	(85,051)	21,150	641,082
19	641,082	12,100	51,243	39,143	19,232	699,457
20	699,457	32,748	52,781	20,033	20,984	**740,474**

Total Units	43
Interest Rate on Reserves	3%
Year 1 RR Deposits	700
Min Initial Deposit ($700/unit)	30100

Cash Flow Projections

Development Piety Hill 2
Financing Tax Exempt
MSHDA No. 4021
Step Commitment
Date 07/18/2024
Type Rehab & New Construction

	Initial Inflator	Starting in Yr	Future Inflator		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
					1	2	3	4	5	6	7	8	9	10
Income														
Annual Rental Income	1.0%	6	2.0%		534,504	539,849	545,248	550,700	556,207	567,331	578,678	590,251	602,056	614,097
Annual Non-Rental Income	1.0%	6	2.0%		0	0	0	0	0	0	0	0	0	0
Total Project Revenue					**534,504**	**539,849**	**545,248**	**550,700**	**556,207**	**567,331**	**578,678**	**590,251**	**602,056**	**614,097**
Expenses														
Vacancy Loss	####	6	8.0%		53,450	53,985	54,525	55,070	55,621	45,386	46,294	47,220	48,165	49,128
Management Fee	3.0%	1	3.0%		27,262	28,080	28,922	29,790	30,684	31,604	32,552	33,529	34,535	35,571
Administration	3.0%	1	3.0%		53,615	55,223	56,880	58,587	60,344	62,154	64,019	65,940	67,918	69,955
Project-paid Fuel	3.0%	6	3.0%		10,058	10,360	10,671	10,991	11,320	11,660	12,010	12,370	12,741	13,123
Common Electricity	4.0%	6	3.0%		2,568	2,671	2,778	2,889	3,004	3,094	3,187	3,283	3,381	3,483
Water and Sewer	5.0%	6	5.0%		49,964	52,462	55,085	57,840	60,732	63,768	66,957	70,304	73,820	77,511
Operating and Maintenance	3.0%	1	3.0%		67,121	69,135	71,209	73,345	75,545	77,812	80,146	82,550	85,027	87,578
Real Estate Taxes	5.0%	1	5.0%		0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)					16,739	16,815	16,888	16,956	17,021	17,737	18,009	18,283	18,558	18,834
Insurance	3.0%	1	3.0%		28,000	28,840	29,705	30,596	31,514	32,460	33,433	34,436	35,470	36,534
Replacement Reserve	3.0%	1	3.0%		30,100	31,003	31,933	32,891	33,878	34,894	35,941	37,019	38,130	39,274
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Other: City of Detroit Loan Repayment	3.0%	1	3.0%		2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167	3,262
Subtotal: Operating Expenses					341,377	351,148	361,247	371,686	382,477	383,468	395,534	408,009	420,910	434,252
Debt Service														
Debt Service Part A					146,308	146,308	146,308	146,308	146,308	146,308	146,308	146,308	146,308	146,308
Debt Service Conventional/Other Financing					0	0	0	0	0	0	0	0	0	0
Total Expenses					**487,685**	**497,457**	**507,556**	**517,994**	**528,785**	**529,776**	**541,842**	**554,318**	**567,219**	**580,560**
Cash Flow/(Deficit)				428026	**46,819**	**42,392**	**37,692**	**32,706**	**27,422**	**37,555**	**36,836**	**35,933**	**34,838**	**33,537**
Cash Flow Per Unit					1,089	986	877	761	638	873	857	836	810	780
Debt Coverage Ratio on Part A Loan					1.32	1.29	1.26	1.22	1.19	1.26	1.25	1.25	1.24	1.23
Debt Coverage Ratio on Conventional/Other Financing					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Rate on Reserves	3%				Average Cash Flow as % of Net Income									
Operating Deficit Reserve (ODR) Analaysis														
Maintained Debt Coverage Ratio (Hard Debt)	1.00													
Maintained Operating Reserve (No Hard Debt)	250			Initial Deposit										
Initial Balance				0	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR					0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR					0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR					0	0	0	0	0	0	0	0	0	0
Interest					0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR					0	0	0	0	0	0	0	0	0	0
Maintained Cash Flow Per Unit					1,089	986	877	761	638	873	857	836	810	780
Maintained Debt Coverage Ratio on Part A Loan					1.32	1.29	1.26	1.22	1.19	1.26	1.25	1.25	1.24	1.23
Maintained Debt Coverage Ratio on Conventional/Other					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR				0										
Non-standard ODR				0										
Operating Assurance Reserve Analysis				243,843										
Required in Year:	1			Initial Deposit										
Initial Balance				**243,843**	243,843	251,158	258,693	266,453	274,447	282,680	291,161	299,896	308,893	318,159
Interest Income					7,315	7,535	7,761	7,994	8,233	8,480	8,735	8,997	9,267	9,545
Ending Balance					251,158	258,693	266,453	274,447	282,680	291,161	299,896	308,893	318,159	327,704
Deferred Developer Fee Analysis														
Initial Balance					395,146	348,327	305,935	268,243	235,538	208,116	170,561	133,726	97,792	62,954
Dev Fee Paid					46,819	42,392	37,692	32,706	27,422	37,555	36,836	35,933	34,838	33,537
Ending Balance — Repaid in Year:	2033				348,327	305,935	268,243	235,538	208,116	170,561	133,726	97,792	62,954	29,417
Mortgage Resource Fund Loan														
Interest Rate on Subordinate Financing	3%			Initial Balance										
Principal Amount of all MSHDA Soft Funds				0	0	0	0	0	0	0	0	0	0	0
Current Yr Int					0	0	0	0	0	0	0	0	0	0
Accrued Int					0	0	0	0	0	0	0	0	0	0
Subtotal				% of Cash Flow	0	0	0	0	0	0	0	0	0	0
Annual Payment Due				**50%**	0	0	0	0	0	0	0	0	0	0
Year End Balance					0	0	0	0	0	0	0	0	0	0

Cash Flow Projections

	Initial Inflator	Starting in Yr	Future Inflator		2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
					11	12	13	14	15	16	17	18	19	20
Income														
Annual Rental Income	1.0%	6	2.0%		626,379	638,907	651,685	664,719	678,013	691,574	705,405	719,513	733,903	748,581
Annual Non-Rental Income	1.0%	6	2.0%		0	0	0	0	0	0	0	0	0	0
Total Project Revenue					**626,379**	**638,907**	**651,685**	**664,719**	**678,013**	**691,574**	**705,405**	**719,513**	**733,903**	**748,581**
Expenses														
Vacancy Loss	####	6	8.0%		50,110	51,113	52,135	53,178	54,241	55,326	56,432	57,561	58,712	59,887
Management Fee	3.0%	1	3.0%		36,638	37,737	38,869	40,035	41,236	42,473	43,748	45,060	46,412	47,804
Administration	3.0%	1	3.0%		72,054	74,216	76,442	78,735	81,097	83,530	86,036	88,617	91,276	94,014
Project-paid Fuel	3.0%	6	3.0%		13,517	13,923	14,340	14,771	15,214	15,670	16,140	16,624	17,123	17,637
Common Electricity	4.0%	6	3.0%		3,587	3,695	3,806	3,920	4,037	4,159	4,283	4,412	4,544	4,680
Water and Sewer	5.0%	6	5.0%		81,386	85,455	89,728	94,215	98,925	103,872	109,065	114,518	120,244	126,257
Operating and Maintenance	3.0%	1	3.0%		90,205	92,911	95,698	98,569	101,527	104,572	107,710	110,941	114,269	117,697
Real Estate Taxes	5.0%	1	5.0%		0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)					19,111	19,389	19,667	19,945	20,224	20,502	20,779	21,056	21,331	21,605
Insurance	3.0%	1	3.0%		37,630	38,759	39,921	41,119	42,353	43,623	44,932	46,280	47,668	49,098
Replacement Reserve	3.0%	1	3.0%		40,452	41,665	42,915	44,203	45,529	46,895	48,302	49,751	51,243	52,781
Other:	3.0%	1	3.0%		0	0	0	0	0	0	0	0	0	0
Other: City of Detroit Loan Repayment	3.0%	1	3.0%		3,360	3,461	3,564	3,671	3,781	3,895	4,012	4,132	4,256	4,384
Subtotal: Operating Expenses					448,050	462,323	477,087	492,361	508,164	524,517	541,439	558,952	577,079	595,843
Debt Service														
Debt Service Part A					146,308	146,308	146,308	146,308	146,308	146,308	146,308	146,308	146,308	146,308
Debt Service Conventional/Other Financing					0	0	0	0	0	0	0	0	0	0
Total Expenses					**594,359**	**608,631**	**623,395**	**638,669**	**654,473**	**670,825**	**687,747**	**705,261**	**723,387**	**742,151**
Cash Flow/(Deficit)				428026	**32,021**	**30,276**	**28,290**	**26,049**	**23,540**	**20,748**	**17,658**	**14,253**	**10,516**	**6,430**
Cash Flow Per Unit					745	704	658	606	547	483	411	331	245	150
Debt Coverage Ratio on Part A Loan					1.22	1.21	1.19	1.18	1.16	1.14	1.12	1.10	1.07	1.04
Debt Coverage Ratio on Conventional/Other Financing					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Rate on Reserves	3%													
Operating Deficit Reserve (ODR) Analaysis														
Maintained Debt Coverage Ratio (Hard Debt)	1.00													
Maintained Operating Reserve (No Hard Debt)	250			Initial Deposit										
Initial Balance				**0**	0	0	0	0	0	0	0	0	0	0
Total Annual Draw to achieve 1.0 DCR					0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR					0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR					0	0	0	0	0	0	0	0	0	0
Interest					0	0	0	0	0	0	0	0	0	0
Ending Balance at Maintained DCR					0	0	0	0	0	0	0	0	0	0
Maintained Cash Flow Per Unit					745	704	658	606	547	483	411	331	245	150
Maintained Debt Coverage Ratio on Part A Loan					1.22	1.21	1.19	1.18	1.16	1.14	1.12	1.10	1.07	1.04
Maintained Debt Coverage Ratio on Conventional/Other					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard ODR				**0**										
Non-standard ODR				**0**										
Operating Assurance Reserve Analysis				243,843										
Required in Year:	1			Initial Deposit										
Initial Balance				**243,843**	327,704	337,535	347,661	358,091	368,834	379,899	391,296	403,035	415,126	427,580
Interest Income					9,831	10,126	10,430	10,743	11,065	11,397	11,739	12,091	12,454	12,827
Ending Balance					337,535	347,661	358,091	368,834	379,899	391,296	403,035	415,126	427,580	440,407
Deferred Developer Fee Analysis														
Initial Balance					29,417	0	0	0	0	0	0	0	0	0
Dev Fee Paid					29,417	0	0	0	0	0	0	0	0	0
Ending Balance — Repaid in Year:	2033				0	0	0	0	0	0	0	0	0	0
Mortgage Resource Fund Loan														
Interest Rate on Subordinate Financing	3%			Initial Balance										
Principal Amount of all MSHDA Soft Funds				**0**	0	0	0	0	0	0	0	0	0	0
Current Yr Int					0	0	0	0	0	0	0	0	0	0
Accrued Int					0	0	0	0	0	0	0	0	0	0
Subtotal				% of Cash Flow	0	0	0	0	0	0	0	0	0	0
Annual Payment Due				**50%**	0	0	0	0	0	0	0	0	0	0
Year End Balance					0	0	0	0	0	0	0	0	0	0

Development Piety Hill 2
Financing Tax Exempt
MSHDA No. 4021
Step Commitment
Date 45491
Type Rehab & New Construction

Use Sources & Uses Page: Sources & Uses

Pay-In Schedule

Uses	Amount Budgeted from Costs	Sep 2023 9/21/2023 Initial Closing	Oct 2023 Draw 2	Nov 2023 Draw 3	Dec 2023 Draw 4	Jan 2024 Draw 5	Feb 2024 Draw 6	Mar 2024 Draw 7	Apr 2024 Draw 8	May 2024 Draw 9	Jun 2024 Draw 10	Jul 2024 Draw 11	Aug 2024 Draw 12	Sep 2024 Draw 13	Oct 2024 Draw 14	Nov 2024 Draw 15	Dec 2024 Draw 16	Jan 2025 Draw 17	Feb 2025 Draw 18	Mar 2025 Draw 19	Apr 2025 Draw 20	May 2025 Draw 21	Jun 2025 Draw 22	Jul 2025 Draw 23	Aug 2025 Draw 24	Sep 2025 Draw 25	Total	Variance
			9%	17%	25%	33%	41%	49%	57%	65%	73%	81%	89%	98%	100%													
Acquisition	200,000	200,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	200,000	0
Land	8,000	8,000																									8,000	0
Existing Buildings	192,000	192,000																									192,000	0
Other:	0																										0	0
Override																											0	0
Construction/Rehabilitation	10,890,669	99,484	876,784	876,784	876,784	876,784	876,784	876,784	876,784	876,784	876,784	876,784	876,784	876,784	269,780	0	0	0	0	0	0	0	0	0	0	0	10,890,669	0
Off Site Improvements	0																										0	0
On-site Improvements	568,000																										0	(568,000)
Landscaping and Irrigation	120,000																										0	(120,000)
Structures	8,727,800																										0	(8,727,800)
Community Building and/or Maintenance	0																										0	0
Construction not in Tax Credit basis (i.e.(	0																										0	0
General Requirements	564,948																										0	(564,948)
Builder Overhead	199,615																										0	(199,615)
Builder Profit	610,822																										0	(610,822)
Bond Premium, Tap Fees, Cost Cert.	99,484	99,484																									99,484	0
Other:	0																										0	0
Override			876,784	876,784	876,784	876,784	876,784	876,784	876,784	876,784	876,784	876,784	876,784	876,784	269,780												10,791,185	10,791,185
Professional Fees	466,600	430,600	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	0	0	0	0	0	0	0	0	0	0	0	0	466,600	0
Design Architect Fees	195,600	195,600																									195,600	0
Supervisory Architect Fees	36,000		3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000													36,000	0
Engineering/Survey	55,000	55,000																									55,000	0
Legal Fees	180,000	180,000																									180,000	0
Override																											0	0
Interim Contruction Costs	406,118	381,010	0	0	0	0	8,369	0	0	0	0	0	8,369	0	0	0	0	0	8,369	0	0	0	0	0	0	0	406,118	0
Property & Casualty Insurance	75,000	75,000																									75,000	0
Title Work	22,000	22,000																									22,000	0
Construction Taxes	25,108						8,369						8,369						8,369								25,108	0
Permits	284,010	284,010																									284,010	0
Override																											0	0
Construction Loan Interest	376,590		0	0	0	0	2,859	7,778	12,402	17,954	23,536	29,149	34,794	40,655	46,086	46,086	46,086	46,086	46,086	46,086	0	0	0	0	0	0	445,645	69,055
Permanent Financing	218,640	218,640	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	218,640	0
2% Loan Commitment Fee to MSHDA	218,640	218,640																									218,640	0
Other:	0																										0	0
Override																											0	0
Other Costs(In Basis)	820,100	122,100	0	0	0	0	0	0	113,000	113,000	113,000	113,000	113,000	113,000	20,000	0	0	0	0	0	0	0	0	0	0	0	820,100	0
Application Fee	2,000	2,000																									2,000	0
Market Study	6,500	6,500																									6,500	0
Environmental Studies	85,000	85,000																									85,000	0
Cost Certification	20,000														20,000												20,000	0
Equipment and Furnishings	8,000								1,333	1,333	1,333	1,333	1,333	1,333													8,000	0
Temporary Tenant Relocation	25,000								4,167	4,167	4,167	4,167	4,167	4,167													25,000	0
Construction Contingency	645,000								107,500	107,500	107,500	107,500	107,500	107,500													645,000	0
Appraisal and C.N.A.	28,600	28,600																									28,600	0
Other:	0																										0	0
Override																											0	0
Other Costs(NOT In Basis)	293,086	167,166	0	0	0	0	0	0	417	417	417	417	25,648	417	20,842	417	417	417	417	417	0	0	0	0	0	0	217,822	(75,264)
Start-up and Organization	35,000	35,000																									35,000	0
Tax Credit Fees (based on 2022 QAP)	52,397	27,166											25,231														52,397	0
Compliance Monitoring Fee (based on 2(	20,425														20,425												20,425	0
Marketing Expense	5,000								417	417	417	417	417	417	417	417	417	417	417	417							5,000	0
Syndication Legal Fees	55,000	55,000																									55,000	0
Rent Up Allowance	75,264																										0	(75,264)
Other: City of Detroit HOME Loan Legal	50,000	50,000																									50,000	0
Override																											0	0
Project Reserves	273,943	273,943	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	273,943	0
Operating Assurance Reserve	243,843	243,843																									243,843	0
Replacement Reserve	30,100	30,100																									30,100	0
Operating Deficit Reserve	0																										0	0
Rent Subsidy Reserve	0																										0	0
Syndicator Held Reserve	0																										0	0
Rent Lag Escrow	0																										0	0
Tax and Insurance Escrows	0	0																									0	0
Other:	0																										0	0
Other:	0																										0	0
Override																											0	0
Miscellaneous	44,542	44,542	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	44,542	0
Deposit to Development Operating Accou	44,542	44,542																									44,542	0
Other (Not in Basis):	0																										0	0
Other (In Basis):	0																										0	0
Other (In Basis):	0																										0	0
Override																											0	0
Developer Fee	2,062,997	416,963													416,963					833,926							1,667,851	(395,146)
Total Uses	16,053,285	2,354,448	879,784	879,784	879,784	879,784	891,012	887,562	1,005,603	1,011,154	1,016,737	1,022,350	1,061,594	1,033,855	773,670	46,503	46,503	46,503	54,872	880,429	0	0	0	0	0	0	15,651,930	(401,355)
Cumulative Uses		*2,354,448*	*3,234,232*	*4,114,015*	*4,993,799*	*5,873,583*	*6,764,595*	*7,652,157*	*8,657,759*	*9,668,914*	*10,685,650*	*11,708,000*	*12,769,595*	*13,803,450*	*14,577,120*	*14,623,623*	*14,670,126*	*14,716,629*	*14,771,501*	*15,651,930*	*15,651,930*	*15,651,930*	*15,651,930*	*15,651,930*	*15,651,930*	*15,651,930*		
Sources Interest Rate	6.625%																											
Construction Loan	8,347,708					517,841	891,012	837,562	1,005,603	1,011,154	1,016,737	1,022,350	1,061,594	983,855						-8,347,708							0	(8,347,708)
MSHDA Permanent Mortgage	2,051,259																			2,051,259							2,051,259	0
Conventional/Other Mortgage	0																										0	0
Equity Contribution From Tax Credit Syndication	6,765,633	676,563										1,353,127			676,563					4,059,380							6,765,633	0
MSHDA NSP Funds	0																										0	0
MSHDA HOME	0																										0	0
MSHDA Mortgage Resource Funds	0																										0	0
MSHDA TCAP	0																										0	0
MSHDA Housing Trust Funds	0																										0	0
MSHDA CERA	2,584,288	1,027,885																		1,556,403							2,584,288	0
MSHDA HOME-ARP	0																										0	0
MSHDA HCDF	0																										0	0
Local HOME	3,591,367		879,784	879,784	879,784	361,942		50,000						50,000						490,073							3,591,367	0
Income from Operations	15,592																			15,592							15,592	0
Other Equity GP Land and Building Acquisition	200,000	200,000																									200,000	0
Transferred Reserves:	0																										0	0
Other: Sponsor Loan (sourced with EGLE grant	450,000	450,000																									450,000	0
Other:	0																										0	0
Deferred Developer Fee	395,146																										0	(395,146)
Construction Loan Running Balance		0	0	0	0	517,841	1,408,853	2,246,415	3,252,018	4,263,172	5,279,909	6,302,259	7,363,853	8,347,708	8,347,708	8,347,708	8,347,708	8,347,708	8,347,708	0	0	0	0	0	0	0		
Total Sources	16,053,285	2,354,448	879,784	879,784	879,784	879,784	891,012	887,562	1,005,603	1,011,154	1,016,737	2,375,477	1,061,594	1,033,855	676,563	0	0	0	0	-175,001	0	0	0	0	0	0	15,658,139	(395,146)
Cumulative Sources		*2,354,448*	*3,234,232*	*4,114,015*	*4,993,799*	*5,873,583*	*6,764,595*	*7,652,157*	*8,657,759*	*9,668,914*	*10,685,650*	*13,061,127*	*14,122,721*	*15,156,576*	*15,833,140*	*15,833,140*	*15,833,140*	*15,833,140*	*15,833,140*	*15,658,139*	*15,658,139*	*15,658,139*	*15,658,139*	*15,658,139*	*15,658,139*	*15,658,139*		
Balance	0	0	0	0	0	0	0	0	0	0	0	1,353,127	0	0	-97,107	-46,503	-46,503	-46,503	-54,872	-1,055,429	0	0	0	0	0	0	6,209	
Cumulative Balance		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*1,353,127*	*1,353,127*	*1,353,127*	*1,256,019*	*1,209,516*	*1,163,013*	*1,116,511*	*1,061,638*	*6,209*	*6,209*	*6,209*	*6,209*	*6,209*	*6,209*	*6,209*	*0*	
Eligible basis items plus land	15,097,544																											
50% Test (for 4% deals)		0%	0%	0%	0%	3%	9%	14%	20%	27%	33%	39%	46%	52%	52%	52%	52%	52%	52%	0%	0%	0%	0%	0%	0%	0%		

DRAFT

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
PIETY HILL 2, MSHDA DEVELOPMENT NO. 4021
CITY OF DETROIT, WAYNE COUNTY

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (the "Act"), to make mortgage loans to qualified non-profit housing corporations, consumer housing cooperatives and limited dividend housing corporations and associations; and

WHEREAS, an Application for Mortgage Loan Feasibility has been filed with the Authority by Central Detroit Christian Community Development Corporation (the "Applicant") for a multifamily housing project to be located in the City of Detroit, Wayne County, Michigan, having an estimated total development cost of Sixteen Million Fifty-Three Thousand Two Hundred Eighty-Five Dollars ($16,053,285), a total estimated maximum mortgage loan amount of Eight Million Three Hundred Forty-Seven Thousand Seven Hundred Eight Dollars ($8,347,708) and a COVID Emergency Rental Assistance ("CERA") mortgage loan in the amount of Two Million Five Hundred Eighty-Four Thousand Two Hundred Eighty-Eight Dollars ($2,584,288) (hereinafter referred to as the "Application"); and

WHEREAS, a housing association to be formed by the Applicant may become eligible to receive a mortgage loan from the Authority under the provisions of the Act and the Authority's General Rules; and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and her recommendation with respect thereto; and

WHEREAS, the Authority has considered the Application in the light of the Authority's project mortgage loan feasibility evaluation factors.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The following determinations be and they hereby are made:

    a. The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located, thereby enhancing the viability of such housing.

    b. The Applicant is reasonably expected to be able to achieve successful completion of the proposed housing project.

    c. The proposed housing project will meet a social need in the area in which it is to be located.

d. A mortgage loan, or a mortgage loan not made by the Authority that is a federally-aided mortgage, can reasonably be anticipated to be obtained to provide financing for the proposed housing project.

e. The proposed housing project is a feasible housing project.

f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Nine Million Eight Hundred Fifty-Five Thousand Dollars ($9,855,000).

2. The proposed housing project be and it is hereby determined to be feasible for a mortgage loan on the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Report of the Authority Staff presented to the meeting, subject to any and all applicable determinations and evaluations issued or made with respect to the proposed housing project by other governmental agencies or instrumentalities or other entities concerning the effects of the proposed housing project on the environment as evaluated pursuant to the federal National Environmental Policy Act of 1969, as amended, and the regulations issued pursuant thereto as set forth in 24 CFR Part 58.

3. The determination of feasibility is based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this feasibility determination resolution may, at the option of the Chief Executive Officer and Executive Director, the Chief Housing Investment Officer, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in any of the foregoing capacities (each an "Authorized Officer"), be immediately rescinded.

4. Neither this determination of feasibility nor the execution prior to closing of any documents requested to facilitate processing of a proposed mortgage loan to be used in connection therewith constitutes a promise or covenant by the Authority that it will make a Mortgage Loan to the Applicant.

5. This determination of Mortgage Loan Feasibility is conditioned upon the availability of financing to the Authority. The Authority does not covenant that funds are or will be available for the financing of the subject proposed housing development.

6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MORTGAGE LOANS
PIETY HILL 2, MSHDA DEVELOPMENT NO. 4021
CITY OF DETROIT, WAYNE COUNTY

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized, under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (hereinafter referred to as the "Act"), to make mortgage loans to qualified nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations and associations and certain qualified individuals; and

WHEREAS, an application (the "Application") has been filed with the Authority by Central Detroit Christian Community Development Corporation (the "Applicant") for a construction mortgage loan in the amount of Eight Million Three Hundred Forty-Seven Thousand Seven Hundred Eight Dollars ($8,347,708), and a permanent mortgage loan in the amount of Two Million Fifty-One Thousand Two Hundred Fifty-Nine ($2,051,259), for the construction and permanent financing of a multifamily housing project having an estimated total development cost of Sixteen Million Fifty-Three Thousand Two Hundred Eighty-Five Dollars ($16,053,285), to be known as Piety Hill 2, located in the City of Detroit, Wayne County, Michigan, and to be owned by Piety Hill 2 Limited Dividend Housing Association Limited Partnership (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a COVID Emergency Rental Assistance (“CERA”) mortgage loan in the estimated amount of Two Million Five Hundred Eighty-Four Thousand Two Hundred Eighty-Eight Dollars ($2,584,288) (the "CERA Loan"); and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and her recommendation with respect thereto; and

WHEREAS, the Authority has reviewed the Application and the recommendation of the Chief Executive Officer and Executive Director and, on the basis of the Application and recommendation, has made determinations that:

(a) The Mortgagor is an eligible applicant;

(b) The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located thereby enhancing the viability of such housing;

(c) The Applicant and the Mortgagor are reasonably expected to be able to achieve successful completion of the proposed housing project;

(d) The proposed housing project will meet a social need in the area in which it is to be located;

(e) The proposed housing project may reasonably be expected to be marketed successfully;

(f) All elements of the proposed housing project have been established in a manner consistent with the Authority's evaluation factors, except as otherwise provided herein;

(g) The construction or rehabilitation will be undertaken in an economical manner and it will not be of elaborate design or materials; and

(h) In light of the estimated total project cost of the proposed housing project, the amount of the mortgage loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation on the ratio of mortgage loan amount to estimated total project cost.

WHEREAS, the Authority has considered the Application in the light of the criteria established for the determination of priorities pursuant to General Rule 125.145 and hereby determines that the proposed housing project is consistent therewith; and

WHEREAS, Sections 83 and 93 of the Act provide that the Authority shall determine a reasonable and proper rate of return to limited dividend housing corporations and associations on their investment in Authority-financed housing projects.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Application be and it hereby is approved, subject to the terms and conditions of this Resolution, the Act, the General Rules of the Authority, and of the Mortgage Loan Commitment hereinafter authorized to be issued to the Applicant and the Mortgagor.

2. A construction and permanent mortgage loan (the "Mortgage Loan") be and it hereby is authorized and the Chief Executive Officer and Executive Director, the Chief Housing Investment Officer, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction financing of the proposed housing project in an amount not to exceed Eight Million Three Hundred Forty-Seven Thousand Seven Hundred Eight Dollars ($8,347,708), and permanent financing in an amount not to exceed Two Million Fifty-One Thousand Two Hundred Fifty-Nine Dollars ($2,051,259), and to have a term of forty (40) years after amortization of principal commences and to bear interest at a rate of six and 625/1000 percent (6.625%) per annum. The amount of proceeds of tax-exempt bonds issued or to be issued and allocated to the financing of this housing project shall not exceed Nine Million Eight Hundred Fifty-Five Thousand Dollars ($9,855,000). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

3. The CERA Loan be and it hereby is authorized and an Authorized Officer is hereby authorized to issue to the Applicant and the Mortgagor a commitment for an CERA Loan (together with the Commitment for the Mortgage Loan, the "Mortgage Loan Commitment") in the estimated amount of Two Million Five Hundred Eighty-Four Thousand Two Hundred Eighty-Eight Dollars ($2,584,288), and to have a term not to exceed fifty (50) years and to bear interest at a rate of

one percent (1%) per annum.

4. The mortgage loan commitment resolution and issuance of the Mortgage Loan Commitment are based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this mortgage loan commitment resolution together with the commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded.

5. Notwithstanding passage of this resolution or execution of any documents in anticipation of the closing of the proposed mortgage loan, no contractual rights to receive the mortgage loan authorized herein shall arise unless and until an Authorized Officer shall have issued a Mortgage Loan Commitment and the Applicant shall have agreed in writing within fifteen days after receipt thereof, to the terms and conditions contained therein.

6. The proposed housing project be and it hereby is granted a priority with respect to proceeds from the sale of Authority securities which are determined by the Chief Executive Officer and Executive Director to be available for financing the construction and permanent loans of the proposed housing project. Availability of funds is subject to the Authority's ability to sell bonds at a rate or rates of interest and at a sufficient length of maturity so as not to render the permanent financing of the development unfeasible.

7. In accordance with Section 93(b) of the Act, the maximum reasonable and proper rate of return on the investment of the Mortgagor in the housing project be and it hereby is determined to be twelve percent (12%) per annum initially. Following the payment in full of the CERA Loan, the Mortgagor's rate of return may be increased by one percent (1%) annually until a cap of twenty-five percent (25%) is reached.

8. The Mortgage Loan shall be subject to, and the Commitment shall contain, the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

9. The Authority hereby waives Section VI.I.2 of the Multifamily Direct Lending Parameters adopted on June 28, 2017, requiring approval by the City of Detroit of a payment in lieu of taxes for the Development prior to the adoption of this resolution.

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director *Amy Hovey*

DATE: July 18, 2024

RE: Henry Street 4% Apartments, Development No. 4020

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize tax-exempt bond construction and permanent mortgage loans in the amounts set forth below, 3) authorize waivers of the Multifamily Direct Lending Parameters ("Parameters") regarding the payment in lieu of taxes ("PILOT"), and the Authority's Design Standards regarding the parking space ratio, and 4 authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024.

PROJECT SUMMARY:

MSHDA No:	4020
Development Name:	Henry Street 4% Apartments
Development Location:	City of Detroit, Wayne County
Sponsor:	ODM Management, LLC and Cinnaire Solutions Corporation
Mortgagor:	Henry Street 4% Limited Dividend Housing Association, LLC
Number of Units (Affordable and Market Rate):	44 affordable family units
Number of Units Designated for Accessible Use:	3 accessible units
Occupancy Rate:	N/A currently vacant
Total Development Cost:	$24,942,435
TE Bond Construction Loan:	$12,970,066
TE Bond Permanent Loan:	$1,210,308
MSHDA HOME Funds:	$848,999
MSHDA PA5 Funds:	$2,640,000
Other funds:	
Income from Operations:	$8,277
GP Capital Contribution (sale proceeds):	$3,100,000

LIHTC Equity:	$7,828,491
Historic Equity:	$3,258,130
GP Capital Contribution:	$1,894,902
GP Capital Contribution (LEO Grant):	$1,000,000
City of Detroit ARPA:	$990,000
City of Detroit HOME	$500,000
9% LIHTC Equity/Market Rate Contribution:	$1,422,863
Deferred Developer Fee:	$240,465

EXECUTIVE SUMMARY:

This project is a historic rehabilitation, and this proposal will include forty-four (44) affordable units in the buildings located at 447 and 459 Henry Street in the City of Detroit's Cass Henry Historic District. The project will have a condominium structure with a 4% LIHTC component, a 9% LIHTC component, and a market rate component. There will be forty (40) studio apartments and four (4) one-bedroom apartments in the 4% component; twenty-four (24) studio apartments and sixteen (16) one-bedroom apartments in the 9% component; and twenty-four (24) studio apartments and sixty (60) will be one-bedroom apartments in the market rate component. Combined, there will be a total of one hundred seventy (170) units on this campus. The 9% and market rate components will not include any Authority financing.

One of the features that makes this development unique from any others financed by the Authority and the City of Detroit is the HUB. This integral component of this mixed-use campus is located between the 4% and 9% buildings but will be accessed and used by the residents of all components of the project as well as the general public. With 84 affordable units serving populations from 30% to 60% of the area median income, and 86 market rate units, the mixed incomes of the project along with the HUB are expected to create an environment that encourages residents of all income brackets to connect with one another to help build strong community relationships. The HUB was thoughtfully integrated into the overall development as a centralized location for tenants of both affordable and market rate units to comingle.

The HUB, as a public facing community space in the heart of a newly revitalized campus, will bring more activity on site by creating opportunities for both residents of the development and the residents of the neighboring communities to connect. The HUB building will be separated into separate and distinct units. About 3,500 square feet of it will be made available to local nonprofits to provide information and assistance for programs targeting all residents of the neighborhood. The development team will collaborate with Elite Property Management and other local nonprofit agencies to develop onsite programming. The HUB will also be available to nonprofit and neighborhood organizations to utilize outside of regularly scheduled programming at no cost. The goal is to provide additional space for social services programming to help close the gap in service provision in Midtown Detroit. The HUB will also contain 4,900 square feet which will only be used for tenant services and amenities.

The construction of the HUB will be funded by the some allowable historic and LIHTC equity from the 4% component as well as cash funds contributed by the market and 9% components and a grant from the Department of Labor and Economic Opportunity. As mentioned above, there will also be an ongoing shared use and expense agreement between all of the components that will be executed at closing.

ADVANCING THE AUTHORITY'S MISSION:

Henry Street is located within Region O of the Statewide Housing Plan Regional Housing Partnerships, and this development supports the following goals of the Region O Action Plan:

- Goal 1.2: Identify and advocate for modifications to policies and practices to remove barriers across the housing continuum for BIPOC, immigrants, migrants, refugees, people with disabilities, LGBTQ+, those with low incomes, and other marginalized populations.
- Goal 2.2: Increase the availability of statewide, regional, county-level, local/municipal-level, and market-level data on housing needs and opportunities to inform and improve policy, resource, and program decision-making.
- Goal 4.1: Increase the supply of the full spectrum of housing that is affordable and attainable to Michigan residents.
- Goal 4.3: Ensure that new housing development meets state climate and healthy housing goals and is affordable for the lifetime use of the building without increasing costs to residents.
- Goal 4.8: Prevent the negative side effects of gentrification (e.g., displacement, loss of mixed-income housing) by promoting community-oriented revitalization.

MUNICIPAL SUPPORT:

- The City of Detroit is expected to approve a 4% PILOT.
- The City of Detroit is contributing nearly $1.5 million of ARPA and HOME dollars in the form of subordinate loans to the development.

COMMUNITY ENGAGEMENT/IMPACT:

Olympia Development of Michigan, an affiliate of the Sponsor, and Cinnaire Solutions Corporation team members held a series of engagement sessions with local stakeholders in which they shared details of the proposed Henry Street project and the numerous neighborhood benefits which would be brought to the city through this redevelopment. This time was also used to document first impressions, feedback, and answer questions in these inaugural discussions. Guests who participated in the discussions came from various sectors including public education, non-profits, supportive services, private business owners, and community development corporations.

RESIDENT IMPACT:

- A gut rehab to existing historic buildings to provide quality housing for the tenants.
- A hub building to allow for community space and networking opportunities.
- One of the Sponsor's goals is to provide both the market rate and affordable tenants a place to co-mingle and build relationships.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

In conjunction with the rehabilitation of the 4%, 9%, and market rate residential buildings, the HUB will be shared by the residents of all the buildings and the general public. All three components of the project will contribute to the cost of constructing and operating the HUB, which will be governed by a shared use and expense agreement to be executed at initial closing.

The Development will require a waiver of the following Parameters (Section VI.I.2.) conditioned on the PILOT being found acceptable prior to the Authority's disbursement of any funds. See Special Condition No. 2 in the Board report.

- Proposals that do not include an approved PILOT arrangement will be underwritten based on the ad valorem taxes applicable to the property.
- For a proposal to be underwritten on the basis of a PILOT, the PILOT must be approved prior to Authority Board consideration.

A waiver request is also recommended for Section II.A.6 of the Parameters, regarding the MSHDA Multifamily Design Standards, which normally require a 2:1 parking ratio. It is expected that the tenants of Henry Street will not require that number of parking spaces. This request is supported by both the Authority's Chief Market Analyst and the City of Detroit.

MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT

July 18, 2024

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) determine Mortgage Loan Feasibility as to the following proposal, 2) authorize tax-exempt bond construction and permanent mortgage loans in the amounts set forth in this report, 3) authorize waivers of the Multifamily Direct Lending Parameters ("Parameters") regarding the payment in lieu of taxes ("PILOT"), and the Authority's Design Standards regarding the parking space ratio, and 4) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

MSHDA No.:	4020
Development Name:	Henry Street 4% Apartments
Development Location:	City of Detroit, Wayne County
Sponsor:	ODM Management, LLC and Cinnaire Solutions Corporation
Mortgagor:	Henry Street 4% Limited Dividend Housing Association, LLC
TE Bond Construction Loan:	$12,970,066 (52% of TDC)
TE Bond Permanent Loan:	$1,210,308
MSHDA Permanent HOME Loan:	$848,999
MSHDA Permanent PA5 Loan:	$2,640,000
Total Development Cost:	$24,942,435
Mortgage Amortization and Term:	40 years for the tax-exempt bond permanent loan; 50 years for the HOME and PA5 loans
Interest Rate:	6.625% for the tax-exempt bond loan; 1% simple interest for the HOME and PA5 loans
Program:	Tax-Exempt Bond and Round 13 Gap Financing Program
Number of Units:	44 family units of historic rehabilitation
Accessible Units:	3 accessible units
Unit Configuration:	40 studio, one-bath apartments, and 4 one-bedroom, one-bath apartments.
Builder:	O'Brien Construction Company
Syndicator:	Cinnaire
Date Application Received:	2019 NOFA
HDO:	Ryan Koenigsknecht

Issuance of the Authority's Mortgage Loan Commitment is subject to fulfillment of all Authority processing and review requirements and obtaining all necessary staff approvals as required by the Authority's underwriting standards.

ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:

The Henry Street development will include a 4% residential building, a 9% residential building, and a market rate residential building on adjacent sites. Henry Street 4% Apartments will also include a community "hub" building (the "HUB") with space to be shared among all three components. The HUB will also contain space that is open to the general public. All three components of the project will contribute to the cost of constructing and operating the HUB, which will be governed by a shared use and expense agreement to be executed at initial closing.

The Development will require a waiver of the following Parameters (Section VI.I.2.) conditioned on the PILOT being found acceptable prior to the Authority's disbursement of any funds. See Special Condition No. 2.

- Proposals that do not include an approved PILOT arrangement will be underwritten based on the ad valorem taxes applicable to the property.
- For a proposal to be underwritten on the basis of a PILOT, the PILOT must be approved prior to Authority Board consideration.

A waiver request is also recommended for Section II.A.6. of the Parameters regarding the MSHDA Multifamily Standards of Design, which normally require a 2:1 parking ratio requirement. It is expected that the tenants of Henry Street will not require that number of parking spaces. This request is supported by both the Authority's Chief Market Analyst and the City of Detroit.

EXECUTIVE SUMMARY:

This project is a historic rehabilitation, and this proposal will include forty-four (44) affordable units in the buildings located at 447 and 459 Henry Street in the City of Detroit's Cass Henry Historic District. The project will have a condominium structure with a 4% LIHTC component, a 9% LIHTC component, and a market rate component. There will be forty (40) studio apartments and four (4) one-bedroom apartments in the 4% component; twenty-four (24) studio apartments and sixteen (16) one-bedroom apartments in the 9% component; and twenty-four (24) studio apartments and sixty (60) will be one-bedroom apartments in the market rate component. Combined there will be a total of one hundred seventy (170) units on this campus. The 9% and market rate components will not include any Authority financing.

One of the features that makes this development unique from any others financed by the Authority and the City of Detroit is the HUB. This integral component of this mixed-use campus is located between the 4% and 9% buildings but will be accessed and used by the residents of all components of the project as well as the general public. With 84 affordable units serving populations from 30% to 60% of the area median income, and 86 market rate units, the mixed incomes of the project along with the HUB are expected to create an environment that encourages residents of all income brackets to connect with one another to help build strong community relationships. The HUB was thoughtfully integrated into the overall development as a centralized location for tenants of both affordable and market rate units to comingle.

The HUB, as a public facing community space in the heart of a newly revitalized campus, will bring more activity on site by creating opportunities for both residents of the development and the residents of the neighboring communities to connect. The HUB building will be separated into separate and distinct units. About 3,500 square feet of it will be made available to local nonprofits to provide information and assistance for programs targeting all residents of the neighborhood. The development team will collaborate with Elite Property Management, and other local nonprofit agencies to develop onsite programming. The HUB will also be available to nonprofit and neighborhood organizations to utilize outside of regularly scheduled programming at no cost. The goal is to provide additional space for social services programming to help close the gap in service provision in Midtown Detroit. The HUB will also contain 4,900 square feet which will only be used for tenant services and amenities.

The construction of the HUB will be funded by the some allowable historic and LIHTC equity from the 4% component as well as cash funds from the market and 9% components and a grant from the Department of Labor and Economic Opportunity. As mentioned above, there will also be an ongoing shared use and expense agreement between all of the components that will be executed at closing.

Structure of the Transaction and Funding:

There are several elements to this transaction that are common to rehabilitation transactions:

- A tax-exempt bond construction loan (the “Mortgage Loan”) will be provided by the Authority in the amount of $12,970,066 at 6.625% interest with a 21-month term (a 16-month construction term and a 5-month rent-up period) which will be used to bridge an extended equity pay-in period. Payments of interest only will be required during the construction loan. The principal balance of the construction loan must be reduced to the permanent loan amount on the first day of the month following the month in which the 21-month construction loan term expires or such later date as is established by an Authorized Officer of the Authority (the “Permanent Financing Date”). The construction Mortgage Loan will be in **First Position**.

- A permanent Mortgage Loan will be provided by the Authority in the amount of $1,210,308. The permanent loan amount is based upon the current rents, less vacancy loss, payments to reserves and escrows, operating costs based on historical data unless modified by project improvements and construction and soft costs at levels appropriate for this specific transaction. The permanent loan is based on a 1.45 debt service coverage ratio, an annual interest rate of 6.625%, with a fully amortizing term of 40 years commencing on the Permanent Financing Date. The permanent Mortgage Loan will be in **First Position**.

- A permanent subordinate loan using Authority Public Act 5 Funds (the “PA5 Loan”) in the amount of $2,640,000 will be provided at 1% simple interest with payments initially deferred. The PA5 Loan will be in **Second Position**.

- A permanent subordinate loan using HOME funds (the “HOME Loan”) in the amount of $848,999 will be provided at 1% simple interest with payments initially deferred. The HOME Loan will be in **Third Position**.

- The City of Detroit will provide a HOME Loan in the amount of $500,000. This loan will be in **Fourth Position**. See Special Condition No. 6.

- The City of Detroit will provide a ARPA Loan in the amount of $990,000. This loan will be in **Fifth Position**. See Special Condition No. 7.

- The Sponsor is providing three different GP Capital Contributions totaling $5,994,902.

- Equity support comes from an investment related to the 4% LIHTC in the estimated amount of $7,828,491.

- Federal Historic Tax Credits have been requested and additional equity support will come from the sale of these credits. See Special Condition No. 5.

- Equity from 9% LIHTC and market rate project for Community Hub in the amount of $1,422,863.

- Income from operations will be used as a source of funding to make the interest only payments and the tax and insurance payments during the construction period in the amount of $8,277.

- The Sponsor has agreed to defer $240,465 of the developer fee to fill the remaining funding gap.

- A five (5) month rent-up allowance in the amount identified in the attached proforma will be required to support interest payments between construction completion and the Mortgage Cut-Off Date, as determined by the Authority.

- An operating assurance reserve ("OAR") will be required in the amount identified in the attached proforma. The reserve will be capitalized at closing in an amount which, along with accumulated interest, is expected to meet the Development's unanticipated operating needs. This reserve will be held by the Authority.

- An operating deficit reserve will be required to fund projected operating deficits per the cash flow analysis establishing the operating deficit reserve, identified in the attached proforma. This reserve will be capitalized at closing and will be held by the Authority.

Scope of Rehabilitation:

The following improvements to the property are included in the Scope of Work:

- These are historic buildings that will undergo a complete gut rehabilitation, there are no tenants currently living there.

Protections for Existing Residents:

Both buildings are vacant so no existing residents will be affected.
.

Site Selection:

The site has been reviewed by Authority Staff and the Authority's Manager of the Office of Market Research has indicated that the site meets the Authority's current site selection criteria.

<u>Market Evaluation</u>:

The unit mix as well as the amenities package and rent levels have been approved by the Manager of the Office of Market Research.

<u>Valuation of the Property</u>:

An appraisal dated May 4, 2022, estimates the value of the land and buildings at $3,100,000.

<u>CONDITIONS:</u>

At or prior to (i) issuance of the Authority’s mortgage loan commitment (“Mortgage Loan Commitment”), (ii) the initial Mortgage Loan Closing (the “Initial Closing”), or (iii) such other date as may be specified herein, the new Mortgagor and other members of the Development team, where appropriate, must satisfy each of the following conditions by entering into a written agreement or providing documentation acceptable to the Authority:

Standard Conditions:

1. **<u>Limitation for Return on Equity:</u>**

   For each year of the Development's operation, beginning in the year in which the Mortgage Cut-Off Date occurs, payments are limited to twelve percent (12%) of the Mortgagor's equity. For purposes of distributions, the Mortgagor's equity will be the sum of (i) the LIHTC equity; (ii) the brownfield tax credit equity; (iii) the historic tax credit equity; (iv) general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority (estimated to be a total of $12,509,484). All such payments shall be referred to as "Limited Dividend Payments". The Mortgagor's return shall be fully cumulative. If Authority subordinate loans are included in the development sources the Limited Dividend Payments are capped at 12% per annum, while those loans remain outstanding. If there are no Authority subordinate loans outstanding, then Limited Dividend Payments may increase 1% per annum until a cap of 25% per annum is reached.

2. **<u>Income Limits</u>:**

   The income limitations for 44 units of this proposal are as follows:

   a. Two units have been designated as Low-HOME units and during the Period of Affordability required under the HOME program (15 years) must be available for occupancy by households whose incomes do not exceed the Low HOME income limit as published by HUD, adjusted for family size.

   b. 7 units have been designated as High-HOME units and during the Period of Affordability required under the HOME program (15 years) must be available for occupancy by households whose incomes do not exceed the lesser of 60% of area median income, utilizing the Multifamily Tax Subsidy Projects, as determined by HUD, with respect to projects financed pursuant to Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), as further amended by the Housing and Economic Recovery Act of 2008 (P.L. 110-289) ("MTSP Limits") income limits or the High HOME income limit, as published by HUD, adjusted for family size.

c. 44 units (40 studio and 4 one-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 60% Limit, adjusted for family size, until the latest of (i) the expiration of the LIHTC "Extended Use Period" as defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

3 of the 7 High HOME units have been designated as High-HOME units by the City of Detroit. The Authority is not responsible for the compliance monitoring or oversight of the occupancy or the regulations applicable to the City of Detroit HOME units.

To the extent units within the Development are subject to multiple sets of income limits, the most restrictive income limit will apply so long as the applicable term of affordability continues.

The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size.

3. <u>Limitations on Rental Rates</u>:

The Total Housing Expense (contract rent plus tenant-paid utilities) for 44 units is subject to the following limitations:

a. During the Period of Affordability required under the HOME program (15 years), the Total Housing Expense for the 2 Low-HOME units may not exceed the "Low-HOME Rent Limit" for the unit established and published annually by HUD.

b. During the Period of Affordability required under the HOME program (15 years), the Total Housing Expense for the 7 High-HOME units may not exceed the "High-HOME Rent Limit" established and published annually by HUD.

c. The Total Housing Expense for all 44 units (40 studio and 4 one-bedroom units), may not exceed one-twelfth ($1/12^{th}$) of 30% of the 60% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons per bedroom. This restriction will apply until the latest of (i) the end of the Extended Use Period, (ii) 50 years after Initial Closing; or (iii) so long as any Authority loan remains outstanding.

The Total Housing Expense for the City of Detroit's 3 High HOME units may not exceed the "High HOME Rent Limit" for the unit established and published annually by HUD. The Authority is not responsible for the compliance monitoring or oversight of the non-MSHDA HOME rents charged for or the regulations applicable to these units.

To the extent units within the Development is subject to multiple sets of rent limits, the most restrictive rent limit will apply so long as the applicable term of affordability continues.

While rental increases for these units may be permitted from time to time as HUD publishes updated median income limits, the Mortgagor must further agree that rental increases for targeted units that do not receive assistance under the HAP Contract will be limited to not more than 5% for any resident household during any 12-month period.

For the initial lease term of the first household occupying each rent-restricted unit in the Development the initial rent may not exceed 105% of the rent approved in this Mortgage Loan Feasibility/Commitment Staff Report. Exceptions to these limitations may be granted by the Authority's Director of Asset Management for extraordinary increases in project operating expenses (exclusive of limited dividend payments) or mortgage loan increases to fund cost overruns pursuant to the Authority's policy on Mortgage Loan increases. Rents on vacated units may be increased to the maximum level permissible by the applicable programs. Rents and utility allowances must be approved annually by the Authority's Division of Asset Management.

4. Covenant Running with the Land:

The Mortgagor must subject the Development site to a covenant running with the land so as to preserve the tax-exempt status of the obligations issued or to be issued to finance the Mortgage Loan. This covenant will provide that each unit must be rented or available for rental on a continuous basis to members of the general public for a period ending on the latest of the date which is 15 years after the date on which 50% of the residential units in the Development are occupied, the first day on which no bonds are outstanding with respect to the project, or the date on which assistance provided to the project under Section 8 of the U.S. Housing Act of 1937 terminates. The income of individuals and area median income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median income under Section 8 of the U.S. Housing Act of 1937, including adjustments for family size. Until the Secretary of the Treasury publishes its requirements, income of the individuals shall be determined in accordance with Section 8 regulations. Additionally, if LIHTC is awarded to the Development, the Mortgagor must agree to subject the property to the extended low-income use commitment required by Section 42 of the Internal Revenue Code.

5. Restriction on Prepayment and Subsequent Use:

The Mortgage Loan is eligible for prepayment after the expiration of fifteen (15) years after the commencement of amortization. The Mortgagor must provide the Authority with at least 60 days' written notice prior to any such prepayment.

In the event of a prepayment, however, the Mortgagor must pay a prepayment fee equal to the sum of:

a. 1% of the balance being prepaid;
b. Any bond call premium, prepayment or swap penalty, or any other cost that the Authority incurs to prepay the bonds or notes that were used to fund the Mortgage Loan; and
c. Any loss of debt service spread between the Mortgage Loan and the bonds used to finance the loan from the date of the prepayment through the end of the 20th year of amortization.

Once the Mortgagor has been approved for the early prepayment of the underlying loan, it must sign an agreement with the Authority stating it is responsible for the cost of terminating the swap. The Mortgagor can then choose the timing of the termination and participate in the transaction with the swap counterparty. The swap counterparty will quote the cost of terminating the swap and the Mortgagor will have the ability to execute the transaction or cancel at its sole discretion. If the Mortgagor chooses not to terminate the swap, it will forfeit the right to prepay the Mortgage Loan.

Subordinate loans are eligible to prepay at any time upon 60 days prior written notice to the Authority, but prepayment may not extinguish federal affordability and compliance requirements.

6. Operating Assurance Reserve:

At Initial Closing, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to 4 months of estimated Development operating expenses (estimated to be $134,055). The OAR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority in accordance with the Authority's written policy on the use of the Operating Assurance Reserve, as amended from time to time. The OAR must be either (i) fully funded with cash, or (ii) funded with a combination of cash and an irrevocable, unconditional letter of credit acceptable to the Authority, in an amount that may not exceed 50% of the OAR requirement. To the extent that any portion of the OAR is drawn for use prior to the final closing of the Mortgage Loan, the Mortgagor must restore the OAR to its original balance at final closing.

7. Operating Deficit Reserve:

At Initial Closing, the Mortgagor must establish an operating deficit reserve (“ODR”) with the Authority in the initial amount of $47,343. The ODR shall be used to fund projected operating deficits at the Development as shown on the cash flow analysis, and in accordance with Authority policies and requirements regarding the Operating Deficit Reserve.

In the event that the Development experiences an operating deficit that is greater than that projected on the cash flow analysis, the Mortgagor may request that the Authority increase the amount drawn from the ODR. The Director of Asset Management must approve the request. However, the Mortgagor shall not be entitled to receive a Limited Dividend payment for any year in which the amount drawn from the ODR is greater than the annual projected budget deficit for that year, until the balance of the ODR is restored to the appropriate level.

At the earlier of the time when 80% of the ODR has been depleted or during the 18th year after the commencement of amortization, the Authority will determine the annual projected operating deficits and the total amount sufficient to fund projected operating deficits through the remaining term of the Authority’s mortgage loan(s).

8. Replacement Reserve:

At Initial Closing, the Mortgagor must establish a replacement reserve fund (“Replacement Reserve”) with an initial deposit in an amount of $700 per unit. The Mortgagor must agree to make annual deposits to the Replacement Reserve, beginning on the Mortgage Cut-

Off Date, at a minimum of $300 per unit for the first year of operation, payable in monthly installments, with deposits in subsequent years to be the greater of (i) the prior year's deposit, increased by 3%, or (ii) a percentage of the Development's projected annual rental income or gross rent potential ("GRP") for the year using the percentage obtained by dividing the first year's deposit by the first year's GRP shown on the operating proforma for the Development attached hereto. The annual deposit to the Replacement Reserve may also be increased to any higher amount that is determined to be necessary by the Authority, based on a CNA and the Authority's Replacement Reserve policies. The Authority may update any CNA or obtain a new CNA every five years, or upon any frequency, as determined necessary by the Authority.

9. **Authority Subordinate Loan(s):**

At Initial Closing, the Mortgagor must enter into written agreements relating to the permanent PA5 Loan and the permanent HOME Loan. The PA5 Loan and the HOME Loan will each be secured by a subordinate mortgage. The PA5 Loan and the HOME Loan will bear simple interest at 1% with a 50-year term. No loan payments will be required on either the PA5 Loan, or the HOME Loan until the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee, or (b) the 13th year following the commencement of amortization of the permanentMortgage Loan. Interest will continue to accrue on each loan until paid in full.

At the earlier of (a) the year in which the sum of all annual surplus funds available for distribution equals or exceeds the amount of the deferred developer fee or (b) the 13th year following the date that Mortgage Loan amortization commences, repayment of the PA5 Loan and the HOME Loan will commence according to the following:

- So long as the Mortgage Loan and the PA5 Loan remain outstanding, then repayment of the PA5 will be made from fifty percent (50%) of any surplus cash available for distribution ("Surplus Funds"), applied first to accrued interest, then to current interest and principal, and no payments will be required on the HOME Loan.

- If the PA5 Loan is repaid in full while the Mortgage Loan remains outstanding, then upon repayment of the PA5 Loan, repayment of the HOME Loan will commence and be made from fifty percent (50%) of Surplus Funds, applied first to accrued interest, then to current interest and principal.

- Upon payment in full of the Mortgage Loan, if both the PA5 Loan and the HOME Loan remain outstanding, then the outstanding balance of the PA 5 Loan, including accrued interest, will become the new first mortgage loan and will begin amortization with monthly payments equal to the payments made under the original Mortgage Loan. At this time, payments on the HOME Loan will commence and be made from fifty percent (50%) of Surplus Funds, applied first to accrued interest, then to current interest and principal.

- Upon payment in full of both the Mortgage Loan and the PA5 Loan, the outstanding balance of the HOME Loan, including accrued interest, will become the new first mortgage loan and will begin amortization with monthly payments equal to the payments made under the original Mortgage Loan.

- The entire principal balance and any accrued interest of the PA5 Loan and the HOME Loan will be due and payable after 50 years.

Notwithstanding the foregoing, in the event of any sale or refinance of the Development, the PA5 Loan and the HOME Loan will be due and payable at that time.

10. Architectural Plans and Specifications; Contractor's Qualification Statement:

Prior to Mortgage Loan Commitment, the architect must submit architectural drawings and specifications that address all design review comments, acceptable to the Authority's Chief Architect and the Director of Development.

Prior to Mortgage Loan Commitment, the general contractor must submit AIA Document A305 as required by the Authority's Chief Architect.

11. Owner/Architect Agreement:

Prior to Mortgage Loan Commitment, the Mortgagor must provide the Authority with an executed Owner Architect Agreement acceptable in form and substance to the Chief Legal Affairs Officer.

12. Trade Payment Breakdown:

Prior to Mortgage Loan Commitment, the general contractor must submit a signed Trade Payment Breakdown acceptable to the Authority's Chief Construction Manager.

13. Section 3 Requirements:

Prior to Mortgage Loan Commitment, the general contractor must agree to comply with all federal Section 3 hiring requirements. The general contractor must provide a copy of the contractor's "Section 3 Hiring Plan" which must be reviewed and found acceptable to the Authority's Section 3 Compliance Officer. In addition, the general contractor must agree to adhere to follow-up reporting requirements as established by the Authority.

14. Equal Opportunity and Fair Housing:

Prior to Mortgage Loan Commitment, the management and marketing agent's Affirmative Fair Housing Marketing Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer for Fair Housing Requirements.

In addition, prior to Mortgage Loan Commitment, the general contractor's Equal Employment Opportunity Plan must be reviewed and found acceptable to the Authority's Equal Employment Officer.

15. Cost Certification:

The contractor's cost certification must be submitted within 90 days following the completion of construction, and the Mortgagor's cost certification must be submitted within 90 days following the Mortgage Cut-off Date. For LIHTC, the owner is obligated to submit cost certifications applicable to itself and the contractor prior to issuance of IRS form 8609 (see LIHTC Program Cost Certification Guidelines).

16. Environmental Review and Indemnification:

Prior to Mortgage Loan Commitment, the Mortgagor must address any outstanding environmental issues, in form and substance acceptable to the Authority's Environmental Review Officer.

At Initial Closing, the Mortgagor must enter an agreement to indemnify the Authority for any loss, damage, liability, claim, or expense which it incurs as a result of any violation of environmental laws. The indemnification agreement must be acceptable to the Chief Legal Affairs Officer.

17. Title Insurance Commitment and Survey:

Prior to Mortgage Loan Commitment, the Mortgagor must provide an updated title insurance commitment, including zoning, pending disbursement, comprehensive, survey and such other endorsements as deemed necessary by the Authority's Chief Legal Affairs Officer. The updated title commitment must contain only exceptions to the insurance acceptable to the Authority's Chief Legal Affairs Officer.

Additionally, prior to Mortgage Loan Commitment, the Mortgagor must provide a surveyor's certificate of facts together with an ALTA survey certified to the 2021 minimum standards, and that appropriately reflects all easements, rights of way, and other issues noted on the title insurance commitment. All documents must be acceptable to the Chief Legal Affairs Officer.

18. Organizational Documents/Equity Pay-In Schedule:

Prior to Mortgage Loan Commitment, the Mortgagor must submit a substantially final form syndication partnership agreement, including an equity pay-in schedule, that is acceptable in form and substance to the Director of Development and Chief Legal Affairs Officer.

At or prior to Initial Closing, the final, executed syndication partnership agreement must become effective and the initial installment of equity must be paid in an amount approved by the Director of Development.

19. Designation of Authority Funds:

The Authority reserves the express right, in its sole discretion, to substitute alternate subordinate funding sources.

20. Management & Marketing:

Prior to Mortgage Loan Commitment, the management and marketing agent must submit the following documents, which must be found acceptable to the Director of Asset

Management:

a. Management Agreement
b. Marketing Addendum

21. Guaranties:

At Initial Closing, the Sponsor, General Partner, and any entity receiving a developer fee in connection with the Development must deliver certain guaranties. The required guaranties include a guaranty of HOME, recapture liability, an operating deficit guaranty and a performance completion guaranty. The required guaranties, the terms thereof and the parties who shall be required to deliver the guaranty must be determined and approved by the Authority's Director of Development.

22. Financial Statements:

Prior to Mortgage Loan Commitment, financial statements for the Sponsor, the guarantor(s) and the general contractor must be reviewed and found acceptable by the Authority's Chief Financial Officer.

If prior to Initial Closing the financial statements that were approved by the Authority become more than six months old, the Sponsor, the guarantor(s) and/or the general contractor must provide the Authority with updated financial statements meeting Authority requirements upon request.

23. Future Contributions:

To ensure the Authority is contributing the least amount of funding necessary to achieve project feasibility, any decrease in Development costs or any future equity sources not included in the Development proforma may, at the Authority's discretion, be utilized to reduce, in equal proportions, any deferred developer fee and Authority soft funds.

24. Ownership of Development Reserves:

At the Initial Closing, the Mortgagor must enter into an agreement confirming the Authority's ultimate ownership of excess cash reserves, escrows and accounts as may exist at the time the Authority's mortgage loans are paid off or the Development is sold or refinanced. This agreement must be acceptable to the Authority's Chief Legal Affairs Officer.

25. HUD Authority to Use Grant Funds:

Prior to Mortgage Loan Commitment, the Authority must receive HUD's Authority to Use Grant Funds (HUD 7015.16) in connection with the proposed HOME Loan from the Authority or confirmation that the Development is categorically excluded from NEPA review.

26. HUD Subsidy Layering Review:.

Prior to Initial Closing, the subsidy layering review must be performed by Authority staff and must be submitted to HUD for approval. The subsidy layering approval is subject to review and approval by the Authority's Director of Development.

27. Application for Disbursement:

Prior to Initial Closing, the Mortgagor must submit an "Application for Disbursement" along with supporting documentation, which must be found acceptable to the Authority's Director of Development.

28. Uniform Relocation Act Compliance:

If the Development is occupied at Initial Closing and any occupants of the Development will be displaced and/or relocated as a result of the rehabilitation of the Development, then the Mortgagor and/or the Sponsor shall ensure compliance with all requirements of the Uniform Relocation Act and implementing regulations as set forth in 24 CFR Part 42 and 49 CFR Part 24, as well as 24 CFR §570.606. Such compliance shall be at the Mortgagor's or Sponsor's sole cost and expense. Prior to Final Closing, the Mortgagor must submit documentation that it has complied with all requirements of the Uniform Relocation Act. This documentation must be found acceptable by the Authority's Director of Development.

Special Conditions:

1. **Legal Requirements:**

The Mortgagor and/or Sponsor must submit documentation acceptable to the Authority's Chief Legal Affairs Officer for the items listed below:

- Prior to Initial Closing, the Michigan Attorney General's Office must complete its review of the transaction and provide the Chief Legal Affairs Officer its recommendation.
- Any other documentation as required by the Chief Legal Affairs Officer, including acceptable evidence of insurance, permits, licenses, zoning approvals, utility availability, payment and performance bonds and other closing requirements.

3. **State Historic Preservation Review:**

Prior to Initial Closing, State Historic Preservation Office review for compliance with the National Historic Preservation Act and/or confirmation of compliance with the Michigan Local Historic Districts Act may be required based on the source of funding, age of the existing building(s), location in a locally designated historic district or if the building(s) are otherwise eligible for listing in the National Register of Historic Places.

4. **PILOT Obtained Post-Commitment:**

The Development has been underwritten with a 4% PILOT indicating support from the municipality. Before Initial Closing, an amended PILOT ordinance acceptable in language, form and substance to the Authority's Chief Legal Affairs Officer must be provided. If the Development does not obtain a PILOT as described above, the

Development must be re-underwritten and if feasible, presented to the Board. If the Development obtains a PILOT representing a lower PILOT payment amount, any savings generated by the PILOT may be applied, at the sole discretion of an Authorized Officer of the Authority, to reduce one or all of the Authority's subordinate loans or be applied against any other obligation that the Mortgagor owes the Authority with any remainder deposited in the Development's Operating Reserve Cash account.

5. **Federal Historic Tax Credits:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit evidence of fulfillment of all conditions to the Historic Preservation Certification Application – Part 2 as described in the conditional approval letter dated March 22, 2023, from the United States Department of Interior. Upon construction completion, the Mortgagor must submit Part III approval from the United States Department of Interior. These documents must be acceptable in form and substance to the Authority's Chief Legal Affairs Officer.

6. **Local HOME Loan:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the City of Detroit HOME Loan and a funding schedule acceptable to the Authority's Chief Legal Affairs Officer and Director of Development.

At or prior to Initial Closing, the final, executed City of Detroit HOME Loan documents must become effective and initial funding of the loan must be made in an amount approved by the Director of Development. The City of Detroit, the Authority and the Mortgagor must enter into a subordination and intercreditor agreement in form and substance acceptable to the Chief Legal Affairs Officer.

7. **Local ARPA Loan:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the City of Detroit ARPA Loan and a funding schedule acceptable to the Authority's Chief Legal Affairs Officer and Director of Development.

At or prior to Initial Closing, the final, executed City of Detroit ARPA Loan documents must become effective and initial funding of the loan must be made in an amount approved by the Director of Development. The City of Detroit, the Authority and the Mortgagor must enter into a subordination and intercreditor agreement in form and substance acceptable to the Chief Legal Affairs Officer.

8. **Designation as Community Service Facility:**

The Sponsor plans to create a Community Service Facility in the HUB building at 447 Henry Street that will be part of the Development. A Community Service Facility is defined in Section 42(d)(4)(C) of the Internal Revenue Code of 1986, as amended ("IRC"). The definition allows for the inclusion in eligible basis of property used throughout the year to provide services primarily to individuals whose income is 60 percent or less of area median income.

.

The Sponsor must submit, prior to closing documentation acceptable to the Authority's Director of Development for the items listed below:

- Opinion from an independent CPA that certifies the anticipated use of the Community Service Facility meets the definitions and requirements of the IRC.
- Opinion from an independent CPA that details the rationale for splitting construction costs amongst multiple projects, two of which will not own the HUB building.

9. Funding Sources and Operation of the HUB Building

Prior to Loan Commitment, the Sponsor and/or Mortgagor must (1) provide evidence acceptable to the Authority's Chief Legal Affairs Officer that no tax-exempt bond funds or other similarly restricted funding sources are allocated to the cost of the build-out of the HUB building; and (2) at final closing, cause the Mortgagor's cost certification to include determinations of the final cost of the HUB building, and that the cost did not exceed the unrestricted sources available, in addition to any other supporting documentation requested by the Authority's Chief Legal Affairs Officer.

The Sponsor is anticipating contributions from the 9% LIHTC and Market Rate properties on the same campus to assist in funding the build-out of the HUB building. Prior to Initial Closing, the Sponsor must provide written commitments for the amount and timing of, and the basis on which these contributions are to be made that are acceptable to the Director of Development and the Chief Legal Affairs Officer. A shared use agreement for the building that will govern the use and operation of the HUB building and the share of operating costs, repairs and replacements to be borne by each of the three developments that will share in the use of the HUB must be executed at Initial Closing in a form acceptable to the Authority's Chief Legal Affairs Officer.

DEVELOPMENT TEAM AND SITE INFORMATION

I. MORTGAGOR: Henry Street 4% Limited Dividend Housing Association, LLC

II. GUARANTOR(S):

A. Guarantor #1:

Name: ODM Management, LLC
Address: 2211 Woodward Avenue
Detroit, MI 48201

B. Guarantor #2:

Name: Cinnaire Solutions Corporation
Address: 2111 Woodward Ave, Suite 600
Detroit, MI 48201

III. DEVELOPMENT TEAM ANALYSIS:

A. <u>Sponsor</u>:

Name: ODM Management, LLC
Address: 2211 Woodward Avenue
Detroit, MI 48201

Individuals Assigned: Tyler E. Hardy
Telephone: 313-725-3621
Fax: Not supplied
E-mail: Tyler.Hardy@OlyDev.com

1. **<u>Experience</u>**: The Sponsor does not have experience working on Authority-financed developments.

2. **<u>Interest in the Mortgagor and Members</u>**: 0.49%

<u>Co-Sponsor</u>:

Name: Cinnaire Solutions Corporation
Address: 2111 Woodward Ave, Suite 600
Detroit, MI 48201

Individuals Assigned: Ed Potas
Telephone: 313-544-4009
Fax: 517-482-8598
E-mail: EPotas@cinnaire.com

1. **<u>Experience</u>**: The Co-Sponsor has extensive experience working on Authority-financed developments.

2. **<u>Interest in the Mortgagor and Members</u>**: 0.51%

B. <u>Architect</u>:

Name: Neuman Smith
Address: 400 Galleria Officentre, Suite 555
Southfield, MI 48034

Individual Assigned: Joel L Smith
Telephone: 248-352-8310
Fax: Not Supplied
E-Mail: info@neumannsmith.com

1. **<u>Experience</u>**: Architect has previous experience with Authority-financed developments.

2. **<u>Architect's License</u>**: License number10301031120 exp. 10/16/2025.

C. Attorney:

Name: Dykema
Address: 400 Renaissance Center
Detroit, MI 48243

Individual Assigned: Rochelle E Lento
Telephone: 313-568-5322
Fax: 313-568-6893
E-Mail: rlento@dykema.com

1. **Experience**: This firm has experience in closing Authority-financed developments.

D. Builder:

Name: O'Brien Construction Company
Address: 966 Livernois Rd
Troy, MI 48083

Individual Assigned: David Vivio
Telephone: 248-334-2470
Fax: 248-334-0210
E-mail: DVIVIO@OBRIENCC.COM

1. **Experience**: The firm has previous experience in constructing Authority-financed developments.

2. **State Licensing Board Registration**: License #242300177 David James Vivio, expiration date of 05/31/2026

E. Management and Marketing Agent:

Name: Elite Property Management LLC
Address: 16250 Northland Dr. Suite 301
Southfield, MI 48075

Individual Assigned: Kim Hagood
Telephone: 313-680-9440
Fax: 248-228-1345
E-mail: khagood@elitp-m.com

1. **Experience:** This firm has significant experience managing Authority-financed developments.

2. **Development Team Recommendation:** GO - this is a strong team with the appropriate experience.

IV. SITE DATA:

A. Land Control/Purchase Price:
The sponsor has entered into a purchase agreement for $3,100,000.

B. Site Location:
447 & 459 Henry Street, Detroit, Michigan

C. Size of Site:
.207 acres

D. Density:
Existing building and appropriate for use with a maximum of 52 units.

E. Physical Description:

1. Present Use: vacant
2. Existing Structures: one four story building and one single story building
3. Relocation Requirements: There are currently no tenants in the buildings

F. Zoning:

B4 General business district and the current apartment use is permitted.

G. Contiguous Land Use:

1. North: Proposed community building
2. South: Parking area
3. East: Fisher Freeway
4. West: Henry Street

H. Tax Information:
The city has indicated support for a 4% PILOT.

I. Utilities:
DTE Energy supplies the electricity and gas.
The City of Detroit supplies the water, sewer, and storm drain.

J. Community Facilities:

1. Shopping:
   Many retail opportunities within one half of a mile and a whole foods grocery store is about .7 miles from the site.
2. Recreation:
   There are many recreational venues in the area and five parks less than

one mile from the site.

3. Public Transportation:
   Bus stops are within walking distance.
4. Road Systems
   The site is located among various thoroughfares.
5. Medical Services and other Nearby Amenities:
   DMC regional hospital is located one mile away.
6. Description of Surrounding Neighborhood:
   A typical urban landscape with a mix of residential and commercial, there has been a lot of investment in the area over the last few years.
7. Local Community Expenditures Apparent:
   The roads and other community amenities have been well maintained and there has been significant investment in the area over the last few years.
8. Indication of Local Support:
   The City of Detroit will invest HOME and ARPA funds and will support a 4% PILOT once the Authority's board approves this transaction, and it moves towards initial closing.

V. ENVIRONMENTAL FACTORS:

A Phase I Environmental Site Assessment was submitted to the Authority and has been reviewed by the Authority's Environmental Manager. (See Standard Condition No. 16).

VI. DESIGN AND COSTING STATUS:

Architectural plans and specifications consistent with the scope of work have been reviewed by the Chief Architect. A response to all design review comments and the submission of corrected and final plans and specifications must be made prior to initial closing.

This proposal will satisfy the State of Michigan barrier-free requirements, the Authority's policy regarding accessibility and non-discrimination for the disabled, the Fair Housing Amendments Act of 1988, and the HOME requirements for barrier-free vision and hearing designed units. Construction documents must be acceptable to the Authority's Chief Architect.

VII. MARKET SUMMARY:

The Market study has been reviewed by the Authority's Manager of the Office of Market Research and found to be acceptable. The Authority's Manager of the Office of Market Research has reviewed and approved the unit mix, rental structure, and unit amenities.

VIII. EQUAL OPPORTUNITY AND FAIR HOUSING:

The contractor's Equal Employment Opportunity Plan is currently being reviewed and must be approved by the Authority's Chief Construction Manager prior to initial closing. The management and marketing agent's Affirmative Fair Housing Marketing Plan has been approved.

IX. MANAGEMENT AND MARKETING:

The management/marketing agent has submitted application-level management and marketing information, to be approved prior to initial closing by the Authority's Director of Asset Management.

X. FINANCIAL STATEMENTS:

The sponsor's/guarantor's and the builder's financial statements have been submitted and are to be approved prior to initial closing by the Authority's Director of Development.

XI. DEVELOPMENT SCHEDULING:

A. Mortgage Loan Commitment:	July 2024
B. Initial Closing and Disbursement:	September 2024
C. Construction Completion:	December 2025
D. Cut-Off Date:	May 2026

XII. ATTACHMENTS:

A. Development Proforma

APPROVALS:

Chad A. Benson 7/12/2024
Chad Benson Date
Director of Development

Anthony Lentych 7/11/2024
Anthony Lentych Date
Chief Housing Investment Officer

Clarence L. Stone, Jr. 7/10/2024
Clarence L. Stone, Jr. Date
Chief Legal Affairs Officer

Amy Hovey 07/12/24
Amy Hovey Date
Chief Executive Officer and Executive Director

Development	Henry Street 4%
Financing	Tax Exempt
MSHDA No.	4020
Step	Application
Date	07/18/2024
Type	Acquisition/Rehab

Mortgage Assumptions:

Debt Coverage Ratio	1.45	
Mortgage Interest Rate	6.625%	
Pay Rate	6.625%	
Mortgage Term	40	years
Income from Operations	No	

Instructions

				Per Unit	Total	Initial Inflation Factor	Beginning in Year	Future Inflation Factor
Total Development Income Potential								
Annual Rental Income				9,955	438,012	1.0%	6	2.0%
Annual Non-Rental Income				68	3,000	1.0%	6	2.0%
Total Project Revenue				10,023	441,012			
Total Development Expenses								
							Future Vacancy	
Vacancy Loss	10.00%	of annual rent potential		995	43,801		6	10.0%
Management Fee	634	per unit per year		634	27,896	3.0%	1	3.0%
Administration				1,200	52,800	3.0%	1	3.0%
Project-paid Fuel				335	14,740	3.0%	6	3.0%
Common Electricity				300	13,200	4.0%	6	3.0%
Water and Sewer				660	29,040	5.0%	6	5.0%
Operating and Maintenance				1,700	74,800	3.0%	1	3.0%
Real Estate Taxes				0		5.0%	1	5.0%
Payment in Lieu of Taxes (PILOT)	4.00%	Applied to: All Units		307	13,489			
Insurance				690	30,372	3.0%	1	3.0%
Replacement Reserve	300	per unit per year		300	13,200	3.0%	1	3.0%
Other: City of Detroit HOME/ARPA Loan Payment				57	2,500	3.0%	1	3.0%
Other:				0		3.0%	1	3.0%
			% of Revenue	4,885	214,952			
Total Expenses			71.62%	**7,178**	**315,838**			
Base Net Operating Income				2,845	125,174	Override		
Part A Mortgage Payment			19.57%	1,962	86,327			
Part A Mortgage				**27,507**	**1,210,308**			
Non MSHDA Financing Mortgage Payment				0				
Non MSHDA Financing Type:				**0**				
Base Project Cash Flow (excludes ODR)			8.81%	883	38,847			

Development	Henry Street 4%
Financing	Tax Exempt
MSHDA No.	4020
Step	Application
Date	07/18/2024
Type	Acquisition/Rehab

Instructions

Income Limits for	Wayne County				(Effective May 1,2024)	
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	20,160	23,040	25,920	28,770	31,080	33,390
40% of area median	26,880	30,720	34,560	38,360	41,440	44,520
50% of area median	33,600	38,400	43,200	47,950	51,800	55,650
60% of area median	40,320	46,080	51,840	57,540	62,160	66,780

Rental Income

Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	TC Units Square Feet	Unit Type	Max Allowed Housing Expense	Rent Limited By
60%	Area Median Income Units																
Family	Occupancy																
A	32	Apartment	0	1.0	346	830	74	904	318,720	72.8%	72.7%	11,072	66.9%	11,072		994	TC Rent
B	3	Apartment	1	1.0	680	980	85	1,065	35,280	8.1%	6.8%	2,040	12.3%	2,040		1,065	TC Rent
									354,000	80.8%	79.5%	13,112	79.2%	13,112			
60%	Area Median Income Units																
Family	Occupancy																
A	6	Apartment	0	1.0	346	771	74	845	55,512	12.7%	13.6%	2,076	12.5%	2,076	High HOME	845	HOME Rent
B	1	Apartment	1	1.0	680	867	85	952	10,404	2.4%	2.3%	680	4.1%	680	High HOME	952	HOME Rent
									65,916	15.0%	15.9%	2,756	16.6%	2,756			
60%	Area Median Income Units																
50%	Tenant AMI Restriction (if different from rent restriction)																
Family	Occupancy																
A	2	Apartment	0	1.0	346	754	74	828	18,096	4.1%	4.5%	692	4.2%	692	Low HOME	828	HOME Rent
									18,096	4.1%	4.5%	692	4.2%	692			
Mgrs									0	0.0%	0.0%	0	0.0%	0			
												16,560		**16,560**			

Total Revenue Units	**44**
Manager Units	**0**
Income Average	60.00%
Set Aside	100.00%

Gross Rent Potential	**438,012**
Average Monthly Rent	**830**
Gross Square Footage	**16,560**

HOME Units SF/Total Units SF	20.8%	**Within Range**
# HOME Units/# Total Units	20.5%	**Within Range**

Annual Non-Rental Income

Misc. and Interest	
Laundry	2,000
Carports	
Other:	
Other: Pet Fees	1,000
	3,000

9% HUB paymnet $17,800

Utility Allowances

	Tenant-Paid	Tenant-Paid	Tenant-Paid	Owner-Paid	Owner-Paid		
	Electricity	A/C	Gas	Water/ Sewer	Other	Total	Override
A	43.00		49.00			92	74.00
B	49.00		56.00			105	85.00
C						0	
D						0	
E						0	
F						0	
G						0	
H						0	

Total Income	**Annual**	**Monthly**
Rental Income	438,012	36,501
Non-Rental Income	3,000	250
Total Project Revenue	441,012	36,751

Development	Henry Street 4%
Financing	Tax Exempt
MSHDA No.	4020
Step	Application
Date	07/18/2024
Type	Acquisition/Rehab

Instructions

TOTAL DEVELOPMENT COSTS		Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Acquisition						
Land		26,136	1,150,000	0%	0	0
Existing Buildings		44,318	1,950,000	100%	1,950,000	0
Other:		0		0%	0	0
	Subtotal	**70,455**	**3,100,000**			
Construction/Rehabilitation						
Off Site Improvements		0		100%	0	0
On-site Improvements		16,624	731,435	100%	731,435	0
Landscaping and Irrigation		1,126	49,547	100%	49,547	49,547
Structures		225,674	9,929,653	100%	9,929,653	9,929,653
Community Building and/or Maintenance Facility		0		0%	0	0
Construction not in Tax Credit basis (i.e.Carports and Commercial Space)		32,338	1,422,863	0%	0	0
General Requirements	% of Contract 6.00% Within Range	16,641	732,210	100%	732,210	732,210
Builder Overhead	% of Contract 2.00% Within Range	5,880	258,714	100%	258,714	258,714
Builder Profit	% of Contract 5.00% Within Range	14,994	659,721	100%	659,721	659,721
Bond Premium, Tap Fees, Cost Cert.		5,773	254,000	100%	254,000	254,000
Other: Site Security		1,591	70,000	100%	70,000	70,000
	Subtotal	**320,640**	**14,108,143**			
	15% of acquisition and $15,000/unit test:		met			
Professional Fees						
Design Architect Fees		10,102	444,491	100%	444,491	444,491
Supervisory Architect Fees		1,965	86,466	100%	86,466	86,466
Landscape Architect Fees		0		100%	0	0
Engineering/Survey		1,742	76,643	100%	76,643	76,643
Legal Fees		2,388	105,071	100%	105,071	105,071
Interior Design Fees		0		100%	0	0
Other:		0		100%	0	0
	Subtotal	**16,197**	**712,671**			
Interim Construction Costs						
Property & Casualty Insurance		1,208	53,151	100%	53,151	53,151
Construction Loan Interest	Override **897,927**	20,407	897,927	76%	684,135	684,135
Title Work		1,375	60,500	100%	60,500	0
Construction Taxes		750	33,000	100%	33,000	33,000
Permits		4,814	211,800	100%	211,800	211,800
Other:		0		100%	0	0
	Subtotal	**28,554**	**1,256,378**			
Permanent Financing						
Loan Commitment Fee to MSHDA	2%	7,481	329,181	0%	0	0
Other:		0		0%	0	0
	Subtotal	**7,481**	**329,181**			
Other Costs (In Basis)						
Application Fee		45	2,000	100%	2,000	2,000
Market Study		166	7,288	100%	7,288	7,288
Environmental Studies		1,324	58,254	100%	58,254	58,254
Cost Certification		341	15,000	100%	15,000	15,000
Equipment and Furnishings		3,115	137,049	100%	137,049	0
Temporary Tenant Relocation		0	0	100%	0	0
Construction Contingency		48,096	2,116,220	100%	2,116,220	2,116,220
Appraisal and C.N.A.		0		100%	0	0
Other: 4% share of walkways, dumpters, right of way improvement		11,968	526,574	100%	526,574	526,574
	Subtotal	**65,054**	**2,862,385**			
Other Costs (NOT In Basis)						
Start-up and Organization		455	20,000	0%	0	0
Tax Credit Fees (based on 2022 QAP)	60,131 Within Range	1,367	60,131	0%	0	0
Compliance Monitoring Fee (based on 2022 QAP)		475	20,900	0%	0	0
Marketing Expense		313	13,762	0%	0	0
Syndication Legal Fees		1,250	55,000	0%	0	0
Rent Up Allowance	5.0 months	1,175	51,685	0%	0	0
Other: City of Detroit Legal		909	40,000	100%	40,000	40,000
	Subtotal	**5,943**	**261,478**			

Summary of Acquisition Price		As of	
Attributed to Land	1,150,000	1st Mortgage Balance	
Attributed to Existing Structure	1,950,000	Subordinate Mortgage(s)	
Other:	0	Subordinate Mortgage(s)	
Fixed Price to Seller	3,100,000	Subordinate Mortgage(s)	
		Premium/(Deficit) vs Existing Debt	**3,100,000**

Construction Loan Term	Months
Construction Contract	16
Holding Period (50% Test)	
Rent Up Period	5
Construction Loan Period	21

Appraised Value	Value As of:	May 4, 2022
"Encumbered As-Is" value as determined by appraisal:		3,100,000
LESS Fixed Price to the Seller:		3,100,000
Surplus/(Gap)	Within Range	**0**

Override

As Is Value	$3,100,000
Land Only	$1,150,000

		Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis	OAR Funded Yr 1	4 Month OAR
Project Reserves								
Operating Assurance Reserve	4.0 months Funded in Cas	3,047	134,055	0%	0	0	134,055	134,055
Replacement Reserve	Required	700	30,800	0%	0	0		
Operating Deficit Reserve		1,076	47,343	0%	0	0		
Rent Subsidy Reserve		0	0	0%	0	0		
Syndicator Held Reserve		0	0	0%	0	0		
Rent Lag Escrow		0	0	0%	0	0		
Tax and Insurance Escrows		0	0	0%	0	0		
Other:		0		0%	0	0		
Other:		0		0%	0	0		
	Subtotal	**4,823**	**212,198**					
Miscellaneous								
Deposit to Development Operating Account (1MGRP)	Not Required	0	0	0%	0	0		
Other (Not in Basis):		0	0	0%	0	0		
Other (In Basis):		0	0	100%	0	0		
Other (In Basis):		0	0	100%	0	0		
	Subtotal	**0**	**0**					
Total Acquisition Costs		**70,455**	**3,100,000**					
Total Construction Hard Costs		**320,640**	**14,108,143**					
Total Non-Construction ("Soft") Costs		**128,052**	**5,634,292**					
Developer Overhead and Fee								
Maximum 3,177,950		47,727	2,100,000	100%	2,100,000	2,100,000		
7.5% of Acquisition/Project Reserves	Override	**5% Attribution Test**						
15% of All Other Development Costs	2,100,000		met					
Total Development Cost		**566,874**	**24,942,435**					

LIHTC Basis	Historic Basis	Aggregate Basis
21,392,923	18,513,939	22,542,923

TOTAL DEVELOPMENT SOURCES		% of TDC	Per Unit	Total
MSHDA Permanent Mortgage		4.85%	27,507	1,210,308
Conventional/Other Mortgage		0.00%	0	0
Equity Contribution From Tax Credit Syndication		31.39%	177,920	7,828,491
MSHDA NSP Funds		0.00%	0	
MSHDA HOME		3.40%	19,295	848,999
MSHDA PA5 Loan		10.58%	60,000	2,640,000
MSHDA TCAP		0.00%	0	
MSHDA Housing Trust Funds		0.00%	0	
MSHDA CERA		0.00%	0	
GP Cap Con (Real Estate)		12.43%	70,455	3,100,000
Equity from 9% and Mkt. Project for the HUB		5.70%	32,338	1,422,863
City of Detroit HOME		2.00%	11,364	500,000
Income from Operations		0.03%	188	8,277
Other Equity	Historic Tax Credit Equity	13.06%	74,048	3,258,130
Transferred Reserves:		0.00%	0	0
Other:	GP Capital Contribution	7.60%	43,066	1,894,902
Other:	City of Detroit ARPA			990,000
Other:	GP Cap Con (LEO Grant)	4.01%	22,727	1,000,000
Deferred Developer Fee		0.96%	5,465	240,465
Total Permanent Sources				**24,942,435**

# of Units	Gap to Hard Debt Ratio	Home Subsidy Limit	HOME Unit Mix	HTF Unit Mix
0.00	661.97%	1,504,759	8 Zero Bedroor	0 Zero Bedroom, 1 Bath,
9.00			1 One Bedroon	0 One Bedroom, 1 Bath, (
		HTF Subsidy Limit		
0.00				
0.00		0		
0.00				
6.00				
3.00				

Deferred Dev Fee
11.45%

Sources Equal Uses?	**Balanced**
Surplus/(Gap)	**0**

MSHDA Construction Loan		**52.00%**	**294,774**	**12,970,066**
Construction Loan Rate	6.625%			
Repaid from equity prior to final closing				**11,759,758**

Eligible Basis for LIHTC/TCAP		**Value of LIHTC/TCAP**		
Acquisition	2,105,000	Acquisition	84,200	
Construction	20,260,675	Construction	810,427	Override
Acquisition Credit %	4.00%	Total Yr Credit	894,627	
Rehab/New Const Credit %	4.00%	Equity Price	$0.8751	
Qualified Percentage	100.00%	Equity Effective Price	$0.8846	Override
QCT/DDA Basis Boost	130%	Equity Contribution	7,828,098	7,828,491
Historic?	Yes			

Existing Reserve Analysis			
DCE Interest:		Current Owner's Reserves:	0
Insurance:		Reserves Transferred in to Project	0
Taxes:		Tax/Ins Escrows transferred to project	0
Rep. Reserve:			
ORC:			
DCE Principal:			
Other:			

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	7,828,491
Brownfield Equity	
Historic Tax Credit Equity	3,258,130
General Partner Capital Contributions	1,422,863
Other Equity Sources	
New Owner's Equity	**12,509,484**

Sponsor Sources:	
GP Capital Contribution	$1,894,902
GP Cap Con (LEO Grant)	$1,000,000
GP Cap Con (Real Estate)	$3,100,000
9% HUB Pymt:	$451,703
Mkt HUB Pymt:	$971,160
Total	$7,417,765

Development Henry Street 4%
Financing Tax Exempt
MSHDA No. 4020
Step Application
Date 07/18/2024
Type Acquisition/Rehab

Amenities Check List

	Ceiling Fan				
	Coat Closet				
X	Dishwasher	**In 1-bed units only**			
X	Exterior Storage				
X	Frost Free Refridgerator				
X	Garbage Disposal				
	Individual Entry				
	Microwave				
X	Mini-blinds				
	Patio/balcany				
X	Self-cleaning oven				
	Walk-in closet				
	Basketball Court				
	Playground				
	Clubhouse				
X	Community room				
	Computer / Business Center				
	Elevator				
X	Exercise room				
X	On-site management				
	Picnic area				
	Other:				
X	Laundry Type:	Laundry room			
X	Air Conditioning:	Central			
	Security: Lighting				
X	Security: Intercom				
	Security: Other				
	Carport	Fee ($):		# of spaces:	
	Attached Garage	Fee ($):		# of spaces:	
	Detached Garage	Fee ($):		# of spaces:	

Congregate Facilities

	24-hour on-site management
	Activities
	Emergency Pullcord
	Healthcare services
	Housekeeping
	Activities director
	Library
	Movie theatre
	Transportation services

Development Henry Street 4%
Financing Tax Exempt
MSHDA No. 4020
Step Application
Date 07/18/2024
Type Acquisition/Rehab

Replacement Reserve Analysis

Cost Inflation	103%
RR Period	20

Min. Deposit	30,800
15 Year	0
20 Year	0

Required Initial Deposit **30,800**
Per Unit **700**

Year	Starting Balance	RR Needs	Contribution	Net Annual Change	Interest	Ending Balance
1	30,800		13,200	13,200	924	44,924
2	44,924		13,596	13,596	1,348	59,868
3	59,868		14,004	14,004	1,796	75,668
4	75,668		14,424	14,424	2,270	92,362
5	92,362		14,857	14,857	2,771	109,989
6	109,989		15,302	15,302	3,300	128,591
7	128,591		15,761	15,761	3,858	148,211
8	148,211		16,234	16,234	4,446	168,891
9	168,891		16,721	16,721	5,067	190,679
10	190,679		17,223	17,223	5,720	213,623
11	213,623		17,740	17,740	6,409	237,771
12	237,771		18,272	18,272	7,133	263,176
13	263,176		18,820	18,820	7,895	289,891
14	289,891		19,385	19,385	8,697	317,973
15	317,973		19,966	19,966	9,539	**347,478**
16	347,478		20,565	20,565	10,424	378,468
17	378,468		21,182	21,182	11,354	411,004
18	411,004		21,818	21,818	12,330	445,152
19	445,152		22,472	22,472	13,355	480,978
20	480,978		23,146	23,146	14,429	**518,554**

Total Units	44
Interest Rate on Reserves	3%
Year 1 RR Deposits	300
Min Initial Deposit ($700/unit)	30800

Development Henry Street 4%
Financing Tax Exempt
MSHDA No. 4020
Step Application
Date 7/18/2024
Type Acquisition/Rehab

Use Sources & Uses Page: Sources & Uses

Pay-In Schedule

	Amount Budgeted from Costs	Oct 2024 Initial Closing	Nov 2024 Draw 2	Dec 2024 Draw 3	Jan 2025 Draw 4	Feb 2025 Draw 5	Mar 2025 Draw 6	Apr 2025 Draw 7	May 2025 Draw 8	Jun 2025 Draw 9	Jul 2025 Draw 10	Aug 2025 Draw 11	Sep 2025 Draw 12	Oct 2025 Draw 13	Nov 2025 Draw 14	Dec 2025 Draw 15	Jan 2026 Draw 16	Feb 2026 Draw 17	Mar 2026 Draw 18	Apr 2026 Draw 19	May 2026 Draw 20	Jun 2026 Draw 21	Jul 2026 Draw 22	Aug 2026 Draw 23	Sep 2026 Draw 24	Oct 2026 Draw 25	Nov 2026 Draw 26	Dec 2026 Draw 27	Jan 2027 Draw 28	Feb 2027 Draw 29	Total	Variance
		10/1/2024	8%	14%	20%	26%	32%	38%	44%	50%	56%	62%	68%	74%	80%	86%	92%	98%	100%													
Uses																																
Acquisition	3,100,000	3,100,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,100,000	0
Land	1,150,000	1,150,000																													1,150,000	0
Existing Buildings	1,950,000	1,950,000																													1,950,000	0
Other:	0																														0	0
Override																															0	0
Construction/Rehabilitation	14,108,143	254,000	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	346,354	0	0	0	0	0	0	0	0	0	0	0	14,108,143	0
Off Site Improvements	0																														0	0
On-site Improvements	731,435																														0	(731,435)
Landscaping and Irrigation	49,547																														0	(49,547)
Structures	9,929,653																														0	(9,929,653)
Community Building and/or Maint	0																														0	0
Construction not in Tax Credit ba	1,422,863																														0	(1,422,863)
General Requirements	732,210																														0	(732,210)
Builder Overhead	258,714																														0	(258,714)
Builder Profit	659,721																														0	(659,721)
Bond Premium, Tap Fees, Cost	254,000	254,000																													254,000	0
Other: Site Security	70,000																														0	(70,000)
Override			844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	844,237	346,354												13,854,143	13,854,143
Professional Fees	712,671	626,205	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	0	0	0	0	0	0	0	0	0	0	0	0	712,671	0
Design Architect Fees	444,491	444,491																													444,491	0
Supervisory Architect Fees	86,466		5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404	5,404													86,466	0
Landscape Architect Fees	0																														0	0
Engineering/Survey	76,643	76,643																													76,643	0
Legal Fees	105,071	105,071																													105,071	0
Interior Design Fees	0																														0	0
Other:	0																														0	0
Override																															0	0
Interim Contruction Costs	358,451	325,451	0	0	0	0	11,000	0	0	0	0	0	11,000	0	0	0	0	0	11,000	0	0	0	0	0	0	0	0	0	0	0	358,451	0
Property & Casualty Insurance	53,151	53,151																													53,151	0
Title Work	60,500	60,500																													60,500	0
Construction Taxes	33,000						11,000						11,000						11,000												33,000	0
Permits	211,800	211,800																													211,800	0
Other:	0																														0	0
Override																															0	0
Construction Loan Interest	897,927		0	0	0	0	0	2,157	6,859	11,588	16,343	22,408	28,784	35,255	41,921	48,404	54,923	61,478	70,976	70,976	70,976	70,976	70,976	70,976	70,976	70,976	0	0	0	0	897,927	0
Permanent Financing	329,181	329,181	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	329,181	0
2% Loan Commitment Fee to MS	329,181	329,181																													329,181	0
Other:	0																														0	0
Override																															0	0
Other Costs(In Basis)	2,862,385	67,542	0	0	0	0	0	0	0	0	281,659	281,659	281,659	281,659	281,659	281,659	281,659	808,233	15,000	0	0	0	0	0	0	0	0	0	0	0	2,862,385	0
Application Fee	2,000	2,000																													2,000	0
Market Study	7,288	7,288																													7,288	0
Environmental Studies	58,254	58,254																													58,254	0
Cost Certification	15,000																		15,000												15,000	0
Equipment and Furnishings	137,049										17,131	17,131	17,131	17,131	17,131	17,131	17,131	17,131													137,049	0
Temporary Tenant Relocation	0																														0	0
Construction Contingency	2,116,220										264,528	264,528	264,528	264,528	264,528	264,528	264,528	264,528													2,116,220	0
Appraisal and C.N.A.	0																														0	0
Other: 4% share of walkways, du	526,574																	526,574													526,574	0
Override																															0	0
Other Costs(NOT In Basis)	261,478	135,233	0	0	0	0	0	0	0	0	1,059	1,059	1,059	40,957	1,059	1,059	1,059	1,059	73,644	1,059	1,059	1,059	1,059	0	0	0	0	0	0	0	261,478	0
Start-up and Organization	20,000	20,000																													20,000	0
Tax Credit Fees (based on 2022	60,131	20,233												39,898																	60,131	0
Compliance Monitoring Fee (bas	20,900																		20,900												20,900	0
Marketing Expense	13,762										1,059	1,059	1,059	1,059	1,059	1,059	1,059	1,059	1,059	1,059	1,059	1,059	1,059								13,762	0
Syndication Legal Fees	55,000	55,000																													55,000	0
Rent Up Allowance	51,685																		51,685												51,685	0
Other: City of Detroit Legal	40,000	40,000																													40,000	0
Override																															0	0
Project Reserves	212,198	212,198	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	212,198	0
Operating Assurance Reserve	134,055	134,055																													134,055	0
Replacement Reserve	30,800	30,800																													30,800	0
Operating Deficit Reserve	47,343	47,343																													47,343	0
Rent Subsidy Reserve	0																														0	0
Syndicator Held Reserve	0																														0	0
Rent Lag Escrow	0																														0	0
Tax and Insurance Escrows	0																														0	0
Other:	0																														0	0
Other:	0																														0	0
Override																															0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposit to Development Operati	0																														0	0
Other (Not in Basis):	0																														0	0
Other (In Basis):	0																														0	0
Other (In Basis):	0																														0	0
Override																															0	0
Developer Fee	2,100,000	419,849																	419,849							931,117				97,673	1,868,488	(231,512)
Total Uses	24,942,435	5,469,659	849,641	849,641	849,641	849,641	860,641	851,798	856,500	861,229	1,148,701	1,154,767	1,172,142	1,207,511	1,174,280	1,180,763	1,187,281	1,720,410	936,822	72,035	72,035	72,035	72,035	70,976	70,976	1,002,093	0	0	0	97,673	24,710,923	(231,512)
Cumulative Uses		*5,469,659*	*6,319,300*	*7,168,941*	*8,018,582*	*8,868,223*	*9,728,864*	*10,580,661*	*11,437,162*	*12,298,390*	*13,447,091*	*14,601,858*	*15,774,000*	*16,981,511*	*18,155,791*	*19,336,553*	*20,523,835*	*22,244,245*	*23,181,067*	*23,253,101*	*23,325,136*	*23,397,171*	*23,469,205*	*23,540,181*	*23,611,157*	*24,613,250*	*24,613,250*	*24,613,250*	*24,613,250*	*24,710,923*		
Sources Interest Rate	6.625%																															
Construction Loan	12,970,066						390,641	851,798	856,500	861,229	1,098,701	1,154,767	1,172,142	1,207,511	1,174,280	1,180,763	1,187,281	1,720,410								-12,856,022					0	(12,970,066)
MSHDA Permanent Mortgage	1,210,308																									1,210,308					1,210,308	0
Conventional/Other Mortgage	0																														0	0
Equity Contribution From Tax Credit Syndication	7,828,491	2,233,954																	1,675,188							7,072,156				105,323	11,086,621	3,258,130
MSHDA NSP Funds	0																														0	0
MSHDA HOME	848,999	50,000									50,000												748,999								848,999	0
MSHDA PA5 Loan	2,640,000					1,139,367	470,000																1,030,633								2,640,000	0
MSHDA TCAP	0																														0	0
MSHDA Housing Trust Funds	0																														0	0
MSHDA CERA	0																														0	0
GP Cap Con (Real Estate)	3,100,000	3,100,000																													3,100,000	0
Equity from 9% and Mkt. Project for the HUB	1,422,863																		1,422,863												1,422,863	0
City of Detroit HOME	500,000			61,722	678,004	-289,726																	50,000								500,000	0
Income from Operations	8,277																						8,277								8,277	0
Other Equity Historic Tax Credit Equity	3,258,130																														0	(3,258,130)
Transferred Reserves:	0																														0	0
Other: GP Capital Contribution	1,894,902	1,894,902																													1,894,902	0
Other: GP Cap Con (LEO Grant)	1,000,000																		1,000,000												1,000,000	0
Deferred Developer Fee	240,465																														0	(240,465)
Construction Loan Running Balance		0	0	0	0	0	390,641	1,242,439	2,098,939	2,960,168	4,058,869	5,213,635	6,385,777	7,593,288	8,767,568	9,948,330	11,135,612	12,856,022	12,856,022	12,856,022	12,856,022	12,856,022	12,856,022	12,856,022	12,856,022	0	0	0	0	0		
Total Sources	23,952,435	7,278,856	0	61,722	678,004	849,641	860,641	851,798	856,500	861,229	1,148,701	1,154,767	1,172,142	1,207,511	1,174,280	1,180,763	1,187,281	1,720,410	4,098,051	0	0	0	1,837,909	0	0	-4,573,558	0	0	0	105,323	23,711,970	(240,465)
Cumulative Sources		*7,278,856*	*7,278,856*	*7,340,578*	*8,018,582*	*8,868,223*	*9,728,864*	*10,580,661*	*11,437,162*	*12,298,390*	*13,447,091*	*14,601,858*	*15,774,000*	*16,981,511*	*18,155,791*	*19,336,553*	*20,523,835*	*22,244,245*	*26,342,296*	*26,342,296*	*26,342,296*	*26,342,296*	*28,180,205*	*28,180,205*	*28,180,205*	*23,606,647*	*23,606,647*	*23,606,647*	*23,606,647*	*23,711,970*		
Balance	-990,000	1,809,197	-849,641	-787,919	-171,637	0	0	0	0	0	0	0	0	0	0	0	0	0	3,161,229	-72,035	-72,035	-72,035	1,765,875	-70,976	-70,976	-5,575,651	0	0	0	7,650	-998,953	
Cumulative Balance		*1,809,197*	*959,556*	*171,637*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*3,161,229*	*3,089,194*	*3,017,160*	*2,945,125*	*4,711,000*	*4,640,024*	*4,569,048*	*-1,006,603*	*-1,006,603*	*-1,006,603*	*-1,006,603*	*-998,953*	*0*	
Eligible basis items plus land	22,542,923																															
50% Test (for 4% deals)		0%	0%	0%	0%	0%	2%	5%	8%	12%	16%	21%	26%	30%	35%	40%	45%	52%	52%	52%	52%	52%	52%	52%	52%	0%	0%	0%	0%	0%		

DRAFT
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY
HENRY STREET 4% APARTMENTS, MSHDA DEVELOPMENT NO. 4020
CITY OF DETROIT, WAYNE COUNTY

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (the "Act"), to make mortgage loans to qualified non-profit housing corporations, consumer housing cooperatives and limited dividend housing corporations and associations; and

WHEREAS, an Application for Mortgage Loan Feasibility has been filed with the Authority by ODM Management, LLC and Cinnaire Solutions Corporation (collectively the "Applicant") for a multifamily housing project to be located in the City of Detroit, Wayne County, Michigan, having an estimated total development cost of Twenty-Four Million Nine Hundred Forty-Two Thousand Four Hundred Thirty-Five Dollars ($24,942,435), a total estimated maximum mortgage loan amount of Twelve Million Nine Hundred Seventy Thousand Sixty-Six Dollars ($12,970,066) and a PA5 loan in the amount of Two Million Six Hundred Forty Thousand Dollars ($2,640,000) (hereinafter referred to as the "Application"); and

WHEREAS, a housing association to be formed by the Applicant may become eligible to receive a mortgage loan from the Authority under the provisions of the Act and the Authority's General Rules; and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and her recommendation with respect thereto; and

WHEREAS, the Authority has considered the Application in the light of the Authority's project mortgage loan feasibility evaluation factors.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The following determinations be and they hereby are made:

   a. The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located, thereby enhancing the viability of such housing.

   b. The Applicant is reasonably expected to be able to achieve successful completion of the proposed housing project.

   c. The proposed housing project will meet a social need in the area in which it is to be located.

   d. A mortgage loan, or a mortgage loan not made by the Authority that is a federally-aided mortgage, can reasonably be anticipated to be obtained to provide financing for the proposed housing project.

e. The proposed housing project is a feasible housing project.

f. The Authority expects to allocate to the financing of the proposed housing project proceeds of its bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Fifteen Million Three Hundred Five Thousand Dollars ($15,305,000).

2. The proposed housing project be and it is hereby determined to be feasible for a mortgage loan on the terms and conditions set forth in the Mortgage Loan Feasibility/Commitment Report of the Authority Staff presented to the meeting, subject to any and all applicable determinations and evaluations issued or made with respect to the proposed housing project by other governmental agencies or instrumentalities or other entities concerning the effects of the proposed housing project on the environment as evaluated pursuant to the federal National Environmental Policy Act of 1969, as amended, and the regulations issued pursuant thereto as set forth in 24 CFR Part 58.

3. The determination of feasibility is based on the information obtained from the Applicant and the assumption that all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this feasibility determination resolution may, at the option of the Chief Executive Officer and Executive Director, the Chief Housing Investment Officer, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in any of the foregoing capacities (each an "Authorized Officer"), be immediately rescinded.

4. Neither this determination of feasibility nor the execution prior to closing of any documents requested to facilitate processing of a proposed mortgage loan to be used in connection therewith constitutes a promise or covenant by the Authority that it will make a Mortgage Loan to the Applicant.

5. This determination of Mortgage Loan Feasibility is conditioned upon the availability of financing to the Authority. The Authority does not covenant that funds are or will be available for the financing of the subject proposed housing development.

6. The Mortgage Loan Feasibility determination is subject to the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING MORTGAGE LOANS
HENRY STREET 4% APARTMENTS, MSHDA DEVELOPMENT NO. 4020
CITY OF DETROIT, WAYNE COUNTY

July 18, 2024

WHEREAS, the Michigan State Housing Development Authority (the "Authority") is authorized, under the provisions of Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (hereinafter referred to as the "Act"), to make mortgage loans to qualified nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations and associations and certain qualified individuals; and

WHEREAS, an application (the "Application") has been filed with the Authority by ODM Management, LLC and Cinnaire Solutions Corporation (collectively the "Applicant") for a construction mortgage loan in the amount of Twelve Million Nine Hundred Seventy Thousand Sixty-Six Dollars ($12,970,066), and a permanent mortgage loan in the amount of One Million Two Hundred Ten Thousand Three Hundred Eight Dollars ($1,210,308), for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Twenty-Four Million Nine Hundred Forty-Two Thousand Four Hundred Thirty-Five Dollars ($24,942,435), to be known as Henry Street 4% Apartments, located in the City of Detroit, Wayne County, Michigan, and to be owned by Henry Street 4% Limited Dividend Housing Association, LLC (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a PA5 loan in the estimated amount of Two Million Six Hundred Forty Thousand Dollars ($2,640,000) (the "PA5 Loan") and a mortgage loan under the HOME Investment Partnerships Program using HOME funds in the estimated amount of Eight Hundred Forty-Eight Thousand Nine Hundred Ninety-Nine Dollars ($848,999) (the "HOME Loan"); and

WHEREAS, the Chief Executive Officer and Executive Director has forwarded to the Authority her analysis of the Application and her recommendation with respect thereto; and

WHEREAS, the Authority has reviewed the Application and the recommendation of the Chief Executive Officer and Executive Director and, on the basis of the Application and recommendation, has made determinations that:

(a) The Mortgagor is an eligible applicant;

(b) The proposed housing project will provide housing for persons of low and moderate income and will serve and improve the residential area in which Authority-financed housing is located or is planned to be located thereby enhancing the viability of such housing;

(c) The Applicant and the Mortgagor are reasonably expected to be able to achieve successful completion of the proposed housing project;

(d) The proposed housing project will meet a social need in the area in which it is to be located;

(e) The proposed housing project may reasonably be expected to be marketed successfully;

(f) All elements of the proposed housing project have been established in a manner consistent with the Authority's evaluation factors, except as otherwise provided herein;

(g) The construction or rehabilitation will be undertaken in an economical manner and it will not be of elaborate design or materials; and

(h) In light of the estimated total project cost of the proposed housing project, the amount of the mortgage loan authorized hereby is consistent with the requirements of the Act as to the maximum limitation on the ratio of mortgage loan amount to estimated total project cost.

WHEREAS, the Authority has considered the Application in the light of the criteria established for the determination of priorities pursuant to General Rule 125.145 and hereby determines that the proposed housing project is consistent therewith; and

WHEREAS, Sections 83 and 93 of the Act provide that the Authority shall determine a reasonable and proper rate of return to limited dividend housing corporations and associations on their investment in Authority-financed housing projects.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Application be and it hereby is approved, subject to the terms and conditions of this Resolution, the Act, the General Rules of the Authority, and of the Mortgage Loan Commitment hereinafter authorized to be issued to the Applicant and the Mortgagor.

2. A construction and permanent mortgage loan (the "Mortgage Loan") be and it hereby is authorized and the Chief Executive Officer and Executive Director, the Chief Housing Investment Officer, the Chief Legal Affairs Officer, the Director of In-House Legal Services, the Director of Legal Transactions, the Chief Financial Officer, the Director of Finance or any person duly authorized to act in any of the foregoing capacities, or any one of them acting alone (each an "Authorized Officer"), are hereby authorized to issue to the Applicant and the Mortgagor the Authority's Mortgage Loan Commitment (the "Commitment") for the construction financing of the proposed housing project in an amount not to exceed of Twelve Million Nine Hundred Seventy Thousand Sixty-Six Dollars ($12,970,066), and permanent financing in an amount not to exceed One Million Two Hundred Ten Thousand Three Hundred Eight Dollars ($1,210,308), and to have a term of forty (40) years after amortization of principal. commences and to bear interest at a rate of six and six hundred twenty-five thousandths percent (6.625%) per annum. The amount of proceeds of tax exempt bonds issued or to be issued and allocated to the financing of this housing project shall not exceed Fifteen Million Three Hundred Five Thousand Dollars ($15,305,000). Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment.

3. The mortgage loan commitment resolution and issuance of the Mortgage Loan Commitment are based on the information obtained from the Applicant and the assumption that

all factors necessary for the successful construction and operation of the proposed project shall not change in any materially adverse respect prior to the closing. If the information provided by the Applicant is discovered to be materially inaccurate or misleading, or any factors necessary for the successful construction and operation of the proposed project change in any materially adverse respect, this mortgage loan commitment resolution together with the commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded.

4. Notwithstanding passage of this resolution or execution of any documents in anticipation of the closing of the proposed mortgage loan, no contractual rights to receive the mortgage loan authorized herein shall arise unless and until an Authorized Officer shall have issued a Mortgage Loan Commitment and the Applicant shall have agreed in writing within fifteen days after receipt thereof, to the terms and conditions contained therein.

6. The proposed housing project be and it hereby is granted a priority with respect to proceeds from the sale of Authority securities which are determined by the Chief Executive Officer and Executive Director to be available for financing the construction and permanent loans of the proposed housing project. Availability of funds is subject to the Authority's ability to sell bonds at a rate or rates of interest and at a sufficient length of maturity so as not to render the permanent financing of the development unfeasible.

7. In accordance with Section 93(b) of the Act, the maximum reasonable and proper rate of return on the investment of the Mortgagor in the housing project be and it hereby is determined to be twelve percent (12%) per annum initially. Following the payment in full of the PA5 Loan and the HOME Loan, the Mortgagor's rate of return may be increased by one percent (1%) annually until a cap of twenty-five percent (25%) is reached.

8. The Mortgage Loan shall be subject to, and the Commitment shall contain, the conditions set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated July 18, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

9. The Authority hereby waives Section II.A.6 of the Multifamily Direct Lending Parameters adopted on June 28, 2017, requiring that the Development meet the MSHDA Multifamily Standards of Design with respect to the number of parking spaces.

10. The Authority hereby waives Section VI.I.2 of the Multifamily Direct Lending Parameters adopted on June 28, 2017, requiring approval by the City of Detroit of a payment in lieu of taxes for the Development prior to the adoption of this resolution.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director Amy Hovey

DATE: July 18, 2024

RE: Amended and Restated Pass-Through Bond Program for Transactions Using (a) Credit Enhancement or (b) Private Placement

---

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") authorize a resolution that (a) extends the Amended and Restated Pass-Through Bond Program until the July 2025 Board meeting, (b) increases the maximum set-aside of tax-exempt bonds to an amount not to exceed $350 million, (c) approves two Pass-Through Program Statements—one for transactions using credit enhancement ("Credit Enhancement Program Statement") and the other for transactions using private placements ("Private Placement Program Statement").

EXECUTIVE SUMMARY:

A. Section 44c—Limited Obligation Bonds or Notes and Credit Enhancement

Under Section 44c of its Act, the Authority can participate in "conduit" or "pass-through" financings in which the bonds (or notes) issued to finance a development are a limited obligation of the Authority. The bonds are neither backed by the moral obligation of the State of Michigan nor secured by the Authority's capital reserve capital account. Instead, the bonds may be secured by the revenues of the borrower, the real and personal property being financed, a form of credit enhancement acceptable to the Authority, or some combination of these. If the attached resolutions are approved, a private placement structure may be used in accordance with the Private Placement Program Statement in place of credit enhancement.

B. History of the Pass-Through Program

The Pass-Through program was originally authorized in 1984. In 1991, Section 44c was amended to require the Authority to determine that the use of bond volume cap for a pass-through project would not impair the Authority's ability to carry out its programs or finance other housing developments or units targeted to lower income households. In 1998, the Authority offered a pilot Modified Pass-Through Program, which was made permanent in 1999.

In February 2012, the Authority approved the Pass-Through Short-Term Bond Pilot Program ("Short-Term Bond Program"). The Short-Term Bond Program provided construction loan financing with cash collateral from FHA-insured permanent loans serving as credit enhancement. The Short-Term Bond Program was extended in March 2014 and annually thereafter with the last extension being approved in June of 2019.

In 2020, the Authority authorized an Amended and Restated Pass-Through Program to increase the number of units financed and to expand the scope of the Short-Term Bond Program to include construction and permanent loans. From 2021 through 2023, the Authority annually extended the Amended and Restated Pass-Through Program.

C. Amendment of 44c through Senate Bill 417

On July 8, 2024, Governor Whitmer signed Senate Bill 417 of 2023 ("SB 417"). The amendments to Sec. 44c through SB 417 generally include the following:

- Authorizes the Authority to make bond loans for projects with independent living, congregate care, or assisted living units for individuals 55 years of age or older.
- Revises the calculation of the minimum rehabilitation expenditures that must be incurred to qualify as a rehabilitation project under Section 44c from 30% of the portion of the cost of acquisition financed with bond proceeds to 15% of the related note or bond proceeds.
- Allows a borrower to qualify for a pass-through loan with the option of Authority-approved credit enhancement or a private placement structure.
- Reduces the application fee from the greater of $4,000 or .0005 to .0001 multiplied by the principal amount of notes or bonds requested.
- Confirms that if the Authority determines the repayment of notes or bonds will be reasonably secure because of the proposed credit enhancement or private placement structure, that determination will be conclusive and take the place of the Authority's normal underwriting and feasibility review.
- Increases the bond issuance fee for eligible distressed areas from .9% to 1.9%, thereby making the bond issuance fee the same for eligible distressed areas and non-distressed areas.
- Increases the amount a borrower can have outstanding for loan commitments to the greater of (a) $100 million or (b) the amount of financing for a single project.

The amendments in SB 417 are incorporated in the attached Credit Enhancement Program Statement and Private Placement Program Statement.

D. Credit Enhancement or Private Placement

Before the amendment to Section 44c through SB 417, a borrower seeking a loan financed with limited obligation bonds issued by the Authority had to provide evidence of a commitment to issue credit enhancement. With the passage of SB 417, a borrower has the choice of credit enhancement or a private placement structure.

If the borrower uses credit enhancement, it must be in a form and amount sufficient to assure the

Authority that the repayment of the bonds is "reasonably secure." Recent forms of credit enhancement that the Authority has accepted include cash collateral from FHA-insured permanent loans, letters of credit, and standby bond purchase agreements. SB 417 expressly adds standby purchase agreements as an acceptable form of credit enhancement; it also confirms that if the Authority determines that the repayment of notes or bonds is reasonably secure because of the proposed credit enhancement, that determination is conclusive and must take the place of the Authority's normal underwriting and feasibility review.

SB 417 also allows a private placement structure in lieu of credit enhancement if the proposed investor and transaction structure are acceptable to the Authority. The private placement structure allows the bonds to be purchased by a qualified institutional buyer or an accredited investor that has the knowledge and experience to evaluate the risks of purchasing limited obligation bonds and is acceptable to the Authority. The Private Placement Program Statement, reflecting this new form of transaction, will impose the following requirements in transaction documents:

1. Bonds must be initially sold only to purchasers that are "qualified institutional buyers" as generally defined under Rule 144A of the Securities Act of 1933 or "accredited investors" as generally defined under Section 501 of Regulation D promulgated under the Securities Act of 1933 (each, an "Investor"). In each case, an investor letter acceptable to the Authority must be delivered to the Authority at the initial bond closing, that will include in part the following:
    a. The investor has sufficient knowledge and experience in business and financial matters in general and investments such as bonds to evaluate the risks and merits and has concluded and represents to the Authority that the repayment of the bonds is reasonably secure.
    b. The Investor is able to bear the economic risk of, and an entire loss of, an investment in the bonds.
    c. The Investor is purchasing the bonds for its own account for investment purposes and has no present intention to resell or distribute such bonds; provided, however, that the Investor may, with the Authority's written consent, transfer its interest to a single investor that is a qualified institutional buyer or an accredited investor.
    d. The Investor has not relied on information provided by the Authority.
2. The offering material/disclosure documents, if any, must prominently indicate that bonds can only be sold to qualified institutional buyers or accredited investors.
3. The face of each bond must contain a legend stating that such bond can only be sold to qualified institutional buyers or accredited investors, as applicable. The bond documents must contain provisions that restrict the ability to transfer the bonds to only qualified institutional buyers or accredited investors.
4. Bonds sold to "qualified institutional buyers" or "accredited investors," as specified above, must be sold in minimum denominations of $25,000 or greater.

The $350 million limit on bonds shall be an aggregate cap that applies collectively to transactions approved under the Credit Enhancement Program Statement and the Private Placement Program Statement.

E. Other Updates to Amended and Restated Pass-Through Program for 2024/25

The updates other than those that are imposed by SB 417 include the following:

1. Extending the Pass-Through Program for one year.
2. Increasing the maximum set-aside of tax-exempt bonds to an aggregate amount not to exceed $350 million.
3. Eliminating the requirement that certain lenders deposit the entire amount of cash into a credit enhancement fund held by the bond trustee or fiscal agent. This change will allow such lenders to deposit cash in the credit enhancement account on a draw down basis.

ADVANCING THE AUTHORITY'S MISSION:

Approximately half of renters in the State of Michigan are overburdened and pay more than 30% of their income for rent. Additionally, there are housing challenges in Michigan, such as rural housing, permanent supportive housing, and senior housing that need to be addressed for the Authority to advance its mission. The Pass-Through Program is part of a housing strategy to expand available resources to create and preserve more affordable housing and address these various housing needs throughout Michigan.

MUNICIPAL SUPPORT:

Developments are expected to be granted tax abatement and/or receive statements of support from municipal officials. Developments previously funded via the Authority's Pass-Through Program have been constructed or rehabilitated throughout the state of Michigan.

COMMUNITY ENGAGEMENT/IMPACT:

It is anticipated that the rehabilitation and new construction of developments throughout the state will create numerous temporary jobs. The communities will be invited to engage in public hearings ("TEFRA Hearings") regarding bond funding, preceded by public notices.

When pass-through loans are used to rehabilitate existing developments, sponsors will be asked to hold meetings with residents to discuss the rehabilitation of developments and address concerns and questions. For pass-through loans financing new construction of developments, sponsors will be asked to engage with community and neighborhood groups to address concerns and questions.

RESIDENT IMPACT:

Affordable housing developments will be built or rehabilitated throughout the state, with a percentage of units in each development reserved for low or very low-income tenants.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

The proposed changes to the Amended and Restated Pass-Through Program should not impede the Authority's ability to fulfill its mission under other programs that utilize volume-cap-limited bonds.

The review of project proposals to determine whether projects are competitive and able to proceed with the funds available in the Direct Lending Gap Financing Program remains a formal part of the program. The Direct Lending Gap Financing Program continues to be oversubscribed—therefore, it is anticipated that applications for the Amended and Restated Pass-Through Program will receive approval to bypass the Direct Lending Gap Financing Program and be eligible for consideration under the Amended and Restated Pass-Through Program.

Project proposals will also be reviewed to ensure that the Authority’s various mission objectives are met. The mission objectives include, but are not limited to, increasing the supply of deep income targeted units, and addressing rural housing needs.

AMENDED AND RESTATED PASS-THROUGH BOND PROGRAM

CREDIT ENHANCEMENT OVERVIEW

July 18, 2024

(Debt Financing Under Section 44c of the Authority's Act)

Section 44c of Act 346 of the Public Acts of 1966 (the "Act") permits the Michigan State Housing Development Authority (the "Authority") to participate in "conduit" or "pass-through" financings in which the bonds or notes (either of which are referenced as "bonds" within this summary) are issued to finance a development. These bonds are a limited obligation of the Authority; the bonds are not secured by the Authority's capital reserve capital account; and the bonds are not backed by the moral obligation of the State of Michigan. Instead, bonds issued under this Amended and Restated Pass-Through Bond Program - Credit Enhancement Overview, are secured by a form of credit enhancement acceptable to the Authority and may be additionally secured by the revenues of the borrower and/or the real and personal property being financed.

Projects participating in this program (the "Pass-Through Bond Program" or the "Program") may use pass-through bonds as long-term financing (construction and permanent financing) or as short-term financing (construction financing only). All projects must show evidence of credit enhancement that is acceptable to the Authority.

I. Eligible Projects:

Projects must satisfy the eligibility requirements of Section 44c of the Authority's Act. Both new construction and acquisition and substantial rehabilitation of residential rental units will be considered.

Proposals receiving Low-Income Housing Tax Credit ("LIHTC") must meet the threshold requirements of the LIHTC program ("LIHTC Program") for projects financed with tax-exempt bonds as provided in the Authority's Qualified Allocation Plan ("QAP").

II. Eligible Borrowers:

The borrower (the "Borrower") must be an eligible entity under the Authority's Act (e.g., a limited dividend housing association organized as a limited partnership, a corporation, or a limited liability company). The sponsor or developer must be in good standing at the time of application. Good standing means that no other projects involving the sponsor or developer that have been financed by the Authority under this Program or another Authority lending or subsidy program are experiencing significant, unresolved problems as determined by the Authority.

III. Minimum Program Income and Rent Restriction Requirements:

Applicants are required to commit to income and rent restrictions targeting a minimum of either (i) 40% of the total number of units in the project for households whose income is at or below 60% of Area Median Income ("AMI") (the "40% Affordable Unit Restriction"), or (ii) 20% of the total number of units in the project for households whose income is at or below 50% of AMI (the "20%

Affordable Unit Restriction”). The income and rent restrictions set forth in the Authority-approved application described in Section VIII below shall (a) be set forth in the Authority’s regulatory agreement that will be recorded at the bond closing (“Authority Regulatory Agreement”) and (b) remain in place for the longer of the “qualified project period” of the bonds, as defined in the Internal Revenue Code, or the extended use period of the LIHTC.

In addition to the minimum requirements above, applicants will be required to commit to income and rent restrictions to target at least 10% of the total number of units in the project for households whose income is at or below 40% of AMI (the “10% Affordable Unit Restriction”). The units counted toward the 10% Affordable Unit Restriction may also count toward the 40% Affordable Unit Restriction or the 20% Affordable Unit Restriction, as applicable. In lieu of the 10% Affordable Unit Restriction, the Authority may permit applicants to commit to satisfying other important mission objectives such as developing or rehabilitating projects in rural areas, or projects that meet the definition of Permanent Supportive Housing and have all necessary supportive services available, etc. The 10% Affordable Unit Restriction may not otherwise be waived or reduced unless the Authority determines that the restriction impedes the Authority’s ability to finance the rehabilitation or new production of projects under this Program.

Developments will be eligible to utilize the income averaging set-aside in the LIHTC Program to maximize project Net Operating Income while also achieving the deeper targeting referenced above. Because tax-exempt bond regulations do not allow income averaging as a set-aside option, such projects must comply with both the LIHTC income averaging set-aside and the tax-exempt bond set-aside.

IV. Threshold Requirements:

Authority staff will review each application to assure that the use of a portion of the State’s unified volume cap for a project will not impair the Authority’s ability to carry out its programs or finance developments or housing units that are targeted to lower income persons. Authority staff will also determine whether the requested use of volume cap is within the Program Limit (as defined in Section V).

The Authority’s Office of Rental Development-Tax Credit Allocation Section will review the applicant’s standard tax credit application to assure that threshold requirements for participation in the LIHTC Program are met if LIHTC are being used to finance the development.

Transaction documents must include a variety of Borrower representations and covenants, and other provisions, to satisfy the requirements of the Act, the Program and other Authority policies.

V. Program Limit:

The Authority has established a $350 million limit for use of its unified volume cap for Section 44c pass-through transactions (the “Program Limit”). The Program Limit represents an aggregate cap for applicants under the credit enhancement provisions described herein and applicants under the program described in the Authority’s “AMENDED AND RESTATED PASS-THROUGH BOND PROGRAM – PRIVATE PLACEMENT OVERVIEW” program statement. All proposals (that is, private placement and credit enhancement transactions, cumulatively) are subject to availability of volume cap from time to time within the common Program Limit. The Program

Limit may be reduced or increased by the Authority subject to the Authority having sufficient volume cap for its direct lending multifamily program ("Direct Lending" or "Direct Lending Program") and single-family programs.

This Program will terminate at the earliest of the following: 1) the Authority's regularly scheduled July 2025 meeting; 2) the Authority's regularly scheduled June 2025 meeting if there is no July 2025 meeting; or 3) the Program Limit has been reached. For a project to be included in the Program Limit, a project must have been approved by the Authority for an inducement resolution at or before the Authority's July 2025 board meeting. Upon termination of the Program (as outlined above), volume cap will no longer be available to the Program, nor will it be added to any subsequent reinstatement of the Program that may occur, notwithstanding any amount remaining under the Program Limit. Once the Program has terminated, the Authority may review the Program and determine whether, and under what conditions, to extend the Program.

VI. Project Limits:

The Act, as amended by Senate Bill 417 of 2023, requires that to qualify as rehabilitation, the rehabilitation expenditures with respect to the project must equal or exceed 15% of the proceeds of the bonds.

Additionally, except for 501(c)(3) nonprofit housing corporations and limited dividend housing associations wholly owned and controlled by 501(c)(3) nonprofit housing corporations, the Act limits the total amount in loan commitments a Borrower and any related person may have outstanding at a time. A Borrower and any related person may not have outstanding loan commitments that total more than the greater of $100 million or the amount of financing approved for a single project (if greater than $100 million). Once a loan has been made, the Authority's commitment to make the loan is no longer outstanding.

VII. Application, Commitment, Closing and Other Fees:

Fees shall be determined as follows:

A. Upon submission of an application, the sponsor shall pay an application fee equal to 0.0001 times the amount of the bonds requested to be issued. This application fee will be credited to the commitment fee due.

B. Upon receipt of a loan commitment, the sponsor/developer shall pay a commitment fee of 0.1% of the principal amount of the bonds to be issued, less the amount of the application fee paid with the initial application.

C. Upon issuance of the bonds, the Borrower shall pay to the Authority a fee equal to 1.9% of the principal amount of the bonds.

D. For each year that bonds remain outstanding or the applicable compliance monitoring period, the Borrower shall pay an annual compliance monitoring fee in an amount equal to 0.25% of the outstanding principal amount of the bonds. This fee shall be paid according to such terms and conditions as may be approved by an authorized officer of the Authority.

VIII. Application Requirements:

For a project to be eligible to apply for the Pass-Through Bond Program, it must first be submitted to the Authority staff for evaluation as to whether the project is likely to be competitive to receive gap financing from the Authority in combination with a borrowing through the Direct Lending Program (the "Direct Lending Gap Financing Program"). To perform its evaluation, the Authority staff will consider the following:

1. The financial viability of a project based on the pro-forma analysis, site, and preliminary market analysis.

2. The overall capacity and experience of the development team.

3. The likelihood that the project will be competitive and be able to proceed with the funds available in the Direct Lending Gap Financing Program. To determine how competitive a project is likely to be, the Authority will primarily evaluate a project's soft to hard debt ratio, which is used to rank the proposals in the Direct Lending Gap Financing Program, to determine if the project appears to be competitive as compared to the current or most recent Direct Lending Gap Financing Program funding round. Applicants are encouraged to view rankings of recent Direct Lending Gap Financing Program funding rounds on the Authority's website to determine with more certainty whether their project has a competitive soft to hard debt ratio. *Since the Direct Lending Program is currently oversubscribed, it is anticipated that Pass-Through Bond Program applications during this time will be given MSHDA staff approval to bypass the Direct Lending Program so they can apply under the Pass-Through Bond Program*.

Following the analysis above, if, based on the Authority's determination, a project is unlikely to be competitive in the Direct Lending Gap Financing Program, the project will be eligible to continue under consideration as part of the Pass-Through Bond Program. Additionally, following an evaluation based on the process outlined above, projects that are competitive under the Direct Lending Gap Financing Program, but that cannot move forward using gap financing with an Authority Direct Lending tax-exempt loan (as determined by the Authority as part of the Direct Lending Gap Financing Program) will be able to submit an application as part of the Pass-Through Bond Program. Authority HOME funds and/or Mortgage Resource Funds are not available to projects that apply and are financed under the Pass-Through Bond Program.

If the sponsor chooses to proceed to the Pass-Through Bond Program, the following items must be submitted:

A. The sponsor/developer must submit a completed application under the LIHTC Program, including all required attachments.

B. To be considered complete, all applications for an allocation of volume cap under this Program must include:

i. A description of the proposed credit enhancement and a statement as to the amount of the tax-exempt bonds (and taxable bonds, if appropriate) requested. The proposed credit enhancement may be in the form of (i) cash collateral from a HUD permanent mortgage loan or similar funding source, (ii) an unconditional, irrevocable letter of credit, standby bond purchase agreement, guaranty, bond or mortgage insurance from an institutional lender or insurance company with a credit rating acceptable to the Authority, or (iii) other security as the Authority deems appropriate to assure the Authority that repayment of the bonds is reasonably secure.

ii. Assurance that all bond issuance costs will be paid and the professional team (bond underwriter, bond trustee, bond counsel, etc.) will be compensated for services rendered in issuing the bonds. All bond issuance costs are the responsibility of the sponsor/developer and are not the responsibility of the Authority.

iii. To the extent not identified in the LIHTC Program application, identification of the full development team, including the bond underwriter, bond trustee, bond counsel, equity partner and rating agency. Bond counsel must have prior experience on Authority bond transactions and must be pre-approved by the Chief Legal Affairs Officer, the Chief Financial Officer, and the Finance Division of the Department of Attorney General. The bond underwriter, bond trustee and rating agency must be acceptable to the Chief Financial Officer.

iv. For proposals involving the acquisition and rehabilitation of existing property, substantiation that the rehabilitation expenditures will equal at least 15% of the bond proceeds.

v. If applicable, a tenant relocation plan.

vi. A phase I environmental assessment report.

vii. A market study.

viii. The application fee for both the Pass-Through Bond Program and the LIHTC Program.

C. Applications may be submitted at any time after the Program is authorized. Authority staff will process applications on a first-come first-served basis in the order they are received in accordance with the date the application is received by Authority staff. The Authority staff will advise prospective sponsors/developers of (a) the number of proposals in process, (b) the place "in line" where the application is, based on the submission date/time of the application, and (c) the total volume cap requested by those proposals. Project applications that are submitted but are found to have substantial deficiencies, and cannot progress along a normal approval timeline, may lose their place in line to other projects that are ready to move forward, but were submitted after them. For a project to be included in the Program Limit, a project must have been approved by the Authority for an inducement resolution.

D. Applications that do not receive a reservation of volume cap due to the Program Limit will be automatically considered under future re-authorizations of this Program, to the extent that the Program is reauthorized. All applications will be subject to the guidelines and order of processing as outlined under the Pass-Through Bond Program that is in place at the time they receive a reservation of volume cap.

IX. The Authority Processing Sequence:

A. Upon receipt of an application, staff will conduct a preliminary review, and will notify the sponsor/developer in writing within thirty (30) days as to whether (i) the application is complete or (ii) the application is not complete, and what must be corrected or completed. Staff will review and evaluate a completed application and, if appropriate, make a recommendation to the Authority members that use of the State's volume cap for the proposed project will not impair the ability of the Authority to carry out its programs or to finance housing developments or housing units that are targeted to lower income persons. This process includes:

i. A determination of the extent, if any, to which the proposed project may adversely affect projects (a) financed with Authority loans, or (b) to which the Authority has extended a loan commitment that has not been terminated, or (c) that are considered to be "active" in the Authority's pipeline.

ii. A review of the environmental assessment report to confirm that no environmental problems exist that cannot be resolved to the satisfaction of the Authority.

iii. A review and evaluation of the proposed credit enhancement and the proposed credit enhancement provider.

iv. A review of the LIHTC application and accompanying exhibits to ensure that the information submitted is substantially complete.

v. Preparation of an Inducement Report and Resolution for Authority consideration within sixty (60) days of receipt of a completed application. This represents the Authority's formal action for purposes of applicable tax regulation, currently Treas. Reg. §1.150-2(d). It does not constitute a commitment to loan funds or a determination that the proposal is acceptable.

B. The Authority will use its best efforts to complete the processing sequence identified in IX.A(i) - (v) within sixty (60) days of receipt of a completed application. Once the review has been completed and the Authority has approved the Inducement Resolution, the Chief Legal Affairs Officer will then issue a letter reserving volume cap for 6 months. This letter must be signed and returned by the sponsor/developer within twenty (20) days or the volume cap reservation will lapse. Proposals must proceed to loan commitment and authorization of the issuance of the Authority bonds within 6 months after the sponsor's acceptance of the reservation of volume cap. If the Chief Legal Affairs Officer determines that a 6-month extension of the volume cap reservation is appropriate based on the status of the proposal, availability of otherwise unreserved volume cap and the number and timing of other applications being processed when the extension is requested, then an extension will be granted only upon payment of a $5,000 nonrefundable fee.

C. Upon the sponsor's acceptance of the reservation of volume cap, Authority staff and/or bond counsel will:

i. Begin drafting loan and bond documents;

ii. Publish a TEFRA notice and conduct a TEFRA hearing. This must occur prior to the Authority's meeting at which the Bond Resolution will be considered (see (iv) below);

iii. Prepare a Commitment Report and Resolution for Authority consideration after evidence of a firm commitment for acceptable credit enhancement has been received, evaluated and accepted by staff of the Authority;

iv. Prepare a Bond Resolution for Authority consideration together with the Commitment Resolution, provided that the principal bond documents requiring Authority signature or approval are in substantially final form; and

v. Complete the LIHTC review, if applicable, with issuance of a LIHTC Reservation.

The Commitment Resolution and Bond Resolution shall be submitted to the Board no earlier than the second month or second regularly scheduled or rescheduled Board meeting, whichever is later, following meeting that the Inducement Resolution was approved. Both the Commitment Resolution and the Bond Resolution must be approved and adopted by the Authority. The Act provides that loan commitments are valid for 6 months. If the transaction does not close within 6 months of the date the Commitment Resolution, the Authority may, in its discretion, extend the loan commitment for one additional 6-month period upon payment by the Borrower of a nonrefundable $5,000 extension fee.

D. Proposals that are found unacceptable shall be terminated. The Authority will notify the sponsor/developer in writing of any termination and the basis for termination.

E. For planning and administrative reasons, the Authority will not consider Commitment Resolutions and Bond Resolutions at board meetings in December, and closings will not be permitted during December. If a project's 6-month reservation of volume cap or 6-month loan commitment terminates during the month of December, however, an additional thirty (30) days will be granted (if permitted by the Act), and no extension fee shall be charged to the Borrower.

X. Return on Equity:

A Borrower is allowed distributions equal to a 12% return on investment in the project for the first 12-month period following the substantial completion of the development. Thereafter, the allowable return on the Borrower's "investment" is increased by 1% annually up to 25% (except for developments in eligible distressed areas where there is no program cap) and is fully cumulative. The Borrower shall be required to submit to the Authority a copy of the annual financial statement evidencing its eligibility for return on investment no later than ninety (90) days following the close of the Borrower's fiscal year. The Borrower's "investment" is defined pursuant to Exhibit B of this Program Statement.

XI. Bond and Tax Credit Requirements:

At the time of the bond closing, the Borrower must enter into agreements relating to the credit enhancement in form and content acceptable to the Authority (see Section VIII.B(i) above for additional information regarding acceptable forms of credit enhancement). The credit enhancement must be unconditional and irrevocable and in an aggregate amount equal to or in excess of the bond obligations. For projects where the credit enhancement is the cash proceeds of a HUD permanent mortgage loan or other loan or contribution, the trust indenture must provide for the deposit, disbursement, and investment of the cash collateral. All investments of cash collateral must be limited to "Permitted Investments" as described in Exhibit A of the Authority Resolution dated March 18, 2021, which is attached to and made a part of this program statement. The Permitted Investments will be held by the bond trustee or fiscal agent. The Borrower must also provide the Authority with an opinion of the Borrower's counsel, a Useful Life Certificate prepared by Borrower's accountant, and/or other evidence as determined by the Authority's Chief Legal Affairs Officer, that respectively confirms the structure of the transaction will permit the applicant to claim the 4% LIHTC. In addition, the applicant must certify in writing to the sources and uses involved in the financing of the development.

XII. Compliance Monitoring and Reporting Requirements:

On or before September 1 of each year, the Borrower must provide the Authority with a report in a form acceptable to the Authority that includes the following statutorily-required information: incomes of the tenants, the estimated economic and social benefits of the housing to the immediate neighborhoods, the estimated economic and social benefits to the city or community, information with respect to displacement of lower income persons to the extent such occurs, together with steps taken by governmental or private parties to ameliorate the displacement and the results of such efforts, any additional information the Authority needs to report the extent of reinvestment by private lenders in the neighborhood resulting from the housing project, the age, race, family size and average income of tenants, and the estimated economic impact of the project, including the number of construction jobs created, wages paid, and taxes and payments in lieu of taxes paid.

EXHIBIT A

Permitted Investments – Cash Collateralized Bond/Note Structure (2021)
(*Supplementing 44c Short-Term Pass Through Program Statement*)

The investment of funds held in a collateral account, in the context of a "short-term" cash collateralized tax-exempt bond issue, should be restricted to the following general categories: (i) non-AMT tax-exempt obligations; (ii) time deposit securities issued by the United States Treasury under the State and Local Government Securities Program; and (iii) direct obligations of the United States or its agencies. The Authority generally prefers that investments of funds in the collateral account be made in the foregoing order of preference; however, deviations may be appropriate for a number of factors, including, for example, availability of investments, efficiency of the investment rate of return, and restrictions based on the national rating agencies' rating criteria. If such is the case, the developer or the underwriter should so inform the Authority prior to pricing. In addition, investment of collateral account fund balances may be subject to yield restrictions and other tax requirements, including without limitation investment bidding requirements, the particulars of which should be confirmed prior to pricing with the Authority, bond counsel, and the representatives of the Michigan Attorney General engaged on the financing.

The collateral account fund investment (Permitted Collateral Account Investments) provisions and defined terms within the bond documents, should read substantially as follows:

"<u>Permitted Collateral Account Investments</u>" means the following investment obligations (subject to (A) [RATING AT TIME OF INVESTMENT OR MORE RESTRICTIVE APPLICABLE RATING AGENCY CRITERIA] and (B) investments shall, in the aggregate, have accrual periods and payment dates that provide for timely payments in amounts sufficient to meet the payment obligations with respect to the Bonds):

(i) a debt security, the interest on which is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations;

(ii) a security that is an interest in a regulated investment company, as defined in Section 67(c)(2)(B) of the Internal Revenue Code of 1986, as amended, at least 95 percent of the income from which is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations;

(iii) money market mutual funds that (a) have a stated primary investment criterion to invest in obligations described in (i) above, and (b) permit the withdrawal of such investment on any given day specified by the Trustee for a value of not less than the par value of initial investment made therein (including, without limitation, funds for which the Trustee or an Affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (x) the Trustee or an Affiliate of the Trustee receives fees from funds for services rendered, (y) the Trustee collects fees for services rendered pursuant to [this Indenture], which fees are separate from the fees received from such funds, and (z) services performed for such funds and pursuant to [this Indenture] may at times duplicate those provided to such funds by the Trustee or an Affiliate of the Trustee);

(iv) securities issued by the United States Treasury pursuant to the Time Deposit State and Local Government Securities Program described in 31 C.F.R. part 344;

(v) direct obligations of the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America;

(vi) obligations the full and prompt payment of which is secured by the pledge of the full faith and credit of the United States of America;

(vii) non-callable, non-prepayable obligations of the following federal government agencies: Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Farm Credit System and United States Department of Housing and Urban Development; and

(viii) money market mutual funds that (a) have a stated primary investment criterion to invest in obligations described in (v) through and including (vii) above, and (b) permit the withdrawal of such investment on any given day specified by the Trustee for a value of not less than the par value of initial investment made therein (including, without limitation, funds for which the Trustee or an Affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (x) the Trustee or an Affiliate of the Trustee receives fees from funds for services rendered, (y) the Trustee collects fees for services rendered pursuant to [this Indenture], which fees are separate from the fees received from such funds, and (z) services performed for such funds and pursuant to [this Indenture] may at times duplicate those provided to such funds by the Trustee or an Affiliate of the Trustee).

EXHIBIT B

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Gary Heidel, Acting Executive Director

DATE: July 14, 2022

RE: Determining Return on Investment for Projects Financed under Section 44(c)

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") authorize a revision of the determination of a return on investment for projects financed under the Authority's Pass-Through Program by replacing the Board Memorandum dated March 13, 1985 ("1985 Memorandum") with this memorandum.

EXECUTIVE SUMMARY:

The 1985 Memorandum established a borrower's return on an investment in a multifamily project under Section 44c of the Authority's Act (i.e., the Pass-Through Program). The 1985 Memorandum includes terms and concepts that are no longer used by Authority staff to calculate returns.

Authority staff recommend replacing the 1985 Memorandum with this memorandum ("Memorandum"), which would set the borrower's investment (owner's equity) in a pass-through transaction based on the equity established by the Office of Low Income Housing Tax Credits ("LIHTC Office"). Using the LIHTC Office's determination of equity will enable Authority staff to determine the borrower's investment easily and reduce time spent on calculating the borrower's return on an investment.

If approved, this Memorandum will rescind and replace the 1985 Memorandum as Exhibit B to the Amended and Restated Pass-Through Bond Program Statement ("Pass-Through Program Statement"). The Pass-Through Program Statement will be amended to reference this Memorandum as Exhibit B.

ADVANCING THE AUTHORITY'S MISSION:

This proposed change will promote the "Decision Making" Guiding Principle. By using the LIHTC Office's determination of equity, Authority staff can determine the borrower's return on an investment more easily.

COMMUNITY ENGAGEMENT/IMPACT:

Not applicable.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

None.

DRAFT

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION – DEFINITION OF BORROWER'S INVESTMENT FOR PURPOSES OF PROJECTS FINANCED UNDER SECTION 44C

July 14, 2022

WHEREAS, The Michigan State Housing Development Authority (the "Authority") is authorized to finance housing projects under Section 44c of Act 346 of the Public Acts of 1966, as amended, (the "Act"); and

WHEREAS, Section 44c of the Act provides for a limitation on the return to the borrower; and

WHEREAS, on March 18, 1985, the Authority defined the term "borrower's investment"; and

WHEREAS, Authority staff recommend updating the determination of "borrower's investment" to reduce time and simplify the process of calculating the borrower's return on an investment; and

WHEREAS, the Acting Executive Director recommends that the term "borrower's investment" be determined as described in the accompanying memorandum for the reasons set forth therein.

WHEREAS, the Authority concurs in the recommendation of the Acting Executive Director.

NOW THEREFORE, Be It Resolved by the Michigan State Housing Development Authority that the term "borrower's investment" for purposes of the Section 44c program be determined as set forth in the accompanying memorandum.

AMENDED AND RESTATED PASS-THROUGH BOND PROGRAM

PRIVATE PLACEMENT OVERVIEW

July 18, 2024

(Debt Financing Under Section 44c of the Authority's Act)

Section 44c of Act 346 of the Public Acts of 1966 (the "Act") permits the Michigan State Housing Development Authority (the "Authority") to participate in "conduit" or "pass-through" financings in which the bonds or notes (either of which are referenced as "bonds" within this summary) issued to finance a development are a limited obligation of the Authority. These bonds are not secured by the Authority's capital reserve capital account, and the bonds are not backed by the moral obligation of the State of Michigan. Instead, bonds issued pursuant to this Amended and Restated Pass-Through Bond Program - Private Placement Overview, may be secured by the revenues of the borrower and/or the real and personal property being financed, and will be privately placed with sophisticated investors acceptable to the Authority.

Projects participating in this program (the "Pass-Through Bond Program" or the "Program") may use pass-through bonds as long-term financing (construction and permanent financing) or as short-term financing (construction financing only). The proposed investor and transaction structure must be acceptable to the Authority.

I. Eligible Projects:

Projects must satisfy the eligibility requirements of Section 44c of the Authority's Act. Both new construction and acquisition and substantial rehabilitation of residential rental units will be considered.

Proposals receiving Low-Income Housing Tax Credit ("LIHTC") must meet the threshold requirements of the LIHTC program ("LIHTC Program") for projects financed with tax-exempt bonds as provided in the Authority's Qualified Allocation Plan ("QAP").

II. Eligible Borrowers:

The borrower (the "Borrower") must be an eligible entity under the Authority's Act (e.g., a limited dividend housing association organized as a limited partnership, a corporation, or a limited liability company). The sponsor or developer must be in good standing at the time of application. Good standing means that no other projects involving the sponsor or developer that have been financed by the Authority under this Program or another Authority lending or subsidy program are experiencing significant, unresolved problems as determined by the Authority.

III. Minimum Program Income and Rent Restriction Requirements:

Applicants are required to commit to income and rent restrictions targeting a minimum of either (i) 40% of the total number of units in the project for households whose income is at or below 60% of Area Median Income ("AMI") (the "40% Affordable Unit Restriction"), or (ii) 20% of the total number of units in the project for households whose income is at or below 50% of AMI (the "20%

Affordable Unit Restriction”). The income and rent restrictions set forth in the Authority-approved application described in Section VIII below shall (a) be set forth in the Authority’s regulatory agreement that will be recorded at the bond closing (“Authority Regulatory Agreement”) and (b) remain in place for the longer of the “qualified project period” of the bonds, as defined in the Internal Revenue Code, or the extended use period of the LIHTC.

In addition to the minimum requirements above, applicants will be required to commit to income and rent restrictions to target at least 10% of the total number of units in the project for households whose income is at or below 40% of AMI (“10% Affordable Unit Restriction”). The units counted toward the 10% Affordable Unit Restriction may also count toward the 40% Affordable Unit Restriction or the 20% Affordable Unit Restriction, as applicable. In lieu of the 10% Affordable Unit Restriction, the Authority may permit applicants to commit to satisfying other important mission objectives such as developing or rehabilitating projects in rural areas, or projects that meet the definition of Permanent Supportive Housing and have all necessary supportive services available, etc. The 10% Affordable Unit Restriction may not otherwise be waived or reduced unless the Authority determines that the restriction impedes the Authority’s ability to finance the rehabilitation or new production of projects under this Program.

Developments will be eligible to utilize the income averaging set-aside in the LIHTC Program to maximize project Net Operating Income while also achieving the deeper targeting referenced above. Because tax-exempt bond regulations do not allow income averaging as a set-aside option, such projects must comply with both the LIHTC income averaging set-aside and the tax-exempt bond set-aside.

IV. Threshold Requirements:

Authority staff will review each application to assure that the use of a portion of the State’s unified volume cap for a project will not impair the Authority’s ability to carry out its programs or finance developments or housing units that are targeted to lower income persons. Authority staff will also determine whether the requested use of volume cap is within the Program Limit (as defined in Section V).

The Authority’s Office of Rental Development-Tax Credit Allocation Section will review the applicant’s standard tax credit application to assure that threshold requirements for participation in the LIHTC Program are met if LIHTC are being used to finance the development.

Transaction documents must include a variety of Borrower representations and covenants, and other provisions, to satisfy the requirements of the Act, the Program and other Authority policies, including the following private placement provisions:

1. Bonds must be initially sold only to purchasers that are “qualified institutional buyers” as generally defined under Rule 144A of the Securities Act of 1933 or “accredited investors” as generally defined under Section 501 of Regulation D promulgated under the Securities Act of 1933 (each, an “Investor”). In each case, an investor letter in form and substance acceptable to the Authority shall be delivered to the Authority at the initial bond closing, confirming that:

i. The Investor has sufficient knowledge and experience in business and financial matters in general, and investments such as the bonds in particular, to evaluate the merits and risks involved in making an investment in the bonds and the Investor is not relying on information provided by the Authority **and, based on the foregoing, has concluded and represents to the Authority that the repayment of the bonds is reasonably secure**.

ii. The Investor is able to bear the economic risk of, and an entire loss of, an investment in the bonds.

iii. The Investor is purchasing the bonds of which it will be the beneficial owner solely for its own account for investment purposes, and has no present intention to resell or distribute such bonds; provided, however, that the Investor may, with the written consent of the Authority, transfer its interest to a single investor that is a qualified institutional buyer or an accredited investor. (Bonds may not be transferred to or held in a pool, trust or similar arrangement without the prior written consent of the Authority.)

iv. The Investor acknowledges that any subsequent transfer of an ownership interest in the bonds shall be conditioned upon delivery to the Authority of an investor letter that confirms the matters discussed in this IV.1. with respect to the transferee (the new or replacement investor).

2. The offering material/disclosure documents, if any, shall prominently indicate that bonds can only be sold to qualified institutional buyers or accredited investors, as applicable, consistent with the requirements of IV.1., above.

3. The face of each bond shall contain a legend stating that such bond can only be sold to qualified institutional buyers or accredited investors, as applicable, consistent with the requirements of IV.1., above.

4. The bond documents shall contain provisions that restrict the ability to transfer the bonds to only qualified institutional buyers or accredited investors.

5. Bonds may be issued and sold through a direct purchase, a private placement or a limited public offering so long as the provisions of the Act (including restrictions on sale and transferability) are satisfied.

6. Bonds sold to "qualified institutional buyers" or "accredited investors," as specified above, shall be sold in minimum denominations of $25,000 or greater.

V. Program Limit:

The Authority has established a $350 million limit for use of its unified volume cap for Section 44c pass-through transactions (the "Program Limit"). The Program Limit represents an aggregate cap for applicants under the private placement program described herein and applicants under the program described in the Authority's "AMENDED AND RESTATED PASS-THROUGH BOND PROGRAM – CREDIT ENHANCEMENT OVERVIEW" program statement. All proposals (that is, private placement and credit enhancement transactions, cumulatively) are subject to availability of volume cap from time to time within the common Program Limit. The Program Limit may be reduced or increased by the Authority subject to the Authority having sufficient volume cap for its direct lending multifamily program ("Direct Lending" or "Direct Lending Program") and single-family programs.

This Program will terminate at the earliest of the following: 1) the Authority's regularly scheduled July 2025 meeting; 2) the Authority's regularly scheduled June 2025 meeting if there is no July 2025 meeting; or 3) the Program Limit has been reached. For a project to be included in the Program Limit, a project must have been approved by the Authority for an inducement resolution at or before the Authority's July 2025 board meeting. Upon termination of the Program (as outlined above), volume cap will no longer be available to the Program, nor will it be added to any subsequent reinstatement of the Program that may occur, notwithstanding any amount remaining under the Program Limit. Once the Program has terminated, the Authority may review the Program and determine whether, and under what conditions, to extend the Program.

VI. Project Limits:

The Act, as amended by Senate Bill 417 of 2023, requires that to qualify as rehabilitation, the rehabilitation expenditures with respect to the project must equal or exceed 15% of the proceeds of the related bonds.

Additionally, except for 501(c)(3) nonprofit housing corporations and limited dividend housing associations wholly owned and controlled by 501(c)(3) nonprofit housing corporations, the Act limits the total amount in loan commitments a Borrower and any related person may have outstanding at a time. A Borrower and any related person may not have outstanding loan commitments that total more than the greater of (a) $100 million or (b) the amount of financing approved for a single project (if greater than $100 million). Once a loan has been made, the Authority's commitment to make the loan is no longer outstanding.

VII. Application, Commitment, Closing and Other Fees:

Fees shall be determined as follows:

A. Upon submission of an application, the sponsor shall pay an application fee equal to 0.0001 times the amount of the bonds requested to be issued. This application fee will be credited to the commitment fee due.

B. Upon receipt of a loan commitment, the sponsor/developer shall pay a commitment fee of 0.1% of the principal amount of the bonds to be issued, less the amount of the application fee paid with the initial application.

C. Upon issuance of the bonds, the Borrower shall pay to the Authority an issuance fee equal to 1.9% of the principal amount of the related bonds.

D. For each year that bonds remain outstanding or the applicable compliance monitoring period, the Borrower shall pay an annual compliance monitoring fee in an amount equal to 0.25%

of the outstanding principal amount of the bonds. This fee shall be paid according to such terms and conditions as may be approved by an authorized officer of the Authority.

VIII. Application Requirements:

For a project to be eligible to apply for the Pass-Through Bond Program, it must first be submitted to the Authority staff for evaluation as to whether the project is likely to be competitive to receive gap financing from the Authority in combination with a borrowing through the Direct Lending Program (the "Direct Lending Gap Financing Program"). To perform its evaluation, the Authority staff will consider the following:

1. The financial viability of a project based on the pro-forma analysis, site, and preliminary market analysis.

2. The overall capacity and experience of the development team.

3. The likelihood that the project will be competitive and be able to proceed with the funds available in the Direct Lending Gap Financing Program. To determine how competitive a project is likely to be, the Authority will primarily evaluate a project's soft to hard debt ratio, which is used to rank the proposals in the Direct Lending Gap Financing Program, to determine if the project appears to be competitive as compared to the current or most recent Direct Lending Gap Financing Program funding round. Applicants are encouraged to view rankings of recent Direct Lending Gap Financing Program funding rounds on the Authority's website to determine with more certainty whether their project has a competitive soft to hard debt ratio. *Since the Direct Lending Program is currently oversubscribed, it is anticipated that Pass-Through Bond Program applications during this time will be given MSHDA staff approval to bypass the Direct Lending Program so they can apply under the Pass-Through Bond Program*.

Following the analysis above, if, based on the Authority's determination, a project is unlikely to be competitive in the Direct Lending Gap Financing Program, the project will be eligible to continue under consideration as part of the Pass-Through Bond Program. Additionally, following an evaluation based on the process outlined above, projects that are competitive under the Direct Lending Gap Financing Program, but that cannot move forward using gap financing with an Authority Direct Lending tax-exempt loan (as determined by the Authority as part of the Direct Lending Gap Financing Program) will be able to submit an application as part of the Pass-Through Bond Program. Authority HOME funds and/or Mortgage Resource Funds are not available to projects that apply and are financed under the Pass-Through Bond Program.

If the sponsor chooses to proceed to the Pass-Through Bond Program, the following items must be submitted:

A. The sponsor/developer must submit a completed application under the LIHTC Program, including all required attachments.

B. To be considered complete, all applications for an allocation of volume cap under this Program must include:

i. A description of the proposed private placement structure and a statement as to the amount of the tax-exempt bonds (and taxable bonds, if appropriate) requested. The proposed private placement structure shall include (i) the name of the Investor (proposed purchaser of the bonds defined in Section IV hereinabove), (ii) confirmation that the Investor is a "qualified institutional buyer" as generally defined under Rule 144A of the Securities Act of 1933 or "accredited investors" as generally defined under Section 501 of Regulation D promulgated under the Securities Act of 1933, and (iii) written confirmation that the Investor shall comply with the requirements for Investors in Section IV ("Threshold Requirements") above and be subject to the restrictions and limitations established by the Bond Resolution of the Authority described in Section IX(C)(iv) below.

ii. Assurance that all bond issuance costs will be paid and the professional team (bond underwriter, bond trustee, bond counsel, etc.) will be compensated for services rendered in issuing the bonds. All bond issuance costs are the responsibility of the sponsor/developer and are not the responsibility of the Authority.

iii. To the extent not identified in the LIHTC Program application, identification of the full development team, including the bond underwriter, bond trustee, bond counsel, equity partner, Investor and rating agency. Bond counsel must have prior experience on Authority bond transactions and must be pre-approved by the Chief Legal Affairs Officer, the Chief Financial Officer, and the Finance Division of the Department of Attorney General. The bond underwriter, bond trustee and rating agency must be acceptable to the Chief Financial Officer.

iv. For proposals involving the acquisition and rehabilitation of existing property, substantiation that the rehabilitation expenditures will equal at least 15% of the principal amount of the related bonds.

v. If applicable, a tenant relocation plan.

vi. A phase I environmental assessment report.

vii. A market study.

viii. The application fee for both the Pass-Through Bond Program and the LIHTC Program.

C. Applications may be submitted at any time after the Program is authorized. Authority staff will process applications on a first-come first-served basis in the order they are received in accordance with the date the application is received by Authority staff. The Authority staff will advise prospective sponsors/developers of (a) the number of proposals in process, (b) the place "in line" where the application is, based on the submission date/time of the application, and (c) the total volume cap requested by those proposals. Project applications that are submitted but are found to have substantial deficiencies, and cannot progress along a normal approval timeline, may lose their place in line to other projects that are ready to move forward, but were submitted after them. For a project to be included in the Program Limit, a project must have been approved by the Authority for an inducement resolution.

D. Applications that do not receive a reservation of volume cap due to the Program Limit will be automatically considered under future re-authorizations of this Program, to the extent that the Program is reauthorized. All applications will be subject to the guidelines and order of processing as outlined under the Pass-Through Bond Program that is in place at the time they receive a reservation of volume cap.

IX. The Authority Processing Sequence:

A. Upon receipt of an application, staff will conduct a preliminary review, and will notify the sponsor/developer in writing within thirty (30) days as to whether (i) the application is complete or (ii) the application is not complete, and what must be corrected or completed. Staff will review and evaluate a completed application and, if appropriate, make a recommendation to the Authority members that use of the State's volume cap for the proposed project will not impair the ability of the Authority to carry out its programs or to finance housing developments or housing units that are targeted to lower income persons. This process includes:

i. A determination of the extent, if any, to which the proposed project may adversely affect projects (a) financed with Authority loans, or (b) to which the Authority has extended a loan commitment that has not been terminated, or (c) that are considered to be "active" in the Authority's pipeline.

ii. A review of the environmental assessment report to confirm that no environmental problems exist that cannot be resolved to the satisfaction of the Authority.

iii. A review and evaluation of the proposed Investor and the proposed transaction structure.

iv. A review of the LIHTC application and accompanying exhibits to ensure that the information submitted is substantially complete.

v. Preparation of an Inducement Report and Resolution for Authority consideration within sixty (60) days of receipt of a completed application. This represents the Authority's formal action for purposes of applicable tax regulation, currently Treas. Reg. §1.150-2(d). It does not constitute a commitment to loan funds or a determination that the proposal is acceptable.

B. The Authority will use its best efforts to complete the processing sequence identified in IX.A(i) - (v) within sixty (60) days of receipt of a completed application. Once the review has been completed and the Authority has approved the Inducement Resolution, the Chief Legal Affairs Officer will then issue a letter reserving volume cap for 6 months. This letter must be signed and returned by the sponsor/developer within twenty (20) days or the volume cap reservation will lapse. Proposals must proceed to loan commitment and authorization of the issuance of the Authority bonds within 6 months after the sponsor's acceptance of the reservation of volume cap. If the Chief Legal Affairs Officer determines that a 6-month extension of the volume cap reservation is appropriate based on the status of the proposal, availability of otherwise unreserved volume cap and the number and timing of other applications being processed when the extension is requested, then an extension will be granted only upon payment of a $5,000 nonrefundable fee.

C. Upon the sponsor's acceptance of the reservation of volume cap, Authority staff and/or bond counsel will:

- i. Begin drafting loan and bond documents;
- ii. Publish a TEFRA notice and conduct a TEFRA hearing. This must occur prior to the Authority's meeting at which the Bond Resolution will be considered (see (iv) below);
- iii. Prepare a Commitment Report and Resolution for Authority consideration after evidence that the Investor has provided a firm commitment acceptable to staff of the Authority;
- iv. Prepare a Bond Resolution for Authority consideration together with the Commitment Resolution, provided that the principal bond documents requiring Authority signature or approval are in substantially final form; and
- v. Complete the LIHTC review, if applicable, with issuance of a LIHTC Reservation.

The Commitment Resolution and Bond Resolution shall be submitted to the Board no earlier than the second month or second regularly scheduled or rescheduled Board meeting, whichever is later, following meeting that the Inducement Resolution was approved. Both the Commitment Resolution and the Bond Resolution must be approved and adopted by the Authority. The Act provides that loan commitments are valid for 6 months. If the transaction does not close within 6 months of the date the Commitment Resolution, the Authority may, in its discretion, extend the loan commitment for one additional 6-month period upon payment by the Borrower of a nonrefundable $5,000 extension fee.

D. Proposals that are found unacceptable shall be terminated. The Authority will notify the sponsor/developer in writing of any termination and the basis for termination.

E. For planning and administrative reasons, the Authority will not consider Commitment Resolutions and Bond Resolutions at board meetings in December, and closings will not be permitted during December. If a project's 6-month reservation of volume cap or 6-month loan commitment terminates during the month of December, however, an additional thirty (30) days will be granted (if permitted by the Act), and no extension fee shall be charged to the Borrower.

X. Return on Equity:

A Borrower is allowed distributions equal to a 12% return on investment in the project for the first 12-month period following the substantial completion of the development. Thereafter, the allowable return on the Borrower's "investment" is increased by 1% annually up to 25% (except for developments in eligible distressed areas where there is no program cap) and is fully cumulative. The Borrower shall be required to submit to the Authority a copy of the annual financial statement evidencing its eligibility for return on investment no later than ninety (90) days following the close of the Borrower's fiscal year. The Borrower's "investment" is defined pursuant to Exhibit B of this Program Statement.

XI. Bond and Tax Credit Requirements

All investments must be limited to authorized investments of the Authority as prescribed by the Act and applicable policies of the Authority ("Permitted Investments") as described in Exhibit A of the Authority Resolution dated March 18, 2021, which is attached to and made a part of this program statement. The Permitted Investments will be held by the bond trustee or fiscal agent. The Borrower must also provide the Authority with an opinion of the Borrower's counsel, a Useful Life Certificate prepared by Borrower's accountant, and/or other evidence as determined by the Authority's Chief Legal Affairs Officer, that respectively confirms the structure of the transaction will permit the applicant to claim the 4% LIHTC. In addition, the applicant must certify in writing to the sources and uses involved in the financing of the development.

XII. Compliance Monitoring and Reporting Requirements:

On or before September 1 of each year, the Borrower must provide the Authority with a report in a form acceptable to the Authority that includes the following statutorily-required information: incomes of the tenants, the estimated economic and social benefits of the housing to the immediate neighborhoods, the estimated economic and social benefits to the city or community, information with respect to displacement of lower income persons to the extent such occurs, together with steps taken by governmental or private parties to ameliorate the displacement and the results of such efforts, any additional information the Authority needs to report the extent of reinvestment by private lenders in the neighborhood resulting from the housing project, the age, race, family size and average income of tenants, and the estimated economic impact of the project, including the number of construction jobs created, wages paid, and taxes and payments in lieu of taxes paid.

EXHIBIT A

Permitted Investments – Cash Collateralized Bond/Note Structure (2021)
(*Supplementing 44c Short-Term Pass Through Program Statement*)

The investment of funds held in a collateral account, in the context of a "short-term" cash collateralized tax-exempt bond issue, should be restricted to the following general categories: (i) non-AMT tax-exempt obligations; (ii) time deposit securities issued by the United States Treasury under the State and Local Government Securities Program; and (iii) direct obligations of the United States or its agencies. The Authority generally prefers that investments of funds in the collateral account be made in the foregoing order of preference; however, deviations may be appropriate for a number of factors, including, for example, availability of investments, efficiency of the investment rate of return, and restrictions based on the national rating agencies' rating criteria. If such is the case, the developer or the underwriter should so inform the Authority prior to pricing. In addition, investment of collateral account fund balances may be subject to yield restrictions and other tax requirements, including without limitation investment bidding requirements, the particulars of which should be confirmed prior to pricing with the Authority, bond counsel, and the representatives of the Michigan Attorney General engaged on the financing.

The collateral account fund investment (Permitted Collateral Account Investments) provisions and defined terms within the bond documents, should read substantially as follows:

"Permitted Collateral Account Investments" means the following investment obligations (subject to (A) [RATING AT TIME OF INVESTMENT OR MORE RESTRICTIVE APPLICABLE RATING AGENCY CRITERIA] and (B) investments shall, in the aggregate, have accrual periods and payment dates that provide for timely payments in amounts sufficient to meet the payment obligations with respect to the Bonds):

(i) a debt security, the interest on which is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations;

(ii) a security that is an interest in a regulated investment company, as defined in Section 67(c)(2)(B) of the Internal Revenue Code of 1986, as amended, at least 95 percent of the income from which is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations;

(iii) money market mutual funds that (a) have a stated primary investment criterion to invest in obligations described in (i) above, and (b) permit the withdrawal of such investment on any given day specified by the Trustee for a value of not less than the par value of initial investment made therein (including, without limitation, funds for which the Trustee or an Affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (x) the Trustee or an Affiliate of the Trustee receives fees from funds for services rendered, (y) the Trustee collects fees for services rendered pursuant to [this Indenture], which fees are separate from the fees received from such funds, and (z) services performed for such funds and pursuant to [this Indenture] may at times duplicate those provided to such funds by the Trustee or an Affiliate of the Trustee);

(iv) securities issued by the United States Treasury pursuant to the Time Deposit State and Local Government Securities Program described in 31 C.F.R. part 344;

(v) direct obligations of the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America;

(vi) obligations the full and prompt payment of which is secured by the pledge of the full faith and credit of the United States of America;

(vii) non-callable, non-prepayable obligations of the following federal government agencies: Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Farm Credit System and United States Department of Housing and Urban Development; and

(viii) money market mutual funds that (a) have a stated primary investment criterion to invest in obligations described in (v) through and including (vii) above, and (b) permit the withdrawal of such investment on any given day specified by the Trustee for a value of not less than the par value of initial investment made therein (including, without limitation, funds for which the Trustee or an Affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (x) the Trustee or an Affiliate of the Trustee receives fees from funds for services rendered, (y) the Trustee collects fees for services rendered pursuant to [this Indenture], which fees are separate from the fees received from such funds, and (z) services performed for such funds and pursuant to [this Indenture] may at times duplicate those provided to such funds by the Trustee or an Affiliate of the Trustee).

EXHIBIT B

MSHDA

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Gary Heidel, Acting Executive Director

DATE: July 14, 2022

RE: Determining Return on Investment for Projects Financed under Section 44(c)

RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (the "Authority") authorize a revision of the determination of a return on investment for projects financed under the Authority's Pass-Through Program by replacing the Board Memorandum dated March 13, 1985 ("1985 Memorandum") with this memorandum.

EXECUTIVE SUMMARY:

The 1985 Memorandum established a borrower's return on an investment in a multifamily project under Section 44c of the Authority's Act (i.e., the Pass-Through Program). The 1985 Memorandum includes terms and concepts that are no longer used by Authority staff to calculate returns.

Authority staff recommend replacing the 1985 Memorandum with this memorandum ("Memorandum"), which would set the borrower's investment (owner's equity) in a pass-through transaction based on the equity established by the Office of Low Income Housing Tax Credits ("LIHTC Office"). Using the LIHTC Office's determination of equity will enable Authority staff to determine the borrower's investment easily and reduce time spent on calculating the borrower's return on an investment.

If approved, this Memorandum will rescind and replace the 1985 Memorandum as Exhibit B to the Amended and Restated Pass-Through Bond Program Statement ("Pass-Through Program Statement"). The Pass-Through Program Statement will be amended to reference this Memorandum as Exhibit B.

ADVANCING THE AUTHORITY'S MISSION:

This proposed change will promote the "Decision Making" Guiding Principle. By using the LIHTC Office's determination of equity, Authority staff can determine the borrower's return on an investment more easily.

COMMUNITY ENGAGEMENT/IMPACT:

Not applicable.

ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:

None.

DRAFT

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION – DEFINITION OF BORROWER'S INVESTMENT FOR PURPOSES OF PROJECTS FINANCED UNDER SECTION 44C

July 14, 2022

WHEREAS, The Michigan State Housing Development Authority (the "Authority") is authorized to finance housing projects under Section 44c of Act 346 of the Public Acts of 1966, as amended, (the "Act"); and

WHEREAS, Section 44c of the Act provides for a limitation on the return to the borrower; and

WHEREAS, on March 18, 1985, the Authority defined the term "borrower's investment"; and

WHEREAS, Authority staff recommend updating the determination of "borrower's investment" to reduce time and simplify the process of calculating the borrower's return on an investment; and

WHEREAS, the Acting Executive Director recommends that the term "borrower's investment" be determined as described in the accompanying memorandum for the reasons set forth therein.

WHEREAS, the Authority concurs in the recommendation of the Acting Executive Director.

NOW THEREFORE, Be It Resolved by the Michigan State Housing Development Authority that the term "borrower's investment" for purposes of the Section 44c program be determined as set forth in the accompanying memorandum.

DRAFT

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING AMENDED AND RESTATED PASS-THROUGH BOND PROGRAM

July 18, 2024

WHEREAS, pursuant to Section 44c of Act 346 of the Public Acts of 1966, the Michigan State Housing Development Authority (the "Authority") may issue limited obligation bonds and use the proceeds from the sale of those limited obligation bonds to make loans directly or indirectly to certain eligible entities; and

WHEREAS, the Authority adopted the Pass-Through Short-Term Bond Pilot Program (the "Program") on February 22, 2012, establishing a new, limited duration program to issue such bonds; and

WHEREAS, on March 26, 2014, the Authority reinstated the Program, extending it for another twelve months and allocating up to $25 million of the State's unified bond volume cap for the Program; and

WHEREAS, the Program has been reinstated annually from March of 2015 through June of 2019; and

WHEREAS, on July 30, 2020, the Authority authorized an Amended and Restated Pass-Through Program to increase the number of units financed, expanded the scope of the Short-Term Bond Program to include construction and permanent loans, allocated a maximum set-aside of tax-exempt bond volume cap for an amount not to exceed $100 million, and approved an updated program statement; and

WHEREAS, on July 22, 2021, the Authority extended the Amended and Restated Pass-Through Program for one year, allocated a maximum set-aside of tax-exempt bond volume cap for an amount not to exceed $100 million, and approved an updated program statement; and

WHEREAS, on July 14, 2022, the Authority extended the Amended and Restated Pass-Through Program for one year, allocated a maximum set-aside of tax-exempt bond volume cap for an amount not to exceed $150 million, and approved an updated program statement; and

WHEREAS, on July 20, 2023, the Authority extended the Amended and Restated Pass-Through Program for one year, allocated a maximum set-aside of tax-exempt bond volume cap for an amount not to exceed $300 million, and approved an updated program statement; and

WHEREAS, Section 44c(18) of the Act states that loans to be made pursuant to programs funded by the proceeds of limited obligation bonds shall not be made unless the Authority determines that the use of the State's unified volume cap for a project will not impair the ability of the Authority to carry out programs or finance housing developments or housing units that are targeted to lower income persons; and

WHEREAS, the Authority's Chief Executive Officer and Executive Director and Chief Financial

Officer have reviewed the availability of volume cap to the Authority in 2024; and

WHEREAS, the Chief Executive Officer and Executive Director is recommending that the Authority (a) authorize and extend the Amended and Restated Pass-Through Program for one year, (b) increase the maximum set-aside of tax-exempt bond volume cap to an amount not to exceed $350 million, and (c) approve changes to the Amended and Restated Pass-Through Program pursuant to an amendment of the Authority's Act under 2024 Senate Bill 417 ("SB 417") as set forth in the attached two Pass-Through Program Overviews—one for transactions using credit enhancement ("Credit Enhancement Program Overview") and the other for transactions using private placements ("Private Placement Program Overview")--and described in the attached memorandum; and

WHEREAS, the Authority concurs in the recommendation of the Executive Director.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Amended and Restated Pass-Through Program--as described in the accompanying memorandum, the Credit Enhancement Program Overview and the Private Placement Program Overview of even date--is hereby adopted and approved.

2. A maximum of $350 million in tax-exempt bond volume cap will be set aside for the Amended and Restated Pass-Through Program.

3. The Amended and Restated Pass-Through Program will terminate, and the Authority will review it, at the earliest of (a) the Authority's regularly scheduled July 2025 meeting, or (b) the Authority's regularly scheduled June 2025 meeting if there is no July 2025 meeting, or (c) the full subscription of the aforementioned $350 million set aside of tax-exempt bond volume cap. Developments for which the Authority has adopted an inducement resolution on or before the date the Program terminates will be allowed to proceed to closing.

Delegated Action Report(s)

Delegated Action Report(s)

Partnerships and Engagement

Goldenrod Reports Tab 1

MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director Amy Hovey

DATE: July 18, 2024

RE: Division of Partnerships and Engagement Summary of Delegated Actions for the Period April 1, 2024, to June 30, 2024

From time to time, the Authority has delegated certain actions to the Executive Director. Typically, the delegated actions include a reporting requirement. The following is a listing of the delegated actions activity undertaken by the Division of Partnerships and Engagement during the above time period. If activity is indicated, a report on that delegated action is attached.

I. Loan Activity

A. Moderate Rehabilitation Loans
B. Mortgage Loan Increases
C. Mortgage Loans for MI HOME and CSH
D. Small Size and High Security Loans
E. Development Fund Loans Under $250,000

F. Pre-Development Loans
G. HOME Funds for MSHDA-Financed Project
H. Asset Management
I. Homeless Initiatives
J. Neighborhood Stabilization Program (NSP) Loans
K. Waiver of Prepayment Prohibition

II. Professional Services Contracts

A. Contracts Under $25,000
B. Homeownership Counseling
C. Technical Assistance Contracts
D. Environmental Consulting Contracts

III. Work-out for 80/20 Developments

IV. Grant Activity

A. Application for State or Federal Funds
B. HOME Grants
C. CDBG Grants

D. Development Fund Grants Under $250,000	See attached HDF Report.
E. Homeless Initiatives	
F. Neighborhood Stabilization Program (NSP) Grants	
G. Housing Incentive Readiness Grant	See attached Report.

V. <u>Michigan Affordable Housing Fund Activity</u>

VI. <u>Disposition of Bankruptcy Lien Stripping Cases</u>

VII. <u>Acceptance and Approval of HUD Housing Choice Vouchers (HCV)</u>

GRETCHEN WHITMER
GOVERNOR

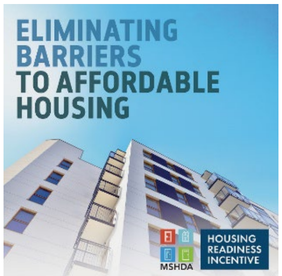
AMY HOVEY
CHIEF EXECUTIVE OFFICER
AND EXECUTIVE DIRECTOR

Michigan State Housing Development Authority Grants
Awarded April 1, 2024, to June 30, 2024

Funding Source: Housing Development Fund (HDF)
Program Category: Development Fund Grants

Prepared July 1, 2024

County	Grant Number	Organization Name & Address	Grant Amount
Statewide	HDF-2024-791-COL	Habitat for Humanity of Michigan 618 S Creyts Road Suite A Lansing, Michigan 48917	$225,000
Statewide	HDF-2024-552-COL	Ingham County Treasurer 121 E. Maple Street P.O. Box 319 Mason, Michigan 48854	$175,000
Statewide	HDF-2024-10649-COL	ARC4Justice, Inc 890 Glenwood Ave SE Atlanta GA 30316	$48,981



Housing Readiness Incentive (HRI) Grant Activity Report

Submitted July 2, 2024

Program Description

The Housing Readiness Incentive (HRI) Grant Program provides funding to eligible applicants to implement actions that encourage increasing housing supply and affordability. The program is authorized pursuant to Section 1028 of the State of Michigan's Fiscal Year 2024 Budget.

Eligible activities include costs associated with the adoption of land use policies, master plan updates, zoning text amendments, and similar actions to encourage increasing housing supply and affordability.

The HRI program has $5,000,000 allocated; approximately $3,000,000 is available in Category A and approximately $2,000,000 is available in Category B.

Eligible applicants in Category A are cities, villages, and townships that do not have an Engaged, Essentials, and/or Certified designation from the Michigan Economic Development Corporation's "Redevelopment Ready Communities" program.

Eligible applicants in Category B are cities, villages, and townships that have an Engaged, Essentials, and/or Certified designation from the Michigan Economic Development Corporation's "Redevelopment Ready Communities" program.

Program Activity

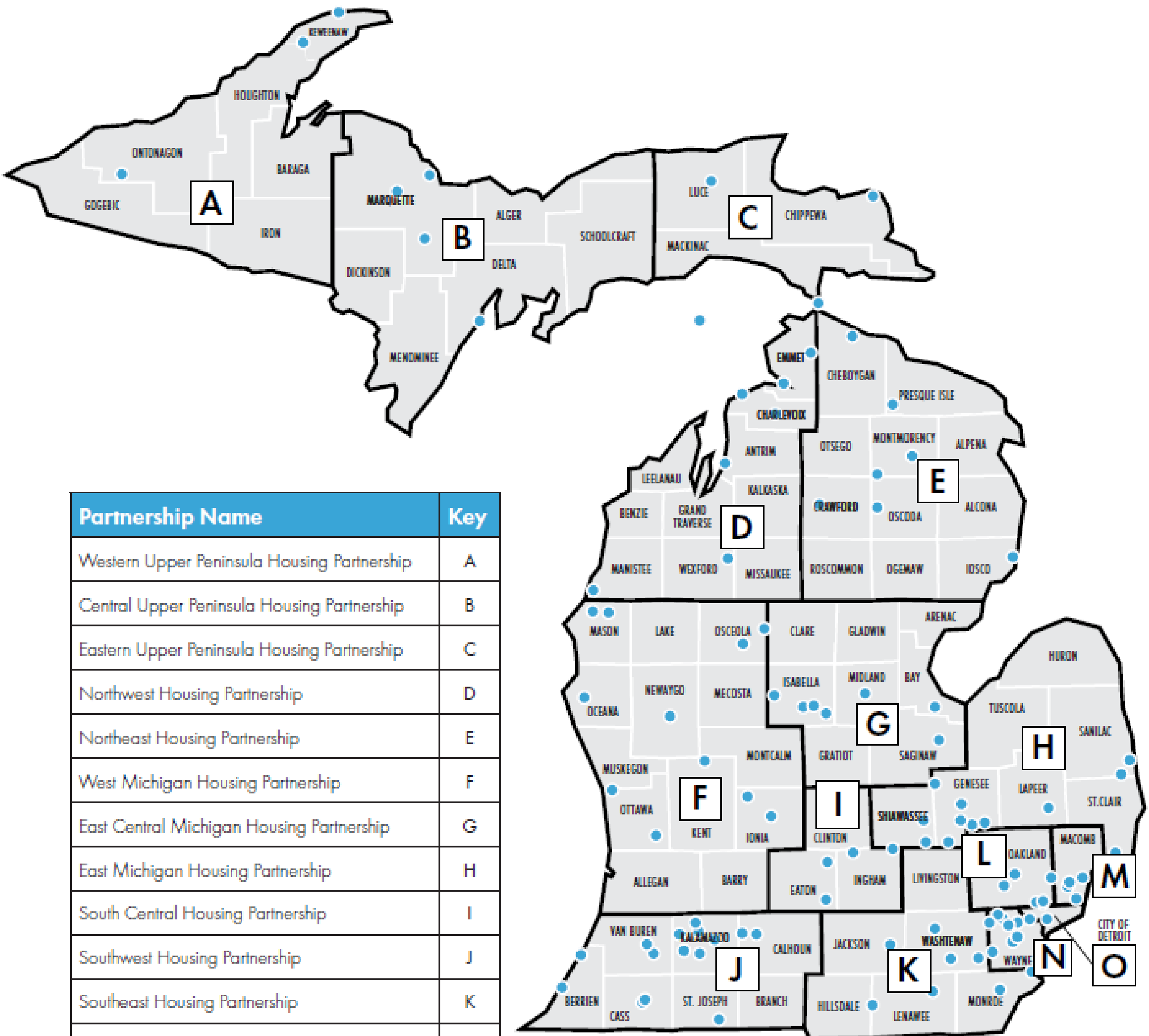
The HRI program launched on January 16, 2024.

Activity	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	Program-to-Date
Applications Submitted	55	35	9	9	7	6	121
Applications Approved	45	25	8	10	9	6	103
Average Amount Requested	$44,100	$39,563	$41,701	$41,839	$42,200	$43,000	$41,295

As of July, 1 2024, the HRI program had $4,238,773 allocated to approved applicants.

HRI Grant Category	Amount Approved for Grants	Remaining Program Amount
Category A	$2,115,187	$761,227
Category B	$2,073,586	$0
Total ($5 million)	$4,238,773	$761,227

Housing Readiness Incentive Grant Program Communities



Partnership Name	Key
Western Upper Peninsula Housing Partnership	A
Central Upper Peninsula Housing Partnership	B
Eastern Upper Peninsula Housing Partnership	C
Northwest Housing Partnership	D
Northeast Housing Partnership	E
West Michigan Housing Partnership	F
East Central Michigan Housing Partnership	G
East Michigan Housing Partnership	H
South Central Housing Partnership	I
Southwest Housing Partnership	J
Southeast Housing Partnership	K
Oakland Housing Partnership	L
Macomb Housing Partnership	M
Wayne Housing Partnership* *including Hamtramck and Highland Park	N
Detroit Housing Partnership	O

07.01.24

The table below details approved applications and their grant amounts. Grants awarded since the previous report are marked with an asterisk.

Municipality	MSHDA RHP Region	Grant Category	Grant Amount
Albert, Township of	E	A	$50,000
Allis Township*	E	A	$50,000
Almena Township*	J	A	$49,500
Atlas Township*	H	A	$30,000
Augusta, Charter Township of	K	A	$33,500
Avery, Township of	E	A	$50,000
Battle Creek, City of	J	B	$50,000
Bay City, City of	G	B	$50,000
Belding, City of	F	A	$35,000
Benton Harbor, City of*	J	B	$50,000
Bergland Township	A	A	$40,000
Boyne City, City of	D	B	$15,546
Bridgeport, Charter Township of	G	B	$44,000
Byron, Village of	H	B	$35,000
Calumet, Charter Township of*	A	A	$37,000
Calvin, Township of	J	A	$48,685
Cassopolis, Village of	J	B	$50,000
Charlevoix, City of	D	B	$50,000
Cheboygan, City of	E	A	$50,000
Comstock Charter Township	J	B	$50,000
Dearborn, City of	N	B	$50,000
Delta Charter Township	I	A	$50,000
Detroit, City of	O	B	$50,000
Dexter, City of	K	A	$50,000
Durand, City of	H	B	$27,500
Eagle Harbor, Township of	A	A	$20,000
East China, Charter Township of*	H	A	$30,300
East Lansing, City of	I	B	$48,600
Eastpointe, City of	M	B	$50,000
Eaton Rapids, City of	I	B	$50,000
Elk Rapids, Village of	D	B	$50,000
Escanaba, City of	B	B	$50,000
Evart, City of	F	B	$29,000
Farmington, City of	L	B	$50,000

Ferrysburg, City of*	F	A	$50,000
Flint, City of	H	B	$50,000
Forsyth Township	B	A	$50,000
Fraser, City of*	M	A	$50,000
Garden City, City of	N	A	$45,000
Gibraltar, City of*	N	A	$50,000
Grand Blanc, City of	H	B	$50,000
Grant Township (Iosco County)*	G	A	$50,000
Grant Township (Newaygo County)*	F	A	$34,000
Grass Lake, Village of	K	B	$30,000
Grayling, City of	E	B	$45,000
Greenwood Township	E	A	$20,132
Harper Woods, City of	N	B	$50,000
Harrison, Charter Township of	M	A	$25,000
Hazel Park, City of	L	B	$12,000
Hudson, City of	K	A	$9,000
Hudsonville, City of	F	B	$50,000
Imlay, Township of	H	A	$30,220
Inkster, City of	N	B	$50,000
Ionia, City of	F	B	$28,000
Ishpeming, City of	B	B	$50,000
Kalamazoo, Charter Township of	J	A	$20,000
Kalamazoo, City of	J	B	$50,000
Keego Harbor, City of*	L	A	$50,000
Lake Isabella, Village of	G	B	$45,000
Lexington, Village of	H	B	$34,340
Lincoln Charter Township	J	A	$30,800
Linden, City of	H	B	$27,800
Livonia, City of*	I	A	$50,000
Locke Township*	I	A	$22,750
Mackinac, City of	C	A	$22,800
Manistee, City of	D	B	$33,000
Manton, City of*	D	A	$50,000
Marion, Village of*	F	A	$16,500
Marquette Charter Township	B	A	$50,000
McMillan Township*	A	A	$50,000

Monroe, City of	K	B	$50,000
Montrose, City of	H	A	$40,000
Mt. Pleasant, City of	G	B	$50,000
Mundy, Township of	H	B	$50,000
Oscoda Township	E	B	$50,000
Oshtemo Charter Township*	J	A	$50,000
Paw Paw, Township of	J	A	$44,000
Paw Paw, Village of	J	B	$44,000
Pellston, Village of	D	A	$30,000
Petoskey, City of	D	B	$50,000
Plymouth, Charter* Township of	N	A	$45,000
Plymouth, City of	N	B	$50,000
Portage, City of	J	B	$50,000
Royal Oak, Charter Township of	L	A	$50,000
Royal Oak, City of	L	A	$50,000
Saline, City of	K	B	$41,200
Sand Lake, Village of	F	A	$15,000
Sanford, Village of	G	A	$50,000
Sault Ste Marie, City of	C	B	$50,000
Shelby Township	F	A	$33,000
Shepherd, Village of*	G	A	$20,000
Sherman Township*	E	A	$50,000
Southgate, City of*	N	A	$25,000
Springfield, City of	J	A	$16,000
Sterling Heights, City of	M	B	$50,000
St. James Township*	D	A	$22,000
Tecumseh, City of	K	B	$43,600
Union Charter Township	G	A	$50,000
Van Buren Township	N	B	$45,000
Wayne, City of*	N	A	$50,000
West Bloomfield Township*	L	A	$50,000
White Cloud, City of	F	B	$45,000
Worth, Township of	H	A	$25,000

Delegated Action Report(s)

Homeownership

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

M E M O R A N D U M

TO: Authority Members

FROM: Amy Hovey, Chief Executive Officer and Executive Director Amy Hovey

DATE: July 18, 2024

RE: Homeownership Summary of Delegated Actions
for the Period April 1, 2024 to June 30, 2024

From time to time, the Authority has delegated certain actions to the Executive Director. Typically, the delegated actions include a reporting requirement. The following is a listing of the delegated actions activity undertaken by the Homeownership Division during the above time period. If activity is indicated, a report on that delegated action is attached.

I. Loan Activity

A. Moderate Rehabilitation Loans
B. Mortgage Loan Increases
C. Mortgage Loans for MI HOME and CSH
D. Small Size and High Security Loans
E. Development Fund Loans Under $250,000
F. Pre-Development Loans
G. HOME Funds for MSHDA-Financed Project
H. Asset Management
I. Homeless Initiatives
J. Neighborhood Stabilization Program (NSP) Loans
K. Waiver of Prepayment Prohibition

II. Professional Services Contracts

A. Contracts Under $25,000
B. Homeownership Counseling — See attached report
C. Technical Assistance Contracts
D. Environmental Consulting Contracts

III. Work-out for 80/20 Developments

IV. Grant Activity

A. Application for State or Federal Funds
B. HOME Grants
C. CDBG Grants
D. Development Fund Grants Under $250,000

Period April 1, 2024 to June 30, 2024

E. Homeless Initiatives	
F. Neighborhood Stabilization Program (NSP) Grants	
G. Housing Education Program (HEP) Grant	See attached report
H. HUD Housing Counseling Grant	no activity

V. Michigan Affordable Housing Fund Activity

VI. Disposition of Bankruptcy Lien Stripping Cases

VII. Acceptance and Approval of HUD Housing Choice Vouchers (HCV)

REPORT ON DELEGATED ACTIONS

For the period April 1, 2024 to June 30, 2024

Date: July 18, 2024

DELEGATED ACTION

Housing Education Program (HEP)

On **June 20, 2024,** the Authority approved the continuation of MSHDA's Housing Education Program by approving the budgeted amount of $500,000 for the fiscal year 2024/2025 and delegating to authorize signatories for the Homeownership Division the authority to enter into or renew existing contracts.

ACTIVITY

A listing of all contract expenditures during the reporting period is attached.

The purpose of the Michigan State Housing Development Authority's (MSHDA or Authority) Housing Education Program (HEP) is to facilitate education for clients seeking to purchase or retain a home. MSHDA's Housing Education Program ("HEP") partners with agencies to ensure that every Michigan citizen has access to accurate, non-biased assistance to help make informed choices about housing and homeownership. Through our partner agencies, MSHDA's HEP services are provided to all 83 Michigan counties at little to no cost to the consumer; they are offered in a variety of formats to maximize accessibility.

Services include Homebuyer Education, Disaster Preparedness, Pre-Purchase Individual services, Financial Capability services, Rental services, Homeless services, and Foreclosure services.

Agencies that receive funds through this opportunity will provide assistance to first-time and repeat homebuyers by providing education on the many facets of the home purchase process to clients seeking to purchase their home with the intent of utilizing a MSHDA mortgage product.

Additionally, the agency may provide assistance to current homeowners or renters who are in need of foreclosure counseling, rental counseling and other related housing counseling.

MSHDA Housing Education Program (HEP) Counseling Agency Contracts FY 2024/25 - July 1, 2024 to June 30, 2025	EIN #	Contract Amount
Abayomi Community Dev. Corp.	38-3407865	$17,855.00
Amandla Community Dev. Corp..	38-3195198	$17,855.00
Blue Water Community Action Agency	38-2284121	$17,855.00
Capital Area Housing Partnership	38-2926892	$17,855.00
Community Action Agency	38-1803599	$17,855.00
Community Action House	23-7120670	$17,855.00
Community Housing Network	38-3372734	$17,855.00
Genesee County Habitat	38-2899387	$17,855.00
H.O.M.E. of Mackinac County	38-3142455	$17,855.00
Habitat for Humanity Michigan	38-2874694	$17,855.00
Home Repair Services of Kent County	38-2263817	$17,855.00
Inner City Christian	38-1903026	$17,855.00
Gesher (JVS)	38-1358013	$17,855.00
Kalamazoo Neighborhood Housing	38-2391442	$17,855.00
Matrix Human Services	38-2056236	$17,855.00
Michigan State University Extension Office	38-1813239	$17,855.00
Mid Michigan CAA	38-6005984	$17,855.00
Monroe County Opportunity Program	38-3302761	$17,855.00
National Faith	38-3164047	$17,855.00
NCCS Center for Nonprofit Housing	38-1818068	$17,855.00
Northeast Michigan Community Service Agency, Inc.	38-3395829	$17,855.00
Northern Homes Community Development Corporation	38-2027389	$17,855.00
Northwest Michigan Community Action Agency	38-6004876	$17,855.00
Oakland County	38-6004876	$17,855.00
Oakland Livingston County	38-2324335	$17,855.00
Southwest Economic Solutions	38-2415106	$17,855.00
Telamon	56-1022483	$17,855.00
Wayne Metropolitan Community Action Agency	38-1976979	$17,855.00

REPORT ON DELEGATED ACTIONS

For the period April 1, 2024 to June 30, 2024

Date: July 18, 2024

DELEGATED ACTION

HUD Housing Counseling Grant

On May 16, 2024, the Michigan State Housing Development Authority (MSHDA) (Grantee) received a HUD Comprehensive Housing Counseling Grant for $720,305.00 to conduct a housing counseling program on behalf of the Department of Housing and Urban Development (HUD) and is used by HUD's FY23 Comprehensive Housing Counseling Grant Program. The term of this grant is from October 1, 2023, to September 30, 2024.

ACTIVITY

The Grantee (MSHDA) was selected to distribute and monitor the HUD funds to MSHDA-approved sub-grantees chosen by the Housing Education Program within MSHDA.

MSHDA will utilize FY23 HUD Housing Counseling Grant funds to support the following services:

INDIVIDUAL COUNSELING SERVICES

Agencies in MSHDA's network provide counselor-to-client assistance that addresses unique financial circumstances or housing issues and focuses on ways of overcoming specific obstacles to achieving a housing goal. One-on-one counseling services are provided for the following topics:

- **Rental Counseling:** Housing Counselors offer a customized rental counseling session that aids clients in addressing immediate rental crisis counseling as well as long-term planning for successful and sustainable rental housing. Counselors work with their clients to analyze finances, understand the lease and application process as well and offer guidance and assistance with Fair Housing violations and landlord-tenant laws in Michigan.

- **Pre-Purchase Counseling:** Pre-Purchase Counseling is individual housing counseling services performed by a Certified Housing Counselor. While the sessions are customized for the individual client, the main purpose is to assist clients in making decisions related to:
  - Individual and household income verification and calculation
  - Review and analyze their consumer credit report.
  - Analyze household budgets & spending habits.
  - Assess mortgage readiness & affordability.
  - Create customized debt reduction and spending/savings plans.

- **Mortgage Delinquency and Default Resolution (Foreclosure Counseling):** Housing Counselors assist homeowners who are facing a financial crisis through mortgage or tax foreclosure. Counselors address reasons for default; ways to maximize income and reduce expenses; advise owners on key players in the mortgage marketplace; help owners navigate through loss-mitigation options; legal information about Michigan foreclosure laws and timelines;

assist in effectively communicating with lenders and servicers; and offer information on homeowner and lender rights and obligations found in loan documents.

- **Homeless Assistance:** Homeless individuals face many challenges navigating the housing search process. The lack of affordable housing combined with the credit profiles and housing histories of at-risk clients makes conducting a successful housing search very difficult. However, housing search services provided by a certified Housing Counselor can remove some of the obstacles faced by those facing homelessness. The primary challenge associated with this service involves the credit and housing history of the clients seeking housing. In many cases, a client is seeking housing search services due to multiple denials from market-rate housing providers. Also, in some cases, the housing search process means negotiating with and entering into agreements with landlords. A Housing Counselor can offer direct assistance in both navigating as well as advocating for their needs and rights.

- **Disaster Preparedness & Recovery Assistance:** When disaster strikes, whether natural or man-made, households and businesses alike find themselves facing monumental challenges and making life-changing choices that are daunting and confusing. That is why the first place to turn should be a HUD Housing Counseling Agency. Housing Counselors are in a unique position to help their communities prepare for and recover from a disaster. HUD counseling agencies deploy Housing Counselors who have been nationally trained in disaster relief and recovery services. When the immediate emergency services end, counselors' step in to take over by helping clients navigate the complexities of disaster recovery resources and programs. As housing counseling agencies (HCAs) stabilize their organizations, they can participate in a broader community response and offer critical support to recovering community members. Housing counselors can help clients navigate the disaster recovery process, access recovery resources, keep their finances in order, and develop plans to repair their homes and avoid foreclosure or eviction.

GROUP EDUCATION WORKSHOPS

MSHDA HEP agencies also conduct educational workshops. These are formal classes with established curriculum and instructional goals provided in a group or classroom setting, covering topics applicable to groups of people. Educational workshops must comply with all HUD policies and guidelines. Below are brief descriptions of the workshop topics.

- **Pre-Purchase Homebuyer Education Workshop:** Homebuyer Education is designed to help individuals think critically about the benefits and risks of homeownership, understand how to select affordable homes and appropriate mortgage products, and build the financial knowledge, resources, and behaviors needed for sustainable homeownership and long-term financial health. Topics taught during this 4-6-hour class include:
  - Assessing readiness to buy
  - Affordability, credit & budgeting
  - Mortgages & DPA programs
  - Loan processing & Fees
  - partner roles including a realtor, title, loan, and escrow agents
  - The mortgage closing process
  - Fair Housing & Consumer Protection Laws

- **Financial Literacy Workshop:** Today's consumer is seeking financial security-searching for real-time information on how to maneuver the maze of financial products and services, establish or rebuild credit, reduce debt, and save for the future. Certified Housing Counselors equip clients to reach their potential. This course addresses the fundamental components of consumer financial literacy through nine core content modules including:

- Mastering money management
- Developing spending plans
- Improving credit & savings
- Student loan debt
- Fair Housing & Fair Lending
- banking basics
- Debt Reduction
- Consumer protection laws
- Insurance

- **Rental Housing Education Workshop:** Through group education, Housing Counselors offer training on Rental Education which equips current and future tenants to be successful. Course participants learn how to avoid discrimination and address tenant/landlord issues such as deposits, procedures for handling health and safety repairs, tenant remedies, and eviction-related issues. Participants also learn about how credit scores come into play, understand the lease contract and tips for the right place to call home.

- **Disaster Preparedness & Recovery Assistance Workshop:** Housing counselors are skilled in working with people of all demographics including traditionally disadvantaged and hard-to-reach populations (e.g. disabled, elderly, non-English speakers, people at risk of homelessness); have extensive knowledge of local, state, and federal resources for addressing housing needs; and have strong community referral networks. They are in the perfect position to help people prepare for emergencies and help them when disasters strike. Housing counselors are well-positioned to help their clients prepare themselves for disasters, both physically and financially. Housing counseling, be it for homebuyers, homeowners, or renters, should include information about home and family preparedness as well as the financial planning necessary to weather the disruptions created by a disaster. Such planning can set the stage for a more rapid recovery.

- **Non-Delinquency Post-Purchase Workshop (home maintenance & financial management for homeowners):** Following the purchase of a home, it can often be daunting to navigate life as a new homeowner. Certified Housing Counselors offer classes that cover common issues like home maintenance and financial management. Topics offered during this group course include:

  - Avoiding predatory lending and other attractive traps of available credit as a homeowner
  - Understanding common credit problems that lead to delinquency and foreclosure
  - Creating a realistic budget to lay a solid financial foundation
  - Understanding property taxes and insurance
  - Protecting and maintaining your home

FY23 HUD CHC GRANT
SUBGRANTEE AWARD AMOUNT LIST

AGENCY NAME	FY23 Grant Award Amount
Abayomi CDC	$37,000.00
Blue Water CAA	$37,000.00
Capital Area Housing Partnership	$37,000.00
Community Action House	$37,000.00
Community Housing Network	$37,000.00
Genesee County Habitat	$37,000.00
Home Repair Services	$37,000.00
H.O.M.E. of Mackinac	$37,000.00
ICCF Community Homes	$37,000.00
Jefferson East, Inc.	$37,000.00
Matrix Human Services	$37,000.00
Mid-Michigan CAA	$37,000.00
Michigan State University	$37,000.00
Monroe County Opportunity Program	$37,000.00
Northeast Michigan CSA	$37,000.00
Northern Homes	$37,000.00
Oakland Livingston HAS	$37,000.00
TrueNorth Community Services	$37,000.00
Wayne Metro CAA	$37,000.00
TOTAL SUBGRANTEE AWARD	$703,000.00

FY22 HUD GRANT AWARD BREAKDOWN

MSHDA Award	**$720,305.00**
MSHDA Admin Amount *(retained to cover MSHDA HEP salaries & subgrantee sponsored trainings)*	**$17,305.00**
Sub-Grantee Amount	**$703,000.00**

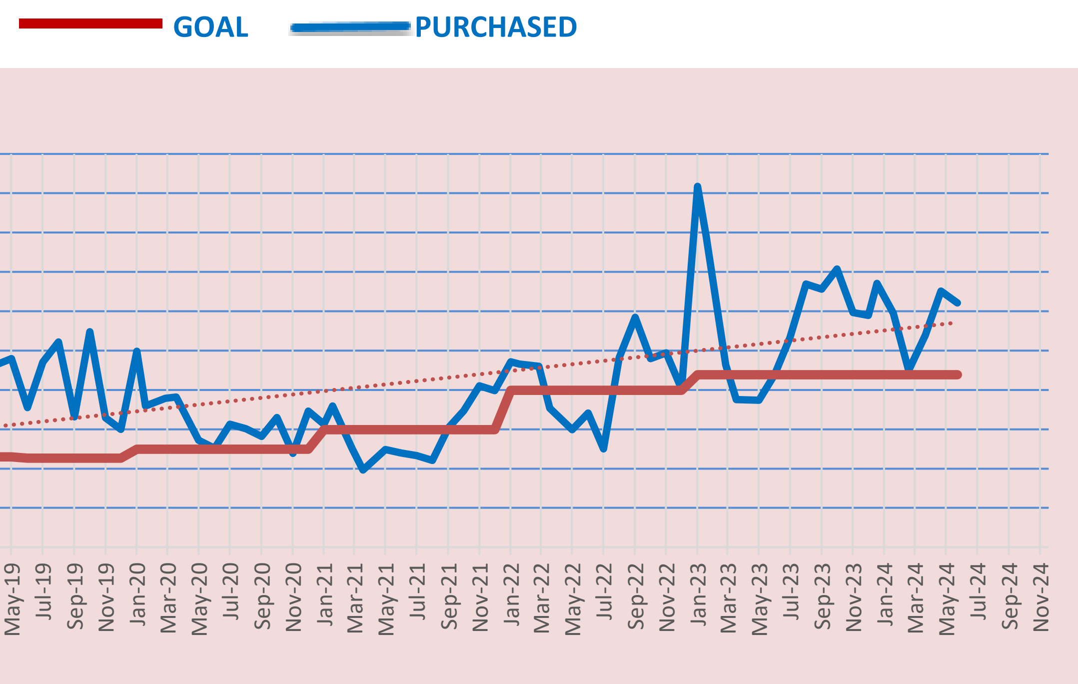
CURRENT AND HISTORICAL HOMEOWNERSHIP DATA

JUNE 2024

MSHDA MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

MSHDA's Homeownership Division delivers responsive homeownership products, education and technical assistance that empower our customers and strengthen and sustain Michigan communities. We work with our partners to provide creative solutions that maximize existing resources and preserve homeownership opportunities for future generations.

SINGLE FAMILY MORTGAGES



Monthly Homeownership Production Report: JUNE 2024

Print on Legal-Size paper

MI HOME Loan Programs

Series /Date	Month	RESERVATIONS		APPLICATIONS RECEIVED		COMMITMENTS BEGINNING		COMMITMENTS ISSUED		Cancellations Reinstatements Net	
031	**Jun-24**	**0**	**$ -**	**0**	**$0.00**	**0**	**$0.00**	**0**	**$0.00**	**0**	**$0.00**
	May-24	0	**$ -**	0	$0.00	0	$0.00	0	$0.00	0	$0.00
066	**Jun-24**	**0**	**$ -**	**19**	**$2,699,244.00**	**167**	**$24,009,134.00**	**15**	**$2,100,473.00**	**-2**	**-$235,935.00**
9/5/2023	**May-24**	2	$ 160,855.00	125	$18,004,906.00	167	$24,009,134.00	111	$15,945,040.00	-2	-$262,328.00
067	**Jun-24**	**561**	**$ 82,081,542.00**	**590**	**$86,727,274.00**	**327**	**$48,764,322.00**	**465**	**$68,946,583.00**	**0**	**$0.00**
4/9/2024	**May-24**	681	$ 102,087,058.00	525	$78,503,691.00	327	$48,764,322.00	380	$56,894,799.00	-1	-$161,398.00
TOTAL	**Jun-24**	**561**	**$82,081,542.00**	**609**	**$89,426,518.00**	**494**	**$72,773,456.00**	**480**	**$71,047,056.00**	**-2**	**-$235,935.00**

Series /Date	Month	Transfers IN or Adjustment		Transfers OUT or Adjustment		COMMITMENTS ENDING		PURCHASED #1		PURCHASED-DPA		#	PURCHASED Prior Total	PURCHASED NEW Total	1st + DPA TO DATE	NEWEST ALLOCATED
031	**Jun-24**	**0**	**$0.00**	**0**	**$0.00**	**0**	**$0.00**	**0**	**$0.00**	**0**	**$0.00**	**031**	$ 42,529,795.00	$ 42,529,795.00	$ 44,964,619.00	$ 10,000,000.00
	May-24	65	$9,692,611.00	0	$0.00	0	$0.00	65	$9,692,611.00	60	$582,179.00	101	$ 2,434,824.00	$ 2,434,824.00	remaining:	**$ (34,964,619.00)**
066	**Jun-24**	**3**	**$504,905.00**	**-127**	**-$18,758,043.00**	**56**	**$7,620,534.00**	**0**	**$0.00**	**0**	**$0.00**	**066**	$ 390,010,059.00	$ 390,010,059.00	$ 413,954,189.00	$ 400,000,000.00
9/5/2023	**May-24**	51	$7,965,556.00	-23	$3,471,292.00	167	$24,009,134.00	383	$55,416,318.00	347	$3,334,104.00	166	$ 23,944,130.00	$ 23,944,130.00	remaining:	**$ (13,954,189.00)**
067	**Jun-24**	**127**	**$18,758,043.00**	**0**	**$0.00**	**503**	**$74,351,428.00**	**416**	**$62,117,520.00**	**375**	**$3,594,487.00**	**067**	$ -	$ 62,117,520.00	$ 65,712,007.00	$ 400,000,000.00
4/9/2024	**May-24**	0	$0.00	-93	-$14,186,875.00	327	$48,764,322.00	0	$0.00	0	$0.00	167	$ -	$ 3,594,487.00	remaining:	**$ 334,287,993.00**
TOTAL	**Jun-24**	**130**	**$19,262,948.00**	**-127**	**-$18,758,043.00**	**559**	**$81,971,962.00**	**416**	**$62,117,520.00**	**375**	**$3,594,487.00**					

MCC

		RESERVATIONS		APPS RECEIVED		COMMITMENTS		CERTIFICATES	
213 MCC	**Jun-24**	**10**	**$ 1,586,753.00**	**10**	**$ 1,514,568.00**	**7**	**$ 1,108,068.00**	**8**	**$ 1,126,384.00**
12/7/2022	May-24	14	$ 2,262,211.00	11	$ 1,590,184.00	12	$ 1,728,624.00	5	$ 839,703.00

MI 10K DOWN PAYMENT ASSISTANCE PROGRAM

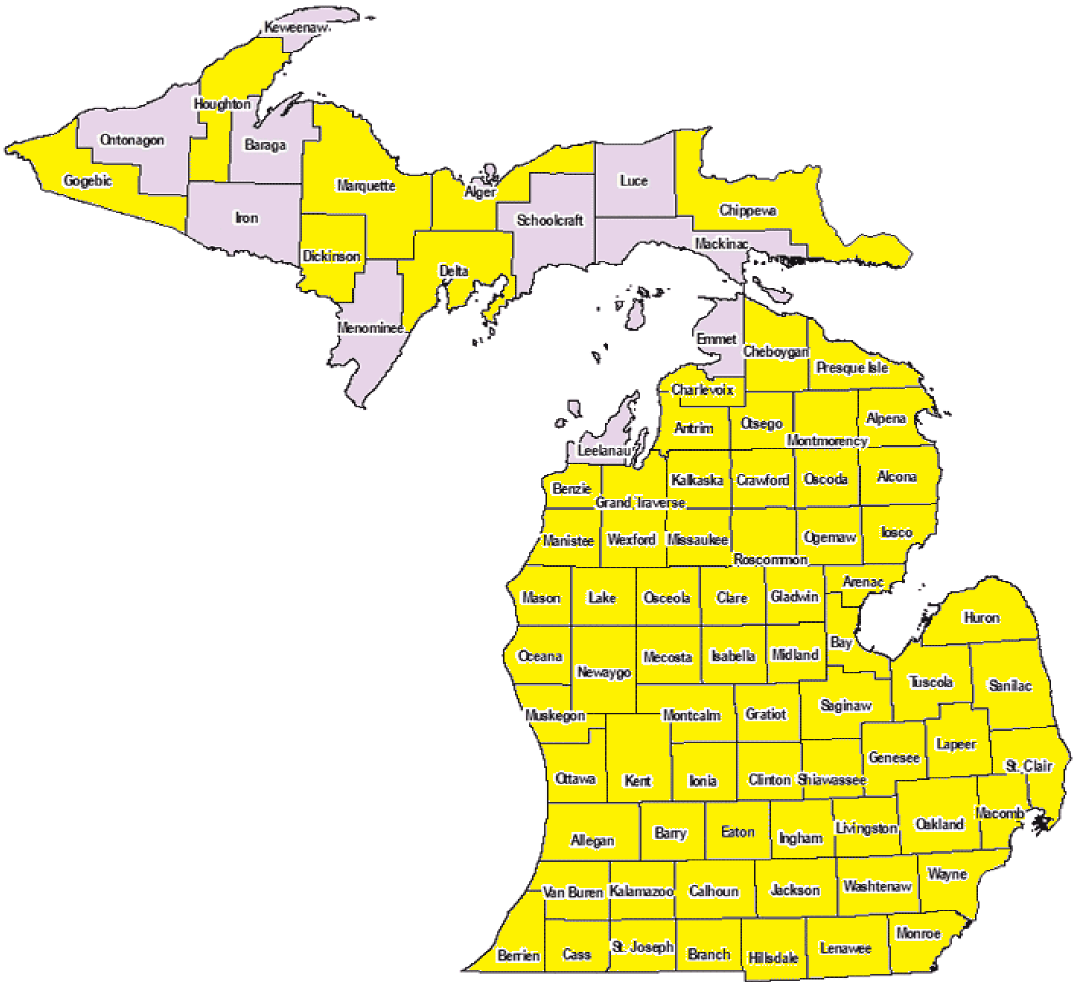
The MI 10K DPA Loan program is a $10,000 down payment assistance program available throughout the state. The MI 10K DPA Loan must be combined with a MI Home Loan.

JUNE 2024

Loans in 2024 | **New this month**

County	#	Loan Amt	DPA Amt	Total $
Alcona	3	$ 333,583	$ 26,236	$ 359,819
Alger				$ -
Allegan	4	$ 661,828	$ 36,753	$ 698,581
Alpena	6	$ 753,067	$ 58,713	$ 811,780
Antrim				$ -
Arenac				$ -
Baraga				$ -
Barry	2	$ 379,050	$ 20,000	$ 399,050
Bay	10	$ 1,221,888	$ 99,031	$ 1,320,919
Benzie				$ -
Berrien	8	$ 1,100,911	$ 76,145	$ 1,177,056
Branch	3	$ 510,100	$ 28,498	$ 538,598
Calhoun	12	$ 1,600,576	$ 117,426	$ 1,718,002
Cass	4	$ 674,747	$ 34,855	$ 709,602
Charlevoix				$ -
Cheboygan	1	$ 141,391	$ 8,956	$ 150,347
Chippewa	1	$ 155,200	$ 10,000	$ 165,200
Clare	4	$ 626,970	$ 36,871	$ 663,841
Clinton				$ -
Crawford	1	$ 147,283	$ 8,788	$ 156,071
Delta				$ -
Dickinson				$ -
Eaton	4	$ 636,488	$ 39,398	$ 675,886
Emmet				$ -
Genesee	22	$ 2,493,112	$ 203,033	$ 2,696,145
Gladwin	1	$ 116,400	$ 7,771	$ 124,171
Gogebic	1	$ 83,905	$ 6,900	$ 90,805
Grand Traverse				$ -
Gratiot	3	$ 417,915	$ 29,122	$ 447,037
Hillsdale				$ -
Houghton	1	$ 34,340	$ 5,639	$ 39,979
Huron	3	$ 294,027	$ 25,121	$ 319,148
Ingham	13	$ 1,614,135	$ 117,811	$ 1,731,946
Ionia	4	$ 738,769	$ 39,417	$ 778,186
Iosco				$ -
Iron				$ -
Isabella	1	$ 134,900	$ 9,381	$ 144,281
Jackson	13	$ 1,959,454	$ 123,194	$ 2,082,648
Kalamazoo	9	$ 1,371,604	$ 88,904	$ 1,460,508
Kalkaska	2	$ 345,259	$ 15,470	$ 360,729
Kent	12	$ 2,397,660	$ 120,000	$ 2,517,660
Keweenaw				$ -
Lake				$ -
Lapeer	6	$ 1,220,511	$ 58,767	$ 1,279,278
Leelanau				$ -
Lenawee	6	$ 924,516	$ 53,303	$ 977,819
Livingston				$ -

Luce				$ -
Mackinac				$ -
Macomb	27	$ 4,533,494	$ 267,938	$ 4,801,432
Manistee	2	$ 286,600	$ 19,375	$ 305,975
Marquette	2	$ 224,100	$ 17,776	$ 241,876
Mason	2	$ 349,103	$ 18,617	$ 367,720
Mecosta	1	$ 174,600	$ 10,000	$ 184,600
Menominee				$ -
Midland	7	$ 964,999	$ 66,702	$ 1,031,701
Missaukee				$ -
Monroe	10	$ 1,446,682	$ 97,542	$ 1,544,224
Montcalm	9	$ 1,500,132	$ 89,300	$ 1,589,432
Montmorency				$ -
Muskegon	19	$ 2,970,122	$ 182,346	$ 3,152,468
Newaygo	1	$ 155,138	$ 8,678	$ 163,816
Oakland	18	$ 3,051,926	$ 178,952	$ 3,230,878
Oceana	1	$ 161,500	$ 10,000	$ 171,500
Ogemaw	2	$ 247,304	$ 2,000	$ 249,304
Ontonagon				$ -
Osceola	2	$ 228,155	$ 16,612	$ 244,767
Oscoda				$ -
Otsego				$ -
Ottawa				$ -
Presque Isle				$ -
Roscommon	1	$ 171,830	$ 10,000	$ 181,830
Saginaw	10	$ 1,303,850	$ 91,092	$ 1,394,942
Saint Clair	8	$ 1,231,647	$ 76,023	$ 1,307,670
Saint Joseph	2	$ 313,950	$ 19,371	$ 333,321
Sanilac	4	$ 662,961	$ 39,045	$ 702,006
Schoolcraft				$ -
Shiawassee	2	$ 250,380	$ 19,225	$ 269,605
Tuscola	1	$ 166,920	$ 10,000	$ 176,920
Van Buren	5	$ 850,772	$ 48,624	$ 899,396
Washtenaw	4	$ 812,125	$ 40,000	$ 852,125
Wayne	75	$ 10,944,930	$ 731,766	$ 11,676,696
Wexford				$ -
TOTAL	**375**	**$ 56,092,809**	**$ 3,576,487**	**$ 59,669,296**
Total Purchases	**416**	**$ 62,117,520**	**$ 3,594,487**	**$ 65,712,007**
Percentage that used DPA	90%	90%	99%	91%


Keweenaw
Houghton
Ontonagon
Baraga
Gogebic
Marquette
Alger
Luce
Chippewa
Iron
Schoolcraft
Mackinac
Dickinson
Delta
Menominee
Emmet
Cheboygan
Presque Isle
Charlevoix
Antrim
Otsego
Montmorency
Alpena
Leelanau
Kalkaska
Crawford
Oscoda
Alcona
Benzie
Grand Traverse
Manistee
Wexford
Missaukee
Roscommon
Ogemaw
Iosco
Arenac
Mason
Lake
Osceola
Clare
Gladwin
Huron
Oceana
Newaygo
Mecosta
Isabella
Midland
Bay
Tuscola
Sanilac
Muskegon
Montcalm
Gratiot
Saginaw
Lapeer
Genesee
St. Clair
Ottawa
Kent
Ionia
Clinton
Shiawassee
Allegan
Barry
Eaton
Ingham
Livingston
Oakland
Macomb
Van Buren
Kalamazoo
Calhoun
Jackson
Washtenaw
Wayne
Berrien
Cass
St. Joseph
Branch
Hillsdale
Lenawee
Monroe

2024 BOARD CALENDAR

JANUARY
VOTING ITEMS:
• Intent to Reimburse Resolution
• Short-term Warehouse Borrowing Resolution
DISCUSSION ITEMS:
• SFRB 2024 Series A (Fixed Rate, Non AMT)
• SFRB 2024 Series B (Fixed Rate, Taxable)

FEBRUARY
VOTING ITEMS:
• SFRB 2024 Series A (Fixed Rate, Non AMT)
• SFRB 2024 Series B (Fixed Rate, Taxable)
DISCUSSION ITEMS:
• FY 2023-2024 PHA Plan
• Multifamily Bond Deal

MARCH
VOTING ITEMS:
• FY 2023-2024 PHA Plan
DISCUSSION ITEMS:
• Quarterly Financials

APRIL
VOTING ITEMS:
DISCUSSION ITEMS:

MAY
VOTING ITEMS:
DISCUSSION ITEMS:
• 2024-25 Budget
• Quarterly Financials

JUNE
VOTING ITEMS:
• 2024-25 Budget
DISCUSSION ITEMS:
• Pass-Through Program

JULY
VOTING ITEMS:
• Pass-Through Program
DISCUSSION ITEMS:
• Multi-Family Bond Deal

AUGUST
VOTING ITEMS:
• Multi-Family Bond Deal
DISCUSSION ITEMS:
• Single-Family Bond Deal

SEPTEMBER
VOTING ITEMS:
• Single-Family Bond Deal
DISCUSSION ITEMS:

OCTOBER
VOTING ITEMS:
DISCUSSION ITEMS:
• Board Meeting Schedule for 2025

NOVEMBER
VOTING ITEMS:
• Approval of Board Meeting Schedule for 2025
DISCUSSION ITEMS:
• Audited Year-End 6/30/2024 Financials

DECEMBER
VOTING ITEMS:
DISCUSSION ITEMS: