

# MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

## A G E N D A

**September 19, 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 through O 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 – August 15, 2024, Board Meeting

Tab C Resolution Approving Amendments to the Missing Middle Housing Program

Tab D Inducement Resolution, **Countryside Townhouses**, City of Kentwood, Kent County, **MSHDA No. 44c-218**

Tab E Inducement Resolution, **North Hill Farms**, City of Pontiac, Oakland County, **MSHDA No. 44c-191**

Tab F Resolution Authorizing Delegated Authority to Issue and Modify Loan Commitments Using CERA Funds and Reaffirming Delegated Authority to Issue and Modify Loan Commitments Using Federal Funding Sources

Tab G Resolution Authorizing Approval of the FY2025 & FY2026 Allocation Plan for the Housing and Community Development Fund

Tab H Resolution Approving and Adopting the State of Michigan 2024 Citizen Participation Plan for the Consolidated Plan for the U.S. Department of Housing and Urban Development Community Planning and Development Programs

- Tab I Resolution Authorizing Grants from the Michigan Housing and Community Development Fund
- Tab J Resolution Authorizing Chief Executive Officer and Executive Director to Accept and Approve Transfers of Housing Choice Voucher Program Vouchers to Michigan State Housing Development Authority
- Tab K Resolution Authorizing Chief Executive Officer and Executive Director to Accept and Approve Transfers of HUD-Veterans Affairs Supportive Housing Vouchers to Michigan State Housing Development Authority
- Tab L Resolution Authorizing a Housing Development Fund Grant to the Michigan Department of Health and Human Services
- Tab M Resolution Authorizing Professional Services Contract with Perich + Partners, LTD.
- Tab N Resolution Authorizing One-Year Extension of Professional Services Contract with Water Hill Creative, Inc.
- Tab O Resolution Authorizing Funding Allocation to Fund Renewal Options of IT Software Contract

### **REGULAR VOTING ITEMS**

- Tab P Michigan State Housing Development Authority Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, **2024 Series D** in an Amount Not to Exceed \$430,000,000
- Tab Q Michigan State Housing Development Authority Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, **2024 Series E (Federally Taxable)** in an Amount Not to Exceed \$225,000,000
- Tab R Michigan State Housing Development Authority Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, **2024 Series F (Federally Taxable)** in an Amount Not to Exceed \$55,000,000
- Tab S Michigan State Housing Development Authority Resolution Authorizing Amendment to Standby Bond Purchase Agreement with Royal Bank of Canada (Single-Family Program) Dated as Of October 1, 2019
- Tab T Michigan State Housing Development Authority Resolution Approving Certain Swap Termination Related to Rental Housing Revenue Bonds
- Tab U Resolution Authorizing Housing Tax Increment Financing Loan from the Mortgage Resource Fund, **Bellaire Lofts, MSHDA Development No. HTIF-24-002(B)**, Village of Bellaire, Antrim County

- Tab V      Resolution Determining Mortgage Loan Feasibility, **1309 Madison Apartments, MSHDA Development No. 4136**, City of Grand Rapids, Kent County
- Resolution Authorizing Mortgage Loan, **1309 Madison Apartments, MSHDA Development No. 4136**, City of Grand Rapids, Kent County
- Tab W      Resolution Determining Mortgage Loan Feasibility, **Linwood Apartments, MSHDA Development No. 4156**, City of Detroit, Wayne County
- Resolution Authorizing Mortgage Loan, **Linwood Apartments, MSHDA Development No. 4156**, City of Detroit, Wayne County
- Tab X      Resolution Determining Mortgage Loan Feasibility, **Royal Oak Cottages, MSHDA Development No. 4139**, Township of Royal Oak, Oakland County
- Resolution Authorizing Mortgage Loan, **Royal Oak Cottages, MSHDA Development No. 4139**, Township of Royal Oak, Oakland County
- Tab Y      Resolution Determining Mortgage Loan Feasibility, **Mystic View Apartments, MSHDA Development No. 1439-2**, Township of Lee, Allegan County
- Resolution Authorizing Mortgage Loan, **Mystic View Apartments, MSHDA Development No. 1439-2**, Township of Lee, Allegan County
- Tab Z      Resolution Determining Mortgage Loan Feasibility, **Russell Woods 4% Senior Living Community, MSHDA Development No. 4129**, City of Detroit, Wayne County
- Resolution Authorizing Mortgage Loan, **Russell Woods 4% Senior Living Community, MSHDA Development No. 4129**, City of Detroit, Wayne County
- Tab AA     Resolution Determining Mortgage Loan Feasibility, **Russell Woods 9% Senior Living Community, MSHDA Development No. 4149**, City of Detroit, Wayne County
- Resolution Authorizing Mortgage Loan, **Russell Woods 9% Senior Living Community, MSHDA Development No. 4149**, City of Detroit, Wayne County
- Tab AB     Resolution Authorizing Modification to Mortgage Terms, **Lockwood of Lyon, MSHDA Development No. 3850**, Lyon Township, Oakland County

**Closed Session**

None

**Discussion Issues:**

None.

**Remarks:**

Chairperson

Executive Director

**Reports:**

Tab 1 Current and Historical Homeownership Data

Tab 2 Monthly Homeownership Production Report

Tab 3 MI 10K DPA Monthly Statistics (Map)

Tab 4 2024 Board Calendar

**DRAFT**  
**Michigan State Housing Development Authority**  
**Minutes of Regular Authority Meeting**  
**August 15, 2024 – 10:00 a.m.**

**AUTHORITY MEMBER(S) PRESENT:**  
**DETROIT**

Regina Bell

**AUTHORITY MEMBER(S) PRESENT:**  
**TRAVERSE CITY**

Warren Call

**AUTHORITY MEMBER(S) PRESENT:**  
**LANSING**

Jonathan Bradford

Rachael Eubanks

Jennifer Grau

John Groen

Michele Wildman for Quentin Messer

**ATTENDEES IN DETROIT**

Sherry Hicks, MSHDA

Edwin Harlin, MSHDA

**ATTENDEES IN TRAVERSE CITY**

Tony Lentych, MSHDA

Jeffrey Sykes, MSHDA

**ATTENDEES IN LANSING**

Mark Whitaker, MSHDA

Anthony Amoroso, MSHDA

Chris Lussier, MSHDA

Christopher Hall, MSHDA

Daphne Wells, MSHDA

Geoffrey Ehnis-Clark, MSHDA

Chad Benson, MSHDA

Jennifer Bowman, MSHDA

Jim Davis, MSHDA

Jodie Mackie, MSHDA

John Hundt, MSHDA

Maryanne Vukonich, MSHDA

Lisa Ward, MSHDA

Mary Cook, MSHDA

Clarence Stone, MSHDA

Tim Klont, MSHDA

Tonya Joy, MSHDA

Laura King, MSHDA

Margaret Meyers, MSHDA

Lisa Kemmis, MSHDA

Katie Bach, MSDHA

Mike Stefanko, MSHDA

Jeff Campbell, GLHS

**ATTENDEES ON MICROSOFT TEAMS**

Jacinda Anderson, MSHDA

Jolene Archibald, MSHDA

Lindsey Baker, MSHDA

Diane Bitely, MSHDA

Drew Brown, MSHDA

Kevin Louis, MSHDA

Amber Martin, MSHDA

Kendra McCullar, MSDHA

Jennifer McNeely, MSDHA

John Millhouse, AG

Megan Castro, MSHDA  
Latasha Cole, MSHDA  
Andrea Cottrell, MSHDA  
Craig Hammond, Dickenson-Wright  
Camellia Crowell, MSHDA  
Mason Crozier, MSHDA  
Amanda Curler, MSHDA  
Jodi Dean, MSHDA  
Kathryn Evans, MSHDA  
Jeffrey Fedewa, MSHDA  
Pierre-Denise Gilliam, MSHDA  
Kara Hart-Negrich, MSHDA  
SaVille Hill, MSHDA  
Jonathan Hilliker, MSHDA  
Benjamin Honeyford, MSHDA  
Amy Hovey, MSHDA  
Charlotte Johnson, MSHDA  
Tonia Kaczmarczyk, MSHDA  
Joseph Kelly, MSHDA  
Laurie Kelly, MSHDA  
Sandra Kimball, MSHDA  
Scott Kindinger, MSHDA  
Ashley Kreiner, MSHDA  
Allecia Lamb-Ridge, MSHDA  
Daniel Lince, MSHDA

Tiffany Mitchell, MSHDA  
Trenton Mitchell, MSHDA  
Frank Mostek, MSHDA  
Stephanie Oles, MSHDA  
Quocshawn Parker, MSHDA  
Amy Patterson, AG  
Jayde Pettigrew, MSHDA  
Cisco Potts, MSHDA  
Rachel Presley, MSHDA  
Shaun Prince, MSHDA  
Elizabeth Rademacher, MSHDA  
Karmen Robinson, MSHDA  
Kelly Rose, MSHDA  
Nicholas Shattuck, MSHDA  
Catherine Sheets, MSHDA  
Jarrod Smith, Dykema Gossett  
Brandi Smith, MSHDA  
John Swift, MSHDA  
Stacy Thomas, MSHDA  
Katy VanHouten, MSHDA  
Anna Vicari, MSHDA  
Hilary Vigil, AG  
Michael Vollick, MSHDA  
Karen Waite, MSHDA  
Jimi Wilcox, MSHDA

Nine additional members of the public participated via the Conference Line: 248-509-0316, Conference ID: 221 650 508#. Chairperson John Groen opened the meeting at 10:00 am. A quorum was established with the presence of Jonathan Bradford, Rachael Eubanks, Jennifer Grau, Warren Call, and Regina Bell. Michele Wildman for Quenton Messer joined at 10:04 am. Members were physically present in Lansing, Detroit, and Traverse City. Mr. Groen proceeded to request public comments from participants both in-person and via teams. No public comments were received.

### **Meeting Announcements:**

Mr. Groen noted one goldenrod for Tab C (Resolution Authorizing Grants from the Michigan Housing and Community Development Fund).

### **Approval of Agenda:**

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

### **Voting Items:**

**Consent Agenda (Tabs B–H):**

Rachel Eubanks moved approval of the Consent Agenda. Jonathan Bradford supported. The Consent Agenda was approved.

The Consent Agenda included the following items:

**Tab B** Minutes – July 18, 2024, Board Meeting

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

**Tab D** Inducement Resolution **Plymouth Square**, City of Detroit, Wayne County, **MSHDA No. 44c-217**

**Tab E** Inducement Resolution **Old Mill Pond Apartments**, City of Brooklyn, Jackson County, **MSHDA No. 44c-219**

**Tab F** Inducement Resolution **Westbury Apartments**, City of Wayland, Allegan County **MSHDA No. 44c-220**

**Tab G** Inducement Resolution **Trumbull Apartments**, City of Detroit, Wayne County, **MSHDA No. 44c-221**

**Tab H** Resolution Authorizing Mortgage Loan Increase, **Annika Place II**, **MSHDA Development No. 4117**, City of Traverse City, Grand Traverse County

**Regular Voting Items:**

Clarence Stone, Chief Legal Affairs Officer, and Craig Hammond, Bond Counsel for Dickenson-Wright, presented **Tab I**, Resolution Authorizing Loan, **Lee Plaza Apartments (4%)**, **MSHDA No. 44c-212**, City of Detroit, Wayne County. Mr. Stone and Mr. Hammond reviewed the resolutions as detailed in the board docket.

John Millhouse of the Attorney General's Office confirmed that the documents in **Tab I** were acceptable for the Board's action.

Clarence Stone, Chief Legal Affairs Officer, confirmed that the documents in **Tab I** were acceptable for the Board's action.

Michelle Wildman moved to approve **Tab I**. Jennifer Grau supported. The following Roll Call was taken for **Tab I**:

Regina Bell	Yes
Jonathan Bradford	Yes
Warren Call	Yes
Jennifer Grau	Yes
Rachael Eubanks	Yes
John Groen	Yes
Michele Wildman	Yes

There were seven “yes” votes. The resolutions were approved.

Jeffrey Sykes, Chief Financial Officer, and Craig Hamond, Bond Counsel for Dickenson-Wright, presented **Tab J**, Michigan State Housing Development Authority Resolution Authorizing the Issuance and Sale of Rental Housing Revenue Bonds, 2024 Series in an Amount not to Exceed \$450,000,000. Mr. Sykes and Mr. Hammond reviewed the resolutions as detailed in the board docket.

John Millhouse of the Attorney General’s Office confirmed that the documents in **Tab J** were acceptable for the Board’s action.

Clarence Stone, Chief Legal Affairs Officer, confirmed that the documents in **Tab J** were acceptable for the Board’s action.

Jonathan Bradford moved to approve **Tab J**. Rachel Eubanks supported. The following Roll Call was taken for **Tab J**:

Regina Bell	Yes
Jonathan Bradford	Yes
Warren Call	Yes
Jennifer Grau	Yes
Rachael Eubanks	Yes
John Groen	Yes
Michele Wildman	Yes

There were seven “yes” votes. The resolutions were approved.

Jeffrey Sykes, Chief Financial Officer, and Jarrod Smith, Bond Counsel for Dykema-Gossett, presented **Tab K**, Michigan State Housing Development Authority Resolution Authorizing Extension of and Increase to Short-Term Revolving Credit Facility (Single-Family Program) 2021 in an Amount Not to Exceed \$200,000,000. Mr. Sykes and Mr. Smith reviewed the resolutions as detailed in the board docket.

Hilary Vigil of the Attorney General’s Office confirmed that the documents in **Tab K** were acceptable for the Board’s action.

Clarence Stone, Chief Legal Affairs Officer, confirmed that the documents in **Tab K** were acceptable for the Board's action.

Jennifer Grau moved to approve **Tab K**. Rachel Eubanks supported. The following Roll Call was taken for **Tab K**:

Regina Bell	Yes
Jonathan Bradford	Yes
Warren Call	Yes
Jennifer Grau	Yes
Rachael Eubanks	Yes
John Groen	Yes
Michele Wildman	Yes

There were seven "yes" votes. The resolutions were approved.

Chad Benson, Director of Development, presented **Tab L**, Resolution Determining Mortgage Loan Feasibility, **Seneca Terrace, MSHDA Development No. 4144**, City of River Rouge, Wayne County and Resolution Authorizing Mortgage Loan, **Seneca Terrace, MSHDA Development No. 4144**, City of River Rouge, Wayne County. Mr. Benson reviewed the documents as detailed in the board docket.

Michelle Wildman moved approval of **Tab L**. Jonathan Bradford supported. The resolutions were approved.

Chad Benson, Director of Development, presented **Tab M**, Resolution Determining Mortgage Loan Feasibility, **Iroquois Terrace, MSHDA Development No. 4143**, City of River Rouge, Wayne County and Resolution Authorizing Mortgage Loan, **Iroquois Terrace, MSHDA Development No. 4143**, City of River Rouge, Wayne County. Mr. Benson reviewed the documents as detailed in the board docket.

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

Chan Benson, Director of Development, presented **Tab N**, Resolution Determining Mortgage Loan Feasibility, **Crossroads Apartments, MSHDA Development No. 1076-2**, City of Reed City, Osceola County and Resolution Authorizing Mortgage Loan, **Crossroads Apartments, MSHDA Development No. 1076-2**, City of Reed City, Osceola County. Mr. Benson reviewed the documents as detailed in the board docket.

Warren Call moved approval of **Tab N**. Regina Bell supported. The resolutions were approved.

**Chair's Report:**

None.

**Executive Director's Report:**

Ms. Hovey greeted the group virtually, stating she was currently meeting with stakeholders in the upper peninsula.

After the Executive Director's update, Mr. Groen 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.

Mr. Groen noted that the next regular board meeting would be September 19, 2024. He then requested a motion to adjourn the meeting. Rachel Eubanks moved to adjourn, and Jennifer Grau supported. The meeting adjourned at 10:47 am.

**REVIEWED**

*By Clarence L. Stone, Jr. at 2:59 pm, Sep 12, 2024*

**REVIEWED**

*By Laura J. King at 9:42 am, Sep 11, 2024*



M E M O R A N D U M

**TO:** Authority Members

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

**DATE:** September 19, 2024

**RE:** Recommendation to Authorize Modifications to the Missing Middle Housing Program

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**RECOMMENDATION:**

I recommend the Michigan State Housing Development Authority (the "Authority") adopt a resolution authorizing modifications to the Missing Middle Housing Program ("MMHP") to reflect recent statutory changes.

**EXECUTIVE SUMMARY:**

The MMHP provides grant funds to defray costs for developers to construct or rehabilitate rental and for-sale housing that is attainable by moderate income households. Monthly rent or sale prices on these housing units are limited to maintain a total housing expense of no more than 30% of the gross annual income of the targeted households. Funding is targeted to ensure appropriate geographical distribution throughout the state. Additionally, at least 30% of the total funding is allocated to rural areas throughout the state.

MMHP was originally a federally funded grant program utilizing the United States Department of Treasury American Rescue Plan Coronavirus State and Local Fiscal Recovery Funds as originally appropriated to the Authority pursuant to the Public Act 53 of 2022 ("2022 PA 53"). The initial appropriation for the MMHP was \$50,000,000.

On January 31, 2023, under PA 1 of 2023, an additional \$50,000,000 was appropriated to MMHP and legislative changes were made which impacted how the Authority administers the program. On July 31, 2023, under PA 119 of 2023, an additional \$10,000,000 was appropriated to MMHP with no notable statutory changes. This made the grand total appropriated to MMHP \$110,000,000.

On July 24, 2024, under PA 121 of 2024, further legislative changes as described below were made to the MMHP which impact how the Authority administers the program.

## **SUMMARY OF MMHP STATUTORY CHANGES RESULTING FROM PA 121 of 2024:**

Projects are no longer required to obtain a certificate of occupancy prior to a distribution of MMHP funds nor in any specific time frame apart from that designated by Authority staff. The attached revised Term Sheet details how these changes are to be implemented. Changes to the Term Sheet are indicated in bold and strikethrough text.

## **ADVANCING THE AUTHORITY'S MISSION:**

- The MMHP will help address the lack of attainable housing by providing cost defrayment to developers investing in, constructing, or substantially rehabilitating properties for the target households.
- MMHP awards will be regionally distributed with at least 30% of the total awards allocated to rural communities. Furthermore, not more than 15% of the total awards shall be allocated to projects in any single city, village, or township.

## **ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

The statutory changes largely stem from requests made by municipalities and developers and are anticipated to allow the Authority to administer the program more efficiently.

## Missing Middle Housing Program - Summary Term Sheet

<b>Program Overview</b>	The Missing Middle Housing Program is a housing production program designed to address the general lack of attainable housing and housing challenges underscored by the COVID-19 pandemic by increasing the supply of housing stock to support the growth and economic mobility of employees by providing cost defrayment to developers invest in, constructing, or substantially rehabbing properties targeted to Missing Middle households. Additionally, the rents charged or the sale price of the units must be considered attainable for a Missing Middle households. The Missing Middle Housing Program is funded by State appropriated American Rescue Plan (ARP) Fund from the U.S. Department of the Treasury with \$1100 million of ARP funding dedicated to the Missing Middle Housing Program.																																					
<b>Program Goal</b>	To provide gap funding to qualified real estate developers to assist with funding the construction costs rental and for-sale housing targeted to eligible Missing Middle households.																																					
<b>Size of Program</b>	\$100110,000,000 has been allocated to the Missing Middle Housing program with \$5 million applied to administrative costs.																																					
<b>Funding Round Timing</b>	<b>Funding Round</b>	<b>Round Opening Date</b>	<b>Round Closing Date</b>	<b>Total Funding Available</b>																																		
	Round 1	Monday, September 19, 2022	Friday, December 30, 2022	\$ 15,000,000																																		
	Round 2	Monday, March 20, 2023	Monday, September 30, 2024	\$ 89,500,000																																		
<b>City/Village/Township Limit</b>	The maximum funding to any single City, Village, or Township is limited to 15% of the total awards made under Missing Middle Housing Program. This is a legislative requirement that cannot be waived or exceeded.																																					
<b>Partnership Region Targets</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Partnership Regions</th> <th style="width: 30%;">Committed Funding Amount</th> </tr> </thead> <tbody> <tr><td>A, B &amp; C</td><td style="text-align: right;">\$2,337,700</td></tr> <tr><td>D</td><td style="text-align: right;">\$2,657,400</td></tr> <tr><td>E</td><td style="text-align: right;">\$2,013,300</td></tr> <tr><td>F</td><td style="text-align: right;">\$13,174,400</td></tr> <tr><td>G</td><td style="text-align: right;">\$4,412,300</td></tr> <tr><td>H</td><td style="text-align: right;">\$8,081,800</td></tr> <tr><td>I</td><td style="text-align: right;">\$4,320,000</td></tr> <tr><td>J</td><td style="text-align: right;">\$5,954,500</td></tr> <tr><td>K</td><td style="text-align: right;">\$8,067,000</td></tr> <tr><td>L</td><td style="text-align: right;">\$9,164,600</td></tr> <tr><td>M</td><td style="text-align: right;">\$7,174,000</td></tr> <tr><td>N &amp; O</td><td style="text-align: right;">\$12,643,000</td></tr> <tr><td><b>Allocated Round 1</b></td><td></td></tr> <tr><td><b>Unallocated</b></td><td style="text-align: right;"><del>\$15,000</del> 24,500,000</td></tr> <tr><td><b>5% Administrative</b></td><td style="text-align: right;">\$5,500,000</td></tr> <tr><td><b>Grand Total</b></td><td style="text-align: right;"><b>\$1100,000,000</b></td></tr> </tbody> </table>				Partnership Regions	Committed Funding Amount	A, B & C	\$2,337,700	D	\$2,657,400	E	\$2,013,300	F	\$13,174,400	G	\$4,412,300	H	\$8,081,800	I	\$4,320,000	J	\$5,954,500	K	\$8,067,000	L	\$9,164,600	M	\$7,174,000	N & O	\$12,643,000	<b>Allocated Round 1</b>		<b>Unallocated</b>	<del>\$15,000</del> 24,500,000	<b>5% Administrative</b>	\$5,500,000	<b>Grand Total</b>	<b>\$1100,000,000</b>
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<b>Rural Community Target</b>	At least 30% of total funding available must be allocated to projects in rural communities. For these purposes rural community is any geography designated by the U.S. Department of Agriculture – Rural Development a s rural for purposes of its single-family housing guaranteed loan program.																																					
<b>Small Project Target</b>	At least 10% of the total funding available must be allocated to projects that are composed of less than 12 total units (i.e. 11 units or less).																																					
<b>Eligible Developments</b>	<p>Eligible developments must comply with the following:</p> <ol style="list-style-type: none"> <li>1. Project must consist of new construction or substantial rehabilitation (or a combination of both) of 1 or more housing units made available at a price or lease rate that is attainable to a missing middle household.</li> <li>2. Substantial rehabilitation means rehabilitation of a housing unit that requires a financial investment of at least \$25,000.</li> <li>3. Rental housing or for-sale housing (or combination thereof)</li> <li>4. Qualifying unit(s) must be a dwelling of less than 2,000 square feet, available for sale or lease on a permanent or year-round basis that has a permanent foundation, electrical, heating and cooling, plumbing, bathing and restroom facilities, kitchen and sleeping spaces all of which meet building code requirements to achieve a certificate of occupancy.</li> </ol>																																					

<b>Accessibility</b>	MSHDA recognizes the need for more accessible and adaptable housing and will identify ways to ensure Missing Middle funds help increase accessibility. Parameters shall be determined by MSHDA staff and approved by the MSHDA Executive Director
<b>Grant Term</b>	The Missing Middle Housing Program Grant will have compliance requirements as follows: <ul style="list-style-type: none"> <li>• 10-year compliance period for rental units with the amount of potential recapture reduced by 1/10<sup>th</sup> per year over the 10 years</li> <li>• 5-year compliance for for-sale units with the amount of potential recapture reduced by 1/5<sup>th</sup> per year over the 5 years</li> </ul> After a period of 10 years for rental/5 years for for-sale of demonstrated compliance with program requirements, the grant will be fully forgiven.
<b>Maximum Grant Award</b>	The maximum grant amount to any one project may not exceed \$5 million. <b>MSHDA reserves the right to make exceptions on a case-by-case basis.</b>
<b>Developer Limit</b>	The maximum Missing Middle funding awards to any one developer (including related party entities) will be limited to \$10,000,000. This limit is to achieve equity within the program among eligible development companies. Should MSHDA determine that this limit is an impediment to achieving geographic distribution of the resources, it reserves the right to waive this limit by posting notice on the MSHDA website. If a developer partners with another developer or project, the amount of Missing Middle funding that will count towards the developer's cap will be pro-rated based the percentage of ownership that the developer has in the project.
<b>Project Grant Limits</b>	<p><b>GRANT AMOUNT:</b></p> <p>MSHDA will develop grant limits based on what is appropriate to administer the program. These limits will be established by MSHDA staff and are subject to the approval of the Executive Director.</p> <p><b>Eligible Costs</b></p> <p>The grant amount is limited to the actual labor and material cost of the construction or rehabilitation.</p>
<b>Targeted Population of Households</b>	<p>MSHDA will develop household income limits based on what is appropriate to administer the program. This will be developed by MSHDA staff and is subject to the approval of the Executive Director.</p> <p>Households must prove eligibility at the time of initial occupancy. If a tenant vacates the unit and new tenant moves in the new tenant must demonstrate that their income meets program guidelines prior to occupying the unit.</p>
<b>Eligible Applicants</b>	<p>Applicants for Missing Middle Housing Program are statutorily required to meet the following requirements:</p> <ol style="list-style-type: none"> <li>1. A landbank, local government, or nonprofit or for-profit developer</li> <li>2. Developer must be a qualified real estate developer and:</li> <li>3. Pass a criminal and civil background check of key employees</li> <li>4. Must not be under debarment with the U.S. Government</li> <li>5. Demonstrate to the program administrator that it has the capacity to complete the project and the ability to implement rent and purchaser restrictions for the terms that will be specified in the agreement for a project.</li> </ol>
<b>Local Support</b>	<p>Projects must demonstrate local support. This may be shown as any one or combination of the following:</p> <ol style="list-style-type: none"> <li>1. Financial contributions or grants of at least \$5,000</li> <li>2. Tax Abatement</li> <li>3. Tax Increment Financing</li> <li>4. Land Transfer from the local government at a cost of not more than \$1,000 per unit</li> <li>5. Letter of support or Resolution from the local unit of government detailing how the project contributes to addressing the housing needs in the community.</li> </ol>
<b>Low-Income Housing Tax Credit Financing</b>	Projects that are intending to utilize Missing Middle funding must agree that it is not utilizing and will not utilize Low Income Housing Tax Credit (LIHTC) funding as part of the financing of the development.
<b>Project Compliance</b>	<p>Following disbursement of funds to the developer, each Missing Middle housing unit, identified in the grant agreement and other applicable program documentation, will be required to demonstrate compliance with program requirements at initial occupancy of the unit or when a unit is vacated and a new household moves in. The period of compliance is 10 years for rental units and 5 years for for-sale units.</p> <p>This will include demonstrating that the Missing Middle units are occupied by households that meet income requirements of the Missing Middle Program and the rents being charged on an annual basis or the <b>mortgage payment sale price</b> of the unit is considered attainable to a Missing Middle household.</p>

<p><b>Project Timeline</b></p>	<p><b><u>Pre-Closing Deadlines:</u></b></p> <ul style="list-style-type: none"> <li>Projects that are approved and awarded a Missing Middle Housing program grant will be required to close on project financing and begin construction within three (3) months of receiving the Missing Middle Housing grant approval letter. This deadline will be extended on a case-by-case basis in MSHDA's sole discretion. This requirement is intended to ensure that applications are ready to proceed when submitting an application for Missing Middle funding and to ensure that the Missing Middle funding is awarded to developments that will utilize it in a timely fashion to ensure that the State of Michigan meets the federal State and Local Fiscal Recovery Funding (SLFRF) deadlines related to obligations and expenditures.</li> </ul> <p><b><u>Post-Closing Deadlines:</u></b></p> <p>Projects must secure a Certificate of Occupancy within 24 months from execution of the Missing Middle grant agreement.</p> <ul style="list-style-type: none"> <li>The developer may seek an extension from the program administrator</li> <li>Under no circumstances can an extension(s) exceed a total development time frame of 36 months</li> </ul> <p>Extensions of these deadlines may be granted at the sole discretion of MSHDA. In the event that an extension of a deadline is granted, a fee equal to 1% of the Missing Middle funding amount may be charged.</p> <p><b>Awarded projects will be required to submit quarterly progress reports in order for MSHDA to track the quarterly progress of developments and ensure that projects are proceeding on schedule. MSHDA reserves the right to request progress reports more frequently as needed if necessary to gauge progress.</b></p>
<p><b>Funding Disbursement</b></p>	<p>Missing Middle housing program funding <del>can</del> will be disbursed to projects <b>that have an executed grant agreement prior to completion (i.e. Certificate of Occupancy). Missing Middle funding can be included in the financial closing or disbursed following closing. Self-funded projects may be eligible to receive a disbursement prior to completion on a case-by-case basis upon MSHDA review.</b></p> <p><del>To avoid recapture, awardees will be required to provide documentation upon 100% completion. This includes, but is not limited to, Certificate of Occupancy, prevailing wage certifications, and proof of paid invoices. on a reimbursement basis upon the demonstration the project has completed construction and has received a Certificate of Occupancy* as detailed in the Post Close Deadlines below. This will require projects to develop a strategy to financially bridge the Missing Middle housing grant funding during the construction period of the project with the understanding that the Missing Middle funding will not disburse to the project until a Certificate of Occupancy is received.</del></p> <p>*Rehabs may require other documentation in lieu of Certificate of Occupancy such as a letter from the municipality inspector and/or a MSHDA inspection to confirm completion.</p>

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION APPROVING AMENDMENTS TO THE  
MISSING MIDDLE HOUSING PROGRAM**

**September 19, 2024**

WHEREAS, the Michigan State Housing Development Authority (the "Authority") approved a resolution on August 18, 2022, regarding the Missing Middle Housing Program (the "MMHP"), which was originally a federally funded grant program utilizing the United States Department of Treasury American Rescue Plan - Coronavirus State and Local Fiscal Recovery Funds, appropriated to the Authority pursuant to Public Act 53 of 2022 ("PA53") to increase the supply of attainable housing stock for households with incomes between 185% and 300% of the Federal Poverty Guidelines by providing cost defrayment to developers investing in, constructing, or substantially rehabilitating such properties; and

WHEREAS, the Authority, in its August 18, 2022, resolution granted the Executive Director, the Chief Finance Officer, the Director of Legal Affairs, or anyone acting in those capacities respectively, the authority to approve grants made through the MMHP; and

WHEREAS, the Authority, in its February 16, 2023, resolution approved changes to the MMHP made pursuant to the provisions of PA 1 of 2023 ("PA1") that amended PA53; and

WHEREAS, the Michigan legislature has since enacted further changes to the MMHP provisions of PA53 and PA1 through Public Act 121 of 2024 ("PA121") which are described in the Chief Executive Officer and Executive Director's memorandum dated September 19, 2024, attached and incorporated herein, and which changes are reflected in the revised MMHP Term Sheet submitted herewith; and

WHEREAS, the Authority has received the Chief Executive Officer and Executive Director's memorandum and the revised MMHP Program Statement; and

WHEREAS, changes and updates to the MMHP must be approved by the Authority.

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

1. The Revised MMHP Term Sheet, as presented to the Authority, is hereby approved.
2. The Authority's Chief Executive Officer and Executive Director, the Chief Finance Officer, the Director of Finance, the Chief Legal Affairs Officer, the Director of Legal Transactions, the Director of In-House Legal Affairs, the Chief Housing Investment Officer, or any person duly appointed and acting in that capacity (collectively, "Authorized Officers"), or any one of them, are hereby authorized to issue grants and execute grant agreements and any other agreements deemed necessary by the Authority staff to evidence and administer the grants per the revised terms of the MMHP as described in the Chief Executive Officer and Executive Director's memorandum.



# 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 

**DATE:** September 19, 2024

**RE:** Countryside Townhouses, Development No. 44c-218 (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-218
Development Name:	Countryside Townhouses
Development Location:	City of Kentwood, Kent County
Sponsor:	Vitus Development III, LLC
Borrower:	Countryside TH Limited Dividend Housing Association, LLC
Number of Units:	146 family units
No. of Accessible Units:	0 accessible units
Construction Method:	Acquisition and Rehabilitation
Financing Program:	Limited Obligation Multifamily Housing Revenue Bonds issued under Section 44c
Total Development Cost:	\$39,292,613 (estimated)
Aggregate Basis:	\$35,507,504
Total Loan Amount:	\$20,000,000 (56.33% of aggregate basis)
Credit Enhancement:	Cash Collateral from equity bridge loan proceeds from FHA-insured loan under Section 221(d)(4) of the National Housing Act from The Community Preservation Corporation

### **EXECUTIVE SUMMARY:**

Vitus Development III, LLC (the "Sponsor") proposes to acquire and rehabilitate the Development, which consists of 146 housing units located in the City of Kentwood, Kent 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.

I am recommending Board approval for the following reasons:

- The Sponsor'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.
- Preliminary environmental and marketing reviews meet Authority requirements.
- The development team has the capacity and experience to complete the transaction.
- 146 units of affordable family housing will be rehabilitated in the Kentwood community.
- The repayment of the limited obligation bonds will be reasonably secure based on the proposed collateral.
- 141 units currently operate with project-based rental assistance (PBRA) and target households earning less than 60% of the area median income (AMI); these units will have the same income targeting and PBRA provision post-rehab.

#### **ADVANCING THE AUTHORITY'S MISSION:**

- The Development will be located in 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 4.4: Increase the rehabilitation and/or preservation of housing stock.
- 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 no more than 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.
- 146 units of affordable housing in the Kentwood community will be preserved.

#### **MUNICIPAL SUPPORT:**

- The municipality is interested in utilizing housing tax incentives created by Public Act 237 to provide specific tax abatements for multi-family housing redevelopment and rehabilitation.

#### **COMMUNITY IMPACT:**

- It is anticipated that the construction or rehabilitation of the Development will help maintain the existing 4 permanent jobs and create 40 temporary jobs.
- The community was invited to engage in a public hearing ("TEFRA Hearing") regarding the bond funding.

### **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, parking improvements and exterior accessibility, exterior siding, new roofing, new flooring, energy-efficient plumbing fixtures, energy efficient lighting, new appliances, and cabinets.
- Renovations will allow the Development to meet UFAS/ADA/FHA accessibility requirements.

### **ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

Temporary Tenant Relocation: In order to ensure minimal inconvenience to the residents, the rehabilitation will be sequenced and phased such that each unit will be required to be vacated for as short a time as possible. In the event a unit will need extensive work that will leave the unit without a working kitchen or bathroom for a period of time longer than 8 hours, the tenant will be relocated to an Extended Stay hotel funded by Countryside TH Limited Dividend Housing Association, LLC through the development budget. No tenants will be permanently relocated as a result of this project. Residents' belongings will remain in their units but may need to be packed in boxes or moved to the middle of their unit. Residents will be given assistance as needed and supplies in order to pack their belongings.



## AMENDED AND RESTATED PASS-THROUGH BOND PROGRAM

### INDUCEMENT RESOLUTION STAFF REPORT

September 19, 2024

#### **RECOMMENDATION:**

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

#### **PROJECT SUMMARY:**

MSHDA No.:	44c-218
Development Name:	Countryside Townhouses
Development Location:	City of Kentwood, Kent County
Sponsor:	Vitus Development III, LLC
Borrower:	Countryside TH Limited Dividend Housing Association, LLC
Number of Units:	146 family units
No. of Accessible Units:	0 accessible units
Construction Method:	Acquisition and Rehabilitation
Financing Program:	Limited Obligation Multifamily Housing Revenue Bonds issued under Section 44c
Total Development Cost:	\$39,292,613 (estimated)
Aggregate Basis:	\$35,507,504
Total Loan Amount:	\$20,000,000 (56.33% of aggregate basis)
Credit Enhancement:	Cash Collateral from equity bridge loan proceeds from FHA-insured Section 221(d)(4) loan from The Community Preservation Corporation

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 minimum rent and income targeting requirements of either 40% of the units at 60% of area median income or 20% of the units at 50% of area median income. At least ten percent (10%) of the Development's total units must be more deeply targeted to households whose income is at or below the 40% MTSP Limit. The Program sets a limit on the bond allocation available per project and per sponsor. It also requires limited market and environmental reviews, compliance with state EEO requirements and establishes a cap on the distributions of cash made to the owner.

**PROPOSAL SUMMARY:**

The Borrower proposes to acquire and rehabilitate the Development comprised of 146 units within 26 two-story apartment buildings located on a 13.39-acre lot in the City of Kentwood. Temporary tenant relocation will occur during rehabilitation; however, in order to ensure minimal inconvenience to the residents, the rehabilitation will be sequenced and phased such that each unit will be required to be vacated for as short a time as possible. No tenants will be permanently relocated as a result of this project.

100% of the units (146 units) in the development will be restricted to households with incomes at or below 60% of area median income, utilizing the new income limits for Multifamily Tax Subsidy Projects ("MTSP") as determined by the U.S. Department of Housing and Urban Development ("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 the units (15 units) in the development will be more restricted to households with incomes at or below 40% of area median income, using the MTSP Limits. 141 of the 146 units (97%) are covered by an existing Section 8 project-based rental assistance (PBRA) contract. At closing, the PBRA contract will be renewed for a 20-year term, subject to federal appropriations.

Authority staff has received and reviewed commitments for the proposed Credit Enhancement and has determined that, if the proposed Credit Enhancement is delivered as set forth in the commitments, repayment of the Authority's bonds will be reasonably secure.

**CONDITIONS:**

1. **Income Limits:**

The Borrower must enter into a Regulatory Agreement with the Authority requiring units in the Development to be rented or available for rental by tenants whose income does not exceed the limits established for MTSP 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): the MTSP Limits, adjusted for family size. The Regulatory Agreement will contain the following income restrictions: Fifteen (15) units in the Development must be rented or available for rental to tenants whose household income does not exceed the 40% MTSP Limit; One Hundred Thirty-One (146) units in the Development must be rented or available for rental to tenants whose household income does not exceed the 60% MTSP Limit.

These limitations on household income 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 or the period required by Section 142(d) of the Code.

2. **Limitations on Rental Rates:**

The Regulatory Agreement must require that the monthly tenant-paid rent (excluding subsidy) plus tenant-paid utilities (the "Total Housing Expense") on the 15 deeply targeted units in the Development 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 131 units may not exceed 30% of 1/12 of the 60% 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. **Bonds; Closing Documents; Organizational Documents:**

Prior to Bond closing, the Borrower must submit all of the documents relating to the sale of the obligations to be issued to finance the loan (the "Bonds"). The Borrower must also submit for review and approval such information relating to the Development as may be required by the Authority's Chief Legal Affairs Officer, 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.

At the Bond closing, the Borrower must enter into 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 also enter into a Loan Agreement with the Authority in which the Borrower agrees 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.

4. **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.

**DEVELOPMENT TEAM AND PROJECT INFORMATION:**

**Sponsor and Borrower:**

1.     **Sponsor:**     Vitus Development III, LLC  
                          Corporation Trust Center  
                          1209 Orange Street  
                          Wilmington, DE 19801  
  
                          Contact:     Evan Laws  
                          Phone:     206-832-1311  
  [evan.laws@vitus.com](mailto:evan.laws@vitus.com)
  
2.     **Borrower:**    Countryside TH Limited Dividend Housing Association, LLC

**Bond Underwriter:**                           Colliers Securities LLC, 90 South Seventh Street, Suite  
  4300, Minneapolis, MN 55402, [colliers.com](http://colliers.com)  
  Craig Theis, Director of Public Finance  
  [craig.theis@colliers.com](mailto:craig.theis@colliers.com)  
  Ryan Bradley, Senior Vice President  
  [ryan.p.bradley@colliers.com](mailto:ryan.p.bradley@colliers.com)  
  Frank Hogan, Senior Vice President  
  [frank.hogan@colliers.com](mailto:frank.hogan@colliers.com)

**Bond Counsel:**                               Hawkins Delafield & Wood LLP  
  John Renken, Esq.  
  (202) 820-9402  
  [JRenken@hawkins.com](mailto:JRenken@hawkins.com)

**Bond Trustee:**                               U.S. Bank Trust Company, National Association  
  Martha Earley  
  (651) 466-6303  
  [martha.earley@usbank.com](mailto:martha.earley@usbank.com)

**Credit Enhancement Provider:**       The Community Preservation Corporation  
  Tim Deegan, Vice President  
  267-495-6770  
  [tdeegan@communitycp.com](mailto:tdeegan@communitycp.com)

**Other Members of the Development Team:**

- Equity Partner:                               Cinnaire, Ben Stehouwer  
  616-272-7881  
  [BStehouwer@cinnaire.com](mailto:BStehouwer@cinnaire.com)
- Borrower's Counsel:                           Winthrop & Weinstine LLP

Inducement Resolution Staff Report  
Countryside Townhouses, #44c-218  
City of Kentwood, Kent County  
September 19, 2024

Paul Manda  
612-604-6759  
pmanda@wintrop.com

***(Note: The Borrower has been advised that it must use a Michigan licensed attorney as counsel or co-counsel.)***

Borrower's Accountant: Propp Christensen Caniglia LLP  
Justin Gierth  
916-847-2738  
[jgierth@pccllp.com](mailto:jgierth@pccllp.com)

General Contractor: Frerichs Construction Company  
Jason Larson  
651-717-4031  
[jasonl@frerichsconstruction.com](mailto:jasonl@frerichsconstruction.com)

Property Manager: KMG Prestige, Inc.  
Heather Ruppert  
989-400-4821  
[heather.ruppert@kmgprestige.com](mailto:heather.ruppert@kmgprestige.com)

Architect: True Craft Architecture  
Akheil Shah  
225-938-9029  
[akheil@truecraftarchitecture.com](mailto:akheil@truecraftarchitecture.com)

**Sources and Uses of Funds:**

HUD 221(d)4	\$26,120,000
GP Equity	100
Income from Operations	825,000
LIHTC Equity	11,886,301
Deferred Developer Fee	<u>461,212</u>
<b>Total Sources of Funds</b>	<b>\$ 39,292,613</b>
Acquisition	\$ 20,185,641
Construction/Rehabilitation	11,231,662
Professional Fees	625,500
Interim Construction Costs	1,185,467
Reserves and Escrows	1,596,917
Syndication Costs	50,000
Tax Credit & Bond Financing Application Fees	1,634,656
Other Costs	682,770
Developer Fee	<u>2,100,000</u>
<b>Total Uses of Funds</b>	<b>\$ 39,292,613</b>

Inducement Resolution Staff Report  
Countryside Townhouses, #44c-218  
City of Kentwood, Kent County  
September 19, 2024

APPROVALS:



Chad Benson, Director of Development

9/10/2024  
Date



Jeffrey Sykes, Chief Financial Officer

9-11-24  
Date



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

9/12/2024  
Date



Amy Hovey, Chief Executive Officer and Executive Director

09/12/2024  
Date

**DRAFT**  
**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**INDUCEMENT RESOLUTION**  
**COUNTRYSIDE TOWNHOUSES**  
**CITY OF KENTWOOD, KENT COUNTY**  
**MSHDA NO. 44C-218**

**September 19, 2024**

WHEREAS, Vitus Development III, LLC (the "Applicant"), desires to acquire and substantially rehab a multifamily housing facility (the "Project") in the City Of Kentwood, Kent County, Michigan; and

WHEREAS, the Applicant has applied to the Michigan State Housing Development Authority (the "Authority") for a loan in the amount of Twenty Million Dollars (\$20,000,000) (the "Loan") pursuant to Section 44c of Act No. 346 of the Public Acts of 1966, as amended (the "Act"), to be made to Countryside TH 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 Two Hundred Ninety-Two Thousand Six Hundred Thirteen Dollars (\$39,292,613); 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 Twenty Million Dollars (\$20,000,000).
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 Twenty Million Dollars (\$20,000,000) 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 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:** September 19, 2024

**RE:** North Hill Farms, Development No. 44c-191 (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:

<u>MSHDA No.:</u>	44c-191
<u>Development Name:</u>	North Hill Farms
<u>Development Location:</u>	City of Pontiac, Oakland County
<u>Sponsor:</u>	American Community Developers, Inc.
<u>Borrower:</u>	NHF 2021 Limited Dividend Housing Association L.L.C.
<u>Number of Units:</u>	525 Family Units
<u>No. of Accessible Units:</u>	<del>0 accessible units</del> <u>28 Sec. 504/UFAS Mobility Impaired units and 11 Hearing/Visual Impaired units</u>
<u>Construction Method:</u>	Acquisition and Rehabilitation
<u>Financing Program:</u>	Limited Obligation Revenue Bonds issued under Section 44c
<u>Total Development Cost:</u>	<del>\$124,363,429</del> <u>143,068,744</u> (estimated)
<u>Aggregate Basis:</u>	<del>\$115,556,681</del> <u>104,052,187</u>
<u>Total Loan Amount:</u>	<del>\$60,000,000</del> <u>54,000,000</u> ( <del>51.92</del> <u>51.90</u> % of aggregate basis)
<u>Credit Enhancement:</u>	Cash collateral through FHA-insured Section 221 (d)(4) mortgage loan provided by Berkadia Commercial Mortgage, LLC.

### EXECUTIVE SUMMARY:

American Community Developers, Inc. ("Sponsor") proposes to acquire and rehabilitate the Development, which consists of 525 affordable housing units located in the City of Pontiac, 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 cash collateral intended to secure such repayment and held by the trustee for the bonds. The cash collateral will be sourced through an FHA-insured 221(d)(4) mortgage loan provided by Berkadia Commercial Mortgage, LLC.

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.
- Preliminary environmental and marketing reviews meet Authority requirements.
- The development team has the capacity and experience to complete the transaction.
- 525 units of family housing will be rehabilitated in the Pontiac community.
- The repayment of the limited obligation bonds will be reasonably secure based on the proposed collateral.

**ADVANCING THE AUTHORITY'S MISSION:**

- 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 or below 60% of Area Median Income. In addition, 10% of the units must be specifically targeted to tenants at or below 40% of Area Median Income.
- 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 area will be preserved.
- North Hill Farms will be located in Region L of the Statewide Housing Plan Regional Housing Partnerships, and the development supports the following goal of the Region L Action Plan:
  - Goal 4.1: Increase the supply of the full spectrum of housing that is affordable and attainable to Michigan residents.

**MUNICIPAL SUPPORT:**

- Local American Rescue Plan Act funds have been devoted to the Development.

**COMMUNITY IMPACT:**

- It is anticipated that the construction or rehabilitation of the Development will create 5 permanent jobs and 80 temporary construction 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 energy-efficient appliances, upgraded HVAC systems and plumbing fixtures.
- The Sponsor has been asked to meet with residents to discuss and answer questions on the rehabilitation of the Development.

**ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

- The Development has not received approval for a payment in lieu of taxes (“PILOT”) from the City of Pontiac and is not anticipated to receive PILOT approval. Financial determinations are therefore based upon ad valorem property taxes.
- The Development was previously approved by the Authority for inducement at its December 16, 2021, meeting, but could not proceed to authorization and commitment due to statutory limitations in Section 44c of the Act regarding bond capacity. Based upon subsequent legislative amendments to the Act, the Development may now proceed, per the Amended and Restated Pass-Through Program terms approved by the Authority in July 2024, but upon advice of bond counsel is hereby re-submitted for the Authority’s renewed inducement approval.



**AMENDED AND RESTATED PASS-THROUGH PROGRAM**

**INDUCEMENT RESOLUTION STAFF REPORT**

**September 19, 2024**

**RECOMMENDATION:**

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

**ISSUES, POLICY CONSIDERATIONS AND RELATED ACTIONS:**

The development has not received approval for a payment in lieu of taxes (“PILOT”) from the City of Pontiac and is not anticipated to receive PILOT approval. Financial determinations are therefore based upon ad valorem property taxes.

**PROJECT SUMMARY:**

<b><u>MSHDA No.:</u></b>	44c-191
<b><u>Development Name:</u></b>	North Hill Farms
<b><u>Development Location:</u></b>	City of Pontiac, Oakland County
<b><u>Sponsor:</u></b>	American Community Developers, Inc.
<b><u>Borrower:</u></b>	NHF 2021 Limited Dividend Housing Association L.L.C.
<b><u>Number of Units:</u></b>	525 Family Units
<b><u>No. of Accessible Units:</u></b>	<del>0 accessible units</del> <u>28 Sec. 504/UFAS Mobility Impaired units and 11 Hearing/Visual Impaired units</u>
<b><u>Construction Method:</u></b>	Acquisition and Rehabilitation
<b><u>Financing Program:</u></b>	Limited Obligation Revenue Bonds issued under Section 44c
<b><u>Total Development Cost:</u></b>	<del>\$124,363,429</del> <u>113,068,744</u> (estimated)
<b><u>Aggregate Basis:</u></b>	<del>\$115,556,681</del> <u>104,052,187</u>
<b><u>Total Loan Amount:</u></b>	<del>\$60,000,000</del> <u>54,000,000</u> (51.92% of aggregate basis)
<b><u>Credit Enhancement:</u></b>	Cash collateral through FHA-insured Section 221(d)(4) mortgage loan provided by Berkadia Commercial Mortgage, LLC.

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 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 18, 2024, the Authority re-authorized the Amended and Restated Pass-Through Bond Program, increasing the maximum allocation to \$350 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. At least 10% of the project'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, compliance with state EEO requirements and establishes a cap on the distributions of cash made to the owner.

**PROPOSAL SUMMARY:**

The Borrower proposes to acquire and rehabilitate 525 family apartment units at 74 Cherry Hill Drive in Pontiac, Michigan. 90% of the 525 units in the development (471 units) 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 the units (54 units) will be targeted to households with incomes at or below 40% of area median income, utilizing the new MTSP income limits. 100% of the units are covered by Housing Assistance Payment ("HAP") contracts.

No residents will be displaced by function of the renovations to be conducted. Temporary relocation, where necessary, will be conducted in accordance with Authority Uniform Relocation Act guidelines.

**CONDITIONS:**

**1. Income Limits:**

The Borrower must enter into a Regulatory Agreement with the Authority requiring units in the Development to be rented or available for rental by tenants whose income does not exceed the limits established for Multifamily Tax Subsidy Projects ("MTSP") 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. The Regulatory Agreement will contain the following income restrictions: fifty-four (54) units in the Development must be rented or available for rental by tenants whose income does not exceed 40% of the MTSP Limits; four hundred seventy-one (471) units in the Development must be rented or available for rental to tenants whose household income does not exceed the 60% MTSP Limit.

These limitations on household income 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.

**2. Limitations on Rental Rates:**

The Regulatory Agreement must also require that the monthly tenant-paid rent (excluding subsidy) plus tenant-paid utilities (the "Total Housing Expense") on the 54 deeply-targeted units in the Development 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 471 units may not exceed 30% of 1/12 of the 60% 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.

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

Prior to Bond closing, the Borrower must submit all of the documents relating to the sale of the obligations to be issued to finance the loan (the "Bonds"). The Borrower must also submit for review and approval such information relating to the Development as may be required by the Authority's Chief Legal Affairs Officer, 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.

At the Bond closing, the Borrower must enter into 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 also enter into a Loan Agreement with the Authority in which the Borrower agrees 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.

**4. Credit Enhancement:**

Prior to the authorization of the loan, 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.

**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
  
- 2. **Borrower:** NHF 2021 Limited Dividend Housing Association L.L.C.

**Credit Enhancement:**

The sponsor proposes cash collateral through FHA-insured Section 221(d)(4) mortgage loan provided by Prudential Huntoon Paige Associates, Inc.

**Bond Underwriter:** The Sturges Company (Mike Sturges)

**Bond Counsel:** Dickinson Wright (Craig Hammond)

**Bond Trustee:** Huntington National Bank

**Credit Enhancement Provider:** Prudential Huntoon Paige Associates, Inc.

**Other Members of the Development Team:**

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

**Sources and Uses of Funds:**

Berkadia Commercial Mortgage 221(d)(4)	\$42,808,000
<u>Seller Note</u>	<u>\$1,500,000</u>
LIHTC Equity	\$45,223,054
Solar Tax Credit Equity	\$6,258,905
HUD GRRP Grant	\$20,000,000
Local ARPA	\$6,562,500
Owner Equity	\$2,771,251
Deferred Developer Fee	\$739,719
<b>Total Sources of Funds</b>	<b>\$124,363,429</b>

**Inducement Resolution Staff Report**  
**#44c-191, North Hill Farms**  
**City of Pontiac, Oakland County**  
**September 19, 2024**

Acquisition		\$ <del>49,600,000</del> <u>48,430,000</u>
Construction/Rehabilitation		\$ <del>46,563,374</del> <u>36,751,564</u>
Professional Fees		\$381,000
Interim Construction Costs		\$ <del>10,932,479</del> <u>10,725,639</u>
Reserves and Escrows		\$ <del>2,358,246</del> <u>2,607,587</u>
Tax Credit & Bond Financing Application Fees		\$ <del>610,595</del> <u>574,700</u>
Relocation and Capital Needs Assessment		\$1,085,000
Developer Fee		\$ <del>12,832,735</del> <u>11,343,254</u>
<b>Total Uses of Funds</b>		<b>\$<del>124,363,429</del><u>113,068,744</u></b>

APPROVALS:



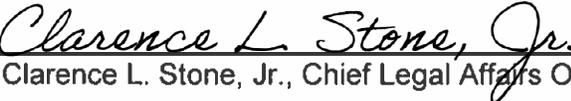
Chad Benson, Director of Development

9/10/2024  
Date



Jeffrey Sykes, Chief Financial Officer

9-11-24  
Date



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

9/12/2024  
Date



Amy Hovey, Chief Executive Officer and Executive Director

09/12/2024  
Date

DRAFT

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

INDUCEMENT RESOLUTION  
NORTH HILL FARMS  
CITY OF PONTIAC, OAKLAND COUNTY  
MSHDA No. 44c-191

September 19, 2024

WHEREAS, American Community Developers, Inc. (the "Applicant"), desires to acquire and substantially rehab a multifamily housing facility (the "Project") in the City of Pontiac, Oakland County, Michigan; and

WHEREAS, the Applicant has applied to the Michigan State Housing Development Authority (the "Authority") for a loan in the amount of ~~Sixty-Fifty-Four~~ Million Dollars (~~\$60,000,000~~~~54,000,000~~) (the "Loan") pursuant to Section 44c of Act No. 346 of the Public Acts of 1966, as amended (the "Act"), to be made to NHF 2021 Limited Dividend Housing Association L.L.C. 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 ~~One Hundred Twenty-Four Million Three Hundred Sixty-Three Thousand Four Hundred Twenty-Nine Dollars Eighty-One One Hundred Thirteen Million Sixty-Eight Thousand Seven Hundred Forty-Four Dollars~~ (\$124,363,429 ~~113,068,744~~); 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 Sixty Million Dollars ~~Fifty-Four Million Dollars~~ (~~\$60,000,000~~ 54,000,000).
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 Sixty Million Dollars ~~Fifty-Four Million Dollars~~ (~~\$60,000,000~~ 54,000,000) 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 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.



## M E M O R A N D U M

**TO:** Authority Members

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

**DATE:** September 19, 2024

**RE:** Delegation of Authority to Issue Loan Commitments Using COVID-19 Emergency Rental Assistance (“CERA”) Funds and Reaffirmation of Delegated Authority to Issue and Modify Loan Commitments Using Federal Funding Sources

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### **RECOMMENDATION:**

I recommend the Michigan State Housing Development Authority (the “Authority”) approve a resolution that (1) delegates authority to the Chief Executive Officer and Executive Director to approve and modify mortgage loan commitments funded from the CERA program (more specifically defined below), and (2) reaffirms the delegation of authority to the Chief Executive Officer and Executive Director to approve and modify mortgage loan commitments funded from any federal sources including, but not limited to, the HOME Investment Partnerships Program (“HOME”), the Housing Trust Fund (“HTF”), the Neighborhood Stabilization Program (“NSP”), and the Community Development Block Grant Program (“CDBG”).

### **EXECUTIVE SUMMARY:**

The Authority acts on behalf of the State of Michigan as Grantee under the COVID-19 Emergency Rental Assistance program (ERA1) established by Section 501 of Division N of the Consolidated Appropriations Act, 2021, Pub. L. No. 1160260 (Dec. 27, 2020) and the Emergency Rental Assistance program (ERA2) established by Section 3201 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (March 11, 2021) (together, the “CERA Program”). Authority staff intend to issue loan commitments on Authority-financed multifamily developments using CERA funds.

From time to time, the Authority has delegated certain actions to the Chief Executive Officer and Executive Director including, but not limited to, loan activity, professional services contracts, loan workouts, grant activity, bankruptcy lien stripping cases, approval of HUD Housing Choice Vouchers (“HCV”), etc. Some delegated actions include a reporting requirement. Such delegated actions are identified in a report that includes the division undertaking the activity, the type of activity, and the associated time period.

The Authority routinely issues and modifies mortgage loan commitments funded from federal sources such as the HOME and HTF programs as a delegated action. If the proposed resolution is approved, the use of CERA funds and any other federal sources for making loans will also be authorized by the Chief Executive Officer and Executive Director as a delegated action.

**RESIDENT IMPACT AND AFFORDABILITY:**

Your approval of the foregoing delegations of authority will allow Authority staff to expeditiously and efficiently issue mortgage loan commitments funded by CERA and other federal sources to owners of Authority-financed multifamily projects.

**ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

None.

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING DELEGATED AUTHORITY TO ISSUE AND MODIFY LOAN COMMITMENTS USING CERA FUNDS AND REAFFIRMING DELEGATED AUTHORITY TO ISSUE AND MODIFY LOAN COMMITMENTS USING FEDERAL FUNDING SOURCES**

**September 19, 2024**

WHEREAS, the Authority acts on behalf of the State of Michigan as Grantee under the COVID-19 Emergency Rental Assistance program (ERA1) established by Section 501 of Division N of the Consolidated Appropriations Act, 2021, Pub. L. No. 1160260 (Dec. 27, 2020) and the Emergency Rental Assistance program (ERA2) established by Section 3201 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (March 11, 2021) (together, the “CERA Program”); and

WHEREAS, the Authority received \$493 million in COVID-19 Emergency Rental Assistance funds (“CERA”) from the U.S. Department of Treasury (“Treasury”) under the American Rescue Plan Act of 2021 (the “ARPA”); and

WHEREAS, CERA funding may be used for the construction, rehabilitation or preservation of affordable rental housing projects serving very low-income families at 50% of area median income, as published by the U.S. Department of Housing and Urban Development (“HUD”); and

WHEREAS, Authority staff and the Chief Executive Officer and Executive Director have reviewed the CERA Program and recommend that the Authority grant 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”), the authority to approve and modify multifamily loans made through the CERA Program as described in the memorandum; and

WHEREAS, the Authority routinely issues and modifies mortgage loan commitments funded from federal funding sources including, but not limited to, the HOME Investment Partnerships Program (“HOME”), the Housing Trust Fund (“HTF”), the HOME-American Rescue Plan Program (“HOME-ARP”), the Neighborhood Stabilization Program (“NSP”), and the Community Development Block Grant Program (“CDBG”), as a delegated action; and

WHEREAS, the Authority wishes to reaffirm its delegation of authority to the Chief Executive Officer or an Authorized Officer to approve and modify multifamily loans made from federal funding sources; and

WHEREAS, the Authority concurs in the recommendation.

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

1. The Authority delegates to each Authorized Officer the authority to approve, issue commitments, and modify multifamily loans using funds from the CERA Program.

2. The Authority reaffirms its delegation to each Authorized Officer the authority to approve, issue commitments for and modify multifamily loans funded from federal sources, including but not limited to HOME, HTF, HOME-ARP, NSP, and CDBG. Any Authority loan using federal funds that was approved and committed by an Authorized Officer and reported to the Authority is hereby approved.
3. Authority staff shall report to the Authority on a quarterly basis all loans funded by CERA and any other federal source.



M E M O R A N D U M

**TO:** Authority Members

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

**DATE:** September 19, 2024

**RE:** Resolution Authorizing Approval of the Biennial FY2025 & FY2026 Housing and Community Development Fund (“HCDF”) Allocation Plan

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**RECOMMENDATION:**

I recommend that the Michigan State Housing Development Authority (the “Authority”) adopt a resolution authorizing approval of the biennial FY2025 & FY2026 HCDF Allocation Plan.

**EXECUTIVE SUMMARY:**

The State Housing Development Authority Act of 1966, Public Act 346 of 1966, Part 125.1458 et seq., as amended, charges the Authority with administering the Michigan Housing and Community Development Fund (“HCDF”) 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 Michigan.

The statutorily required biennial HCDF FY2025 & FY2026 Allocation Plan (the “Allocation Plan”) is ready for Board consideration. The Allocation Plan adheres to statutory requirements for eligible uses and expenditures and is attached for reference.

**STAKEHOLDER AND PUBLIC ENGAGEMENT:**

The Allocation Plan is informed by the Statewide Housing Plan and subsequent Regional Housing Partnership Action Plans, as well as progress reported in implementing these plans. The Authority published the draft Allocation Plan and a notice of HCDF public hearing dates on its website. The Authority held four public hearings in August 2024 to collect comments and feedback. Hearings were in-person in Gaylord (six attendees), Grand Rapids (two attendees), and Detroit (zero attendees), and one hearing was virtual (36 attendees). All hearings were accessible and were marketed to support accommodation requests.

All comments were collected and considered prior to the presentation of the Allocation Plan. See below for a summary of the comments, commenters, and how the comments were considered.

<b>Comment</b>	<b>Commentor(s), Organization, Meeting</b>	<b>Consideration</b>
MSHDA's Missing Middle program was very helpful in addressing our community's housing needs.	Members of the Otsego County Housing Task Force, Gaylord	MI Neighborhood can fund the same activities and income levels as the Missing Middle program.
The downtown area definition should be broad, to incorporate surrounding neighborhoods.	CEDAM, Grand Rapids	The "downtown" definition is dictated in the HCDF statute.
We hope that eligible expenditures categorized under Community Development Projects include project types that were typically accepted through NEP (parks & playgrounds, etc.)	Alexis O'Flynn - Village of Cassopolis, virtual hearing	The Michigan Economic Development Corporation offers funds for placemaking projects.
As a non-profit developer, pre-development loans are helpful to be able to build a pipeline of projects.	Richard Cannon, Church of the Messiah Housing Corp., virtual hearing	Many Community Development Financial Institution Funds (CDFIs) in Michigan offer a predevelopment loan product.
The thumb region needs housing in general and a way to connect housing to those in need.	Kay Balcer, Thumb Community Health Partnership, virtual hearing	Acknowledged.
There is difficulty finding for-profit developers that are LDHA – can there be resources or assistance?	Denise Soldenski – City of Lapeer, virtual hearing	MI Neighborhood is adjusting its LDHA requirements for the upcoming round.
There are a lack of options for affordable housing for people with disabilities in their communities of choice. Since 2009, MSHDA has had a homeless preference with its HCVs but with HUD's definition, many people in the community don't have access until it's too late.	Renee Echols – Center for Independent Living in Washtenaw County, virtual hearing	Acknowledged.
These larger development projects are complicated and many municipalities or smaller developers don't have capacity to handle the projects that are excellent opportunities to increase housing stock. This seems to be a possible barrier.	Denise Soldenski	Acknowledged. MSHDA expects to announce housing development consulting services for communities and nonprofit partners in the fourth quarter of 2024.
Letters of support. I have seen some pushback from communities that do not want to support the development of low to moderate income housing in certain areas. Is there a consideration for these challenges?	Lenny Avery – Avery Community Development, virtual hearing	A letter of support is not required to apply for MI Neighborhood.
Would MSHDA host a list of consultants? Where consultants can put their information up on a website?	Lenny Avery	It is not MSHDA's position to endorse or recommend specific consulting services.

[In addition to the formal public hearings, MSHDA notified and elicited feedback from its Statewide Housing Partnership, including the Racial and Equity Subcommittee as well as the fifteen Regional Housing Partnerships and their networks across the state. The Statewide Housing Partnership is an advisory body within the Michigan State Housing Development Authority created by Executive Order 2022-10. Members include leaders from state, local, and tribal governments, advocates from nonprofit and community organizations, and representatives from the business advocacy world and finance industry.](#)

**ALLOCATION:**

<b>Program</b>	<b>Budget</b>
<b>Implementation of the Statewide Housing Plan</b>	\$30 million
<b>Housing Production and Preservation, Capacity Building, Innovation &amp; Strategic Opportunities</b> (which may include Diversity, Equity, & Inclusion and Preventing & Ending Homelessness Initiatives)	\$20 million

**FUNDING DISTRIBUTION:**

In accordance with MCL 125.1458b(3), the Authority will allocate HCDF funds based on a data driven, equitable, and transparent investment and distribution strategy that meets all statutory requirements. The regional investment and distribution strategy will consider per capita, economic activity and growth, equity, and housing need.

**ADVANCING THE AUTHORITY’S MISSION:**

HCDF grants and loans 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:**

HCDF grants support the goals of the regional housing partnerships.

**RESIDENT IMPACT:**

None.

**ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

None.



# Michigan Housing & Community Development Fund (HCDF) FY2025 & FY2026 Allocation Plan

September 19, 2024



## Introduction:

The State Housing Development Authority Act of 1966, Public Act 346 of 1966, Part 125.1458a et seq., as amended, charges the Michigan State Housing Development Authority (the "Authority") with administering the Michigan Housing and Community Development Fund ("HCDF") for the purpose 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 Michigan.

The Authority is committed to providing meaningful access for public comment on the draft biennial HCDF Allocation Plan. For accommodations, modifications, translation, interpretation, or other services, please contact MSHDA's office at 517-335-9885 or email [MSHDA-MISHP@michigan.gov](mailto:MSHDA-MISHP@michigan.gov).

## Eligible Applicants:

Eligible applicants may be a not-for-profit corporation, a for-profit corporation, a municipality, a land bank fast track authority organized under the land bank fast track act, 2003 PA 258, MCL 124.751 to 124.774, or a partnership that is approved by the authority and that is organized for the purpose of developing and supporting affordable housing for low-income, very low-income, or extremely low-income households or projects located in a downtown area or adjacent neighborhood.

## Eligible Expenditures:

Eligible expenditures include financing any of the following activities with respect to housing or home ownership for low-income, very low-income, and extremely low-income households and with respect to projects located in a downtown area or adjacent neighborhood:

- A. Acquisition of land and buildings
- B. Rehabilitation
- C. New construction
- D. Development and predevelopment costs
- E. Preservation of existing housing
- F. Community development projects, including, but not limited to, infrastructure improvements, economic development projects, blight elimination, or community facilities
- G. Insurance
- H. Operating and replacement reserves
- I. Down payment assistance
- J. Security deposit assistance
- K. Foreclosure prevention and assistance
- L. Individual development accounts established under the individual or family development account program act, 2006 PA 513, MCL 206.701 to 206.711
- M. Activities related to ending homelessness
- N. Assistance to nonprofit organizations, municipalities, and land bank fast track authorities organized under the land bank fast track act, 2003 PA 258, MCL 124.751 to 124.774
- O. Predatory lending prevention or relief

## Stakeholder and Public Engagement:

The biennial Allocation Plan is informed by the Statewide Housing Plan and subsequent Regional Housing Partnership Action Plans, as well as progress in implementing these plans. The Authority published the draft biennial HCDF Allocation Plan and a notice of HCDF public hearing dates on its website. The Authority held four public hearings in August 2024 to collect comments and feedback. Three hearings were in-person and took place in diverse areas of the state and one hearing was virtual. All hearings were accessible and were marketed to support accommodation requests.

### HCDF Public Hearings

Gaylord	<b>When:</b> Tuesday, August 6, 1-2pm <b>Where:</b> MDOT North Region Office, 1088 M-32, Gaylord
Grand Rapids	<b>When:</b> Wednesday, August 14, 1-2pm <b>Where:</b> LINC Up, 1167 Madison Ave SE, Grand Rapids
Detroit	<b>When:</b> Wednesday, August 21, 10-11am <b>Where:</b> Dauch Scout Center, 1776 W Warren Ave, Detroit
Virtual	<b>When:</b> Thursday, August 22 <b>Link:</b> Provided on HCDF webpage

All comments were collected and considered prior to the Authority’s September 2024 Board Meeting.

## Allocation:

Program	Budget
<b>Implementation of the Statewide Housing Plan</b>	\$30 million
<b>Housing Production and Preservation, Capacity Building, Innovation &amp; Strategic Opportunities</b> (which may include Diversity, Equity, & Inclusion and Preventing & Ending Homelessness Initiatives)	\$20 million

## Funding Distribution:

In accordance with MCL 125.1458b(3), the Authority will allocate HCDF funds based on a data driven, equitable, and transparent investment strategy that meets all statutory requirements. The regional investment strategy will consider per capita, economic activity and growth, equity, and housing need.

## General Rules, Timelines, Evaluation, and Compliance:

Programmatic parameters (e.g., funding timelines, threshold requirements, evaluation and scoring criteria, compliance) will be summarized in any Notices of Funding Availability (“NOFAs”) containing HCDF funding.

## Diversity, Equity, and Inclusion (“DEI”) Requirements:

The DEI requirements to be included in HCDF funding may include fair housing training, accessible design, inclusive tenant selection criteria, affirmative marketing, and language access services. Any such requirements will be specified in a NOFA and/or in a grant agreement.

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING APPROVAL OF THE FY2025 & FY2026 ALLOCATION PLAN  
FOR THE HOUSING AND COMMUNITY DEVELOPMENT FUND**

**September 19, 2024**

WHEREAS, pursuant to statutory requirements of the Michigan Housing and Community Development Fund ("HCDF"), set forth in the State Housing Development Act, Act 346 of 1966, Section 125.1458 et. seq., as may be amended from time to time, the Michigan State Housing Development Authority (the "Authority") "shall create and implement" the HCDF Program "for the purpose of developing and coordinating public and private resources to meet the housing needs of low income, very low income, and extremely low-income households and to finance projects located in a downtown area or adjacent neighborhood in this state"; and

WHEREAS, pursuant to MCL 125.1458a, the Authority may receive Michigan Legislature appropriations to the HCDF or to the Authority for the HCDF to carry-out eligible HCDF activities; and

WHEREAS, pursuant to MCL 125.1458b(3) et. seq., the Authority "shall develop a biennial allocation plan providing for the allocation of money from the fund"; and

WHEREAS, the biennial Allocation Plan is informed by the Statewide Housing Plan and related Regional Housing Partnership Action Plans, as well as by the progress reported in implementing these plans; and

WHEREAS, the Authority published the draft biennial FY2025 & FY2026 HCDF Allocation Plan (the "Allocation Plan") and a notice of HCDF public hearing dates on its website and held four public hearings in August 2024 to collect comments and feedback; and

WHEREAS, all comments were collected and considered in preparation of the Allocation Plan; and

WHEREAS, the Allocation Plan was finalized in August 2024; and

WHEREAS, the Chief Executive Officer and Executive Director recommends approval of the Housing and Community Development Fund Allocation Plan of September 19, 2024, as described in the attached memorandum and as set forth in the accompanying Allocation Plan document.

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 as follows:

1. The Authority approves the Allocation Plan dated September 19, 2024.
2. 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 Allocation Plan 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 HCDF Program 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.



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:** September 19, 2024

**RE:** Adoption of the State of Michigan Citizen Participation Plan for U.S. Department of Housing and Urban Development Community Planning and Development Programs

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**RECOMMENDATION:**

It is recommended that the Michigan State Housing Development Authority (the "Authority") approve and adopt the 2024 State of Michigan Citizen Participation Plan for federal programs (the "CPP"). A formal public comment period regarding the CPP has been completed and copy of the 2024 CPP is attached herewith for review. Upon formal Authority approval and adoption an electronic copy will be posted on the Authority's website

**EXECUTIVE SUMMARY:**

Federal regulations require the Authority to ensure that a CPP is prepared and regularly updated to include all U.S. Department of Housing and Urban Development ("HUD") allocated and direct funded State of Michigan programs.

The overarching goal of HUD's Community Planning and Development ("CPD") programs covered by the Authority's HUD-required Consolidated Plan (which include the HOME Investments Partnership program, the Community Development Block Grant program, the Emergency Shelter Grants program, the Housing Trust Fund Program, the Housing Recovery Fund, and the Housing Opportunities for Persons with AIDS program) is "to develop viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities," principally for low- and moderate-income persons. To reach this goal, HUD looks to the Authority to "extend and strengthen partnerships among all levels of government and the private sector, including for-profit and non-profit organizations, in the production of affordable housing." As part of that effort, "The State is required to adopt a citizen participation plan that sets forth the State's policies and procedures for citizen participation." (24 CFR 91.115).

The Authority receives annual allocations from HUD and as a condition of receiving these funds must engage stakeholders and the public regarding the community's needs in these areas. The Authority reports the results of its citizen participation and consultation efforts in the 5-year Consolidated Plan and Annual Action Plans.

**ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

The CPP was previously updated and approved by the Authority in 2021. The 2024 CPP modifies and updates the 2021 CPP to reflect current program names and to clarify consecutive days.

## STATE OF MICHIGAN CITIZEN PARTICIPATION PLAN

Housing programs authorized by the National Affordable Housing Act (NAHA) represent a significant source of funding through which states like Michigan may address their need for affordable housing. These programs include the:

- Community Development Block Grant (CDBG) program;
- HOME program;
- HOPE program;
- Shelter Plus Care program
- Supportive Housing for the Elderly (Section 211);
- Emergency Shelter Grants program;
- Supportive Housing program;
- Moderate Rehabilitation Single Room Occupancy program;
- Housing Opportunities for Persons With AIDS (HOPWA) program;
- Technical Assistance;
- Rural Homelessness Grant program;
- Revitalization of Severely Distressed Public Housing program;
- Low-Income Housing Preservation program; and the
- Housing Recovery Program
- Housing Trust Fund

Prior to its submission for all future and subsequent funding from HUD's Office of Community Planning and Development, Michigan is required to prepare for all applicable years a Consolidated Housing and Community Development Plan (the "Consolidated Plan"). The Consolidated Plan identifies programs and activities that it will undertake in conjunction with HUD programs funded with Federal Fiscal Year dollars.

### **B. CITIZEN PARTICIPATION PLAN**

**Applicability and adoption of the citizen participation plan.** The State is required to adopt a citizen participation plan that sets forth the State's policies and procedures for citizen participation, which comply with the provisions of 24 CFR 91.115. In accordance with these

regulations, this plan amends Michigan's previous compliance with section 104(a)(3) of the Housing and Community Development Act of 1974. This amended document will replace all previously adopted plans.

**Encouragement of citizen participation.** The Michigan State Housing Development Authority encourages participation in the development of the plan, any substantial amendments to the plan, and the performance report. Participation of low and moderate income persons is encouraged, particularly those living in slum and blighted areas and in areas where CDBG funds are proposed to be used, and by residents of predominantly low and moderate income neighborhoods, through the following strategies:

- Public hearing announcements have been made available to interested parties at MSHDA workshops and the Michigan Planning Association and Michigan Community Development Association meetings. Participants in the workshops includes local units of government, nonprofits organizations (including homeless providers), lenders, and individuals interested in affordable housing and community development.
- A hearing is scheduled in a location accessible to low and moderate income persons and persons with disabilities.
- Consultation sessions are scheduled, providing interested stakeholders an opportunity to give input on trend, needs, issues, and program designs.

Citizen and local government comment on the citizen participation plan and amendments.

All public hearing announcements and comment periods specifically reference the fact that comment is requested on both the consolidated plan and the citizen participation plan. These plans will be made available in a format accessible to persons with disabilities upon request.

#### **Development of the consolidated plan.**

1. Before the state adopts its Consolidated Plan, the state will make available to citizens, public agencies, and other interested parties information that includes the amount of assistance the state expects to receive and the range of activities that may be undertaken, including the estimated amount that will benefit persons of low and moderate income and the plans to minimize displacement of persons and to assist any persons displaced.
2. The state will publish the proposed Consolidated Plan in a manner that affords citizens, units of general local governments, public agencies, and other interested parties a reasonable opportunity to examine its contents and submit comments. The plan is made available at the Lansing and Detroit offices of the Michigan State Housing Development Authority, the Michigan Economic Development Corporation, and its availability on the MSHDA and MEDC Websites.

3. The Michigan State Housing Development Authority, the Michigan Economic Development Corporation and the Michigan Department of Health and Human Services' held a public hearing in order to solicit information on housing and community development needs. Advance notice was given for these hearings, in the form of website postings at least two weeks prior to the public hearing. Such announcements provided information about the topic of the hearings, location, and how comments could be submitted by mail if the person(s) was unable to attend the public hearing in person. The public hearing was held at a time and place convenient to potential and actual beneficiaries. Locations were handicapper accessible. Interpreters shall be provided in instances where there is reason to believe a significant number of non-English speaking residents can be reasonably expected to participate.
4. The Citizen Participation plan provided for a period of not less than 30 consecutive days to receive comments from citizens and units of general local government on the consolidated plan. Note: When in-person public hearings are not feasible due to an emergency declaration, public notification will take place via internet postings only. An opportunity to offer comment will be provided by a period of not less than five (5) days. The notice will clearly provide the methodology and contact person responsible for receiving comments.
5. The State has received the comments and views of citizens and units of general local government received in writing, at program workshops and at the public hearing. All comments were considered in the preparation of the Consolidated Plan and five year strategy.

**Amendments to the Consolidated Plan.** Under the final Consolidated Plan regulations, the State is required to advise HUD of substantial changes in the state's Consolidated Plan. The Michigan Consolidated Plan represents the best effort possible to incorporate citizen concerns in the entire planning process.

1. Criteria for amending the Consolidated Plan and/or the disbursement or targeting of funding would include changes in activities or the method of distribution, either reported herein or unforeseen, and changes in beneficiaries or subscribers that could reasonably be expected to change the delivery of services described herein. By definition, a substantial amendment to the Consolidated Plan would result from a change from eligible to ineligible activity, or vice versa, or a change from competitive award of funds to formula allocation, or vice versa, or from a change in the method of distribution of funds if said change will cause an increase or decrease in the original allocation mix over 35%. Administrative transfers of funds to reflect actual program spending between and among programs identified in the plan will not constitute a substantial amendment to the plan if 1) such transfer does not result in the addition or elimination of the activities described herein and 2) such transfer does not cause a change in program priorities as described in this section.

2. The State will provide citizens and units of local government with reasonable notice and opportunity to comment on the Consolidated Plan and its substantial amendments. Reasonable notice will be given through a public notice in a newspaper(s) with statewide circulation. Opportunity to offer comments will be provided by a period of not less than 30 days, identified in the public notice, to receive comments on the substantial amendments before the amendment is implemented. The notice will clearly provide the name and address of the person responsible for receiving these comments. Reasonable notice will be given to the public for non-substantial amendments by a statewide mailing to current grantees and other interested parties.

Note: When additional funding is provided by the U.S. Department of Housing and Urban Development based on a declared emergency and/or funding needs to be repurposed to meet immediate need and in-person public hearings are not feasible, public notification will take place via internet postings only. An opportunity to offer comment will be provided by a period of not less than 5 days. The notice will clearly provide the methodology and contact person responsible for receiving comments.

3. The State will consider any comments or views of citizens and units of general local government received in writing, if any, in preparing the substantial amendment to the consolidated plan. A summary of these comments or views not accepted and the reasons therefore shall be attached to the substantial amendment to the consolidated plan.

### **Performance Reports.**

1. Citizens shall be provided with a reasonable notice and opportunity to comment on any performance reports required on the Consolidated Plan. A period of not less than 15 days shall be provided to receive comments on the performance report prior to its submission to HUD. Reasonable notice shall be given in the form of an announcement in one or more newspapers of general public circulation.
2. The state shall consider any comments received in writing or orally when preparing the performance report. A summary of these comments shall be attached to the performance report.

### **Citizen participation requirements for local governments.**

Units of general local government receiving CDBG funds from the State will hold a public hearing to receive comment on their proposed project(s) prior to submission of an application to the State. For housing projects, these hearings also include comment on program accomplishments from the preceding project(s) if applicable. Units of local government receiving CDBG funds from the State for non-housing projects also hold a public hearing to receive public comment on program accomplishments after project completion but prior to final close out.

Units of general local government receiving CDBG HUD Disaster Recovery funds from the State will furnish citizens with information regarding the amount of funds available, the range of activities, the estimated amount of the proposed activities that will benefit persons of low to moderate income; will publish the proposed Action Plan for Disaster Recovery for public comment; and will provide reasonable public notice and comment period on any substantial change to the Action Plan.

**Availability to the public.**

The consolidated plan, as adopted, substantial amendments, and the performance report, shall be available to the public, including the availability of materials in a form accessible to persons with disabilities, upon request. These documents shall be available at the MSHDA Website at [www.michigan.gov/mshda](http://www.michigan.gov/mshda) and available upon request to members of the general public through U.S. Mail.

**Access to records.**

The state shall provide citizens, public agencies, and other interested parties with reasonable and timely access to the state's consolidated plan and the state's use of assistance under the programs covered by this part during the preceding five years.

**Complaints.**

The state shall provide a timely, substantive written response to every written citizen complaint, within 15 working days where practicable, to complaints received from citizens on the consolidated plan, amendments, and performance report.

**Use of the Citizen Participation Plan.**

The state assures that it will follow its Citizen Participation Plan.

**DRAFT**  
**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION APPROVING AND ADOPTING**  
**THE STATE OF MICHIGAN 2024 CITIZEN PARTICIPATION PLAN FOR THE**  
**CONSOLIDATED PLAN FOR THE U.S. DEPARTMENT OF HOUSING AND URBAN**  
**DEVELOPMENT COMMUNITY PLANNING AND DEVELOPMENT PROGRAMS**

**September 19, 2024**

WHEREAS, the Michigan State Housing Development Authority (the "Authority") administers several programs authorized by the National Affordable Housing Act of 1974 for the U.S. Department of Housing and Urban Development's ("HUD") Community Planning and Development ("CPD") programs including the HOME Investments Partnership program, the Community Development Block Grant program, the Emergency Shelter Grants program, the Housing Trust Fund Program, the Housing Recovery Fund, and the Housing Opportunities for Persons with AIDS program; and

WHEREAS, each year, the Authority on behalf of the State is required to prepare a Consolidated Housing and Community Development Plan (the "Consolidated Plan") that identifies the CPD programs and activities that it will undertake; and

WHEREAS, 24 CFR 91.115 requires the State of Michigan to adopt a Citizen Participation Plan ("CPP") that sets forth the State's policies and procedures for citizen participation in developing the Consolidated Plan; and

WHEREAS, the 2021 CPP has been modified and updated to reflect current program names and to clarify consecutive days; and

WHEREAS, the Chief Executive Officer and Executive Director's Memorandum dated September 19, 2024, attached and incorporated herein, describes these modifications and updates to the CPP and recommends that the Authority approve and adopt the 2024 CPP as modified and updated; and

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

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

1. The State of Michigan's 2024 CPP, as presented to the Authority, is hereby approved and adopted.
2. The Chairperson of the Authority, the Authority's 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, or any person duly authorized to act in any of the foregoing capacities (collectively, "Authorized Officers"), or any one of them, each is hereby authorized to execute any and all certifications required by HUD for the filing or submission of the CPP.
3. The Authorized Officers, or any one of them, each may take such actions as they respectively deem prudent, necessary, or advisable in order to respond to

comments or concerns arising from HUD's review of the CPP.



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:** September 19, 2024  
**RE:** Housing and Community Development Fund—Approval of Grants Listed in Schedule A, Schedule B, and Schedule C

**RECOMMENDATION:**

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 Grants”) as 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 2023 Public Act 4 HCDF—unprogrammed funds funded grants (“Unprogrammed Funds Grants”) listed in Schedule C of this Memorandum.

(The ARPA-SLFRF HCDF Grants, MI Neighborhood Grants, and Unprogrammed Funds Grants are collectively referred to as the “HCDF Grants”).

If approved by the Authority, the total amounts of HCDF proceeds used to fund the HCDF Grants listed in the attached schedules are as follows:

- Schedule A identified ARPA-SLFRF HCDF Grants will not exceed \$455,873.
- Schedule B identified MI Neighborhood Grants will not exceed \$1,748,428.
- Schedule C identified Unprogrammed Funds Grants will not exceed \$400,000.

If approved, the resolution shall also authorize ARPA-SLFRF HCDF funded MI HOPE and MICH program grants made prior to December 31, 2024, to be increased by ten percent (10%) as a contingency change order provision to address unforeseen situations

**EXECUTIVE SUMMARY:**

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 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 ARPA-SLFRF HCDF Grants identified in Schedule A will be funded under the HCDF Program from the 2022 PA 53 appropriation. The MI Neighborhood Grants identified in Schedule B and the Unprogrammed Funds Grants identified in Schedule C will 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.

If approved, the ARPA-SLFRF HCDF Grants made prior to December 31, 2024, to MI HOPE and MICH program recipients, will each be increased by ten percent (10%) as a contingency change order provision to address unforeseen situations. This increase will be funded under the HCDF Program from the 2022 PA 53 appropriation. The proposed increase has been found to be acceptable for Authority approval and will be subject to the terms and conditions required for (a) 2022 PA 53 appropriated HCDF funds 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 and increases 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)**  
**August 15, 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	\$455,873	Various	Various	Existing MICH Grantees	35	0	N/A	September 30, 2024 - April 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 additional existing activities and/or down payment assistance and coverage for closing costs to facilitate sales and improve affordability.
Total Approvals Requested	\$455,873				35	0	0		

**SCHEDULE B**  
**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**  
**HOUSING AND COMMUNITY DEVELOPMENT FUNDS (HCDF)**  
**MI NEIGHBORHOOD PROGRAM**  
**September 19, 2024 GRANTEE LIST**

<b>NAME OF GRANTEE</b>	<b>AMOUNT OF HCDF GRANT</b>	<b>REGION</b>	<b>LOCATION FOR SCOPE OF WORK</b>	<b>SCOPE OF WORK</b>	<b>HOMEOWNER/ HOMEBUYER</b>	<b>RENTAL</b>	<b>PUBLIC AMENITY</b>	<b>TERM OF GRANT</b>
<b>Homestretch Nonprofit Housing Corporation</b>	\$236,000	Region D	Leelanau	2 new units	2	0	0	October 1, 2024 - September 30, 2026
<b>Cheboygan Habitat for Humanity</b>	\$3,135	Region E	Cheboygan County	Grant increase				
<b>City of Lapeer</b>	\$75,000	Region H	City of Lapeer	1 PA	0	0	1	October 1, 2024 - September 30, 2026
<b>Clark Holding, LLC</b>	\$988,000	Region M	Macomb	10 new units	10	0	0	October 1, 2024 - September 30, 2026
<b>Sophia Investments LLC</b>	\$236,000	Region N	Wayne	2 unoccupied rehab	0	2	0	October 1, 2024 - September 30, 2026
<b>Wayne Metropolitan Community Action Agency</b>	\$208,000	Region N	City of Highland Park	5 occupied rehab	5	0	0	October 1, 2024 - September 30, 2026
<b>Rucker Property Management Group LLC</b>	\$2,293	Region O	Wayne	Grant increase				
<b>TOTAL:</b>	<b>\$1,748,428</b>				<b>17</b>	<b>2</b>	<b>1</b>	

**SCHEDULE C**  
**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**  
**HOUSING AND COMMUNITY DEVELOPMENT FUNDS (HCDF)**  
**2023 PULIC ACT 4 HCDF UNPROGRAMMED FUNDS**  
**September 19, 2024 GRANTEE LIST**

NAME OF GRANTEE	AMOUNT OF HCDF	REGION	LOCATION FOR SCOPE OF WORK	SCOPE OF WORK	HOMEOWNER/ HOMEBUYER	RENTAL	PUBLIC AMENITY	TERM OF GRANT
MSHDA's Key to Own Homeownership Program	\$400,000	All Regions	Entire State	Down Payment Assistance for home purchase	20	0	0	October 1, 2024 - September 30, 2026
<b>Total Approvals Requested</b>	<b>\$400,000</b>				<b>20</b>	<b>0</b>	<b>0</b>	

**DRAFT**  
**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING GRANTS FROM THE MICHIGAN HOUSING AND  
COMMUNITY DEVELOPMENT FUND**

**September 19, 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 "HCDF") 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, Authority staff and the Chief Executive Officer and Executive Director have reviewed the Unprogrammed Funds grant proposal listed in Schedule C ("Unprogrammed Funds Grant(s)") and recommend that the Authority adopt a resolution authorizing the funding of Unprogrammed Funds Grant(s) listed in Schedule C with HCDF proceeds as described in the accompanying memorandum; and

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

WHEREAS, Authority staff and the Chief Executive Officer and Executive Director recommend that the Authority adopt a resolution authorizing funding a ten percent (10%) contingency change order provision to address unforeseen situations for each ARPA-SLFRF HCDF funded MI HOPE and MICH program grant made prior to December 31, 2024; 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, and C 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 each ARPA-SLFRF HCDF funded MI HOPE and MICH program grant made prior to December 31, 2024, will be increased by a ten percent (10%) contingency change order provision to address unforeseen situations.
6. 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.



# 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 

**DATE:** September 19, 2024

**RE:** Authorization to Accept the Transfer of Housing Choice Voucher Program Vouchers and Veterans Affairs Supportive Housing Vouchers to the Authority

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### **REPORT:**

I recommend that the Michigan State Housing Development Authority (the “Authority”) adopt separate resolutions authorizing the acceptance of the transfer of 360 Housing Choice Voucher (“HCV”) Program tenant-based vouchers and 188 Veterans Affairs (“VA”) Supportive Housing (“HUD-VASH”) vouchers, both presently administered by the Kent County Housing Commission (the “KCHC”). The U.S. Department of Housing and Urban Development (“HUD”) HCV program provides rental assistance to low-income residents across the state, while the HUD-VASH program provides rental assistance for veterans experiencing homelessness.

### **EXECUTIVE SUMMARY:**

The KCHC has requested that HUD transfer KCHC’s HCV and HUD-VASH vouchers to the Authority due to the increasing costs of staffing and administering the program effectively. As part of this transfer, HUD is requiring that the Authority agree to the transfers as well as provide confirmation to HUD that the Authority has the capacity to administer the additional vouchers as well as the legal authority to operate within the jurisdiction.

The Authority operates the largest statewide HCV Program in the country, assisting over 28,000 families in all 83 counties in Michigan. The Authority also administers 1,140 HUD-VASH vouchers across the state through longstanding partnerships with the Detroit VA Medical Center, the Oscar Johnson VA Medical Center in Iron Mountain, the Battle Creek VA Medical Center, and the Aleda E. Lutz VA Medical Center in Saginaw.

With an annual HCV Program budget of over \$250,000,000, the Authority has the immediate capacity to administer and operate the vouchers currently administered by the KCHC. Upon Authority approval, Authority staff will consult with the Battle Creek VA Medical Center, as the Authority’s source of HUD-VASH referrals, to confirm the reallocation of HUD-VASH vouchers to the Authority is an effective way to better serve homeless veterans within their catchment area.

### **ADVANCING THE MISSION:**

The Authority uses its HCV Program to help meet the housing needs of those experiencing homelessness and other very low-income households. The Authority uses a homeless preference to offer vouchers to homeless households that have been referred by local Continuums of Care. The HCV Program is also used to provide rental supports within the Permanent Supportive Housing Program which provides housing and services to the most vulnerable homeless households.

The Authority uses the HUD-VASH program to help meet the housing needs of veterans experiencing homelessness. This is accomplished through established partnerships with the VA Medical Centers across the state. HUD-VASH is a collaborative program that pairs HCV rental assistance with VA case management and supportive services for homeless veterans. These services are designed to help homeless veterans and their families find and sustain permanent housing and access the health care, mental health treatment, substance use counseling, and other supports necessary to help them in their recovery process and with their ability to maintain housing in the community.

### **COMMUNITY IMPACT:**

Through established partnerships with local service providers and VA partners, the Authority can utilize this additional allocation of vouchers to reach the most vulnerable populations, such as the homeless, the disabled, veterans, and the elderly, to eliminate housing barriers so that other barriers and challenges can be addressed through supportive services and case management.

### **ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

None.

**DRAFT**  
**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR TO  
ACCEPT AND APPROVE TRANSFERS OF  
HOUSING CHOICE VOUCHER PROGRAM VOUCHERS TO  
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**September 19, 2024**

WHEREAS, the Michigan State Housing Development Authority ("Authority") administers the Housing Choice Voucher (the "HCV Program") throughout the State of Michigan for the United States Department of Housing and Urban Development ("HUD"); and

WHEREAS, from time to time, housing commissions and municipalities in Michigan have asked the Authority to accept transfers of HCV Program vouchers to the Authority; and

WHEREAS, as a condition for approving the transfer of HCV Program vouchers, HUD requires the boards of housing authorities to approve transfers by resolution or written agreement; and

WHEREAS, Authority staff has received a request from the Kent County Housing Commission to transfer Three Hundred Sixty (360) HCV Program vouchers and One Hundred Eighty-Eight (188) HUD Veterans Affairs Supportive Housing ("HUD-VASH") vouchers to the Authority (the "Transfer"), and

WHEREAS, the transfer of the HUD-VASH vouchers is contemplated in a separate resolution; and

WHEREAS, Authority staff anticipates receiving requests to accept transfers of vouchers in the future; and

WHEREAS, the Authority by its September 24, 2003, Resolution determined upon the advice and recommendation of the Executive Director that authorizing the Executive Director to accept transfers of HCV Program vouchers to the Authority would save the Authority time and resources; and

WHEREAS, Authority staff has determined that continuing this policy by authorizing the Chief Executive Officer and Executive Director to accept transfers of HCV Program vouchers to the Authority would continue to save the Authority time and resources; and

WHEREAS, the Authority has reviewed the attached Memorandum of the Chief Executive Officer and Executive Director recommending that the Authority continue to authorize the Chief Executive Officer and Executive Director to approve and accept on the Authority's behalf the transfer of HCV Program vouchers to the Authority; and

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

NOW, THEREFORE, the Michigan State Housing Development Authority hereby resolves as follows:

1. The Authority authorizes the Chief Executive Officer and Executive Director to approve and accept on the Authority's behalf the transfer of HCV Program vouchers to the Authority including the HCV Program voucher portion of the Transfer as described above.
2. The Chief Executive Officer and Executive Director shall report semi-annually to the

Authority transfers of vouchers authorized pursuant to this resolution.

**DRAFT**  
**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR TO  
ACCEPT AND APPROVE TRANSFERS OF HUD-VETERANS AFFAIRS  
SUPPORTIVE HOUSING VOUCHERS TO  
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**September 19, 2024**

WHEREAS, the Michigan State Housing Development Authority ("Authority") participates in the U.S. Department of Housing and Urban Development ("HUD") HUD-Veterans Affairs Supportive Housing Voucher ("HUD-VASH") program as a partner with the U.S. Department of Veterans Affairs ("VA"); and

WHEREAS, from time to time, housing commissions and municipalities in Michigan have asked the Authority to accept transfers of HUD-VASH vouchers to the Authority; and

WHEREAS, as a condition for approving the transfer of HUD-VASH vouchers, HUD requires the boards of housing authorities to approve transfers by resolution or written agreement; and

WHEREAS, Authority staff has received a request from the Kent County Housing Commission to transfer One Hundred Eighty-Eight (188) HUD-VASH vouchers and Three Hundred Sixty (360) Housing Choice Voucher program (the "HCV Program") vouchers to the Authority (the "Transfer"); and

WHEREAS, the transfer of the HCV Program vouchers is contemplated in a separate resolution; and

WHEREAS, Authority staff anticipates receiving more requests to accept transfers of HUD-VASH vouchers in the future; and

WHEREAS, Authority staff has determined that authorizing the Chief Executive Officer and Executive Director to accept transfers of HUD-VASH vouchers to the Authority would save the Authority time and resources; and

WHEREAS, the Authority has reviewed the attached Memorandum of the Chief Executive Officer and Executive Director recommending that the Authority authorize the Chief Executive Officer and Executive Director to approve and accept on the Authority's behalf the transfer of HUD-VASH vouchers to the Authority; and

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

NOW, THEREFORE, the Michigan State Housing Development Authority hereby resolves as follows:

1. The Authority authorizes the Chief Executive Officer and Executive Director to approve and accept on the Authority's behalf the transfer of HUD-VASH vouchers to the Authority, including the HUD-VASH voucher portion of the Transfer as described above.
2. The Chief Executive Officer and Executive Director shall report semi-annually to the Authority transfers of HUD-VASH vouchers authorized pursuant to this resolution.



M E M O R A N D U M

**TO:** Authority Members

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

**DATE:** September 19, 2024

**RE:** Housing Development Fund Emergency Solutions Grant (HML-2025-5506-ESM) to the Michigan Department of Health and Human Services ("DHHS")

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**RECOMMENDATION:**

I recommend the Michigan State Housing Development Authority (the "Authority") adopt a resolution authorizing the issuance of an Emergency Solutions Grant Housing Development Fund grant (the "HDF Grant" or the "Grant") to the Michigan Department of Health and Human Services ("MDHHS") in the amount of \$700,000. If authorized, the HDF Grant will be effective October 1, 2024, and expire on September 30, 2025, unless extended by the Authority.

**EXECUTIVE SUMMARY:**

The Michigan Domestic and Sexual Violence Prevention and Treatment Board (the "DV Treatment Board") is a Governor-appointed Board established in 1978 to focus state activity on Domestic Violence and is part of MDHHS. The DV Treatment Board administers state and federal funding for Domestic Violence shelters and advocacy services, recommends policy, and provides technical assistance and training.

Since 2005, MDHHS has worked closely with the Authority on the Campaign to End Homelessness. As a Campaign partner, MDHHS understands the importance of effectively using state and federal housing dollars, the concept of "Housing First," and shares the Authority's goal of ending homelessness among all populations, including survivors of Domestic Violence. The source of the \$700,000 ESG grant award to the DV Treatment Board will be the Authority ESG matching funds as described in the FY24 budget, via the Authority's Housing Development Fund, to be allocated from October 1, 2024, to September 30, 2025. This is a one-year grant, but the intent is to continue this funding structure in future years subject to Authority approval.

**ADVANCING THE AUTHORITY'S MISSION:**

In alignment with the Authority's mission and multiple strategic focus areas, this grant is leveraged to build equitable pathways to housing programs and services, invest in Michigan communities based on need, and reduce homelessness. By partnering with MDHHS and the DV Treatment Board, the ESG funding ensures:

- 1) equitable access to critical housing resources for survivors of domestic and sexual violence;
- 2) increased capacity of domestic and sexual violence prevention and treatment agencies in providing services to impacted households across the state (both rural and urban); and
- 3) improved housing outcomes for households experiencing homelessness due to domestic and sexual violence.

### **COMMUNITY ENGAGEMENT/IMPACT:**

Among the ongoing impacts of COVID-19, instances of domestic and sexual violence have risen nationally and statewide. This grant partnership with MDHHS and the DV Treatment Board provided critical funding to agencies responding to these needs during the crisis. From July 1, 2021, through June 30, 2022, 11,073 individuals reported a personal history with domestic violence when seeking ESG-funded services. In the most recently reported quarter for ESG CARES Act funding (4/1/2023 - 6/30/2023), 3,837 individuals with a reported personal history with domestic violence were engaged with services.

### **ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

Domestic violence prevention service providers must follow Authority ESG policy in administering grant funds. MDHHS will provide grant oversight, submit quarterly progress reports, and request grant funds from the Authority. MDHHS will enter into sub-grant agreements with domestic violence agencies that have the capability to provide the data required to comply with HUD's DV CAPER (Domestic Violence Consolidated Annual Performance Evaluation Report) reporting requirements. If MDHHS is found to be not in compliance with such requirements, the funds will be subject to recapture by the Authority. Authority staff will work closely with MDHHS and the DV Treatment Board during the grant administration.



STATE OF MICHIGAN

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

AMY HOVEY  
CHIEF EXECUTIVE OFFICER  
AND EXECUTIVE DIRECTOR

**HOUSING DEVELOPMENT FUND GRANT REPORT**

**September 19, 2024**

**RECOMMENDATION:**

Pursuant to Administrative Rule 125.153, it is recommended that the Michigan State Housing Development Authority (“Authority”) adopt a resolution authorizing a Housing Development Fund grant in an amount not to exceed Seven Hundred Thousand Dollars (\$700,000) to the Michigan Department of Health and Human Services (“MDHHS”) for the purposes described in this report.

**DEVELOPMENT INFORMATION:**

<b>MSHDA No:</b>	HML-2025-5506-ESM
<b>Grantee:</b>	Michigan Department of Health and Human Services
<b>Location of Project:</b>	Statewide
<b>Use of Funds:</b>	Emergency Shelter Essential Services and Operations; Administrative Costs
<b>Number of Units:</b>	N/A
<b>Maximum Grant:</b>	\$700,000
<b>Contact Person(s):</b>	Christina Soulard

**SUMMARY OF PROPOSAL:**

The Authority will provide Emergency Solutions Grant (“ESG”) Housing Development Fund (“HDF”) funding in the amount of \$700,000 to the MDHHS to administer to local domestic violence programs. MDHHS will contract with existing domestic violence programs by adding the agreed upon ESG funding amounts to current contracts or by establishing new contracts. ESG funding may support shelter operations, essential services, and housing case management services. These services and activities are available to victims of domestic violence and their families in Michigan.

**ORGANIZATIONAL HISTORY:**

The MDHHS is a principal department of the State of Michigan that provides public assistance, child and family welfare services, and oversight of healthy policy and management. The Michigan Domestic and Sexual Violence Prevention and Treatment Board (the “DV Treatment Board”) is a Governor-appointed Board established in 1978 to focus state activity on Domestic Violence and is part of MDHHS. The DV Treatment Board administers state and federal funding for Domestic Violence shelters and advocacy services, recommends policy and provides technical assistance and training.

Since 2005, MDHHS has worked closely with the Authority on the Campaign to End Homelessness. As a Campaign partner, MDHHS understands the importance of effectively using state and federal housing dollars, the concept of “Housing First,” and shares the Authority’s goal of ending homelessness among all populations, including survivors of Domestic Violence.

### **ELIGIBILITY UNDER THE ACT AND RULES:**

Section 24(3) of P.A. 346 of 1966, as amended, provides that the Authority may use monies from the HDF to make grants to local communities as defined by the Authority’s Administrative Rules (the “Rules”). Pursuant to Authority Administrative Rule 103, a “local community” includes “a public body or agency” that “is acting in a manner consistent with the objectives of the act with respect to the provision of housing or community development.”

The Rules further require that prior to the authorization of any HDF grant, each proposal be reviewed and analyzed to determine that the application meets the requirements of the Act and Rules and is consistent with the Authority’s evaluation factors. Authority staff has reviewed the DV Treatment Board’s application and have determined that it complies with the Act, the Rules, and the HDF Evaluation Factors as discussed below.

This proposal has been reviewed and determined to have satisfied the Authority’s “Amended and Restated Priorities, Evaluation Factors, and Criteria for Allocation of Development Fund Grants” (“HDF Evaluation Factors”) adopted by the Authority on dated April 21, 2022; the HDF Evaluations Factors include, but are not limited to, the following:

1. “Summary of Program Purpose” Section I(A)(5) – MDHHS will use grant funds to provide emergency shelter services to victims of domestic violence and their families throughout Michigan.
2. “Eligible Applicants” Section I(B) – MDHHS is a public agency acting in a manner consistent with the objectives of the Act with respect to the provision of housing and is eligible under the Act to receive grant assistance under this program.
3. “Eligible Activities” Section I(C)(5)(h) – Activities under this grant will be for emergency shelter operations, essential services, and program administration.
4. “Eligible Costs” Section I(D)(5)(7) – Costs associated with this grant will be emergency shelter operations, essential services, and program administration.

### **SPECIAL CONDITIONS:**

Prior to the disbursement of any funds authorized pursuant to this grant, the DV Treatment Board must:

1. Submit written documentation identifying an MDHHS Authorized Official possessing the authority to execute the HDF grant agreement on behalf of the applicant.
2. Execute an agreement that includes: the projected budget; program statement; project work detail; an anti-discrimination provision effectuating Section 46 of the Act; and a provision that the funds may be recaptured if they are not used for the intended

purposes. The HDF grant agreement shall be acceptable in form and substance to the Director of Legal Affairs.

**DISCLOSURE**

No Disclosures.

**APPROVALS:**

An application for a HDF grant was submitted that included information and, where required by the Authority staff, supporting materials, and evidence with respect to all the following:

1. That the applicant is an applicant authorized by the Act to receive a HDF grant;
2. The proposed housing or community development activities for which assistance in planning or implementation is being requested;
3. The total cost of the planned activities, the net costs to the applicant, and a schedule of the proposed uses of the requested HDF grant and the amounts proposed to be allocated to each use; and
4. Other matters with respect to the proposal, the applicant, and other parties involved as the Authority staff and the Chief Executive Officer and Executive Director require.

*Nicole Beagle* *9/11/24*  
\_\_\_\_\_  
Nicole Beagle Date  
Emergency Solutions Program Manager

*Clarence L. Stone, Jr.* 9/12/2024  
\_\_\_\_\_  
Clarence Stone  
Date Chief Legal Affairs Officer

*Amy Hovey* 09/12/2024  
\_\_\_\_\_  
Amy Hovey Date  
Chief Executive Officer and Executive Director

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING A HOUSING DEVELOPMENT FUND GRANT TO THE  
MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**September 19, 2024**

WHEREAS, Section 23 of Public Act 346 of 1966, as amended (the "Act") creates and establishes a housing development fund (the "Housing Development Fund") under the jurisdiction and control of the Michigan State Housing Development Authority (the "Authority"); and

WHEREAS, Section 24(3) of the Act provides that the Authority may use the monies held in the Housing Development Fund to make grants ("HDF Grants") to local communities, as defined by the Authority in rules promulgated under the Act, or to public or private nonprofit organizations or local governmental agencies organized to provide assistance to persons and families of low or moderate income, in any amounts as the Authority determines, not to exceed the net costs, exclusive of any federal aid or assistance, incurred by the recipient in planning for or implementing housing assistance or community or housing development; and

WHEREAS, the Authority received an application for funding from the Michigan Department of Health and Human Services ("MDHHS" or "Grantee"), a public agency proposing to use Authority funds to provide emergency shelter services to victims of domestic violence and their families throughout Michigan via the MDHHS Domestic and Sexual Violence Prevention and Treatment Board; and

WHEREAS, Authority staff and the Chief Executive Officer and Executive Director have reviewed the application and recommend that the Authority adopt a resolution authorizing a HDF Grant to MDHHS in accordance with the accompanying HDF Grant Report; 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 hereby determines pursuant to Rule 125.153 of the Authority's General Rules that:
  - a. the Grantee is a local community as defined in Rule 125.103(c);
  - b. the Grant shall be used in planning for or implementing activities authorized by the Authority's Act;
  - c. the Grantee is reasonably expected to be able to implement the plan outlined in its application successfully; and
  - d. the proposed activities satisfy the Authority's "Amended and Restated Priorities, Evaluation Factors and Criteria for Allocation of Housing Development Fund Grants dated April 21, 2022."

2. That a Grant not to exceed Seven Hundred Thousand Dollars (\$700,000) be and is hereby authorized to be used for the purposes set forth in the accompanying HDF Grant Report, subject to the special conditions contained therein and to the execution of a Grant Regulatory Agreement between the Authority and the Grantee, containing the following provisions:
  - a. an anti-discrimination provision effectuating Section 46 of the Act;
  - b. a provision that all actions and requirements are subject to the Act and the General Rules of the Authority;
  - c. a provision that all facilities acquired with the proceeds of the Grant shall be made subject to any liens, security interests or other security agreements and any terms, covenants and conditions regarding the use or resale of such facilities as shall be determined by the Chief Executive Officer and Executive Director;
  - d. a provision whereby the Authority reserves the right to pursue remedies prescribed by the Act for violations of the Grant Regulatory Agreement; and
  - e. a provision that all aspects of the Grantee's plan for the use of the Grant shall be subject to review and approval by the requisite Authority staff for the purpose of assuring conformity with Authority standards and criteria.
3. That, if an advance or a portion of the Grant for a specific purpose is not used for that 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 Grant, any unused Grant proceeds that have been disbursed will be returned to the Authority immediately. All Grant proceeds that have not been used for approved Grant purposes on or before September 30, 2024, or such later deadline as the Authority may establish in the interest of accomplishing the purposes of the Grant, will be returned to the Authority's Housing Development Fund.
4. That the Chief Executive Officer and Executive Director may terminate or reduce the Grant at any time if (a) the Chief Executive Officer and Executive Director provides written notice to Authority members of the termination or reduction of the Grant and the reasons therefor and (b) on or before the 30<sup>th</sup> day after the mailing or electronic delivery of the written notice, no Authority member objects in writing to the termination or reduction of the Grant.
5. That the Chief Executive Officer and Executive Director, Chief Housing Investment Officer, Chief Financial Officer, Director of Finance, Chief Legal Affairs Officer, Director of Legal Transactions, Director of In-House Legal Services, or any person duly appointed and acting in that capacity (each an Authorized Officer) is authorized to make such changes as deemed necessary in the provision and special conditions contained in the accompanying Housing Development Fund Grant Report to assure the administration of the Grant is in compliance with the Act and the General Rules of the Authority.



# 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 

**DATE:** September 19, 2024

**RE:** Resolution Authorizing Renewal of Professional Services Contracts with Perich + Partners, Ltd.

### RECOMMENDATION:

I recommend that the Michigan State Housing Development Authority (“Authority”) adopt a resolution exercising a renewal option for a 1-year renewal of the Authority’s professional services contract with Perich + Partners, Ltd., for advertising and public relations services for a not-to-exceed contract increase amount of \$780,000. This service has been preauthorized by the Civil Service Commission; therefore, additional Civil Service approval is not required.

### CONTRACT SUMMARY:

<b>Name of Contractor:</b>	Perich + Partners, Ltd.
<b>Amount of Contract:</b>	\$5,400,000.00
<b>Length of Contract:</b>	Three (3) years
<b>Extension Options:</b>	Three, One-Year periods
<b>Request for Proposal Date:</b>	March 10, 2021
<b>Number of Bids Received:</b>	Four
<b>MSHDA Division Requesting the Contract:</b>	Communications/Executive

### EXECUTIVE SUMMARY:

Perich + Partners, Ltd. (“Contractor”) is a full-service advertising and public relations agency with more than 25 years of experience. Originally awarded the Authority advertising contract following a competitive bidding process in 2021, the Contractor continues to provide the Authority with services related to media/advertising account(s) management, planning, strategy, creative development, digital, public relations, social media, sponsorship assessment, media planning, media buying, and tracking return on investment to accomplish the Authority’s marketing and communications objectives.

The contract benefits the Authority by helping to tell the Authority's story in an engaging and compelling way. The contract benefits the public by explaining the Authority's purpose, mission, and programs. The firm extends the Authority's Outreach through services such as strategic planning, media planning and buying, creative development, public relations, social media and more.

Adoption of this renewal would ensure continuation of marketing and public relations support for the Authority over the next year. The Authority is unable to perform the Contractor's services inhouse because it lacks the staffing and equipment to perform these services.

The Contractor has been performing well for the Authority. Authority staff indicate that communication flows well, the Contractor is very responsive to the Authority's requests for alterations, and the Contractor produces quality work. The Contractor has met all milestones and deliverables. The performance metrics include satisfactory work product, invoices, and timely delivery. Work product and invoices are received on a timely basis. There have been no issues with productivity or with the working relationship with the Contractor. Finally, there is no foreseeable risk arising from approving a 1-year renewal of the contract for advertising and public relations services and approving a not-to-exceed contract increase amount of \$780,000. If the proposed one-year extension and budget increase of \$780,000 are approved, the total budget over the amended term of the Contract with the Contractor will total \$6,180,000.

**ADVANCING THE MISSION AND COMMUNITY IMPACT/SUPPORT:**

The contracted services promote and provide greater awareness of the Authority's mission and available resources to help those in need of affordable housing.

**ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

None.

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING PROFESSIONAL SERVICES CONTRACT WITH PERICH + PARTNERS, LTD**

**September 19, 2024**

WHEREAS, the Michigan State Housing Development Authority (the "Authority") has received the report of the Chief Executive Officer and Executive Director regarding the professional services needed to carry out the Authority's mission by providing advertising and public relations services to enhance state and local promotion efforts, and to assist in performing functions that extend the Authority's marketing capabilities; and

WHEREAS, the Chief Executive Officer and Executive Director has recommended that the Authority approve exercising its option to amend the professional services contract ("Contract") with Perich + Partners, Ltd., extending the contract for one year beginning on or about October 1, 2024, and ending September 30, 2025, for an additional cost to the contract in an amount not to exceed \$780,000; and

WHEREAS, the Contract, originally selected in conformance with the Authority's procurement process in 2021, and the services provided therein, are pre-authorized by the Civil Service Commission; and

WHEREAS, the Authority concurs in the report and recommendation of the Chief Executive Officer and Executive Director and determines that the advertising and public relations Contract is needed to communicate and promote the Authority's programs throughout the state, thereby enhancing its ability to provide affordable housing.

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, or any person duly acting in such capacity (each, an "Authorized Officer"), or any of them, is each hereby authorized to execute a final professional services contract amendment extending the Contract with Perich + Partners, Ltd., for a period beginning on or about October 1, 2024 and ending September 30, 2025, for an amount not to exceed Seven Hundred Eighty Thousand Dollars (\$780,000), as described above and in the accompanying memorandum.



# 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 

**DATE:** September 19, 2024

**RE:** Resolution Authorizing One-Year Extension of Professional Services Contracts with Water Hill Creative, Inc

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### **RECOMMENDATION:**

I recommend that the Michigan State Housing Development Authority (the "Authority" or "MSHDA") authorize a one-year extension of the professional services contract with Water Hill Creative, Inc. (the "Contractor"), for the additional cost of \$250,000. This service has been preauthorized by Civil Service.

### **CONTRACT SUMMARY:**

<b>Name of Contractor:</b>	Water Hill Creative, Inc.
<b>Original Amount of Contract:</b>	\$750,000.00
<b>Original Length of Contract:</b>	Three (3) years
<b>Original Extension Options:</b>	Three, One-Year periods
<b>Original Request for Proposal Date:</b>	April 14, 2021
<b>Number of Bids Received:</b>	Eleven
<b>MSHDA Division Requesting the Contract:</b>	Communications/Executive

### **EXECUTIVE SUMMARY:**

The Contractor currently serves as the producer for video projects by supplying equipment, software, and staff to coordinate and conduct interviews, as well as write and provide art direction for all productions. The Contractor is responsible for pre-production technical advice on developing videos, setting up individual shots for best possible sound and video, lighting and filming the individual clips. They also edit and assemble the final video. The Authority does not currently have video production staff, equipment, or expertise to provide these services in-house.

The contract benefits the Authority by helping to tell the Authority's story in an engaging and compelling way. The contract benefits the public by explaining the Authority's purpose, mission, and programs.

The Contractor has performed well for the Authority. Communication flows well, and Contractor staff are very responsive to the Authority's requests for alterations. They also produce quality work. The Contractor has met all milestones and deliverables in the contract. The performance metrics include quality of work product, timely performance, and review of invoices. Work and invoices are received regularly, and there have been no issues with productivity or with the working relationship with the Contractor. Finally, there is no foreseeable risk arising from approving a one- year extension of the contract and approving an increase not to exceed \$250,000 in the maximum contract amount. If the proposed increase of \$250,000 is approved, the total contract amount for the professional services contract with Water Hill Creative, Inc. will be an amount not to exceed \$1,000,000 over the amended term of the Contract.

**ADVANCING THE MISSION AND COMMUNITY IMPACT/SUPPORT:**

The contract provides greater awareness of the Authority's mission and availability to help provide affordable housing to low and moderately low income families.

**ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

None

**DRAFT**  
**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING ONE-YEAR EXTENSION OF PROFESSIONAL SERVICES  
CONTRACT WITH WATER HILL CREATIVE, INC.**

**September 19, 2024**

WHEREAS, the Michigan State Housing Development Authority (the "Authority") has received the report of the Chief Executive Officer and Executive Director regarding extending an existing professional services contract needed by the Communications/Executive Division to perform videography services for public relations and marketing; and

WHEREAS, the Chief Executive Officer and Executive Director has recommended that the Authority approve extending the professional services contract with Water Hill Creative, Inc. (the "Contractor") as described in the accompanying memorandum for an additional year at a cost of Two Hundred Fifty Thousand Dollars (\$250,000); and

WHEREAS, the services have been pre-authorized by the Michigan Civil Service Commission; and

WHEREAS, the Authority concurs in the report and 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, or any person duly acting in such capacity (each, an "Authorized Officer"), or any of them, is each authorized to enter into an amendment extending the professional services contract with Water Hill Creative, Inc., for an additional year at a cost of Two Hundred Fifty Thousand Dollars (\$250,000) to continue performing the services described in the accompanying memorandum.



# 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 

**DATE:** September 19, 2024

**RE:** Resolution Authorizing Allocation to Fund Renewal Options of DTMB IT Software Contract

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### **RECOMMENDATION:**

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt a resolution allocating funding for the remaining option years to the Emphasys Software Contract originally approved by the Authority in 2018. Total allocation cost will not exceed \$3,620,445.

### **CONTRACT SUMMARY:**

<b>Name of Contractor:</b>	Emphasys Software
<b>Amount of Contract:</b>	No more than \$3,620,445 to be paid by administrative fees.
<b>Length of Contract:</b>	1 year
<b>Extension Options:</b>	3 one-year options
<b>Request for Proposal Date:</b>	N/A
<b>Number of Bids Received:</b>	N/A
<b>Authority Division</b>	
<b>Requesting Contract:</b>	Authority IT/ RAHS

### **EXECUTIVE SUMMARY:**

The United States Department of Housing and Urban Development ("HUD") provides the Authority with funding for the administration of the Housing Choice Voucher Program ("HCV"). In September of 2018, to administer HCVs, the Authority approved a contract between the Michigan Department of Management and Budget ("DTMB") and Emphasys Software for HCV-related data hosting, system configuration, implementation, training, and software licenses in the amount of \$3,205,685 for a term of five (5) years, with five (5) one-year extension options (the "Contract"), for the benefit of the Authority's HCV program. In September 2023, the Authority approved the funding for the 1st option year of the Contract set to expire September 30, 2024. This request seeks Authority approval for \$3,620,445 to pay for the 2<sup>nd</sup> second option year costs on the

Contract, as well as secure funding for the remaining 3 contract extension periods in the event they are exercised.

**ADVANCING THE AUTHORITY'S MISSION:**

The Housing Choice Voucher Program ("HCV") provides rent subsidies for low-income persons. The Authority, through the Rental Assistance and Homeless Solutions division ("RAHS"), administers approximately 28,000 housing choice vouchers by contracting with agencies that work directly with the tenant participants and landlords under the Authority's oversight and guidance. The Authority also maintains a waiting list for applicants. Administration of the program is managed through a common application that provides access to agency partners, applicants and Authority staff.

**COMMUNITY ENGAGEMENT/IMPACT:**

Not applicable.

**ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

None.

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION  
AUTHORIZING FUNDING ALLOCATION TO FUND RENEWAL OPTIONS OF IT SOFTWARE  
CONTRACT**

**September 19, 2024**

WHEREAS, the Michigan State Housing Development Authority (the "Authority") has received the Chief Executive Officer and Executive Director's memorandum regarding the Authority's intent to exercise the existing option to renew the Michigan Department of Technology, Management and Budget's ("DTMB") contract with Emphasys Software, Inc. (the "Contractor"), allowing the Authority's continued administration of the United States Department of Housing and Urban Development's Housing Choice Voucher ("HCV") program; and

WHEREAS, the Authority, at its regularly scheduled meeting on September 26, 2018, authorized DTMB to enter into a 5-year period contract, with 5 one-year options to renew (the "Contract"), for the Contractor to provide software, hosting and maintenance services ensuring that the Authority could administer the HCV program; and

WHEREAS, the Authority authorizes an amount not to exceed Three Million Six Hundred Twenty Thousand Four Hundred Forty-Five Dollars (\$3,620,445) to fund the Contract's 2<sup>nd</sup> option and subsequent option years if exercised; and

WHEREAS, the Authority concurs in the report and recommendation of the Chief Executive Officer and Executive Director and hereby determines that funding the additional above-referenced services are necessary for the continued implementation of Authority programs and policies.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority to allocate an amount not to exceed Three Million Six Hundred Twenty Thousand Four Hundred Forty-Five Dollars (\$3,620,445) to fund the 2<sup>nd</sup> option and subsequent option years if exercised.



# 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 

**DATE:** September 19, 2024

**RE:** Issuance of the Single-Family Mortgage Revenue Bonds, 2024 Series D, E and F

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### **RECOMMENDATION:**

I am recommending that the Michigan State Housing Development Authority (the "Authority") Board approve the attached resolutions giving Authority staff the authorization to carry out the steps necessary to issue the Single-Family Mortgage Revenue Bonds, 2024 Series D, E and F (the "2024 Bonds").

Proceeds from the 2024 Bonds will fund mortgages at lower than current market rates and provide down payment assistance ("DPA") loans, making homeownership attainable to more Michigan residents. The homeowners who receive DPA loans will be required to take a free homeownership counseling course.

The 2024 Series F Bonds, in the amount of \$50 million, will be priced approximately 100 basis points below the market. The Federal Home Loan Bank of Indianapolis ("FHLBI") intends to purchase these bonds, thereby allowing the Authority to provide mortgage loans at even lower interest rates.

### **EXECUTIVE SUMMARY:**

The Authority plans to issue \$495,980,000 of Single-Family Mortgage Revenue Bonds. The Royal Bank of Canada ("RBC") is the book-running senior underwriter. The Authority will include other banks as co-managers and a selling group to improve the pricing. The 2024 Bonds are anticipated to be priced on October 1<sup>st</sup> and 2<sup>nd</sup>, 2024. The Authority has worked closely with its financial advisor, Tim Rittenhouse of CSG Advisors, throughout the structuring of this financing. CSG Advisors created the indenture cash flows as well as the rating agency cash flows, and RBC developed the 2024 Bond cash flows.

**The 2024 Series D Bonds** ("2024 D"), in the expected par amount of \$338,280,000, are being issued as tax-exempt, fixed rate, non-AMT uninsured debt. The 2024 D bond proceeds will be used to fund the purchase of single-family mortgages (approximately \$305.2 million), DPA loans (approximately \$24.4 million) and the payment of the Service Release Fee (\$5.6 million). The remaining proceeds will be used to pay the cost of issuance (approx. \$3.4 million).

The Authority anticipates issuing one or more of the 2024 D term bonds at a premium, raising about \$10.5 million.

The capital reserve requirement will be met by a \$10.1 million deposit to the Capital Reserve Fund.

**The 2024 Series E Bonds** (“2024 E”), in the expected par amount of \$107,700,000, are being issued as taxable fixed rate uninsured debt. The 2024 E bond proceeds will be used to fund the purchase of single-family mortgages (approx. \$101.8 million) and the payment of the Service Release Fee (\$1.7 million). The remaining bond proceeds will be used to pay the cost of issuance (approx. \$1.6 million).

The capital reserve requirement will be met by a \$2.6 million deposit to the Capital Reserve Fund.

**The 2024 Series F Bonds** (“2024 F”), in the expected par amount of \$50,000,000, are being issued as taxable fixed rate uninsured debt. The 2024 F bond proceeds will be used to fund the purchase of single-family mortgages (approx. \$46.4 million), DPA loans (approximately \$2.8 million) and the payment of the Service Release Fee (\$836,000). No 2024 F bond proceeds will be used to pay cost of issuance.

The capital reserve requirement will be met by proceeds from the 2024 D and E Bonds to the Capital Reserve Fund.

It is anticipated that the FHLBI will purchase the 2024 F bonds at 100 basis points through the market. These cost savings will be passed on to single-family borrowers through a lower mortgage interest rate of 100 basis points. The mortgages originated will be held in a separate pool so that all principal and interest, including prepayments, will be applied to the 2024 F bonds.

### **ADVANCING THE AUTHORITY’S MISSION:**

Issuing Single-Family Mortgage Revenue Bonds enables the Authority to fund its strategic goal of supporting access to homeownership opportunities. These loans provide low- and moderate-income persons direct access to homeownership. The Authority also provides training to borrowers for successful homeownership by requiring homeownership counseling at no cost to the borrowers. To support communities and avoid conflicts of interest, the Authority uses nonprofit agencies as homeownership counselors.

### **COMMUNITY IMPACT:**

Communities throughout Michigan are impacted by the Authority providing low- and moderate-income persons access to affordable single family mortgage loans, DPA loans, and homeownership counseling.

### **ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

None.

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF  
SINGLE-FAMILY MORTGAGE REVENUE BONDS, 2024 SERIES D  
IN AN AMOUNT NOT TO EXCEED \$430,000,000**

September 19, 2024

WHEREAS, the Members of the Michigan State Housing Development Authority (hereinafter referred to as the “Authority”), by Resolution adopted December 17, 1987, and as supplemented on January 28, 1988, October 12, 1995, January 30, 1997, May 24, 2006 and September 26, 2018 (hereinafter referred to as the “General Resolution”), have authorized the issuance of Single-Family Mortgage Revenue Bonds in one or more Series pursuant to a Series Resolution authorizing the issuance and sale of any such Series; and

WHEREAS, the Members of the Authority have determined that it is necessary and desirable that the Authority issue at this time a Series of Bonds to be designated “Single-Family Mortgage Revenue Bonds, 2024 Series D” to provide moneys to carry out the purposes of the Authority; and

WHEREAS, pursuant to Section 27(l) of the Act, the Authority proposes to delegate to 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, 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, hereinafter individually referred to as an “Authorized Representative”) the power to determine certain terms and conditions of the 2024 Series D Bonds (as hereinafter defined), subject to limits established herein and in the General Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Members of the Authority as follows:

**ARTICLE I  
AUTHORITY AND DEFINITIONS**

**101. 2024 Series D Resolution.** This resolution (hereinafter referred to as the “2024 Series D Resolution”) is adopted in accordance with the provisions of Article II of the General Resolution and pursuant to the authority contained in the Act.

**102. Definitions.**

All terms which are defined in Sections 103 and 104 of Article I of the General Resolution have the same meanings in this 2024 Series D Resolution including the preambles hereto.

“2003 Series B Resolution” means the resolution of the Authority authorizing the issuance and sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B.

“2024 Series D Bonds” means the Bonds authorized by Article II of this 2024 Series D Resolution.

“2024 Series D Down Payment Assistance Loan Principal Prepayments” means any payment by a mortgagor or other recovery of principal on a 2024 Series D Down Payment Assistance Loan which is not applied on a scheduled installment of principal and interest on a 2024 Series D Down Payment Assistance Loan (including any deficiency in the payment of any scheduled installments of principal and interest then due and payable or interest paid in connection with a voluntary prepayment of a 2024 Series D Down Payment Assistance Loan) and the portion of any amounts received in connection with the liquidation of a defaulted 2024 Series D Down Payment Assistance Loan (whether through foreclosure, trustee’s sale or otherwise) or other payments representing such principal amounts, including payments from the sale of a 2024 Series D Down Payment Assistance Loan.

“2024 Series D Down Payment Assistance Loans” means (i) any loan financed or acquired with amounts received in connection with the issuance of the 2024 Series D Bonds or with other amounts made available by the Authority in respect of the 2024 Series D Bonds and deposited in the Down Payment Assistance Fund and pledged hereunder by the Authority in accordance with the Act, evidenced by a mortgage note and secured by a mortgage and (ii) any instrument evidencing an ownership interest in such loans.

“2024 Series D Mortgage Loans” means all Mortgage Loans or portions of Mortgage Loans financed or acquired from the proceeds of or allocable to the 2024 Series D Bonds.

“Agent Member” means a member of, or participant in, the Securities Depository.

“Capital Appreciation Bonds” means the 2024 Series D Bonds, if any, which are authorized as Capital Appreciation Bonds pursuant to Section 203 hereof, which do not provide for current interest payments and which are hereby designated Deferred Interest Bonds.

“Cede & Co.” means Cede & Co., the nominee of DTC, or any successor nominee of DTC with respect to the 2024 Series D Bonds.

“Closing Date” means the date on which the 2024 Series D Bonds are issued and delivered to the Purchasers, or designee(s), in exchange for payment by the Purchasers therefor.

“Down Payment Assistance Fund” means the Fund established pursuant to Article III of the 2003 Series B Resolution.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Letter(s) of Credit” means one or more unconditional irrevocable letters of credit issued by a domestic or foreign bank which qualifies as a Cash Equivalent under the General Resolution, and which provides for a draw down in the full amount upon its expiration date at the option of the Authority in the absence of a renewal of such Letter(s) of Credit or if the Authority does not deliver to the Trustee a replacement Letter(s) of Credit.

“Loan Loss Fund” means the Loan Loss Fund established pursuant to the Loan Loss Fund Resolution.

“Loan Loss Fund Resolution” means the Authority’s Resolution Establishing Single-Family Loan Loss Fund adopted July 8, 1988, as supplemented on June 1, 1989, and April 30, 1997.

“1986 Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the 1986 Code herein shall be deemed to include the United States Treasury Regulations proposed or in effect thereunder and applicable to the 2024 Series D Bonds or the use of proceeds thereof, and also includes all amendments and successor provisions unless the context clearly requires otherwise.

“Purchase Contract” means, the contract of purchase between the Authority and the Underwriters with respect to the 2024 Series D Bonds.

“Purchasers” means the Underwriters.

“Representation Letter” means the blanket agreement of the Authority and the Trustee to comply with the operational arrangements of DTC and any similar agreement with respect to a successor Securities Depository.

“Rule” means Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12).

“Securities Depository” means DTC and its successors and assigns or if (i) the then-Securities Depository resigns from its functions as depository of the 2024 Series D Bonds or (ii) the Authority discontinues use of the then-Securities Depository pursuant to Section 403(c), any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the 2024 Series D Bonds and which is selected by the Authority.

“Serial Bonds” means the 2024 Series D Bonds, if any, which are authorized as Serial Bonds pursuant to Section 203 hereof.

“Super Sinker Bonds” means the 2024 Series D Bonds, if any, which are designated as Super Sinker Bonds in the Purchase Contract pursuant to Section 206(d) of this 2024 Series D Resolution.

“Surety Bond(s)” or “Surety” means one or more unconditional and irrevocable surety bonds issued by a domestic or foreign insurance company which (i) qualifies as a Cash Equivalent under the General Resolution, (ii) guarantees certain payments into the Capital Reserve Fund with respect to the Bonds as provided therein and subject to the limitations set forth therein, and (iii) is not subject to cancellation.

“Term Bonds” means the 2024 Series D Bonds, if any, which are authorized as Term Bonds pursuant to Section 203 hereof and which shall be subject to Sinking Fund Requirements as set forth in the Purchase Contract.

“Underwriters” means, collectively, RBC Capital Markets, LLC, and such other underwriters as may be named in the Purchase Contract.

## **ARTICLE II AUTHORIZATION OF 2024 SERIES D BONDS**

**201. Principal Amount, Designation and Series.** A Series of Bonds is hereby authorized to be issued and sold, pursuant to the provisions of the General Resolution in an aggregate original principal amount of not to exceed \$430,000,000, as established pursuant to Section 203 hereof. Such Series of Bonds shall be designated as “Single-Family Mortgage Revenue Bonds, 2024 Series D”.

**202. Purposes.** The purposes for which the 2024 Series D Bonds are being issued are (i) the financing and purchasing of Mortgage Loans, including payment of certain Mortgage Loan origination costs; (ii) if required to satisfy the Capital Reserve Fund Requirement, the making of a deposit to the Capital Reserve Fund in respect of the 2024 Series D Bonds, except to the extent the Authority obtains and pledges to the Capital Reserve Fund Letter(s) of Credit and/or Surety Bond(s) which may be drawn upon or called upon for payment, as applicable, for the purposes of the Capital Reserve Fund; (iii) the making of a deposit to the Down Payment Assistance Fund in respect of the 2024 Series D Bonds, to the extent provided for in the Purchase Contract; and (iv) paying the costs of issuance of the 2024 Series D Bonds, to the extent provided for in the Purchase Contract.

**203. Interest Rates, Principal Amounts and Maturity Dates.** The 2024 Series D Bonds shall be dated and shall be issued on or before November 30, 2024, as approved by an Authorized Representative. The 2024 Series D Bonds shall be issued either as current interest bearing Bonds or as Capital Appreciation Bonds, or any combination thereof, as determined by an Authorized Representative. The 2024 Series D Bonds, other than Capital Appreciation Bonds, if any, shall bear interest from the date thereof to their maturity or prior redemption, such interest to be payable on June 1 and December 1 of each year, commencing December 1, 2024, or such other date as may be set forth in the Purchase Contract. Interest shall be calculated on the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months. Capital Appreciation Bonds, if any, shall not bear interest (except that the extent of the difference between the Original Principal Amount and the Appreciated Amount may be construed to be interest) prior to or on the date of maturity. In the event the Appreciated Amount is not paid or deemed to be paid by the Authority on the date when due by reason of maturity, such Capital Appreciation Bond shall bear interest on such Appreciated Amount from such date at the rate per annum equal to the approximate

yield for such Capital Appreciation Bond, as set forth in the Purchase Contract, until such Appreciated Amount is paid or deemed to be paid by the Authority. The Appreciated Amount of each Capital Appreciation Bond as of any June 1 or December 1 shall be determined by dividing the Principal Amount if Held to Maturity on the face thereof by Five Thousand Dollars (\$5,000) and multiplying the result thereof by the applicable amount set forth in the Purchase Contract.

Interest on the 2024 Series D Bonds shall be paid by the Trustee on each interest payment date to the person appearing on the registration books of the Authority maintained by the Trustee or its designee, as the registered owner of such 2024 Series D Bonds on the fifteenth (15<sup>th</sup>) day of the month preceding the interest payment date by check mailed to the registered owner at the address as it appears on the registration books, or to the designee, at the address of such designee.

The 2024 Series D Bonds may be issued in whole or in part as Serial Bonds which shall mature on June 1 and/or December 1 in the years and principal amounts and bear interest, in the case of 2024 Series D Bonds other than Capital Appreciation Bonds, or be issued in the Original Aggregate Principal Amounts, in the case of Capital Appreciation Bonds, as approved by an Authorized Representative. The principal amounts of the Serial Bonds, if any, the designation as current interest bearing Bonds or Capital Appreciation Bonds, the maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, shall be set forth in the Purchase Contract, and the approval of such principal amounts, designation as current interest bearing Bonds or Capital Appreciation Bonds, maturities, rates of interest, and Original Aggregate Principal Amounts, as applicable, of the Serial Bonds shall be evidenced by the execution of the Purchase Contract by the Authority.

The 2024 Series D Bonds may also be issued in whole or in part as Term Bonds which shall mature on June 1 and/or December 1 in the years and principal amounts and bear interest, in the case of 2024 Series D Bonds other than Capital Appreciation Bonds, or be issued in the Original Aggregate Principal Amounts, in the case of Capital Appreciation Bonds, as approved by an Authorized Representative. The principal amounts of the Term Bonds, if any, the designation of current interest bearing Bonds or Capital Appreciation Bonds, the maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, shall be set forth in the Purchase Contract, and the approval of the principal amounts, designation as current interest bearing Bonds or Capital Appreciation Bonds, maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, of the Term Bonds shall be evidenced by the execution of the Purchase Contract by the Authority.

The purchase price of the 2024 Series D Bonds and the compensation to be paid to the Underwriters with respect to the 2024 Series D Bonds shall be as approved by an Authorized Representative and shall be set forth in the Purchase Contract, and the approval of such purchase price and compensation shall be evidenced by the execution of the Purchase Contract by the Authority.

In making the determination with respect to interest rates, the Original Aggregate Principal Amounts of Capital Appreciation Bonds, designations as Serial Bonds or Term Bonds, Capital Appreciation Bonds and the maturities of the 2024 Series D Bonds, and with respect to the compensation to be paid to the Purchasers, the purchase price of the 2024 Series D Bonds and certain other matters, the Authorized Representative making such determinations shall be limited as follows:

(a) The rate of interest on any 2024 Series D Bond shall not exceed seven percent (7.00%) per annum, unless such bond is initially sold to the Purchasers at a price in excess of the par amount thereof, in which case the yield on any such 2024 Series D Bond shall not exceed seven percent (7.00%) per annum;

(b) The compensation to be paid to the Underwriters shall not be more than one percent (1.00%) of the original principal amount of the 2024 Series D Bonds;

(c) The schedule of maturities and the amount of each maturity for the 2024 Series D Bonds, taking into account the Sinking Fund Requirements, if any, established pursuant to Section 205 hereof, shall be established in a manner that will permit the Authorized Representative to file the Cash Flow Statement required by Section 608 of the General Resolution;

(d) The final maturity of the 2024 Series D Bonds shall not be later than June 1, 2057;

(e) The maximum amount of scheduled principal payments (adjusted for any previously scheduled Sinking Fund Requirements) and Sinking Fund Requirements due with respect to the 2024 Series D Bonds on any June 1 or December 1, excluding the accretion of any Capital Appreciation Bonds, shall not exceed Forty Million Dollars (\$40,000,000);

(f) The proceeds of the 2024 Series D Bonds credited to the Down Payment Assistance Fund shall not exceed fifteen percent (15%) of the original principal amount of the 2024 Series D Bonds; and

(g) The Authority shall not sell the 2024 Series D Bonds to the Purchasers at a price of less than ninety-eight percent (98%) of the principal amount thereof, exclusive of any underwriter's discount.

**204. Denominations, Numbers and Letters.** The 2024 Series D Bonds, other than the Capital Appreciation Bonds, shall be issued as fully-registered bonds in the denominations of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2024 Series D Bonds. The Capital Appreciation Bonds shall be issued as fully-registered bonds in denominations which appreciate upon maturity to Five Thousand Dollars (\$5,000), as set forth in the Purchase Contract, or any integral multiple thereof. The 2024 Series D Bonds shall be numbered consecutively from 1 upwards, with such additional designations as shall be determined by an Authorized Representative.

**205. Sinking Fund Redemption.** The Term Bonds, if any, shall be subject to mandatory redemption in part on June 1 and/or December 1, at a Redemption Price equal to the principal

amount thereof plus accrued interest to the date of redemption, in the case of 2024 Series D Bonds other than Capital Appreciation Bonds, and the Appreciated Amount thereof, in the case of Capital Appreciation Bonds, in such years and such amounts as shall be approved by an Authorized Representative, which approval shall be evidenced by the Sinking Fund Requirements set forth in the Purchase Contract executed by the Authority (subject to reduction as provided in the General Resolution).

**206. Special Redemptions.**

(a) The 2024 Series D Bonds are redeemable, at any time in whole or in part, at the option of the Authority (except to the extent that the Authority is required to redeem 2024 Series D Bonds as set forth in subsection (b) or (d) below), at a Redemption Price equal to the principal amount (or, in the case of redemptions pursuant to clause (i) of this Section 206(a), for 2024 Series D Bonds initially purchased by the Purchasers at a price in excess of the principal amount thereof, a price not greater than the price paid by the Purchasers for such 2024 Series D Bonds) plus accrued interest to the redemption date in the case of 2024 Series D Bonds other than Capital Appreciation Bonds, and at the Appreciated Amount thereof in the case of Capital Appreciation Bonds, in a principal amount not in excess of the total of (i) 2024 Series D Bond proceeds remaining uncommitted to the financing of Mortgage Loans or 2024 Series D Down Payment Assistance Loans; (ii) Principal Prepayments (including Principal Prepayments in respect of Mortgage Loans financed from other Series of Bonds issued under the General Resolution); (iii) 2024 Series D Down Payment Assistance Loan Principal Prepayments (and Principal Prepayments in respect of Down Payment Assistance Loans financed from other Series of Bonds issued under the General Resolution); and (iv) Revenues available for redemption pursuant to Section 403(e)(1) of the General Resolution.

(b) Unless the Authority shall obtain a Counsel's Opinion from nationally recognized bond counsel to the effect that the failure of the Authority to so redeem will not adversely affect the exclusion of interest on the 2024 Series D Bonds from gross income for Federal income tax purposes, the Authority (i) shall redeem 2024 Series D Bonds within the forty-two (42) month period beginning on the date of issuance thereof, from proceeds of the 2024 Series D Bonds allocated to the financing of 2024 Series D Mortgage Loans and 2024 Series D Down Payment Assistance Loans which have not been used for such financing (except for an amount which is less than Two Hundred Fifty Thousand Dollars (\$250,000)), and (ii) shall redeem or pay scheduled principal maturities of the 2024 Series D Bonds not later than the close of the first semiannual period beginning after the date of receipt, from all Principal Prepayments and regularly scheduled principal repayments received and derived from 2024 Series D Mortgage Loans and from all 2024 Series D Down Payment Assistance Loan Principal Prepayments and regularly scheduled principal repayments received and derived from 2024 Series D Down Payment Assistance Loans on and after the tenth (10<sup>th</sup>) anniversary of the date of issuance of the 2024 Series D Bonds.

(c) With respect to redemptions pursuant to subsections (a) and (b) above, the 2024 Series D Bonds to be redeemed shall be selected from the Outstanding maturities of the 2024 Series D Bonds on such basis as shall be determined by the Authority, except as may be otherwise designated in the Purchase Contract.

(d) The Authority may designate in the Purchase Contract one or more maturities of the 2024 Series D Bonds as Super Sinker Bonds. The Super Sinker Bonds, if any, shall be subject to mandatory redemption as provided in the Purchase Contract.

**207. Optional Redemption.** The 2024 Series D Bonds shall be subject to redemption at any time on or after the date established by an Authorized Representative in the Purchase Contract (which date shall not be earlier than December 1, 2029) at the option of the Authority in any order of maturity from any moneys available therefor in whole or in part by lot within a maturity at the applicable Redemption Prices (expressed as percentages of the principal amount thereof, in the case of 2024 Series D Bonds other than Capital Appreciation Bonds, and the Appreciated Amount thereof, in the case of Capital Appreciation Bonds) not to exceed one hundred five percent (105%) of the principal amount of the 2024 Series D Bonds so subject to optional redemption, on the dates of redemption, all as shall be established by an Authorized Representative in the Purchase Contract.

**208. Conditional Notice of Optional Redemption and No Requirement to Have Funds on Hand.** As provided for by Section 302 of the General Resolution, as may be supplemented as provided therein, and notwithstanding any provision in the General Resolution to the contrary, (i) the Authority shall not be required to have in the Redemption Fund, or otherwise available and set aside in the General Receipts Fund, an amount sufficient to effect the redemption of any 2024 Series D Bonds prior to the notice of optional redemption being sent by the Trustee, and (ii) any such notice of optional redemption of any 2024 Series D Bonds may, at the direction of an Authorized Representative, state that it is conditional in nature and may be rescinded at any time on or before the business day prior to the redemption date, together with the terms under which notice of any such rescission is to be provided to the Bondowners. If such notice is rescinded any such 2024 Series D Bonds that were subject to the notice of redemption shall remain Outstanding Bonds.

**209. Sale of 2024 Series D Bonds.** An Authorized Representative is authorized to negotiate, execute and deliver, on behalf of the Authority, the Purchase Contract, in substantially the form presented to this meeting, with such changes as an Authorized Representative deems necessary and desirable and not materially adverse to the Authority, for purchase of the 2024 Series D Bonds at the price(s) and with compensation to the Underwriters, all as set forth therein. Approval of the Purchase Contract, and the purchase price set forth therein, shall be evidenced by the execution of the Purchase Contract by an Authorized Representative.

**210. Expenses.** The Authority's Expenses with respect to the 2024 Series D Bonds for a Fiscal Year may not exceed an amount equal to one quarter of one percent (0.25%) of the greater of the aggregate principal amount of all Outstanding 2024 Series D Bonds or the aggregate principal amount of the outstanding 2024 Series D Mortgage Loans, all as of the first day of such Fiscal Year.

**ARTICLE III  
REQUIREMENTS AND FUNDS**

**301. Debt Reserve Requirement.** (a) The Debt Reserve Requirement with respect to the 2024 Series D Bonds is hereby determined to be an amount equal to four percent (4%) of the sum of (i) the outstanding principal balance of 2024 Series D Mortgage Loans and 2024 Series D Down Payment Assistance Loans allocated to the 2024 Series D Bonds (except 2024 Series D Mortgage Loans underlying certificates of the Government National Mortgage Association or the Federal National Mortgage Association), (ii) the amount on deposit in the 2024 Series D Bond Proceeds Fund and allocated to the purchase or financing of 2024 Series D Mortgage Loans (except 2024 Series D Mortgage Loans underlying certificates of the Government National Mortgage Association or the Federal National Mortgage Association), and (iii) the amount on deposit in the Down Payment Assistance Fund allocated to the 2024 Series D Bonds and the financing of 2024 Series D Down Payment Assistance Loans. The deposits to the Capital Reserve Fund made and to be made pursuant to this 2024 Series D Resolution will be in the form of cash and Investment Obligations which may be used for the purposes of the Capital Reserve Fund; provided however, that the Authority may in lieu of or in replacement of or in addition to all or a portion of the deposits to the Capital Reserve Fund, obtain and pledge to the Capital Reserve Fund Letter(s) of Credit and/or Surety Bond(s), which Letter(s) of Credit or a portion thereof shall be exclusively available to be drawn on and which Surety Bond(s) or a portion thereof shall unconditionally and irrevocably guarantee payment for the purposes of the Capital Reserve Fund. Any moneys so replaced by Letter(s) of Credit and/or Surety Bond(s) or a portion thereof shall be withdrawn by the Trustee and deposited in the Bond Proceeds Fund. The amount of moneys on deposit in the Capital Reserve Fund, or the amount of Letter(s) of Credit pledged to and exclusively available to be drawn on or Surety Bond(s) pledged to unconditionally and irrevocably guarantee payment for the purposes of the Capital Reserve Fund which, when combined with any moneys on deposit therein, and any other Letter(s) of Credit pledged thereto and exclusively available to be drawn on or Surety Bond(s) which shall unconditionally and irrevocably guarantee payment for the purposes thereof, shall equal the Capital Reserve Fund Requirement.

(b) If at any time the Trustee is required by Section 407 of the General Resolution to transfer moneys from the Capital Reserve Fund to the Debt Service Fund, the Trustee shall make such transfer to the Debt Service Fund from any moneys which shall then be on deposit in the Capital Reserve Fund, and if the moneys in the Capital Reserve Fund are not sufficient to make up the deficiency in the Debt Service Fund, the Trustee shall make a draw under any Letter(s) of Credit or make a demand for payment under any Surety Bond(s) which may be pledged to the Capital Reserve Fund and deposit such proceeds to the Debt Service Fund to the extent of the deficiency in the Debt Service Fund.

**302. The Loan Loss Fund.**

(a) The repayment of the 2024 Series D Bonds shall be further secured by a pledge of the amounts on deposit in the Loan Loss Fund as created by the Loan Loss Fund Resolution. The 2024 Series D Resolution shall be deemed to be a Single-Family Bond Resolution for purposes of the Loan Loss Fund Resolution. The Loan Loss Fund Requirement with respect to the 2024 Series D Bonds shall be zero (\$0), and, accordingly, the Authority shall not be required to deposit any

moneys into the Loan Loss Fund prior to the disbursement of proceeds from the Bond Proceeds Fund for the financing of a 2024 Series D Mortgage Loan.

(b) If at any time moneys in the General Receipts Fund are not sufficient to permit the transfer of moneys to the Debt Service Fund required by Section 403 of the General Resolution, the Trustee shall make up such a deficiency first, by the withdrawal and transfer to the Debt Service Fund of money from any amounts which shall then be on deposit in the Loan Loss Fund, and if the amount in the Loan Loss Fund is not sufficient to make up such deficiencies, and second by a draw under any Letter(s) of Credit or a demand for payment under any Surety Bond(s) which may be pledged to the Loan Loss Fund and the deposit of such proceeds to the Debt Service Fund. Furthermore, in the event there shall be on any date on which an interest or principal payment (including any Sinking Fund Requirement) shall be due, a deficiency in the amounts in the Debt Service Fund to be applied to the payment of liquidity fees, interest or principal or a Redemption Price of the Bonds pursuant to Section 404(a) or (b) of the General Resolution but prior to any transfer to the Debt Service Fund from the Redemption Fund pursuant to Section 405 of the General Resolution or the Capital Reserve Fund pursuant to Section 406 of the General Resolution, the Trustee first shall make up such a deficiency by the withdrawal of moneys from the Loan Loss Fund and the transfer thereof to the Debt Service Fund, and second, if required, by a draw under any Letter(s) of Credit or a demand for payment under any Surety Bond(s) which may be pledged to the Loan Loss Fund and the transfer of such proceeds to the Debt Service Fund.

(c) Amounts on deposit in the Loan Loss Fund shall not be included in any calculation made in connection with any Cash Flow Statement or pursuant to Section 403(e)(3) of the General Resolution.

### **303. Deposits into Funds.**

(a) The proceeds of the 2024 Series D Bonds shall be deposited into the Bond Proceeds Fund and shall be invested by the Trustee pursuant to instructions from the Authority only in Investment Obligations, which shall include, for purposes of this 2024 Series D Resolution, an investment agreement secured or unsecured as determined by an Authorized Representative, guaranteed by an institution whose debt securities are rated at least the then existing rating on the Bonds (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency. Proceeds of the 2024 Series D Bonds in an amount sufficient to satisfy the Capital Reserve Fund Requirement relating to the 2024 Series D Bonds shall be promptly transferred by the Trustee to the Capital Reserve Fund. In the event that the Authority shall elect to obtain and pledge to the Capital Reserve Fund Letter(s) of Credit and/or Surety Bond(s) in an amount sufficient to satisfy all or a portion of the Capital Reserve Fund Requirement in lieu of or in replacement of or in addition to the deposits to the Capital Reserve Fund, any moneys so replaced provided by 2024 Series D Bond proceeds shall be promptly withdrawn by the Trustee and paid to the Authority for deposit in the Bond Proceeds Fund. Proceeds of the 2024 Series D Bonds in an amount not to exceed the limitation set forth in this Resolution, and as set forth in the Purchase Contract, shall be promptly transferred by the Trustee to the Down Payment Assistance Fund.

(b) All moneys representing accrued interest on the 2024 Series D Bonds, if any, shall be deposited to the credit of the General Receipts Fund (to be applied to the payment of interest on the 2024 Series D Bonds on the first applicable interest payment date).

**304. Tax Covenants.**

(a) The Authority shall use the proceeds of the 2024 Series D Bonds in the manner which will comply with the requirements of the 1986 Code and other provisions of applicable federal income tax law. The Authority shall at all times perform all acts and things to the extent permitted by law and necessary and desirable in order to assure that interest paid on the 2024 Series D Bonds shall not be included in gross income for Federal income tax purposes, including compliance by the Authority with the notice requirements of Section 143(m)(7) of the 1986 Code unless the Authority shall obtain a Counsel's Opinion from nationally recognized bond counsel to the effect that the failure of the Authority to so comply with such notice requirements will not adversely affect the exclusion of interest on the 2024 Series D Bonds from gross income for Federal income tax purposes.

(b) The Authority shall pay such amounts to the United States of America at such times as is necessary to comply with Section 148(f) of the 1986 Code in respect of the 2024 Series D Bonds.

(c) The Authority further covenants and agrees that it will not take any action which will have the effect of causing interest on the 2024 Series D Bonds to become includable in gross income for Federal income tax purposes.

**305. Series Program Determinations.** Each newly originated 2024 Series D Mortgage Loan shall have the following terms, conditions, provisions and limitations:

(a) The promissory note for each 2024 Series D Mortgage Loan must be payable or endorsed to the Authority, and such 2024 Series D Mortgage Loan must (i) be originated in the name of the Authority, (ii) be assigned to the Authority, or (iii) be originated in the name of a nominee who shall register the Authority as the owner of a beneficial interest in such 2024 Series D Mortgage Loan, and such 2024 Series D Mortgage Loan must have a servicer that tracks servicing of such 2024 Series D Mortgage Loan pursuant to a written agreement with the Authority relating thereto;

(b) Each 2024 Series D Mortgage Loan (i) shall be for a term not exceeding thirty (30) years, (ii) shall have a rate or rates of interest fixed at the time of origination, and (iii) shall either have approximately equal monthly payments for each rate of interest borne by such 2024 Series D Mortgage Loan, or at the option of the Authority, shall have monthly payments that increase on a predetermined basis over the life of such 2024 Series D Mortgage Loan;

(c) Each 2024 Series D Mortgage Loan shall relate to a residence which shall be the principal residence of the mortgagor within a reasonable time after the closing of such 2024 Series D Mortgage Loan;

(d) Each 2024 Series D Mortgage Loan shall relate to a single-family residential structure or condominium unit;

(e) (1) Each 2024 Series D Mortgage Loan shall be insured under an insurance contract, or guaranteed under a guarantee agreement, requiring benefits to be paid to the Authority following default by the mortgagor in the payment of principal or interest on the 2024 Series D Mortgage Loan in an amount which, when combined with the down payment applicable to such 2024 Series D Mortgage Loan (irrespective of the source of funds therefor), is equal to an amount in excess of eighteen percent (18%) of the purchase price of the residence; provided, however, that any such insurance shall not be initially required or may be terminated when the principal balance of the 2024 Series D Mortgage Loan is eighty percent (80%) or less of the original purchase price of the residence; and

(2) If applicable law shall not permit the Authority, or if the Authority anticipates that applicable law will not permit it, to require a mortgagor under a 2024 Series D Mortgage Loan, or a person on behalf of such mortgagor, to pay for the mortgage insurance described in paragraph (1) of this subsection, then the Authority shall pay for such mortgage insurance from moneys available under the General Resolution or otherwise, except to the extent that:

(i) the Authority either:

(A) does not pay for such mortgage insurance from moneys available under the General Resolution or otherwise; or

(B) provides additional reserves, insurance, sureties or cash equivalents as security or makes other covenants regarding the 2024 Series D Bonds; and

(ii) the taking of the action described in clause (A) or (B) above, does not, by itself, or in combination with other factors, result in a reduction in the then-current unenhanced rating of the Bonds;

(f) The 2024 Series D Mortgage Loans shall be: (i) conventional mortgage loans, (ii) insured by the Federal Housing Administration, (iii) guaranteed by the United States Department of Veterans' Affairs, or (iv) guaranteed by the Rural Housing Service of the United States Department of Agriculture;

(g) A 2024 Series D Mortgage Loan shall be used for the purchase of a residence or both the purchase and rehabilitation of a residence; and

(h) The Authority shall not sell any 2024 Series D Mortgage Loans or 2024 Series D Down Payment Assistance Loans and use the proceeds of such sale to redeem 2024 Series D Bonds as provided in Section 206 hereof except for 2024 Series D Mortgage Loans or 2024 Series D Down Payment Assistance Loans (i) that are in default, (ii) that must be sold in order to preserve the exclusion of interest on the 2024 Series D Bonds from gross income for federal income tax purposes, or (iii) that do not comply with the Authority's Program requirements.

**306. Covenant as to Disposition of Principal Prepayments and 2024 Series D Down Payment Assistance Loan Principal Prepayments.** Subject to the provisions of Section 403 of the General Resolution and Section 206 hereof, the Authority shall direct the Trustee to transfer Revenues in an amount equal to and representing (a) the Principal Prepayments derived from 2024 Series D Mortgage Loans from the General Receipts Fund to the Redemption Fund or the Bond Proceeds Fund, provided that any such Revenues deposited in the Bond Proceeds Fund must be transferred to the Redemption Fund within twelve (12) months of such deposit if not used for the purpose of financing Mortgage Loans within such one-year period and (b) the 2024 Series D Down Payment Assistance Loan Principal Prepayments from the General Receipts Fund to the Redemption Fund or the Down Payment Assistance Fund, provided that any such Revenues deposited in the Down Payment Assistance Fund must be transferred to the Redemption Fund within twelve (12) months of such deposit if not used for the purpose of financing 2024 Series D Down Payment Assistance Loans within such one-year period.

**307. Down Payment Assistance Fund.**

(a) Amounts on deposit in the Down Payment Assistance Fund shall be used as provided in this 2024 Series D Resolution with respect to moneys received by the Authority in connection with the issuance of the 2024 Series D Bonds.

(b) Amounts on deposit in the Down Payment Assistance Fund received by the Authority in connection with the issuance of the 2024 Series D Bonds, if any, and any additional amounts deposited by the Authority in the Down Payment Assistance Fund in respect of the 2024 Series D Bonds as hereinafter provided, if any, shall be used, upon Authority Request, to finance 2024 Series D Down Payment Assistance Loans. The Authority may, from time to time, direct that additional amounts be deposited in the Down Payment Assistance Fund in respect of the 2024 Series D Bonds from unrestricted Authority funds for the purpose of financing additional 2024 Series D Down Payment Assistance Loans. No amounts on deposit in the Down Payment Assistance Fund shall be used to finance Mortgage Loans. Each 2024 Series D Down Payment Assistance Loan shall have the following terms, conditions, provisions and limitations:

(i) Each 2024 Series D Down Payment Assistance Loan shall be made to provide down payment assistance only to a mortgagor who has received a Mortgage Loan;

(ii) Each 2024 Series D Down Payment Assistance Loan shall be evidenced by a promissory note and a mortgage document which has been properly recorded and constitutes a valid second lien on the property subject only to the mortgage securing the related Mortgage Loan and real property taxes or assessments not yet due; provided, that if the related Mortgage Loan is refinanced with proceeds of an Authority financed mortgage loan (an "Authority Refinance Loan"), at the option of the Authority, the 2024 Series D Down Payment Assistance Loan may be subordinated to the related Authority Refinance Loan;

(iii) The promissory note for each 2024 Series D Down Payment Assistance Loan must be payable or endorsed to the Authority and the 2024 Series D Down Payment Assistance Loan must be originated in the name of the Authority or be assigned to the Authority;

(iv) Each 2024 Series D Down Payment Assistance Loan shall be in a principal amount not to exceed Fifteen Thousand Dollars (\$15,000); and

(v) Each 2024 Series D Down Payment Assistance Loan shall be for a term not exceeding the term of the related Mortgage Loan, shall bear interest as determined by the Authority and shall be payable on the earliest of (A) the sale of the residence to which such 2024 Series D Down Payment Assistance Loan relates, (B) the maturity date thereof, or (C) the date of payment in full of the related Mortgage Loan (or if the related Mortgage Loan has been refinanced with an Authority Refinance Loan, the date of payment in full of such related Authority Refinance Loan if approved by the Authority).

(c) Amounts on deposit in the Down Payment Assistance Fund may be transferred at any time, upon Authority Request, to the Bond Proceeds Fund.

(d) The Authority does hereby pledge, convey and assign the 2024 Series D Down Payment Assistance Loans as security for the payment of the Bonds and the interest and redemption premium, if any, thereon and for the equal and proportionate benefit and security from time to time, of the Owners of the Bonds without preference, priority or distinction as to lien or otherwise. Any 2024 Series D Down Payment Assistance Loans shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof, and neither this 2024 Series D Resolution nor any instruments by which a pledge is created need be recorded. All moneys received by or on behalf of the Authority representing principal and interest payments on the 2024 Series D Down Payment Assistance Loans including all 2024 Series D Down Payment Assistance Loan Principal Prepayments representing the same shall constitute "Revenues" for purposes of the General Resolution and shall be deposited in the General Receipts Fund.

(e) Amounts on deposit in the Down Payment Assistance Fund in respect of the 2024 Series D Down Payment Assistance Loans shall be taken into account when preparing a Cash Flow Statement in accordance with Section 608 of the General Resolution. In addition to the requirements for filing a Cash Flow Statement set forth in Section 608 of the General Resolution, the Authority shall file with the Trustee a current Cash Flow Statement prior to transferring amounts to the Down Payment Assistance Fund to finance 2024 Series D Down Payment Assistance Loans in excess of the amounts contemplated in the last Cash Flow Statement to be so transferred, or prior to applying amounts previously transferred to the Down Payment Assistance Fund to finance 2024 Series D Down Payment Assistance Loans on terms materially different from those assumed in the last Cash Flow Statement. Upon filing a Cash Flow Statement with the Trustee, the Authority shall thereafter administer its program for making 2024 Series D Down Payment Assistance Loans in all material respects in accordance with the assumptions set forth in such Cash Flow Statement. Except as necessary to dispose of defaulted 2024 Series D Down Payment Assistance Loans or to comply with tax covenants or requirements of the Authority relating to its program for making 2024 Series D Down Payment Assistance Loans, if the Cash Flow Statement delivered in connection with any sale of 2024 Series D Down Payment Assistance Loans at a price below book value does not project Revenues sufficient to pay Expenses and debt service on the Bonds when due in each bond year, an

Authorized Representative must certify to the Trustee that the projected deficiency in each bond year is less than it would have been if all or a portion of the amounts transferred or used had been applied to the financing of 2024 Series D Down Payment Assistance Loans or invested in Investment Obligations on terms then available.

**ARTICLE IV**  
**FORMS, EXECUTION AND DELIVERY OF**  
**2024 SERIES D BONDS**

**401. Forms of 2024 Series D Bonds.** Subject to the provisions of the General Resolution, the form of the 2024 Series D Bonds and the Certificate of Authentication with respect thereto are hereby approved substantially in the forms attached as Exhibits A and B, respectively, with necessary or appropriate variations, omissions and insertions as are incidental to their numbers, denominations, maturities, interest rate or rates, redemption provisions and other details thereof.

**402. Execution and Delivery of 2024 Series D Bonds.** (a) The 2024 Series D Bonds shall be executed in the name of the Authority by the manual or facsimile signature of either its Chairperson or Chief Executive Officer and Executive Director and the corporate seal of the Authority (or a facsimile thereof) shall be impressed or imprinted thereon in accordance with the provisions of Section 204 of the General Resolution. The 2024 Series D Bonds shall be authenticated by the manual signature of an authorized signer of the Trustee.

(b) The 2024 Series D Bonds shall be delivered by an Authorized Representative to the Purchasers in New York, New York, Lansing, Michigan, or any other location mutually agreeable to the Authority and the Purchasers, upon payment of the purchase price plus accrued interest, if any, on the 2024 Series D Bonds from the date thereof to the date of delivery in immediately available Federal Reserve Funds available to the Authority at the time or times and place or places of delivery.

(c) Initially, one fully-registered 2024 Series D Bond (a “2024 Series D Bond”) for each maturity and interest rate of 2024 Series D Bonds, in the aggregate principal amount of such maturity and interest rate, shall be issued in the name of Cede & Co., as nominee of DTC.

**403. Global Form; Securities Depository.**

(a) Except as otherwise provided in this Section, the 2024 Series D Bonds shall be in the form of the 2024 Series D Bond, shall be registered in the name of the Securities Depository or its nominee and ownership thereof shall be maintained in book entry form by the Securities Depository for the account of the Agent Members thereof. Except as provided in subsection (c) of this Section, 2024 Series D Bonds may be transferred, in whole but not in part, only to the Securities Depository or a nominee of the Securities Depository, or to a successor Securities Depository selected by the Authority, or to a nominee of such successor Securities Depository.

(b) The Authority and the Trustee shall have no responsibility or obligation with respect to:

(i) the accuracy of the records of the Securities Depository or any Agent Member with respect to any beneficial ownership interest in the 2024 Series D Bonds;

(ii) the delivery to any Agent Member, beneficial owner of the 2024 Series D Bonds or other person, other than the Securities Depository, of any notice with respect to the 2024 Series D Bonds;

(iii) the payment to any Agent Member, beneficial owner of the Bonds or other person, other than the Securities Depository of any amount with respect to the principal of, premium, if any, or interest on, the 2024 Series D Bonds;

(iv) any consent given by Cede & Co. as Bondowner of the 2024 Series D Bonds or any successor nominee of a Securities Depository as Bondowner of such Bonds; or

(v) the selection by the Securities Depository or any Agent Member of any beneficial owners to receive payment if any 2024 Series D Bonds are redeemed in part.

So long as the certificates for the 2024 Series D Bonds are not issued pursuant to subsection (c) of this Section 403, the Authority and the Trustee may treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner of such 2024 Series D Bonds for all purposes whatsoever, including without limitation:

(1) the payment of principal, premium, if any, and interest on such 2024 Series D Bond;

(2) giving notices of redemption and other matters with respect to such 2024 Series D Bond; and

(3) registering transfers with respect to such 2024 Series D Bond.

(c) If at any time the Securities Depository notifies the Authority or the Trustee that it is unwilling or unable to continue as Securities Depository with respect to the 2024 Series D Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor Securities Depository is not appointed by the Authority within ninety (90) days after the Authority or the Trustee receives notice or becomes aware of such condition, as the case may be, subsections (a) and (b) of this Section shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the 2024 Series D Bonds as provided in subsection (d) below. In addition, the Authority may determine at any time that the 2024 Series D Bonds shall no longer be represented by global certificates and that the provisions of subsections (a) and (b) above shall no longer apply to the 2024 Series D Bonds. In any such event the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the 2024 Series D Bonds as provided in subsection (d) below.

(d) Certificates for the 2024 Series D Bonds issued in exchange for global certificates shall be registered in such names and authorized denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Authority and the Trustee. The Trustee shall deliver such certificates representing the 2024 Series D Bonds to the persons in whose names such 2024 Series D Bonds are so registered as soon as practicable.

**404. Conflict With Representation Letter.** Notwithstanding any other provision of this 2024 Series D Resolution to the contrary, so long as any 2024 Series D Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or Redemption Price of and interest, if any, on such 2024 Series D Bond, and all notices with respect to such 2024 Series D Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

## **ARTICLE V MISCELLANEOUS**

**501. Ratification of Actions.** The actions of any Authorized Representative heretofore taken pursuant to the provisions of the General Resolution including, but not limited to: the publishing of notice and the conducting of a hearing with respect to the issuance of the 2024 Series D Bonds, the making of presentations to security rating agencies, the undertaking of discussions and negotiations with underwriters or groups of underwriters or purchasers regarding offers to purchase the 2024 Series D Bonds, be, and they hereby are, ratified and confirmed in all respects.

**502. Authorization of 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 sale, execution and delivery of the 2024 Series D Bonds subject to, and as may be required by the Purchase Contract, the General Resolution and this 2024 Series D Resolution.

(b) Any Authorized Representative is hereby authorized to pay from the General Operating Fund all funds necessary to pay the costs of issuance, including the Underwriters' fee and placement fee, if applicable, of the 2024 Series D Bonds not paid from the proceeds of the 2024 Series D Bonds, and to make the deposit of moneys, or obtain Letter(s) of Credit and/or Surety Bond(s), or an increase in the amount of existing Letter(s) of Credit and/or Surety Bond(s), as provided by Section 503 hereof.

(c) Any Authorized Representative is hereby authorized to pay from the General Operating Fund all amounts necessary to comply with Section 304(b).

**503. Authorization of Procurement of Letter(s) of Credit and/or Surety Bond(s) and Execution of Reimbursement Agreement and/or Guaranty Agreement; Notice to the Trustee.** Any Authorized Representative hereby is authorized to obtain Letter(s) of Credit and/or Surety Bond(s), to obtain an increase in the amount of existing Letter(s) of Credit and/or Surety Bonds or to obtain a replacement for existing Letter(s) of Credit and/or Surety Bond(s) for application in lieu of the deposit of moneys to the Capital Reserve Fund as specifically authorized in this 2024 Series D Resolution. In connection with the procurement of the foregoing Letter(s) of Credit and/or Surety

Bond(s) or the increase in the amount of existing Letter(s) of Credit and/or Surety Bond(s), the Authorized Representative is authorized, if necessary, to negotiate and execute a reimbursement agreement, or, if necessary, an amendment to any existing reimbursement agreement, with a banking institution, or a guaranty agreement, or, if necessary, an amendment to an existing guaranty agreement, with an insurance company, as appropriate. The annual fees (in addition to any expense reimbursements) paid to the banking institution for the procurement of Letter(s) of Credit shall not exceed one half of one percent (0.5%) of the cumulative amount of the Letter(s) of Credit, the fee to be paid by the Authority for any Surety Bond(s) shall not exceed two percent (2%) of the Surety Bond Coverage relating thereto. The Authority shall give the Trustee sixty (60) days' written notice prior to the expiration of any Letter(s) of Credit obtained pursuant to this 2024 Series D Resolution.

**504. Preliminary Official Statement.** The form of the Preliminary Official Statement of the Authority with respect to the initial offering of the 2024 Series D Bonds, substantially in the form presented to this meeting, is hereby approved and the distribution thereof by the Underwriters is hereby authorized, with such changes, omissions, insertions and revisions as an Authorized Representative shall deem advisable or appropriate. The delivery of a certificate relating to the Preliminary Official Statement for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, is also approved.

**505. Final Official Statement.** The form of the Preliminary Official Statement of the Authority is hereby authorized and approved as the final Official Statement of the Authority, with such changes, omissions, insertions and revisions as an Authorized Representative shall deem advisable or appropriate. Any Authorized Representative is hereby authorized to execute such final Official Statement and deliver it to the Underwriters for distribution on behalf of the Authority.

**506. Covenant as to Purchase of 2024 Series D Bonds.** The Authority covenants that it shall require that a Mortgage Lender, mortgagor or "related person" as defined in Section 147 of the 1986 Code, shall not purchase 2024 Series D Bonds pursuant to any arrangement, formal or informal, in an amount related to a Mortgage Loan or 2024 Series D Down Payment Assistance Loan.

**507. Trustee Not Responsible for Official Statement.** The recitals, statements and representations contained in the Preliminary Official Statement and the Official Statement shall be taken and construed as made by and on the part of the Authority and not by the Trustee, and the Trustee assumes and shall be under no responsibility for the correctness of the same.

**508. Notice of Redemption.**

(a) At least thirty (30) days but no more than ninety (90) days before the redemption date of any 2024 Series D Bonds, the Trustee shall cause a notice of any redemption of 2024 Series D Bonds, either in whole or in part, to be sent by registered or certified mail or by overnight delivery, to the Securities Depository at least two (2) business days (a business day being a day when such Securities Depository is open for business) prior to the date of general mailing of any notice of redemption.

(b) In addition, a second duplicate notice in writing shall be mailed by certified mail, postage prepaid, return receipt requested, to any registered owner of 2024 Series D Bonds to be redeemed who has not presented and surrendered such 2024 Series D Bonds to the Trustee for redemption within thirty (30) days after the date of redemption.

(c) In addition to the requirements set forth in Section 302 of the General Resolution, a notice of any such redemption shall include the following information with respect to the 2024 Series D Bonds to be so redeemed: the complete title of the 2024 Series D Bonds, the CUSIP numbers of the 2024 Series D Bonds to be redeemed, the date of general mailing of such notice of redemption, the complete name of the Trustee including the telephone number for inquiries, the maturity date and the interest rate (if applicable) of the 2024 Series D Bonds.

(d) Failure to receive any such notices by any such registered owner shall not affect the validity of the proceedings for the redemption of the 2024 Series D Bonds.

**509. Continuing Disclosure.** The 2024 Series D Bonds are hereby made subject to the Second Master Continuing Disclosure Undertaking-Single Family Mortgage Revenue Bonds, dated as of April 1, 2019, and the Authority agrees to abide by the provisions thereof so long as any of the 2024 Series D Bonds are Outstanding.

**510. Notices to Rating Agency.** The Authority hereby covenants and agrees that it will send written notice to S&P at 55 Water Street, 38<sup>th</sup> Floor, New York, New York 10041 and to Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, of the occurrence of any of the following events with respect to the 2024 Series D Bonds:

- (a) any acceleration of payment of the principal of and interest on the 2024 Series D Bonds;
- (b) any amendments to this 2024 Series D Resolution or the General Resolution;
- (c) any successor to the Trustee under the General Resolution; and
- (d) any defeasance or redemption in whole of the 2024 Series D Bonds.

**511. Effective Date.** This 2024 Series D Resolution shall take effect immediately. If the 2024 Series D Bonds are not delivered to the Purchasers on or before November 30, 2024, the authority granted by this 2024 Series D Resolution shall lapse.

EXHIBIT A

[FORM OF 2024 SERIES D BOND]

*Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.*

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
SINGLE-FAMILY MORTGAGE REVENUE BOND, 2024 SERIES D

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
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REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT:

The Michigan State Housing Development Authority (the “Authority”), a public body corporate and politic, organized and existing under and by virtue of the laws of the State of Michigan, acknowledges itself indebted to, and for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above, on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, upon the presentation and surrender hereof at the principal corporate trust office of U.S. Bank Trust Company, National Association in St. Paul, Minnesota (the “Trustee”), as Trustee under the Resolution of the Authority adopted December 17, 1987, authorizing the issuance of Michigan State Housing Development Authority Single-Family Mortgage Revenue Bonds, as amended and supplemented (the “General Resolution”), or its successor as Trustee, and to pay to the registered owner by check or draft mailed to the registered owner on the fifteenth (15<sup>th</sup>) day of the month preceding the interest payment date at such owner’s address as shown on the registration books of the Authority, as maintained by the Trustee, interest on such Principal Amount from the date hereof to the date of maturity or earlier redemption of this 2024 Series D Bond at the Interest Rate per annum specified above on \_\_\_\_\_, 20\_\_, and semiannually thereafter on the first day of December and June. The principal or Redemption Price (as defined in the General Resolution) of this 2024 Series D Bond is payable upon presentation in any coin or currency of the United States of America which, on the respective dates of payment, shall be legal tender for the payment of public and private debts.

THE STATE OF MICHIGAN IS NOT LIABLE ON THIS 2024 SERIES D BOND AND THIS 2024 SERIES D BOND IS NOT A DEBT OF THE STATE OF MICHIGAN. THE AUTHORITY HAS NO TAXING POWER.

Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the hereinafter defined 2024 Series D Resolution.

Subject to any agreements now or hereafter made with the owners of any other notes or bonds of the Authority pledging any particular receipts or revenues, this 2024 Series D Bond is a general obligation of the Authority and the full faith and credit of the Authority are hereby pledged for the payment of the principal or Redemption Price of and interest on this 2024 Series D Bond. This 2024 Series D Bond is one of a duly authorized issue of Bonds of the Authority designated “Single-Family Mortgage Revenue Bonds” (the “Bonds”), issued and to be issued in various series under and pursuant to Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (herein called the “Act”), and under and pursuant to the General Resolution and a series resolution authorizing the issuance and sale of each such series. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series, in various principal amounts, may mature at different times, may bear interest, if any, at different rates and, subject to the provisions thereof, may otherwise vary. The aggregate principal amount of Bonds which may be issued under the General Resolution is not limited except as provided in the General Resolution, and all Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This 2024 Series D Bond is one of a series of Bonds designated “Single-Family Mortgage Revenue Bonds, 2024 Series D” (the “2024 Series D Bonds”) issued in the initial aggregate principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) under the General Resolution and the Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2024 Series D in an Amount not to Exceed \$430,000,000, adopted on September 19, 2024 (the “2024 Series D Resolution”) (the General Resolution and the 2024 Series D Resolution are collectively herein called the “Resolutions”). The proceeds of the 2024 Series D Bonds will be utilized by the Authority as provided in the Resolutions. The 2024 Series D Bonds will be secured by a pledge of the Pledged Property (as defined in the General Resolution) which includes the mortgage repayments required to be paid on the mortgage loans financed with the proceeds of the 2024 Series D Bonds, the Down Payment Assistance Fund established under the Authority’s Series Resolution Authorizing the Issuance and Sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B adopted on November 19, 2003 (the “2003 Series B Resolution”) and the repayments required to be paid on the down payment assistance loans financed with the proceeds of the 2024 Series D Bonds and will be further secured by the Loan Loss Fund established under the Authority’s Resolution Establishing Single-Family Loan Loss Fund adopted on July 8, 1988, as supplemented (the “Loan Loss Fund Resolution”). Copies of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution are on file in the office of the Authority and at the corporate trust office of the Trustee, and reference to the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution and any and all supplements thereto and modifications and amendments thereof and to the Act are made for a description of the pledges and covenants securing the 2024 Series D Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the 2024 Series D Bonds with respect thereto and the terms and conditions upon which the 2024 Series D Bonds are issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the

Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution, the provisions of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution or any resolution amendatory thereof or supplemental thereto, may be modified or amended.

This 2024 Series D Bond is transferable, as provided in the Resolutions, only upon the books of the Authority kept for that purpose at the corporate trust office of the Trustee, by the registered owner hereof in person, or by an attorney duly authorized in writing, upon the surrender of this 2024 Series D Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new registered 2024 Series D Bond or 2024 Series D Bonds, and in the same aggregate principal amount and of the same interest rate and maturity, shall be issued to the transferee in exchange therefor as provided in the Resolutions, and upon the payment of the charges, if any, therein prescribed.

The 2024 Series D Bonds are issuable in the form of fully-registered Bonds without coupons in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2024 Series D Bonds.

The 2024 Series D Bonds are subject to redemption prior to maturity as provided in the 2024 Series D Resolution. Notice of any such redemption shall be given to the registered owners of any 2024 Series D Bonds or portions thereof to be redeemed as provided in the 2024 Series D Resolution.

This 2024 Series D Bond shall not be valid or become obligatory for any purpose until the Trustee's Certificate of Authentication hereon shall have been executed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of Michigan and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 2024 Series D Bond, exist, have happened and have been performed in due time, form and manner as required by law, and that the issue of the 2024 Series D Bonds, together with all other indebtedness of the Authority is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Michigan State Housing Development Authority has caused this 2024 Series D Bond to be executed in its name by the facsimile signature of its Chief Executive Officer and Executive Director and its corporate seal (or a facsimile thereof) to be impressed or imprinted hereon, all as of the Date of Original Issue as set forth above.

MICHIGAN STATE HOUSING DEVELOPMENT  
AUTHORITY

(Seal)

By \_\_\_\_\_  
Its Chief Executive Officer  
and Executive Director

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2024 Series D Bonds described in the within-mentioned 2024 Series D Resolution.

U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION, Trustee

By \_\_\_\_\_  
Authorized Representative

Date of Authentication: \_\_\_\_\_

EXHIBIT B

[FORM OF 2024 SERIES D BOND (CAPITAL APPRECIATION BOND)]

*Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.*

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
SINGLE-FAMILY MORTGAGE REVENUE BOND, 2024 SERIES D  
(CAPITAL APPRECIATION BOND)

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>Original Principal Amount per \$5,000 at Maturity</u>	<u>CUSIP</u>
Zero				

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT IF HELD TO MATURITY: \_\_\_\_\_

The Michigan State Housing Development Authority (the “Authority”), a public body corporate and politic, organized and existing under and by virtue of the laws of the State of Michigan, acknowledges itself indebted to, and for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, on the date the principal of this 2024 Series D Bond shall become payable, the Appreciated Amount (as defined in the 2024 Series D Resolution identified below) as hereinafter provided, upon the presentation and surrender hereof at the principal corporate trust office of U.S. Bank Trust Company, National Association in St. Paul, Minnesota (the “Trustee”), as Trustee under the Resolution of the Authority adopted December 17, 1987, authorizing the issuance of Michigan State Housing Development Authority Single-Family Mortgage Revenue Bonds, as amended and supplemented (the “General Resolution”), or its successor as Trustee. Unless this 2024 Series D Bond shall have been redeemed or an acceleration of its maturity shall have occurred, all as hereinafter provided, the Appreciated Amount of this 2024 Series D Bond shall become due on the Maturity Date specified above. The Appreciated Amount or Redemption Price (as defined in the General Resolution) of this 2024 Series D Bond is payable upon presentation in any coin or currency of the United States of America which, on the respective dates of payment, shall be legal tender for the payment of public and private debts. Interest shall not

be paid on this 2024 Series D Bond except in the case of the failure of the Authority to deposit the Appreciated Amount with the Trustee at the stated maturity hereof in which case such amount owing on this 2024 Series D Bond shall thereafter bear interest at the rate equal to the approximately yield established in the 2024 Series D Resolution from the date of such maturity until such amount plus interest is deposited with the Trustee.

THE STATE OF MICHIGAN IS NOT LIABLE ON THIS 2024 SERIES D BOND AND THIS 2024 SERIES D BOND IS NOT A DEBT OF THE STATE OF MICHIGAN. THE AUTHORITY HAS NO TAXING POWER.

Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the hereinafter defined 2024 Series D Resolution.

Subject to any agreements now or hereafter made with the owners of any other notes or bonds of the Authority pledging any particular receipts or revenues, this 2024 Series D Bond is a general obligation of the Authority and the full faith and credit of the Authority are hereby pledged for the payment of the principal or Redemption Price of and interest on this 2024 Series D Bond. This 2024 Series D Bond is one of a duly authorized issue of Bonds of the Authority designated “Single-Family Mortgage Revenue Bonds” (the “Bonds”), issued and to be issued in various series under and pursuant to Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (herein called the “Act”), and under and pursuant to the General Resolution and a series resolution authorizing the issuance and sale of each such series. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series, in various principal amounts, may mature at different times, may bear interest, if any, at different rates and, subject to the provisions thereof, may otherwise vary. The aggregate principal amount of Bonds which may be issued under the General Resolution is not limited except as provided in the General Resolution, and all Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This 2024 Series D Bond is one of a series of Bonds designated “Single-Family Mortgage Revenue Bonds, 2024 Series D” (the “2024 Series D Bonds”) issued in the initial aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) under the General Resolution and the Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2024 Series D in an Amount not to Exceed \$430,000,000, adopted on September 19, 2024 (the “2024 Series D Resolution”) (the General Resolution and the 2024 Series D Resolution are collectively herein called the “Resolutions”). The proceeds of the 2024 Series D Bonds will be utilized by the Authority as provided in the Resolutions. The 2024 Series D Bonds will be secured by a pledge of the Pledged Property (as defined in the General Resolution) which includes the mortgage repayments required to be paid on the mortgage loans financed with the proceeds of the 2024 Series D Bonds, the Down Payment Assistance Fund established under the Authority’s Series Resolution Authorizing the Issuance and Sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B adopted on November 19, 2003 (the “2003 Series B Resolution”) and the repayments required to be paid on the down payment assistance loans financed with the proceeds of the 2024 Series D Bonds and will be further secured by the Loan Loss Fund established under the Authority’s Resolution Establishing Single-Family Loan Loss Fund adopted on

July 8, 1988, as supplemented (the “Loan Loss Fund Resolution”). Copies of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution are on file in the office of the Authority and at the corporate trust office of the Trustee, and reference to the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution and any and all supplements thereto and modifications and amendments thereof and to the Act are made for a description of the pledges and covenants securing the 2024 Series D Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the 2024 Series D Bonds with respect thereto and the terms and conditions upon which the 2024 Series D Bonds are issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution, the provisions of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution or any resolution amendatory thereof or supplemental thereto, may be modified or amended.

This 2024 Series D Bond is transferable, as provided in the Resolutions, only upon the books of the Authority kept for that purpose at the corporate trust office of the Trustee by the registered owner hereof in person, or by an attorney duly authorized in writing, upon the surrender of this 2024 Series D Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new registered 2024 Series D Bond or 2024 Series D Bonds, of the same maturity and in the applicable aggregate Appreciated Amount, shall be issued to the transferee in exchange therefor as provided in the Resolutions, and upon the payment of the charges, if any, therein prescribed.

The 2024 Series D Bonds are issuable in the form of fully-registered Bonds without coupons in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2024 Series D Bonds.

The 2024 Series D Bonds are subject to redemption prior to maturity as provided in the 2024 Series D Resolution. Notice of any such redemption shall be given to the registered owners of any 2024 Series D Bonds or portions thereof to be redeemed as provided in the 2024 Series D Resolution.

The Appreciated Amount for this 2024 Series D Bond shall be determined as provided in the 2024 Series D Resolution.

This 2024 Series D Bond shall not be valid or become obligatory for any purpose until the Trustee’s Certificate of Authentication hereon shall have been executed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of Michigan and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 2024 Series D Bond, exist, have happened and have been performed in due time, form and manner as required by law, and that the issue of the 2024 Series D Bonds, together with all other indebtedness of the Authority is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Michigan State Housing Development Authority has caused this 2024 Series D Bond to be executed in its name by the facsimile signature of its Chief Executive Officer and Executive Director and its corporate seal (or a facsimile thereof) to be impressed or imprinted hereon, all as of the Date of Original Issue as set forth above.

MICHIGAN STATE HOUSING DEVELOPMENT  
AUTHORITY

(Seal)

By \_\_\_\_\_  
Its Chief Executive Officer  
and Executive Director

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2024 Series D Bonds described in the within-mentioned 2024 Series D Resolution.

U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION, Trustee

By \_\_\_\_\_  
Authorized Representative

Date of Authentication:

[End of 2024 Series D Bond Forms]

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF  
SINGLE-FAMILY MORTGAGE REVENUE BONDS, 2024 SERIES E  
(FEDERALLY TAXABLE) IN AN AMOUNT NOT TO EXCEED \$225,000,000**

September 19, 2024

WHEREAS, the Members of the Michigan State Housing Development Authority (hereinafter referred to as the “Authority”), by Resolution adopted December 17, 1987, and as supplemented on January 28, 1988, October 12, 1995, January 30, 1997, May 24, 2006 and September 26, 2018 (hereinafter referred to as the “General Resolution”), have authorized the issuance of Single-Family Mortgage Revenue Bonds in one or more Series pursuant to a Series Resolution authorizing the issuance and sale of any such Series; and

WHEREAS, the Members of the Authority have determined that it is necessary and desirable that the Authority issue at this time a Series of Bonds to be designated “Single-Family Mortgage Revenue Bonds, 2024 Series E (Federally Taxable)” to provide moneys to carry out the purposes of the Authority; and

WHEREAS, pursuant to Section 27(l) of the Act, the Authority proposes to delegate to 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, 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, hereinafter individually referred to as an “Authorized Representative”) the power to determine certain terms and conditions of the 2024 Series E Bonds (as hereinafter defined), subject to limits established herein and in the General Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Members of the Authority as follows:

**ARTICLE I  
AUTHORITY AND DEFINITIONS**

**101. 2024 Series E Resolution.** This resolution (hereinafter referred to as the “2024 Series E Resolution”) is adopted in accordance with the provisions of Article II of the General Resolution and pursuant to the authority contained in the Act.

**102. Definitions.**

All terms which are defined in Sections 103 and 104 of Article I of the General Resolution have the same meanings in this 2024 Series E Resolution including the preambles hereto.

“2003 Series B Resolution” means the resolution of the Authority authorizing the issuance and sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B.

“2024 Series E Bonds” means the Bonds authorized by Article II of this 2024 Series E Resolution.

“2024 Series E Down Payment Assistance Loan Principal Prepayments” means any payment by a mortgagor or other recovery of principal on a 2024 Series E Down Payment Assistance Loan which is not applied on a scheduled installment of principal and interest on a 2024 Series E Down Payment Assistance Loan (including any deficiency in the payment of any scheduled installments of principal and interest then due and payable or interest paid in connection with a voluntary prepayment of a 2024 Series E Down Payment Assistance Loan) and the portion of any amounts received in connection with the liquidation of a defaulted 2024 Series E Down Payment Assistance Loan (whether through foreclosure, trustee’s sale or otherwise) or other payments representing such principal amounts, including payments from the sale of a 2024 Series E Down Payment Assistance Loan.

“2024 Series E Down Payment Assistance Loans” means (i) any loan financed or acquired with amounts received in connection with the issuance of the 2024 Series E Bonds or with other amounts made available by the Authority in respect of the 2024 Series E Bonds and deposited in the Down Payment Assistance Fund and pledged hereunder by the Authority in accordance with the Act, evidenced by a mortgage note and secured by a mortgage and (ii) any instrument evidencing an ownership interest in such loans.

“2024 Series E Home Improvement Mortgage Loan” means a 2024 Series E Mortgage Loan the proceeds of which are used to finance improvements to a residence and which loan satisfies the requirements for 2024 Series E Home Improvement Mortgage Loans in Section 305.

“2024 Series E Mortgage Loans” means all Mortgage Loans or portions of Mortgage Loans, including 2024 Series E Home Improvement Mortgage Loans, financed or acquired from the proceeds of or allocable to the 2024 Series E Bonds.

“Agent Member” means a member of, or participant in, the Securities Depository.

“Capital Appreciation Bonds” means the 2024 Series E Bonds, if any, which are authorized as Capital Appreciation Bonds pursuant to Section 203 hereof, which do not provide for current interest payments and which are hereby designated Deferred Interest Bonds.

“Cede & Co.” means Cede & Co., the nominee of DTC, or any successor nominee of DTC with respect to the 2024 Series E Bonds.

“Closing Date” means the date on which the 2024 Series E Bonds are issued and delivered to the Purchasers, or designee(s), in exchange for payment by the Purchasers therefor.

“Down Payment Assistance Fund” means the Fund established pursuant to Article III of the 2003 Series B Resolution.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Letter(s) of Credit” means one or more unconditional irrevocable letters of credit issued by a domestic or foreign bank which qualifies as a Cash Equivalent under the General Resolution and which provides for a draw down in the full amount upon its expiration date at the option of the Authority in the absence of a renewal of such Letter(s) of Credit or if the Authority does not deliver to the Trustee a replacement Letter(s) of Credit.

“Loan Loss Fund” means the Loan Loss Fund established pursuant to the Loan Loss Fund Resolution.

“Loan Loss Fund Resolution” means the Authority’s Resolution Establishing Single-Family Loan Loss Fund adopted July 8, 1988, as supplemented on June 1, 1989, and April 30, 1997.

“Purchase Contract” means, the contract of purchase between the Authority and the Underwriters with respect to the 2024 Series E Bonds.

“Purchasers” means the Underwriters.

“Representation Letter” means the blanket agreement of the Authority and the Trustee to comply with the operational arrangements of DTC and any similar agreement with respect to a successor Securities Depository.

“Rule” means Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12).

“Securities Depository” means DTC and its successors and assigns or if (i) the then-Securities Depository resigns from its functions as depository of the 2024 Series E Bonds or (ii) the Authority discontinues use of the then-Securities Depository pursuant to Section 403(c), any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the 2024 Series E Bonds and which is selected by the Authority.

“Serial Bonds” means the 2024 Series E Bonds, if any, which are authorized as Serial Bonds pursuant to Section 203 hereof.

“Super Sinker Bonds” means the 2024 Series E Bonds, if any, which are designated as Super Sinker Bonds in the Purchase Contract pursuant to Section 206(d) of this 2024 Series E Resolution.

“Surety Bond(s)” or “Surety” means one or more unconditional and irrevocable surety bonds issued by a domestic or foreign insurance company which (i) qualifies as a Cash Equivalent under the General Resolution, (ii) guarantees certain payments into the Capital Reserve Fund with respect to the Bonds as provided therein and subject to the limitations set forth therein, and (iii) is not subject to cancellation.

“Term Bonds” means the 2024 Series E Bonds, if any, which are authorized as Term Bonds pursuant to Section 203 hereof and which shall be subject to Sinking Fund Requirements as set forth in the Purchase Contract.

“Underwriters” means, collectively, RBC Capital Markets, LLC, and such other underwriters as may be named in the Purchase Contract.

## **ARTICLE II AUTHORIZATION OF 2024 SERIES E BONDS**

**201. Principal Amount, Designation and Series.** A Series of Bonds is hereby authorized to be issued and sold, pursuant to the provisions of the General Resolution in an aggregate original principal amount of not to exceed \$225,000,000, as established pursuant to Section 203 hereof. Such Series of Bonds shall be designated as “Single-Family Mortgage Revenue Bonds, 2024 Series E (Federally Taxable)”.

**202. Purposes.** The purposes for which the 2024 Series E Bonds are being issued are (i) the financing and purchasing of Mortgage Loans, including payment of certain Mortgage Loan origination costs; (ii) if required to satisfy the Capital Reserve Fund Requirement, the making of a deposit to the Capital Reserve Fund in respect of the 2024 Series E Bonds and the Authority’s Single-Family Mortgage Revenue Bonds, 2024 Series F (Federally Taxable) (the “2024 Series F Bonds”), except in each case to the extent the Authority obtains and pledges to the Capital Reserve Fund Letter(s) of Credit and/or Surety Bond(s) which may be drawn upon or called upon for payment, as applicable, for the purposes of the Capital Reserve Fund; (iii) the making of a deposit to the Down Payment Assistance Fund in respect of the 2024 Series E Bonds, to the extent provided for in the Purchase Contract; and (iv) paying the costs of issuance of the 2024 Series E Bonds and the 2024 Series F Bonds, to the extent provided for in the Purchase Contract.

**203. Interest Rates, Principal Amounts and Maturity Dates.** The 2024 Series E Bonds shall be dated and shall be issued on or before November 30, 2024, as approved by an Authorized Representative. The 2024 Series E Bonds shall be issued either as current interest bearing Bonds or as Capital Appreciation Bonds, or any combination thereof, as determined by an Authorized Representative. The 2024 Series E Bonds, other than Capital Appreciation Bonds, if any, shall bear interest from the date thereof to their maturity or prior redemption, such interest to be payable on June 1 and December 1 of each year, commencing December 1, 2024, or such other date as may be set forth in the Purchase Contract. Interest shall be calculated on the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months. Capital Appreciation Bonds, if any, shall not bear interest (except that the extent of the difference between the Original Principal Amount and the Appreciated Amount may be construed to be interest) prior to or on the date of maturity. In the event the Appreciated Amount is not paid or deemed to be paid by the Authority on the date when due by reason of maturity, such Capital Appreciation Bond shall bear interest on such Appreciated Amount from such date at the rate per annum equal to the approximate yield for such Capital Appreciation Bond, as set forth in the Purchase Contract, until such Appreciated Amount is paid or deemed to be paid by the Authority. The Appreciated Amount of each Capital Appreciation Bond as of any June 1 or December 1 shall be determined by dividing the

Principal Amount if Held to Maturity on the face thereof by Five Thousand Dollars (\$5,000) and multiplying the result thereof by the applicable amount set forth in the Purchase Contract.

Interest on the 2024 Series E Bonds shall be paid by the Trustee on each interest payment date to the person appearing on the registration books of the Authority maintained by the Trustee or its designee, as the registered owner of such 2024 Series E Bonds on the fifteenth (15<sup>th</sup>) day of the month preceding the interest payment date by check mailed to the registered owner at the address as it appears on the registration books, or to the designee, at the address of such designee.

The 2024 Series E Bonds may be issued in whole or in part as Serial Bonds which shall mature on June 1 and/or December 1 in the years and principal amounts and bear interest, in the case of 2024 Series E Bonds other than Capital Appreciation Bonds, or be issued in the Original Aggregate Principal Amounts, in the case of Capital Appreciation Bonds, as approved by an Authorized Representative. The principal amounts of the Serial Bonds, if any, the designation as current interest bearing Bonds or Capital Appreciation Bonds, the maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, shall be set forth in the Purchase Contract, and the approval of such principal amounts, designation as current interest bearing Bonds or Capital Appreciation Bonds, maturities, rates of interest, and Original Aggregate Principal Amounts, as applicable, of the Serial Bonds shall be evidenced by the execution of the Purchase Contract by the Authority.

The 2024 Series E Bonds may also be issued in whole or in part as Term Bonds which shall mature on June 1 and/or December 1 in the years and principal amounts and bear interest, in the case of 2024 Series E Bonds other than Capital Appreciation Bonds, or be issued in the Original Aggregate Principal Amounts, in the case of Capital Appreciation Bonds, as approved by an Authorized Representative. The principal amounts of the Term Bonds, if any, the designation of current interest bearing Bonds or Capital Appreciation Bonds, the maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, shall be set forth in the Purchase Contract, and the approval of the principal amounts, designation as current interest bearing Bonds or Capital Appreciation Bonds, maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, of the Term Bonds shall be evidenced by the execution of the Purchase Contract by the Authority.

The purchase price of the 2024 Series E Bonds and the compensation to be paid to the Underwriters with respect to the 2024 Series E Bonds shall be as approved by an Authorized Representative and shall be set forth in the Purchase Contract, and the approval of such purchase price and compensation shall be evidenced by the execution of the Purchase Contract by the Authority.

In making the determination with respect to interest rates, the Original Aggregate Principal Amounts of Capital Appreciation Bonds, designations as Serial Bonds or Term Bonds, Capital Appreciation Bonds and the maturities of the 2024 Series E Bonds, and with respect to the compensation to be paid to the Purchasers, the purchase price of the 2024 Series E Bonds and certain other matters, the Authorized Representative making such determinations shall be limited as follows:

(a) The rate of interest on any 2024 Series E Bond shall not exceed eight and fifty hundredths percent (8.50%) per annum, unless such bond is initially sold to the Purchasers at a price in excess of the par amount thereof, in which case the yield on any such 2024 Series E Bond shall not exceed eight and fifty hundredths percent (8.50%) per annum;

(b) The compensation to be paid to the Underwriters shall not be more than one percent (1.00%) of the original principal amount of the 2024 Series E Bonds;

(c) The schedule of maturities and the amount of each maturity for the 2024 Series E Bonds, taking into account the Sinking Fund Requirements, if any, established pursuant to Section 205 hereof, shall be established in a manner that will permit the Authorized Representative to file the Cash Flow Statement required by Section 608 of the General Resolution;

(d) The final maturity of the 2024 Series E Bonds shall not be later than June 1, 2057;

(e) The maximum amount of scheduled principal payments (adjusted for any previously scheduled Sinking Fund Requirements) and Sinking Fund Requirements due with respect to the 2024 Series E Bonds on any June 1 or December 1, excluding the accretion of any Capital Appreciation Bonds, shall not exceed Twenty-two Million Dollars (\$22,000,000);

(f) The proceeds of the 2024 Series E Bonds credited to the Down Payment Assistance Fund shall not exceed fifteen percent (15%) of the original principal amount of the 2024 Series E Bonds;

(g) The Authority shall not sell the 2024 Series E Bonds to the Purchasers at a price of less than ninety-eight percent (98%) of the principal amount thereof, exclusive of any underwriter's discount; and

(h) No more than Ten Million (\$10,000,000) of the proceeds of the 2024 Series E Bonds shall be used to finance or acquire 2024 Series E Home Improvement Mortgage Loans.

**204. Denominations, Numbers and Letters.** The 2024 Series E Bonds, other than the Capital Appreciation Bonds, shall be issued as fully-registered bonds in the denominations of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2024 Series E Bonds. The Capital Appreciation Bonds shall be issued as fully-registered bonds in denominations which appreciate upon maturity to Five Thousand Dollars (\$5,000), as set forth in the Purchase Contract, or any integral multiple thereof. The 2024 Series E Bonds shall be numbered consecutively from 1 upwards, with such additional designations as shall be determined by an Authorized Representative.

**205. Sinking Fund Redemption.** The Term Bonds, if any, shall be subject to mandatory redemption in part on June 1 and/or December 1, at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, in the case of 2024 Series E Bonds other than Capital Appreciation Bonds, and the Appreciated Amount thereof, in the case of Capital Appreciation Bonds, in such years and such amounts as shall be approved by an Authorized Representative, which approval shall be evidenced by the Sinking Fund Requirements set forth in

the Purchase Contract executed by the Authority (subject to reduction as provided in the General Resolution).

**206. Special Redemptions.**

(a) The 2024 Series E Bonds are redeemable, at any time in whole or in part, at the option of the Authority (except to the extent that the Authority is required to redeem 2024 Series E Bonds as set forth in subsection (c) below), at a Redemption Price equal to the principal amount (or, in the case of redemptions pursuant to clause (i) of this Section 206(a), for 2024 Series E Bonds initially purchased by the Purchasers at a price in excess of the principal amount thereof, a price not greater than the price paid by the Purchasers for such 2024 Series E Bonds) plus accrued interest to the redemption date in the case of 2024 Series E Bonds other than Capital Appreciation Bonds, and at the Appreciated Amount thereof in the case of Capital Appreciation Bonds, in a principal amount not in excess of the total of (i) 2024 Series E Bond proceeds remaining uncommitted to the financing of Mortgage Loans or 2024 Series E Down Payment Assistance Loans; (ii) Principal Prepayments (including Principal Prepayments in respect of Mortgage Loans financed from other Series of Bonds issued under the General Resolution); (iii) 2024 Series E Down Payment Assistance Loan Principal Prepayments (and Principal Prepayments in respect of Down Payment Assistance Loans financed from other Series of Bonds issued under the General Resolution); and (iv) Revenues available for redemption pursuant to Section 403(e)(1) of the General Resolution.

(b) With respect to redemptions pursuant to subsection (a) above, the 2024 Series E Bonds to be redeemed shall be selected from the Outstanding maturities of the 2024 Series E Bonds on such basis as shall be determined by the Authority, except as may be otherwise designated in the Purchase Contract.

(c) The Authority may designate in the Purchase Contract one or more maturities of the 2024 Series E Bonds as Super Sinker Bonds. The Super Sinker Bonds, if any, shall be subject to mandatory redemption as provided in the Purchase Contract.

**207. Optional Redemption.** The 2024 Series E Bonds shall be subject to redemption at any time on or after the date established by an Authorized Representative in the Purchase Contract (which date shall not be earlier than December 1, 2029) at the option of the Authority in any order of maturity from any moneys available therefor in whole or in part by lot within a maturity at the applicable Redemption Prices (expressed as percentages of the principal amount thereof, in the case of 2024 Series E Bonds other than Capital Appreciation Bonds, and the Appreciated Amount thereof, in the case of Capital Appreciation Bonds) not to exceed one hundred five percent (105%) of the principal amount of the 2024 Series E Bonds so subject to optional redemption, on the dates of redemption, all as shall be established by an Authorized Representative in the Purchase Contract.

**208. Conditional Notice of Optional Redemption and No Requirement to Have Funds on Hand.** As provided for by Section 302 of the General Resolution, as may be supplemented as provided therein, and notwithstanding any provision in the General Resolution to the contrary, (i) the Authority shall not be required to have in the Redemption Fund, or otherwise available and set aside in the General Receipts Fund, an amount sufficient to effect the

redemption of any 2024 Series E Bonds prior to the notice of optional redemption being sent by the Trustee, and (ii) any such notice of optional redemption of any 2024 Series E Bonds may, at the direction of an Authorized Representative, state that it is conditional in nature and may be rescinded at any time on or before the business day prior to the redemption date, together with the terms under which notice of any such rescission is to be provided to the Bondowners. If such notice is rescinded any such 2024 Series E Bonds that were subject to the notice of redemption shall remain Outstanding Bonds.

**209. Sale of 2024 Series E Bonds.** An Authorized Representative is authorized to negotiate, execute and deliver, on behalf of the Authority, the Purchase Contract, in substantially the form presented to this meeting, with such changes as an Authorized Representative deems necessary and desirable and not materially adverse to the Authority, for purchase of the 2024 Series E Bonds at the price(s) and with compensation to the Underwriters, all as set forth therein. Approval of the Purchase Contract, and the purchase price set forth therein, shall be evidenced by the execution of the Purchase Contract by an Authorized Representative.

**210. Expenses.** The Authority's Expenses with respect to the 2024 Series E Bonds for a Fiscal Year may not exceed an amount equal to one quarter of one percent (0.25%) of the greater of the aggregate principal amount of all Outstanding 2024 Series E Bonds or the aggregate principal amount of the outstanding 2024 Series E Mortgage Loans, all as of the first day of such Fiscal Year.

### **ARTICLE III REQUIREMENTS AND FUNDS**

**301. Debt Reserve Requirement.** (a) The Debt Reserve Requirement with respect to the 2024 Series E Bonds is hereby determined to be an amount equal to four percent (4%) of the sum of (i) the outstanding principal balance of 2024 Series E Mortgage Loans and 2024 Series E Down Payment Assistance Loans allocated to the 2024 Series E Bonds (except 2024 Series E Mortgage Loans underlying certificates of the Government National Mortgage Association or the Federal National Mortgage Association), (ii) the amount on deposit in the 2024 Series E Bond Proceeds Fund and allocated to the purchase or financing of 2024 Series E Mortgage Loans (except 2024 Series E Mortgage Loans underlying certificates of the Government National Mortgage Association or the Federal National Mortgage Association), and (iii) the amount on deposit in the Down Payment Assistance Fund allocated to the 2024 Series E Bonds and the financing of 2024 Series E Down Payment Assistance Loans. The deposits to the Capital Reserve Fund made and to be made pursuant to this 2024 Series E Resolution will be in the form of cash and Investment Obligations which may be used for the purposes of the Capital Reserve Fund; provided however, that the Authority may in lieu of or in replacement of or in addition to all or a portion of the deposits to the Capital Reserve Fund, obtain and pledge to the Capital Reserve Fund Letter(s) of Credit and/or Surety Bond(s), which Letter(s) of Credit or a portion thereof shall be exclusively available to be drawn on and which Surety Bond(s) or a portion thereof shall unconditionally and irrevocably guarantee payment for the purposes of the Capital Reserve Fund. Any moneys so replaced by Letter(s) of Credit and/or Surety Bond(s) or a portion thereof shall be withdrawn by the Trustee and deposited in the Bond Proceeds Fund. The amount of moneys on deposit in the Capital Reserve Fund, or the amount of Letter(s) of Credit pledged to and exclusively available to be drawn on or Surety Bond(s) pledged to unconditionally and irrevocably guarantee payment for the purposes of

the Capital Reserve Fund which, when combined with any moneys on deposit therein, and any other Letter(s) of Credit pledged thereto and exclusively available to be drawn on or Surety Bond(s) which shall unconditionally and irrevocably guarantee payment for the purposes thereof, shall equal the Capital Reserve Fund Requirement.

(b) If at any time the Trustee is required by Section 407 of the General Resolution to transfer moneys from the Capital Reserve Fund to the Debt Service Fund, the Trustee shall make such transfer to the Debt Service Fund from any moneys which shall then be on deposit in the Capital Reserve Fund, and if the moneys in the Capital Reserve Fund are not sufficient to make up the deficiency in the Debt Service Fund, the Trustee shall make a draw under any Letter(s) of Credit or make a demand for payment under any Surety Bond(s) which may be pledged to the Capital Reserve Fund and deposit such proceeds to the Debt Service Fund to the extent of the deficiency in the Debt Service Fund.

### **302. The Loan Loss Fund.**

(a) The repayment of the 2024 Series E Bonds shall be further secured by a pledge of the amounts on deposit in the Loan Loss Fund as created by the Loan Loss Fund Resolution. The 2024 Series E Resolution shall be deemed to be a Single-Family Bond Resolution for purposes of the Loan Loss Fund Resolution. The Loan Loss Fund Requirement with respect to the 2024 Series E Bonds shall be zero (\$0), and, accordingly, the Authority shall not be required to deposit any moneys into the Loan Loss Fund prior to the disbursement of proceeds from the Bond Proceeds Fund for the financing of a 2024 Series E Mortgage Loan.

(b) If at any time moneys in the General Receipts Fund are not sufficient to permit the transfer of moneys to the Debt Service Fund required by Section 403 of the General Resolution, the Trustee shall make up such a deficiency first, by the withdrawal and transfer to the Debt Service Fund of money from any amounts which shall then be on deposit in the Loan Loss Fund, and if the amount in the Loan Loss Fund is not sufficient to make up such deficiencies, and second by a draw under any Letter(s) of Credit or a demand for payment under any Surety Bond(s) which may be pledged to the Loan Loss Fund and the deposit of such proceeds to the Debt Service Fund. Furthermore, in the event there shall be on any date on which an interest or principal payment (including any Sinking Fund Requirement) shall be due, a deficiency in the amounts in the Debt Service Fund to be applied to the payment of liquidity fees, interest or principal or a Redemption Price of the Bonds pursuant to Section 404(a) or (b) of the General Resolution but prior to any transfer to the Debt Service Fund from the Redemption Fund pursuant to Section 405 of the General Resolution or the Capital Reserve Fund pursuant to Section 406 of the General Resolution, the Trustee first shall make up such a deficiency by the withdrawal of moneys from the Loan Loss Fund and the transfer thereof to the Debt Service Fund, and second, if required, by a draw under any Letter(s) of Credit or a demand for payment under any Surety Bond(s) which may be pledged to the Loan Loss Fund and the transfer of such proceeds to the Debt Service Fund.

(c) Amounts on deposit in the Loan Loss Fund shall not be included in any calculation made in connection with any Cash Flow Statement or pursuant to Section 403(e)(3) of the General Resolution.

**303. Deposits into Funds.**

(a) The proceeds of the 2024 Series E Bonds shall be deposited into the Bond Proceeds Fund and shall be invested by the Trustee pursuant to instructions from the Authority only in Investment Obligations, which shall include, for purposes of this 2024 Series E Resolution, an investment agreement secured or unsecured as determined by an Authorized Representative, guaranteed by an institution whose debt securities are rated at least the then existing rating on the Bonds (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency. Proceeds of the 2024 Series E Bonds in an amount sufficient to satisfy the Capital Reserve Fund Requirement relating to the 2024 Series E Bonds shall be promptly transferred by the Trustee to the Capital Reserve Fund. In the event that the Authority shall elect to obtain and pledge to the Capital Reserve Fund Letter(s) of Credit and/or Surety Bond(s) in an amount sufficient to satisfy all or a portion of the Capital Reserve Fund Requirement in lieu of or in replacement of or in addition to the deposits to the Capital Reserve Fund, any moneys so replaced provided by 2024 Series E Bond proceeds shall be promptly withdrawn by the Trustee and paid to the Authority for deposit in the Bond Proceeds Fund. Proceeds of the 2024 Series E Bonds in an amount not to exceed the limitation set forth in this Resolution, and as set forth in the Purchase Contract, shall be promptly transferred by the Trustee to the Down Payment Assistance Fund.

(b) All moneys representing accrued interest on the 2024 Series E Bonds, if any, shall be deposited to the credit of the General Receipts Fund (to be applied to the payment of interest on the 2024 Series E Bonds on the first applicable interest payment date).

**304. Reserved.**

**305. Series Program Determinations.** Each newly originated 2024 Series E Mortgage Loan shall have the following terms, conditions, provisions and limitations:

(a) The promissory note for each 2024 Series E Mortgage Loan must be payable or endorsed to the Authority, and such 2024 Series E Mortgage Loan must (i) be originated in the name of the Authority, (ii) be assigned to the Authority, or (iii) be originated in the name of a nominee who shall register the Authority as the owner of a beneficial interest in such 2024 Series E Mortgage Loan, and such 2024 Series E Mortgage Loan must have a servicer that tracks servicing of such 2024 Series E Mortgage Loan pursuant to a written agreement with the Authority relating thereto;

(b) Each 2024 Series E Mortgage Loan (i) shall be for a term not exceeding thirty (30) years, (ii) shall have a rate or rates of interest fixed at the time of origination, and (iii) shall either have approximately equal monthly payments for each rate of interest borne by such 2024 Series E Mortgage Loan, or at the option of the Authority, shall have monthly payments that increase on a predetermined basis over the life of such 2024 Series E Mortgage Loan;

(c) Each 2024 Series E Mortgage Loan shall relate to a residence which shall be the principal residence of the mortgagor within a reasonable time after the closing of such 2024 Series E Mortgage Loan;

(d) Each 2024 Series E Mortgage Loan shall relate to a single-family residential structure or condominium unit;

(e) (1) Except for 2024 Series E Mortgage Loans that are 2024 Series E Home Improvement Mortgage Loans, each 2024 Series E Mortgage Loan shall be insured under an insurance contract, or guaranteed under a guarantee agreement, requiring benefits to be paid to the Authority following default by the mortgagor in the payment of principal or interest on the 2024 Series E Mortgage Loan in an amount which, when combined with the down payment applicable to such 2024 Series E Mortgage Loan (irrespective of the source of funds therefor), is equal to an amount in excess of eighteen percent (18%) of the purchase price of the residence; provided, however, that any such insurance shall not be initially required or may be terminated when the principal balance of the 2024 Series E Mortgage Loan is eighty percent (80%) or less of the original purchase price of the residence; and

(2) If applicable law shall not permit the Authority, or if the Authority anticipates that applicable law will not permit it, to require a mortgagor under a 2024 Series E Mortgage Loan, or a person on behalf of such mortgagor, to pay for the mortgage insurance described in paragraph (1) of this subsection, then the Authority shall pay for such mortgage insurance from moneys available under the General Resolution or otherwise, except to the extent that:

(i) the Authority either:

(A) does not pay for such mortgage insurance from moneys available under the General Resolution or otherwise; or

(B) provides additional reserves, insurance, sureties or cash equivalents as security or makes other covenants regarding the 2024 Series E Bonds; and

(ii) the taking of the action described in clause (A) or (B) above, does not, by itself, or in combination with other factors, result in a reduction in the then-current unenhanced rating of the Bonds;

(f) Except for 2024 Series E Mortgage Loans that are 2024 Series E Home Improvement Mortgage Loans, the 2024 Series E Mortgage Loans shall be: (i) conventional mortgage loans, (ii) insured by the Federal Housing Administration, (iii) guaranteed by the United States Department of Veterans' Affairs, or (iv) guaranteed by the Rural Housing Service of the United States Department of Agriculture;

(g) Except for 2024 Series E Mortgage Loans that are 2024 Series E Home Improvement Mortgage Loans, a 2024 Series E Mortgage Loan shall be used for the purchase of a residence or both the purchase and rehabilitation of a residence;

(h) Each 2024 Series E Home Improvement Mortgage Loan shall be: (i) insured under the Federal Housing Administration Title 1 Property Improvement Loan Program, and (ii) used to finance improvements to a year-round residence located in Michigan;

(i) 2024 Series E Home Improvement Mortgage Loans are not required to be evidenced by a mortgage document that constitutes a first lien on the mortgaged property; and

(j) The Authority shall not sell any 2024 Series E Mortgage Loans or 2024 Series E Down Payment Assistance Loans and use the proceeds of such sale to redeem 2024 Series E Bonds as provided in Section 206 hereof except for 2024 Series E Mortgage Loans or 2024 Series E Down Payment Assistance Loans (i) that are in default or (ii) that do not comply with the Authority's Program requirements.

**306. Covenant as to Disposition of Principal Prepayments and 2024 Series E Down Payment Assistance Loan Principal Prepayments.** Subject to the provisions of Section 403 of the General Resolution and Section 206 hereof, the Authority shall direct the Trustee to transfer Revenues in an amount equal to and representing (a) the Principal Prepayments derived from 2024 Series E Mortgage Loans from the General Receipts Fund to the Redemption Fund or the Bond Proceeds Fund, provided that any such Revenues deposited in the Bond Proceeds Fund must be transferred to the Redemption Fund within twelve (12) months of such deposit if not used for the purpose of financing Mortgage Loans within such one-year period and (b) the 2024 Series E Down Payment Assistance Loan Principal Prepayments from the General Receipts Fund to the Redemption Fund or the Down Payment Assistance Fund, provided that any such Revenues deposited in the Down Payment Assistance Fund must be transferred to the Redemption Fund within twelve (12) months of such deposit if not used for the purpose of financing 2024 Series E Down Payment Assistance Loans within such one-year period.

**307. Down Payment Assistance Fund.**

(a) Amounts on deposit in the Down Payment Assistance Fund shall be used as provided in this 2024 Series E Resolution with respect to moneys received by the Authority in connection with the issuance of the 2024 Series E Bonds.

(b) Amounts on deposit in the Down Payment Assistance Fund received by the Authority in connection with the issuance of the 2024 Series E Bonds, if any, and any additional amounts deposited by the Authority in the Down Payment Assistance Fund in respect of the 2024 Series E Bonds as hereinafter provided, if any, shall be used, upon Authority Request, to finance 2024 Series E Down Payment Assistance Loans. The Authority may, from time to time, direct that additional amounts be deposited in the Down Payment Assistance Fund in respect of the 2024 Series E Bonds from unrestricted Authority funds for the purpose of financing additional 2024 Series E Down Payment Assistance Loans. No amounts on deposit in the Down Payment Assistance Fund shall be used to finance Mortgage Loans. Each 2024 Series E Down Payment Assistance Loan shall have the following terms, conditions, provisions and limitations:

(i) Each 2024 Series E Down Payment Assistance Loan shall be made to provide down payment assistance only to a mortgagor who has received a Mortgage Loan;

(ii) Each 2024 Series E Down Payment Assistance Loan shall be evidenced by a promissory note and a mortgage document which has been properly recorded and constitutes a valid second lien on the property subject only to the mortgage securing the related Mortgage Loan and real property taxes or assessments not yet due; provided, that if the related Mortgage Loan is refinanced with proceeds of an Authority financed mortgage loan (an “Authority Refinance Loan”), at the option of the Authority, the 2024 Series E Down Payment Assistance Loan may be subordinated to the related Authority Refinance Loan;

(iii) The promissory note for each 2024 Series E Down Payment Assistance Loan must be payable or endorsed to the Authority and the 2024 Series E Down Payment Assistance Loan must be originated in the name of the Authority or be assigned to the Authority;

(iv) Each 2024 Series E Down Payment Assistance Loan shall be in a principal amount not to exceed Fifteen Thousand Dollars (\$15,000); and

(v) Each 2024 Series E Down Payment Assistance Loan shall be for a term not exceeding the term of the related Mortgage Loan, shall bear interest as determined by the Authority and shall be payable on the earliest of (A) the sale of the residence to which such 2024 Series E Down Payment Assistance Loan relates, (B) the maturity date thereof, or (C) the date of payment in full of the related Mortgage Loan (or if the related Mortgage Loan has been refinanced with an Authority Refinance Loan, the date of payment in full of such related Authority Refinance Loan if approved by the Authority).

(c) Amounts on deposit in the Down Payment Assistance Fund may be transferred at any time, upon Authority Request, to the Bond Proceeds Fund.

(d) The Authority does hereby pledge, convey and assign the 2024 Series E Down Payment Assistance Loans as security for the payment of the Bonds and the interest and redemption premium, if any, thereon and for the equal and proportionate benefit and security from time to time, of the Owners of the Bonds without preference, priority or distinction as to lien or otherwise. Any 2024 Series E Down Payment Assistance Loans shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof, and neither this 2024 Series E Resolution nor any instruments by which a pledge is created need be recorded. All moneys received by or on behalf of the Authority representing principal and interest payments on the 2024 Series E Down Payment Assistance Loans including all 2024 Series E Down Payment Assistance Loan Principal Prepayments representing the same shall constitute “Revenues” for purposes of the General Resolution and shall be deposited in the General Receipts Fund.

(e) Amounts on deposit in the Down Payment Assistance Fund in respect of the 2024 Series E Down Payment Assistance Loans shall be taken into account when preparing a Cash Flow Statement in accordance with Section 608 of the General Resolution. In addition to the requirements for filing a Cash Flow Statement set forth in Section 608 of the General Resolution, the Authority shall file with the Trustee a current Cash Flow Statement prior to transferring amounts to the Down Payment Assistance Fund to finance 2024 Series E Down Payment Assistance Loans

in excess of the amounts contemplated in the last Cash Flow Statement to be so transferred, or prior to applying amounts previously transferred to the Down Payment Assistance Fund to finance 2024 Series E Down Payment Assistance Loans on terms materially different from those assumed in the last Cash Flow Statement. Upon filing a Cash Flow Statement with the Trustee, the Authority shall thereafter administer its program for making 2024 Series E Down Payment Assistance Loans in all material respects in accordance with the assumptions set forth in such Cash Flow Statement. Except as necessary to dispose of defaulted 2024 Series E Down Payment Assistance Loans or to comply with requirements of the Authority relating to its program for making 2024 Series E Down Payment Assistance Loans, if the Cash Flow Statement delivered in connection with any sale of 2024 Series E Down Payment Assistance Loans at a price below book value does not project Revenues sufficient to pay Expenses and debt service on the Bonds when due in each bond year, an Authorized Representative must certify to the Trustee that the projected deficiency in each bond year is less than it would have been if all or a portion of the amounts transferred or used had been applied to the financing of 2024 Series E Down Payment Assistance Loans or invested in Investment Obligations on terms then available.

#### **ARTICLE IV FORMS, EXECUTION AND DELIVERY OF 2024 SERIES E BONDS**

**401. Forms of 2024 Series E Bonds.** Subject to the provisions of the General Resolution, the form of the 2024 Series E Bonds and the Certificate of Authentication with respect thereto are hereby approved substantially in the forms attached as Exhibits A and B, respectively, with necessary or appropriate variations, omissions and insertions as are incidental to their numbers, denominations, maturities, interest rate or rates, redemption provisions and other details thereof.

**402. Execution and Delivery of 2024 Series E Bonds.** (a) The 2024 Series E Bonds shall be executed in the name of the Authority by the manual or facsimile signature of either its Chairperson or Chief Executive Officer and Executive Director and the corporate seal of the Authority (or a facsimile thereof) shall be impressed or imprinted thereon in accordance with the provisions of Section 204 of the General Resolution. The 2024 Series E Bonds shall be authenticated by the manual signature of an authorized signer of the Trustee.

(b) The 2024 Series E Bonds shall be delivered by an Authorized Representative to the Purchasers in New York, New York, Lansing, Michigan, or any other location mutually agreeable to the Authority and the Purchasers, upon payment of the purchase price plus accrued interest, if any, on the 2024 Series E Bonds from the date thereof to the date of delivery in immediately available Federal Reserve Funds available to the Authority at the time or times and place or places of delivery.

(c) Initially, one fully-registered 2024 Series E Bond (a “2024 Series E Bond”) for each maturity and interest rate (as applicable) of 2024 Series E Bonds, in the aggregate principal amount of such maturity and interest rate (as applicable), shall be issued in the name of Cede & Co., as nominee of DTC.

**403. Global Form; Securities Depository.**

(a) Except as otherwise provided in this Section, the 2024 Series E Bonds shall be in the form of the 2024 Series E Bond, shall be registered in the name of the Securities Depository or its nominee and ownership thereof shall be maintained in book entry form by the Securities Depository for the account of the Agent Members thereof. Except as provided in subsection (c) of this Section, 2024 Series E Bonds may be transferred, in whole but not in part, only to the Securities Depository or a nominee of the Securities Depository, or to a successor Securities Depository selected by the Authority, or to a nominee of such successor Securities Depository.

(b) The Authority and the Trustee shall have no responsibility or obligation with respect to:

(i) the accuracy of the records of the Securities Depository or any Agent Member with respect to any beneficial ownership interest in the 2024 Series E Bonds;

(ii) the delivery to any Agent Member, beneficial owner of the 2024 Series E Bonds or other person, other than the Securities Depository, of any notice with respect to the 2024 Series E Bonds;

(iii) the payment to any Agent Member, beneficial owner of the Bonds or other person, other than the Securities Depository of any amount with respect to the principal of, premium, if any, or interest on, the 2024 Series E Bonds;

(iv) any consent given by Cede & Co. as Bondowner of the 2024 Series E Bonds or any successor nominee of a Securities Depository as Bondowner of such Bonds; or

(v) the selection by the Securities Depository or any Agent Member of any beneficial owners to receive payment if any 2024 Series E Bonds are redeemed in part.

So long as the certificates for the 2024 Series E Bonds are not issued pursuant to subsection (c) of this Section 403, the Authority and the Trustee may treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner of such 2024 Series E Bonds for all purposes whatsoever, including without limitation:

(1) the payment of principal, premium, if any, and interest on such 2024 Series E Bond;

(2) giving notices of redemption and other matters with respect to such 2024 Series E Bond; and

(3) registering transfers with respect to such 2024 Series E Bond.

(c) If at any time the Securities Depository notifies the Authority or the Trustee that it is unwilling or unable to continue as Securities Depository with respect to the 2024 Series E Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor Securities Depository is not appointed by the Authority within ninety (90) days after the Authority or the Trustee receives notice or becomes aware of such condition, as the case may be, subsections (a) and (b) of this Section shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the 2024 Series E Bonds as provided in subsection (d) below. In addition, the Authority may determine at any time that the 2024 Series E Bonds shall no longer be represented by global certificates and that the provisions of subsections (a) and (b) above shall no longer apply to the 2024 Series E Bonds. In any such event the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the 2024 Series E Bonds as provided in subsection (d) below.

(d) Certificates for the 2024 Series E Bonds issued in exchange for global certificates shall be registered in such names and authorized denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Authority and the Trustee. The Trustee shall deliver such certificates representing the 2024 Series E Bonds to the persons in whose names such 2024 Series E Bonds are so registered as soon as practicable.

**404. Conflict With Representation Letter.** Notwithstanding any other provision of this 2024 Series E Resolution to the contrary, so long as any 2024 Series E Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or Redemption Price of and interest, if any, on such 2024 Series E Bond, and all notices with respect to such 2024 Series E Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

## **ARTICLE V MISCELLANEOUS**

**501. Ratification of Actions.** The actions of any Authorized Representative heretofore taken pursuant to the provisions of the General Resolution including, but not limited to: the publishing of notice and the conducting of a hearing with respect to the issuance of the 2024 Series E Bonds, the making of presentations to security rating agencies, the undertaking of discussions and negotiations with underwriters or groups of underwriters or purchasers regarding offers to purchase the 2024 Series E Bonds, be, and they hereby are, ratified and confirmed in all respects.

**502. Authorization of 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 sale, execution and delivery of the 2024 Series E Bonds subject to, and as may be required by the Purchase Contract, the General Resolution and this 2024 Series E Resolution.

(b) Any Authorized Representative is hereby authorized to pay from the General Operating Fund all funds necessary to pay the costs of issuance, including the Underwriters' fee and placement fee, if applicable, of the 2024 Series E Bonds not paid from the proceeds of the 2024 Series E Bonds, and to make the deposit of moneys, or obtain Letter(s) of Credit and/or Surety Bond(s), or an increase in the amount of existing Letter(s) of Credit and/or Surety Bond(s), as provided by Section 503 hereof.

**503. Authorization of Procurement of Letter(s) of Credit and/or Surety Bond(s) and Execution of Reimbursement Agreement and/or Guaranty Agreement; Notice to the Trustee.**

Any Authorized Representative hereby is authorized to obtain Letter(s) of Credit and/or Surety Bond(s), to obtain an increase in the amount of existing Letter(s) of Credit and/or Surety Bonds or to obtain a replacement for existing Letter(s) of Credit and/or Surety Bond(s) for application in lieu of the deposit of moneys to the Capital Reserve Fund as specifically authorized in this 2024 Series E Resolution. In connection with the procurement of the foregoing Letter(s) of Credit and/or Surety Bond(s) or the increase in the amount of existing Letter(s) of Credit and/or Surety Bond(s), the Authorized Representative is authorized, if necessary, to negotiate and execute a reimbursement agreement, or, if necessary, an amendment to any existing reimbursement agreement, with a banking institution, or a guaranty agreement, or, if necessary, an amendment to an existing guaranty agreement, with an insurance company, as appropriate. The annual fees (in addition to any expense reimbursements) paid to the banking institution for the procurement of Letter(s) of Credit shall not exceed one half of one percent (0.5%) of the cumulative amount of the Letter(s) of Credit, the fee to be paid by the Authority for any Surety Bond(s) shall not exceed two percent (2%) of the Surety Bond Coverage relating thereto. The Authority shall give the Trustee sixty (60) days' written notice prior to the expiration of any Letter(s) of Credit obtained pursuant to this 2024 Series E Resolution.

**504. Preliminary Official Statement.** The form of the Preliminary Official Statement of the Authority with respect to the initial offering of the 2024 Series E Bonds, substantially in the form presented to this meeting, is hereby approved and the distribution thereof by the Underwriters is hereby authorized, with such changes, omissions, insertions and revisions as an Authorized Representative shall deem advisable or appropriate. The delivery of a certificate relating to the Preliminary Official Statement for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, is also approved.

**505. Final Official Statement.** The form of the Preliminary Official Statement of the Authority is hereby authorized and approved as the final Official Statement of the Authority, with such changes, omissions, insertions and revisions as an Authorized Representative shall deem advisable or appropriate. Any Authorized Representative is hereby authorized to execute such final Official Statement and deliver it to the Underwriters for distribution on behalf of the Authority.

**506. Reserved.**

**507. Trustee Not Responsible for Official Statement.** The recitals, statements and representations contained in the Preliminary Official Statement and the Official Statement shall be taken and construed as made by and on the part of the Authority and not by the Trustee, and the Trustee assumes and shall be under no responsibility for the correctness of the same.

**508. Notice of Redemption.**

(a) At least thirty (30) days but no more than ninety (90) days before the redemption date of any 2024 Series E Bonds, the Trustee shall cause a notice of any redemption of 2024 Series E Bonds, either in whole or in part, to be sent by registered or certified mail or by overnight delivery, to the Securities Depository at least two (2) business days (a business day being a day when such Securities Depository is open for business) prior to the date of general mailing of any notice of redemption.

(b) In addition, a second duplicate notice in writing shall be mailed by certified mail, postage prepaid, return receipt requested, to any registered owner of 2024 Series E Bonds to be redeemed who has not presented and surrendered such 2024 Series E Bonds to the Trustee for redemption within thirty (30) days after the date of redemption.

(c) In addition to the requirements set forth in Section 302 of the General Resolution, a notice of any such redemption shall include the following information with respect to the 2024 Series E Bonds to be so redeemed: the complete title of the 2024 Series E Bonds, the CUSIP numbers of the 2024 Series E Bonds to be redeemed, the date of general mailing of such notice of redemption, the complete name of the Trustee including the telephone number for inquiries, the maturity date and the interest rate (if applicable) of the 2024 Series E Bonds.

(d) Failure to receive any such notices by any such registered owner shall not affect the validity of the proceedings for the redemption of the 2024 Series E Bonds.

**509. Continuing Disclosure.** The 2024 Series E Bonds are hereby made subject to the Second Master Continuing Disclosure Undertaking-Single Family Mortgage Revenue Bonds, dated as of April 1, 2019, and the Authority agrees to abide by the provisions thereof so long as any of the 2024 Series E Bonds are Outstanding.

**510. Notices to Rating Agency.** The Authority hereby covenants and agrees that it will send written notice to S&P at 55 Water Street, 38<sup>th</sup> Floor, New York, New York 10041 and to Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, of the occurrence of any of the following events with respect to the 2024 Series E Bonds:

- (a) any acceleration of payment of the principal of and interest on the 2024 Series E Bonds;
- (b) any amendments to this 2024 Series E Resolution or the General Resolution;
- (c) any successor to the Trustee under the General Resolution; and
- (d) any defeasance or redemption in whole of the 2024 Series E Bonds.

**511. Effective Date.** This 2024 Series E Resolution shall take effect immediately. If the 2024 Series E Bonds are not delivered to the Purchasers on or before November 30, 2024, the authority granted by this 2024 Series E Resolution shall lapse.

EXHIBIT A

[FORM OF 2024 SERIES E BOND]

*Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.*

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
SINGLE-FAMILY MORTGAGE REVENUE BOND, 2024 SERIES E  
(FEDERALLY TAXABLE)

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
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REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT:

The Michigan State Housing Development Authority (the “Authority”), a public body corporate and politic, organized and existing under and by virtue of the laws of the State of Michigan, acknowledges itself indebted to, and for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above, on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, upon the presentation and surrender hereof at the principal corporate trust office of U.S. Bank Trust Company, National Association in St. Paul, Minnesota (the “Trustee”), as Trustee under the Resolution of the Authority adopted December 17, 1987, authorizing the issuance of Michigan State Housing Development Authority Single-Family Mortgage Revenue Bonds, as amended and supplemented (the “General Resolution”), or its successor as Trustee, and to pay to the registered owner by check or draft mailed to the registered owner on the fifteenth (15<sup>th</sup>) day of the month preceding the interest payment date at such owner’s address as shown on the registration books of the Authority, as maintained by the Trustee, interest on such Principal Amount from the date hereof to the date of maturity or earlier redemption of this 2024 Series E Bond at the Interest Rate per annum specified above on \_\_\_\_\_, 20\_\_, and semiannually thereafter on the first day of December and June. The principal or Redemption Price (as defined in the General Resolution) of this 2024 Series E Bond is payable upon presentation in any coin or currency of the United States of America which, on the respective dates of payment, shall be legal tender for the payment of public and private debts.

THE STATE OF MICHIGAN IS NOT LIABLE ON THIS 2024 SERIES E BOND AND THIS 2024 SERIES E BOND IS NOT A DEBT OF THE STATE OF MICHIGAN. THE AUTHORITY HAS NO TAXING POWER.

Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the hereinafter defined 2024 Series E Resolution.

Subject to any agreements now or hereafter made with the owners of any other notes or bonds of the Authority pledging any particular receipts or revenues, this 2024 Series E Bond is a general obligation of the Authority and the full faith and credit of the Authority are hereby pledged for the payment of the principal or Redemption Price of and interest on this 2024 Series E Bond. This 2024 Series E Bond is one of a duly authorized issue of Bonds of the Authority designated “Single-Family Mortgage Revenue Bonds” (the “Bonds”), issued and to be issued in various series under and pursuant to Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (herein called the “Act”), and under and pursuant to the General Resolution and a series resolution authorizing the issuance and sale of each such series. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series, in various principal amounts, may mature at different times, may bear interest, if any, at different rates and, subject to the provisions thereof, may otherwise vary. The aggregate principal amount of Bonds which may be issued under the General Resolution is not limited except as provided in the General Resolution, and all Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This 2024 Series E Bond is one of a series of Bonds designated “Single-Family Mortgage Revenue Bonds, 2024 Series E (Federally Taxable)” (the “2024 Series E Bonds”) issued in the initial aggregate principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) under the General Resolution and the Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2024 Series E in an Amount not to Exceed \$225,000,000, adopted on September 19, 2024 (the “2024 Series E Resolution”) (the General Resolution and the 2024 Series E Resolution are collectively herein called the “Resolutions”). The proceeds of the 2024 Series E Bonds will be utilized by the Authority as provided in the Resolutions. The 2024 Series E Bonds will be secured by a pledge of the Pledged Property (as defined in the General Resolution) which includes the mortgage repayments required to be paid on the mortgage loans financed with the proceeds of the 2024 Series E Bonds, the Down Payment Assistance Fund established under the Authority’s Series Resolution Authorizing the Issuance and Sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B adopted on November 19, 2003 (the “2003 Series B Resolution”) and the repayments required to be paid on the down payment assistance loans financed with the proceeds of the 2024 Series E Bonds and will be further secured by the Loan Loss Fund established under the Authority’s Resolution Establishing Single-Family Loan Loss Fund adopted on July 8, 1988, as supplemented (the “Loan Loss Fund Resolution”). Copies of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution are on file in the office of the Authority and at the corporate trust office of the Trustee, and reference to the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution and any and all supplements thereto and modifications and amendments thereof and to the Act are made for a description of the pledges and covenants securing the 2024 Series E Bonds, the nature, extent and

manner of enforcement of such pledges, the rights and remedies of the registered owners of the 2024 Series E Bonds with respect thereto and the terms and conditions upon which the 2024 Series E Bonds are issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution, the provisions of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution or any resolution amendatory thereof or supplemental thereto, may be modified or amended.

This 2024 Series E Bond is transferable, as provided in the Resolutions, only upon the books of the Authority kept for that purpose at the corporate trust office of the Trustee by the registered owner hereof in person, or by an attorney duly authorized in writing, upon the surrender of this 2024 Series E Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new registered 2024 Series E Bond or 2024 Series E Bonds, and in the same aggregate principal amount and of the same interest rate and maturity, shall be issued to the transferee in exchange therefor as provided in the Resolutions, and upon the payment of the charges, if any, therein prescribed.

The 2024 Series E Bonds are issuable in the form of fully-registered Bonds without coupons in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2024 Series E Bonds.

The 2024 Series E Bonds are subject to redemption prior to maturity as provided in the 2024 Series E Resolution. Notice of any such redemption shall be given to the registered owners of any 2024 Series E Bonds or portions thereof to be redeemed as provided in the 2024 Series E Resolution.

This 2024 Series E Bond shall not be valid or become obligatory for any purpose until the Trustee's Certificate of Authentication hereon shall have been executed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of Michigan and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 2024 Series E Bond, exist, have happened and have been performed in due time, form and manner as required by law, and that the issue of the 2024 Series E Bonds, together with all other indebtedness of the Authority is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Michigan State Housing Development Authority has caused this 2024 Series E Bond to be executed in its name by the facsimile signature of its Chief Executive Officer and Executive Director and its corporate seal (or a facsimile thereof) to be impressed or imprinted hereon, all as of the Date of Original Issue as set forth above.

MICHIGAN STATE HOUSING DEVELOPMENT  
AUTHORITY

(Seal)

By \_\_\_\_\_  
Its Chief Executive Officer  
and Executive Director

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2024 Series E Bonds described in the within-mentioned 2024 Series E Resolution.

U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION, Trustee

By: \_\_\_\_\_  
Authorized Representative

Date of Authentication:

EXHIBIT B

[FORM OF 2024 SERIES E BOND (CAPITAL APPRECIATION BOND)]

*Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.*

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
SINGLE-FAMILY MORTGAGE REVENUE BOND, 2024 SERIES E  
(FEDERALLY TAXABLE) (CAPITAL APPRECIATION BOND)

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>Original Principal Amount per \$5,000 at Maturity</u>	<u>CUSIP</u>
Zero				

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT IF HELD TO MATURITY: \_\_\_\_\_

The Michigan State Housing Development Authority (the “Authority”), a public body corporate and politic, organized and existing under and by virtue of the laws of the State of Michigan, acknowledges itself indebted to, and for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, on the date the principal of this 2024 Series E Bond shall become payable, the Appreciated Amount (as defined in the 2024 Series E Resolution identified below) as hereinafter provided, upon the presentation and surrender hereof at the principal corporate trust office of U.S. Bank Trust Company, National Association in St. Paul, Minnesota (the “Trustee”), as Trustee under the Resolution of the Authority adopted December 17, 1987, authorizing the issuance of Michigan State Housing Development Authority Single-Family Mortgage Revenue Bonds, as amended and supplemented (the “General Resolution”), or its successor as Trustee. Unless this 2024 Series E Bond shall have been redeemed or an acceleration of its maturity shall have occurred, all as hereinafter provided, the Appreciated Amount of this 2024 Series E Bond shall become due on the Maturity Date specified above. The Appreciated Amount or Redemption Price (as defined in the General Resolution) of this 2024 Series E Bond is payable upon presentation in any coin or currency of the United States of America which, on the respective dates of payment, shall be legal tender for the payment of public and private debts.

Interest shall not be paid on this 2024 Series E Bond except in the case of the failure of the Authority to deposit the Appreciated Amount with the Trustee at the stated maturity hereof in which case such amount owing on this 2024 Series E Bond shall thereafter bear interest at the rate equal to the approximate yield established in the 2024 Series E Resolution from the date of such maturity until such amount plus interest is deposited with the Trustee.

THE STATE OF MICHIGAN IS NOT LIABLE ON THIS 2024 SERIES E BOND AND THIS 2024 SERIES E BOND IS NOT A DEBT OF THE STATE OF MICHIGAN. THE AUTHORITY HAS NO TAXING POWER.

Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the hereinafter defined 2024 Series E Resolution.

Subject to any agreements now or hereafter made with the owners of any other notes or bonds of the Authority pledging any particular receipts or revenues, this 2024 Series E Bond is a general obligation of the Authority and the full faith and credit of the Authority are hereby pledged for the payment of the principal or Redemption Price of and interest on this 2024 Series E Bond. This 2024 Series E Bond is one of a duly authorized issue of Bonds of the Authority designated “Single-Family Mortgage Revenue Bonds” (the “Bonds”), issued and to be issued in various series under and pursuant to Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (herein called the “Act”), and under and pursuant to the General Resolution and a series resolution authorizing the issuance and sale of each such series. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series, in various principal amounts, may mature at different times, may bear interest, if any, at different rates and, subject to the provisions thereof, may otherwise vary. The aggregate principal amount of Bonds which may be issued under the General Resolution is not limited except as provided in the General Resolution, and all Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This 2024 Series E Bond is one of a series of Bonds designated “Single-Family Mortgage Revenue Bonds, 2024 Series E (Federally Taxable)” (the “2024 Series E Bonds”) issued in the initial aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) under the General Resolution and the Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2024 Series E in an Amount not to Exceed \$225,000,000, adopted on September 19, 2024 (the “2024 Series E Resolution”) (the General Resolution and the 2024 Series E Resolution are collectively herein called the “Resolutions”). The proceeds of the 2024 Series E Bonds will be utilized by the Authority as provided in the Resolutions. The 2024 Series E Bonds will be secured by a pledge of the Pledged Property (as defined in the General Resolution) which includes the mortgage repayments required to be paid on the mortgage loans financed with the proceeds of the 2024 Series E Bonds, the Down Payment Assistance Fund established under the Authority’s Series Resolution Authorizing the Issuance and Sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B adopted on November 19, 2003 (the “2003 Series B Resolution”) and the repayments required to be paid on the down payment assistance loans financed with the proceeds of the 2024 Series E Bonds and will be further secured by the Loan Loss Fund established under the Authority’s Resolution Establishing Single-Family Loan Loss Fund

adopted on July 8, 1988, as supplemented (the “Loan Loss Fund Resolution”). Copies of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution are on file in the office of the Authority and at the corporate trust office of the Trustee, and reference to the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution and any and all supplements thereto and modifications and amendments thereof and to the Act are made for a description of the pledges and covenants securing the 2024 Series E Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the 2024 Series E Bonds with respect thereto and the terms and conditions upon which the 2024 Series E Bonds are issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution, the provisions of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution or any resolution amendatory thereof or supplemental thereto, may be modified or amended.

This 2024 Series E Bond is transferable, as provided in the Resolutions, only upon the books of the Authority kept for that purpose at the corporate trust office of the Trustee by the registered owner hereof in person, or by an attorney duly authorized in writing, upon the surrender of this 2024 Series E Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new registered 2024 Series E Bond or 2024 Series E Bonds, of the same maturity and in the applicable aggregate Appreciated Amount, shall be issued to the transferee in exchange therefor as provided in the Resolutions, and upon the payment of the charges, if any, therein prescribed.

The 2024 Series E Bonds are issuable in the form of fully-registered Bonds without coupons in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2024 Series E Bonds.

The 2024 Series E Bonds are subject to redemption prior to maturity as provided in the 2024 Series E Resolution. Notice of any such redemption shall be given to the registered owners of any 2024 Series E Bonds or portions thereof to be redeemed as provided in the 2024 Series E Resolution.

The Appreciated Amount for this 2024 Series E Bond shall be determined as provided in the 2024 Series E Resolution.

This 2024 Series E Bond shall not be valid or become obligatory for any purpose until the Trustee’s Certificate of Authentication hereon shall have been executed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of Michigan and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 2024 Series E Bond, exist, have happened and have been performed in due time, form and manner as required by law, and that the issue of the 2024 Series E Bonds, together with all other indebtedness of the Authority is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Michigan State Housing Development Authority has caused this 2024 Series E Bond to be executed in its name by the facsimile signature of its Chief Executive Officer and Executive Director and its corporate seal (or a facsimile thereof) to be impressed or imprinted hereon, all as of the Date of Original Issue as set forth above.

MICHIGAN STATE HOUSING DEVELOPMENT  
AUTHORITY

(Seal)

By \_\_\_\_\_  
Its Chief Executive Officer  
and Executive Director

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2024 Series E Bonds described in the within-mentioned 2024 Series E Resolution.

U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION, Trustee

By: \_\_\_\_\_  
Authorized Representative

Date of Authentication:

[End of 2024 Series E Bond Forms]

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF  
SINGLE-FAMILY MORTGAGE REVENUE BONDS, 2024 SERIES F  
(FEDERALLY TAXABLE) IN AN AMOUNT NOT TO EXCEED \$55,000,000**

September 19, 2024

WHEREAS, the Members of the Michigan State Housing Development Authority (hereinafter referred to as the “Authority”), by Resolution adopted December 17, 1987, and as supplemented on January 28, 1988, October 12, 1995, January 30, 1997, May 24, 2006 and September 26, 2018 (hereinafter referred to as the “General Resolution”), have authorized the issuance of Single-Family Mortgage Revenue Bonds in one or more Series pursuant to a Series Resolution authorizing the issuance and sale of any such Series; and

WHEREAS, the Members of the Authority have determined that it is necessary and desirable that the Authority issue at this time a Series of Bonds to be designated “Single-Family Mortgage Revenue Bonds, 2024 Series F (Federally Taxable)” to provide moneys to carry out the purposes of the Authority; and

WHEREAS, pursuant to Section 27(l) of the Act, the Authority proposes to delegate to 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, 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, hereinafter individually referred to as an “Authorized Representative”) the power to determine certain terms and conditions of the 2024 Series F Bonds (as hereinafter defined), subject to limits established herein and in the General Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Members of the Authority as follows:

**ARTICLE I  
AUTHORITY AND DEFINITIONS**

**101. 2024 Series F Resolution.** This resolution (hereinafter referred to as the “2024 Series F Resolution”) is adopted in accordance with the provisions of Article II of the General Resolution and pursuant to the authority contained in the Act.

**102. Definitions.**

All terms which are defined in Sections 103 and 104 of Article I of the General Resolution have the same meanings in this 2024 Series F Resolution including the preambles hereto.

“2003 Series B Resolution” means the resolution of the Authority authorizing the issuance and sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B.

“2024 Series F Bonds” means the Bonds authorized by Article II of this 2024 Series F Resolution.

“2024 Series F Down Payment Assistance Loan Principal Prepayments” means any payment by a mortgagor or other recovery of principal on a 2024 Series F Down Payment Assistance Loan which is not applied on a scheduled installment of principal and interest on a 2024 Series F Down Payment Assistance Loan (including any deficiency in the payment of any scheduled installments of principal and interest then due and payable or interest paid in connection with a voluntary prepayment of a 2024 Series F Down Payment Assistance Loan) and the portion of any amounts received in connection with the liquidation of a defaulted 2024 Series F Down Payment Assistance Loan (whether through foreclosure, trustee’s sale or otherwise) or other payments representing such principal amounts, including payments from the sale of a 2024 Series F Down Payment Assistance Loan.

“2024 Series F Down Payment Assistance Loans” means (i) any loan financed or acquired with amounts received in connection with the issuance of the 2024 Series F Bonds or with other amounts made available by the Authority in respect of the 2024 Series F Bonds and deposited in the Down Payment Assistance Fund and pledged hereunder by the Authority in accordance with the Act, evidenced by a mortgage note and secured by a mortgage and (ii) any instrument evidencing an ownership interest in such loans.

“2024 Series F Mortgage Loans” means all Mortgage Loans or portions of Mortgage Loans, financed or acquired from the proceeds of or allocable to the 2024 Series F Bonds.

“Agent Member” means a member of, or participant in, the Securities Depository.

“Capital Appreciation Bonds” means the 2024 Series F Bonds, if any, which are authorized as Capital Appreciation Bonds pursuant to Section 203 hereof, which do not provide for current interest payments and which are hereby designated Deferred Interest Bonds.

“Cede & Co.” means Cede & Co., the nominee of DTC, or any successor nominee of DTC with respect to the 2024 Series F Bonds.

“Closing Date” means the date on which the 2024 Series F Bonds are issued and delivered to the Purchaser, or designee(s), in exchange for payment by the Purchaser therefor.

“Down Payment Assistance Fund” means the Fund established pursuant to Article III of the 2003 Series B Resolution.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Letter(s) of Credit” means one or more unconditional irrevocable letters of credit issued by a domestic or foreign bank which qualifies as a Cash Equivalent under the General Resolution and which provides for a draw down in the full amount upon its expiration date at the option of the

Authority in the absence of a renewal of such Letter(s) of Credit or if the Authority does not deliver to the Trustee a replacement Letter(s) of Credit.

“Loan Loss Fund” means the Loan Loss Fund established pursuant to the Loan Loss Fund Resolution.

“Loan Loss Fund Resolution” means the Authority’s Resolution Establishing Single-Family Loan Loss Fund adopted July 8, 1988, as supplemented on June 1, 1989, and April 30, 1997.

“Purchase Contract” means, the contract of purchase between the Authority and the Underwriter with respect to the 2024 Series F Bonds.

“Purchaser” means the Underwriter.

“Representation Letter” means the blanket agreement of the Authority and the Trustee to comply with the operational arrangements of DTC and any similar agreement with respect to a successor Securities Depository.

“Rule” means Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12).

“Securities Depository” means DTC and its successors and assigns or if (i) the then-Securities Depository resigns from its functions as depository of the 2024 Series F Bonds or (ii) the Authority discontinues use of the then-Securities Depository pursuant to Section 403(c), any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the 2024 Series F Bonds and which is selected by the Authority.

“Serial Bonds” means the 2024 Series F Bonds, if any, which are authorized as Serial Bonds pursuant to Section 203 hereof.

“Super Sinker Bonds” means the 2024 Series F Bonds, if any, which are designated as Super Sinker Bonds in the Purchase Contract pursuant to Section 206(d) of this 2024 Series F Resolution.

“Surety Bond(s)” or “Surety” means one or more unconditional and irrevocable surety bonds issued by a domestic or foreign insurance company which (i) qualifies as a Cash Equivalent under the General Resolution, (ii) guarantees certain payments into the Capital Reserve Fund with respect to the Bonds as provided therein and subject to the limitations set forth therein, and (iii) is not subject to cancellation.

“Term Bonds” means the 2024 Series F Bonds, if any, which are authorized as Term Bonds pursuant to Section 203 hereof and which shall be subject to Sinking Fund Requirements as set forth in the Purchase Contract.

“Underwriter” means, RBC Capital Markets, LLC.

## ARTICLE II AUTHORIZATION OF 2024 SERIES F BONDS

**201. Principal Amount, Designation and Series.** A Series of Bonds is hereby authorized to be issued and sold, pursuant to the provisions of the General Resolution in an aggregate original principal amount of not to exceed \$55,000,000, as established pursuant to Section 203 hereof. Such Series of Bonds shall be designated as “Single-Family Mortgage Revenue Bonds, 2024 Series F (Federally Taxable)”.

**202. Purposes.** The purposes for which the 2024 Series F Bonds are being issued are (i) the financing and purchasing of Mortgage Loans, including payment of certain Mortgage Loan origination costs; and (ii) the making of a deposit to the Down Payment Assistance Fund in respect of the 2024 Series F Bonds, to the extent provided for in the Purchase Contract.

**203. Interest Rates, Principal Amounts and Maturity Dates.** The 2024 Series F Bonds shall be dated and shall be issued on or before November 30, 2024, as approved by an Authorized Representative. The 2024 Series F Bonds shall be issued either as current interest bearing Bonds or as Capital Appreciation Bonds, or any combination thereof, as determined by an Authorized Representative. The 2024 Series F Bonds, other than Capital Appreciation Bonds, if any, shall bear interest from the date thereof to their maturity or prior redemption, such interest to be payable on June 1 and December 1 of each year, commencing December 1, 2024, or such other date as may be set forth in the Purchase Contract. Interest shall be calculated on the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months. Capital Appreciation Bonds, if any, shall not bear interest (except that the extent of the difference between the Original Principal Amount and the Appreciated Amount may be construed to be interest) prior to or on the date of maturity. In the event the Appreciated Amount is not paid or deemed to be paid by the Authority on the date when due by reason of maturity, such Capital Appreciation Bond shall bear interest on such Appreciated Amount from such date at the rate per annum equal to the approximate yield for such Capital Appreciation Bond, as set forth in the Purchase Contract, until such Appreciated Amount is paid or deemed to be paid by the Authority. The Appreciated Amount of each Capital Appreciation Bond as of any June 1 or December 1 shall be determined by dividing the Principal Amount if Held to Maturity on the face thereof by Five Thousand Dollars (\$5,000) and multiplying the result thereof by the applicable amount set forth in the Purchase Contract.

Interest on the 2024 Series F Bonds shall be paid by the Trustee on each interest payment date to the person appearing on the registration books of the Authority maintained by the Trustee or its designee, as the registered owner of such 2024 Series F Bonds on the fifteenth (15<sup>th</sup>) day of the month preceding the interest payment date by check mailed to the registered owner at the address as it appears on the registration books, or to the designee, at the address of such designee.

The 2024 Series F Bonds may be issued in whole or in part as Serial Bonds which shall mature on June 1 and/or December 1 in the years and principal amounts and bear interest, in the case of 2024 Series F Bonds other than Capital Appreciation Bonds, or be issued in the Original Aggregate Principal Amounts, in the case of Capital Appreciation Bonds, as approved by an

Authorized Representative. The principal amounts of the Serial Bonds, if any, the designation as current interest bearing Bonds or Capital Appreciation Bonds, the maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, shall be set forth in the Purchase Contract, and the approval of such principal amounts, designation as current interest bearing Bonds or Capital Appreciation Bonds, maturities, rates of interest, and Original Aggregate Principal Amounts, as applicable, of the Serial Bonds shall be evidenced by the execution of the Purchase Contract by the Authority.

The 2024 Series F Bonds may also be issued in whole or in part as Term Bonds which shall mature on June 1 and/or December 1 in the years and principal amounts and bear interest, in the case of 2024 Series F Bonds other than Capital Appreciation Bonds, or be issued in the Original Aggregate Principal Amounts, in the case of Capital Appreciation Bonds, as approved by an Authorized Representative. The principal amounts of the Term Bonds, if any, the designation of current interest bearing Bonds or Capital Appreciation Bonds, the maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, shall be set forth in the Purchase Contract, and the approval of the principal amounts, designation as current interest bearing Bonds or Capital Appreciation Bonds, maturities, rates of interest and Original Aggregate Principal Amounts, as applicable, of the Term Bonds shall be evidenced by the execution of the Purchase Contract by the Authority.

The purchase price of the 2024 Series F Bonds and the compensation to be paid to the Underwriter with respect to the 2024 Series F Bonds shall be as approved by an Authorized Representative and shall be set forth in the Purchase Contract, and the approval of such purchase price and compensation shall be evidenced by the execution of the Purchase Contract by the Authority.

In making the determination with respect to interest rates, the Original Aggregate Principal Amounts of Capital Appreciation Bonds, designations as Serial Bonds or Term Bonds, Capital Appreciation Bonds and the maturities of the 2024 Series F Bonds, and with respect to the compensation to be paid to the Purchaser, the purchase price of the 2024 Series F Bonds and certain other matters, the Authorized Representative making such determinations shall be limited as follows:

(a) The rate of interest on any 2024 Series F Bond shall not exceed seven and fifty hundredths percent (7.50%) per annum, unless such bond is initially sold to the Purchaser at a price in excess of the par amount thereof, in which case the yield on any such 2024 Series F Bond shall not exceed seven and fifty hundredths percent (7.50%) per annum;

(b) The compensation to be paid to the Underwriter shall not be more than one percent (1.00%) of the original principal amount of the 2024 Series F Bonds;

(c) The schedule of maturities and the amount of each maturity for the 2024 Series F Bonds, taking into account the Sinking Fund Requirements, if any, established pursuant to Section 205 hereof, shall be established in a manner that will permit the Authorized Representative to file the Cash Flow Statement required by Section 608 of the General Resolution;

(d) The final maturity of the 2024 Series F Bonds shall not be later than June 1, 2057;

(e) The maximum amount of scheduled principal payments (adjusted for any previously scheduled Sinking Fund Requirements) and Sinking Fund Requirements due with respect to the 2024 Series F Bonds on any June 1 or December 1, excluding the accretion of any Capital Appreciation Bonds, shall not exceed Seven Million Five Hundred Thousand Dollars (\$7,500,000);

(f) The proceeds of the 2024 Series F Bonds credited to the Down Payment Assistance Fund shall not exceed fifteen percent (15%) of the original principal amount of the 2024 Series F Bonds; and

(g) The Authority shall not sell the 2024 Series F Bonds to the Purchaser at a price of less than ninety-eight percent (98%) of the principal amount thereof, exclusive of any underwriter's discount.

**204. Denominations, Numbers and Letters.** The 2024 Series F Bonds, other than the Capital Appreciation Bonds, shall be issued as fully-registered bonds in the denominations of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2024 Series F Bonds. The Capital Appreciation Bonds shall be issued as fully-registered bonds in denominations which appreciate upon maturity to Five Thousand Dollars (\$5,000), as set forth in the Purchase Contract, or any integral multiple thereof. The 2024 Series F Bonds shall be numbered consecutively from 1 upwards, with such additional designations as shall be determined by an Authorized Representative.

**205. Sinking Fund Redemption.** The Term Bonds, if any, shall be subject to mandatory redemption in part on June 1 and/or December 1, at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, in the case of 2024 Series F Bonds other than Capital Appreciation Bonds, and the Appreciated Amount thereof, in the case of Capital Appreciation Bonds, in such years and such amounts as shall be approved by an Authorized Representative, which approval shall be evidenced by the Sinking Fund Requirements set forth in the Purchase Contract executed by the Authority (subject to reduction as provided in the General Resolution).

**206. Special Redemptions.**

(a) The 2024 Series F Bonds are redeemable, at any time in whole or in part, at the option of the Authority (except to the extent that the Authority is required to redeem 2024 Series F Bonds as set forth in subsection (c) below), at a Redemption Price equal to the principal amount (or, in the case of redemptions pursuant to clause (i) of this Section 206(a), for 2024 Series F Bonds initially purchased by the Purchaser at a price in excess of the principal amount thereof, a price not greater than the price paid by the Purchaser for such 2024 Series F Bonds) plus accrued interest to the redemption date in the case of 2024 Series F Bonds other than Capital Appreciation Bonds, and at the Appreciated Amount thereof in the case of Capital Appreciation Bonds, in a principal amount not in excess of the total of (i) 2024 Series F Bond proceeds remaining uncommitted to the financing of Mortgage Loans or 2024 Series F Down Payment Assistance Loans; (ii) Principal Prepayments in respect of Mortgage Loans financed from the

2024 Series F Bond proceeds; (iii) 2024 Series F Down Payment Assistance Loan Principal Prepayments in respect of Down Payment Assistance Loans financed from the 2024 Series F Bond proceeds; and (iv) Revenues consisting of scheduled principal payments on Mortgage Loans and Down Payment Assistance Loans, in each case financed from the 2024 Series F Bond proceeds, or other Revenues otherwise available for redemption of the 2024 Series F Bonds pursuant to Section 403(e)(1) of the General Resolution.

(b) With respect to redemptions pursuant to subsection (a) above, the 2024 Series F Bonds to be redeemed shall be selected from the Outstanding maturities of the 2024 Series F Bonds on such basis as shall be determined by the Authority, except as may be otherwise designated in the Purchase Contract.

(c) The Authority may designate in the Purchase Contract one or more maturities of the 2024 Series F Bonds as Super Sinker Bonds. The Super Sinker Bonds, if any, shall be subject to mandatory redemption as provided in the Purchase Contract.

**207. Optional Redemption.** The 2024 Series F Bonds shall be subject to redemption at any time on or after the date established by an Authorized Representative in the Purchase Contract (which date shall not be earlier than December 1, 2029) at the option of the Authority in any order of maturity from any moneys available therefor in whole or in part by lot within a maturity at the applicable Redemption Prices (expressed as percentages of the principal amount thereof, in the case of 2024 Series F Bonds other than Capital Appreciation Bonds, and the Appreciated Amount thereof, in the case of Capital Appreciation Bonds) not to exceed one hundred five percent (105%) of the principal amount of the 2024 Series F Bonds so subject to optional redemption, on the dates of redemption, all as shall be established by an Authorized Representative in the Purchase Contract.

**208. Conditional Notice of Optional Redemption and No Requirement to Have Funds on Hand.** As provided for by Section 302 of the General Resolution, as may be supplemented as provided therein, and notwithstanding any provision in the General Resolution to the contrary, (i) the Authority shall not be required to have in the Redemption Fund, or otherwise available and set aside in the General Receipts Fund, an amount sufficient to effect the redemption of any 2024 Series F Bonds prior to the notice of optional redemption being sent by the Trustee, and (ii) any such notice of optional redemption of any 2024 Series F Bonds may, at the direction of an Authorized Representative, state that it is conditional in nature and may be rescinded at any time on or before the business day prior to the redemption date, together with the terms under which notice of any such rescission is to be provided to the Bondowners. If such notice is rescinded any such 2024 Series F Bonds that were subject to the notice of redemption shall remain Outstanding Bonds.

**209. Sale of 2024 Series F Bonds.** An Authorized Representative is authorized to negotiate, execute and deliver, on behalf of the Authority, the Purchase Contract, in substantially the form presented to this meeting, with such changes as an Authorized Representative deems necessary and desirable and not materially adverse to the Authority, for purchase of the 2024 Series F Bonds at the price(s) and with compensation to the Underwriter, all as set forth therein. Approval of the Purchase Contract, and the purchase price set forth therein, shall be evidenced by the execution of the Purchase Contract by an Authorized Representative.

**210. Expenses.** The Authority's Expenses with respect to the 2024 Series F Bonds for a Fiscal Year may not exceed an amount equal to one quarter of one percent (0.25%) of the greater of the aggregate principal amount of all Outstanding 2024 Series F Bonds or the aggregate principal amount of the outstanding 2024 Series F Mortgage Loans, all as of the first day of such Fiscal Year.

### **ARTICLE III REQUIREMENTS AND FUNDS**

**301. Debt Reserve Requirement.** (a) The Debt Reserve Requirement with respect to the 2024 Series F Bonds is hereby determined to be an amount equal to four percent (4%) of the sum of (i) the outstanding principal balance of 2024 Series F Mortgage Loans and 2024 Series F Down Payment Assistance Loans allocated to the 2024 Series F Bonds (except 2024 Series F Mortgage Loans underlying certificates of the Government National Mortgage Association or the Federal National Mortgage Association), (ii) the amount on deposit in the 2024 Series F Bond Proceeds Fund and allocated to the purchase or financing of 2024 Series F Mortgage Loans (except 2024 Series F Mortgage Loans underlying certificates of the Government National Mortgage Association or the Federal National Mortgage Association), and (iii) the amount on deposit in the Down Payment Assistance Fund allocated to the 2024 Series F Bonds and the financing of 2024 Series F Down Payment Assistance Loans. The deposits to the Capital Reserve Fund made and to be made pursuant to this 2024 Series F Resolution will be in the form of cash and Investment Obligations which may be used for the purposes of the Capital Reserve Fund; provided however, that the Authority may in lieu of or in replacement of or in addition to all or a portion of the deposits to the Capital Reserve Fund, obtain and pledge to the Capital Reserve Fund Letter(s) of Credit and/or Surety Bond(s), which Letter(s) of Credit or a portion thereof shall be exclusively available to be drawn on and which Surety Bond(s) or a portion thereof shall unconditionally and irrevocably guarantee payment for the purposes of the Capital Reserve Fund. Any moneys so replaced by Letter(s) of Credit and/or Surety Bond(s) or a portion thereof shall be withdrawn by the Trustee and deposited in the Bond Proceeds Fund. The amount of moneys on deposit in the Capital Reserve Fund, or the amount of Letter(s) of Credit pledged to and exclusively available to be drawn on or Surety Bond(s) pledged to unconditionally and irrevocably guarantee payment for the purposes of the Capital Reserve Fund which, when combined with any moneys on deposit therein, and any other Letter(s) of Credit pledged thereto and exclusively available to be drawn on or Surety Bond(s) which shall unconditionally and irrevocably guarantee payment for the purposes thereof, shall equal the Capital Reserve Fund Requirement.

(b) If at any time the Trustee is required by Section 407 of the General Resolution to transfer moneys from the Capital Reserve Fund to the Debt Service Fund, the Trustee shall make such transfer to the Debt Service Fund from any moneys which shall then be on deposit in the Capital Reserve Fund, and if the moneys in the Capital Reserve Fund are not sufficient to make up the deficiency in the Debt Service Fund, the Trustee shall make a draw under any Letter(s) of Credit or make a demand for payment under any Surety Bond(s) which may be pledged to the Capital Reserve Fund and deposit such proceeds to the Debt Service Fund to the extent of the deficiency in the Debt Service Fund.

**302. The Loan Loss Fund.**

(a) The repayment of the 2024 Series F Bonds shall be further secured by a pledge of the amounts on deposit in the Loan Loss Fund as created by the Loan Loss Fund Resolution. The 2024 Series F Resolution shall be deemed to be a Single-Family Bond Resolution for purposes of the Loan Loss Fund Resolution. The Loan Loss Fund Requirement with respect to the 2024 Series F Bonds shall be zero (\$0), and, accordingly, the Authority shall not be required to deposit any moneys into the Loan Loss Fund prior to the disbursement of proceeds from the Bond Proceeds Fund for the financing of a 2024 Series F Mortgage Loan.

(b) If at any time moneys in the General Receipts Fund are not sufficient to permit the transfer of moneys to the Debt Service Fund required by Section 403 of the General Resolution, the Trustee shall make up such a deficiency first, by the withdrawal and transfer to the Debt Service Fund of money from any amounts which shall then be on deposit in the Loan Loss Fund, and if the amount in the Loan Loss Fund is not sufficient to make up such deficiencies, and second by a draw under any Letter(s) of Credit or a demand for payment under any Surety Bond(s) which may be pledged to the Loan Loss Fund and the deposit of such proceeds to the Debt Service Fund. Furthermore, in the event there shall be on any date on which an interest or principal payment (including any Sinking Fund Requirement) shall be due, a deficiency in the amounts in the Debt Service Fund to be applied to the payment of liquidity fees, interest or principal or a Redemption Price of the Bonds pursuant to Section 404(a) or (b) of the General Resolution but prior to any transfer to the Debt Service Fund from the Redemption Fund pursuant to Section 405 of the General Resolution or the Capital Reserve Fund pursuant to Section 406 of the General Resolution, the Trustee first shall make up such a deficiency by the withdrawal of moneys from the Loan Loss Fund and the transfer thereof to the Debt Service Fund, and second, if required, by a draw under any Letter(s) of Credit or a demand for payment under any Surety Bond(s) which may be pledged to the Loan Loss Fund and the transfer of such proceeds to the Debt Service Fund.

(c) Amounts on deposit in the Loan Loss Fund shall not be included in any calculation made in connection with any Cash Flow Statement or pursuant to Section 403(e)(3) of the General Resolution.

**303. Deposits into Funds.**

(a) The proceeds of the 2024 Series F Bonds shall be deposited into the Bond Proceeds Fund and shall be invested by the Trustee pursuant to instructions from the Authority only in Investment Obligations, which shall include, for purposes of this 2024 Series F Resolution, an investment agreement secured or unsecured as determined by an Authorized Representative, guaranteed by an institution whose debt securities are rated at least the then existing rating on the Bonds (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency. An amount sufficient to satisfy the Capital Reserve Fund Requirement relating to the 2024 Series F Bonds shall be promptly transferred by the Trustee to the Capital Reserve Fund. In the event that the Authority shall elect to obtain and pledge to the Capital Reserve Fund Letter(s) of Credit and/or Surety Bond(s) in an amount sufficient to satisfy all or a portion of the Capital Reserve Fund Requirement in lieu of or in replacement of or in addition to the deposits to the Capital Reserve Fund, any moneys so replaced shall be promptly withdrawn by the Trustee

and paid to the Authority for deposit in the Bond Proceeds Fund. Proceeds of the 2024 Series F Bonds in an amount not to exceed the limitation set forth in this Resolution, and as set forth in the Purchase Contract, shall be promptly transferred by the Trustee to the Down Payment Assistance Fund.

(b) All moneys representing accrued interest on the 2024 Series F Bonds, if any, shall be deposited to the credit of the General Receipts Fund (to be applied to the payment of interest on the 2024 Series F Bonds on the first applicable interest payment date).

**304. Reserved.**

**305. Series Program Determinations.** Each newly originated 2024 Series F Mortgage Loan shall have the following terms, conditions, provisions and limitations:

(a) The promissory note for each 2024 Series F Mortgage Loan must be payable or endorsed to the Authority, and such 2024 Series F Mortgage Loan must (i) be originated in the name of the Authority, (ii) be assigned to the Authority, or (iii) be originated in the name of a nominee who shall register the Authority as the owner of a beneficial interest in such 2024 Series F Mortgage Loan, and such 2024 Series F Mortgage Loan must have a servicer that tracks servicing of such 2024 Series F Mortgage Loan pursuant to a written agreement with the Authority relating thereto;

(b) Each 2024 Series F Mortgage Loan (i) shall be for a term not exceeding thirty (30) years, (ii) shall have a rate or rates of interest fixed at the time of origination, and (iii) shall either have approximately equal monthly payments for each rate of interest borne by such 2024 Series F Mortgage Loan, or at the option of the Authority, shall have monthly payments that increase on a predetermined basis over the life of such 2024 Series F Mortgage Loan;

(c) Each 2024 Series F Mortgage Loan shall relate to a residence which shall be the principal residence of the mortgagor within a reasonable time after the closing of such 2024 Series F Mortgage Loan;

(d) Each 2024 Series F Mortgage Loan shall relate to a single-family residential structure or condominium unit;

(e) (1) Each 2024 Series F Mortgage Loan shall be insured under an insurance contract, or guaranteed under a guarantee agreement, requiring benefits to be paid to the Authority following default by the mortgagor in the payment of principal or interest on the 2024 Series F Mortgage Loan in an amount which, when combined with the down payment applicable to such 2024 Series F Mortgage Loan (irrespective of the source of funds therefor), is equal to an amount in excess of eighteen percent (18%) of the purchase price of the residence; provided, however, that any such insurance shall not be initially required or may be terminated when the principal balance of the 2024 Series F Mortgage Loan is eighty percent (80%) or less of the original purchase price of the residence; and

(2) If applicable law shall not permit the Authority, or if the Authority anticipates that applicable law will not permit it, to require a mortgagor under a 2024 Series F Mortgage

Loan, or a person on behalf of such mortgagor, to pay for the mortgage insurance described in paragraph (1) of this subsection, then the Authority shall pay for such mortgage insurance from moneys available under the General Resolution or otherwise, except to the extent that:

(i) the Authority either:

(A) does not pay for such mortgage insurance from moneys available under the General Resolution or otherwise; or

(B) provides additional reserves, insurance, sureties or cash equivalents as security or makes other covenants regarding the 2024 Series F Bonds; and

(ii) the taking of the action described in clause (A) or (B) above, does not, by itself, or in combination with other factors, result in a reduction in the then-current unenhanced rating of the Bonds;

(f) The 2024 Series F Mortgage Loans shall be: (i) conventional mortgage loans, (ii) insured by the Federal Housing Administration, (iii) guaranteed by the United States Department of Veterans' Affairs, or (iv) guaranteed by the Rural Housing Service of the United States Department of Agriculture;

(g) A 2024 Series F Mortgage Loan shall be used for the purchase of a residence or both the purchase and rehabilitation of a residence;

(h) A 2024 Series F Mortgage Loan shall be made to qualifying borrowers at or below eighty percent (80%) of the applicable area median income set by the Federal Housing Finance Agency; and

(i) The Authority shall not sell any 2024 Series F Mortgage Loans or 2024 Series F Down Payment Assistance Loans and use the proceeds of such sale to redeem 2024 Series F Bonds as provided in Section 206 hereof except for 2024 Series F Mortgage Loans or 2024 Series F Down Payment Assistance Loans (i) that are in default or (ii) that do not comply with the Authority's Program requirements.

**306. Covenant as to Disposition of Scheduled Principal Payments, Principal Prepayments and 2024 Series F Down Payment Assistance Loan Principal Prepayments.**

Subject to the provisions of Section 403 of the General Resolution and Section 206 hereof, the Authority shall direct the Trustee to transfer Revenues in an amount equal to and representing (a) the scheduled principal payments on Mortgage Loans and Down Payment Assistance Loans in each case financed from the 2024 Series F Bond proceeds from the General Receipts Fund to the Redemption Fund for the redemption of the 2024 Series F Bonds only, (b) the Principal Prepayments derived from 2024 Series F Mortgage Loans from the General Receipts Fund to the Redemption Fund for the redemption of the 2024 Series F Bonds only and (c) the 2024 Series F Down Payment Assistance Loan Principal Prepayments from the General Receipts Fund to the Redemption Fund for the redemption of the 2024 Series F Bonds only.

**307. Down Payment Assistance Fund.**

(a) Amounts on deposit in the Down Payment Assistance Fund shall be used as provided in this 2024 Series F Resolution with respect to moneys received by the Authority in connection with the issuance of the 2024 Series F Bonds.

(b) Amounts on deposit in the Down Payment Assistance Fund received by the Authority in connection with the issuance of the 2024 Series F Bonds, if any, and any additional amounts deposited by the Authority in the Down Payment Assistance Fund in respect of the 2024 Series F Bonds as hereinafter provided, if any, shall be used, upon Authority Request, to finance 2024 Series F Down Payment Assistance Loans. The Authority may, from time to time, direct that additional amounts be deposited in the Down Payment Assistance Fund in respect of the 2024 Series F Bonds from unrestricted Authority funds for the purpose of financing additional 2024 Series F Down Payment Assistance Loans. No amounts on deposit in the Down Payment Assistance Fund shall be used to finance Mortgage Loans. Each 2024 Series F Down Payment Assistance Loan shall have the following terms, conditions, provisions and limitations:

(i) Each 2024 Series F Down Payment Assistance Loan shall be made to provide down payment assistance only to a mortgagor who has received a Mortgage Loan;

(ii) Each 2024 Series F Down Payment Assistance Loan shall be evidenced by a promissory note and a mortgage document which has been properly recorded and constitutes a valid second lien on the property subject only to the mortgage securing the related Mortgage Loan and real property taxes or assessments not yet due; provided, that if the related Mortgage Loan is refinanced with proceeds of an Authority financed mortgage loan (an "Authority Refinance Loan"), at the option of the Authority, the 2024 Series F Down Payment Assistance Loan may be subordinated to the related Authority Refinance Loan;

(iii) The promissory note for each 2024 Series F Down Payment Assistance Loan must be payable or endorsed to the Authority and the 2024 Series F Down Payment Assistance Loan must be originated in the name of the Authority or be assigned to the Authority;

(iv) Each 2024 Series F Down Payment Assistance Loan shall be in a principal amount not to exceed Fifteen Thousand Dollars (\$15,000); and

(v) Each 2024 Series F Down Payment Assistance Loan shall be for a term not exceeding the term of the related Mortgage Loan, shall bear interest as determined by the Authority and shall be payable on the earliest of (A) the sale of the residence to which such 2024 Series F Down Payment Assistance Loan relates, (B) the maturity date thereof, or (C) the date of payment in full of the related Mortgage Loan (or if the related Mortgage Loan has been refinanced with an Authority Refinance Loan, the date of payment in full of such related Authority Refinance Loan if approved by the Authority).

(c) Amounts on deposit in the Down Payment Assistance Fund may be transferred at any time, upon Authority Request, to the Bond Proceeds Fund.

(d) The Authority does hereby pledge, convey and assign the 2024 Series F Down Payment Assistance Loans as security for the payment of the Bonds and the interest and redemption premium, if any, thereon and for the equal and proportionate benefit and security from time to time, of the Owners of the Bonds without preference, priority or distinction as to lien or otherwise. Any 2024 Series F Down Payment Assistance Loans shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof, and neither this 2024 Series F Resolution nor any instruments by which a pledge is created need be recorded. All moneys received by or on behalf of the Authority representing principal and interest payments on the 2024 Series F Down Payment Assistance Loans including all 2024 Series F Down Payment Assistance Loan Principal Prepayments representing the same shall constitute “Revenues” for purposes of the General Resolution and shall be deposited in the General Receipts Fund.

(e) Amounts on deposit in the Down Payment Assistance Fund in respect of the 2024 Series F Down Payment Assistance Loans shall be taken into account when preparing a Cash Flow Statement in accordance with Section 608 of the General Resolution. In addition to the requirements for filing a Cash Flow Statement set forth in Section 608 of the General Resolution, the Authority shall file with the Trustee a current Cash Flow Statement prior to transferring amounts to the Down Payment Assistance Fund to finance 2024 Series F Down Payment Assistance Loans in excess of the amounts contemplated in the last Cash Flow Statement to be so transferred, or prior to applying amounts previously transferred to the Down Payment Assistance Fund to finance 2024 Series F Down Payment Assistance Loans on terms materially different from those assumed in the last Cash Flow Statement. Upon filing a Cash Flow Statement with the Trustee, the Authority shall thereafter administer its program for making 2024 Series F Down Payment Assistance Loans in all material respects in accordance with the assumptions set forth in such Cash Flow Statement. Except as necessary to dispose of defaulted 2024 Series F Down Payment Assistance Loans or to comply with requirements of the Authority relating to its program for making 2024 Series F Down Payment Assistance Loans, if the Cash Flow Statement delivered in connection with any sale of 2024 Series F Down Payment Assistance Loans at a price below book value does not project Revenues sufficient to pay Expenses and debt service on the Bonds when due in each bond year, an Authorized Representative must certify to the Trustee that the projected deficiency in each bond year is less than it would have been if all or a portion of the amounts transferred or used had been applied to the financing of 2024 Series F Down Payment Assistance Loans or invested in Investment Obligations on terms then available.

**ARTICLE IV**  
**FORMS, EXECUTION AND DELIVERY OF**  
**2024 SERIES F BONDS**

**401. Forms of 2024 Series F Bonds.** Subject to the provisions of the General Resolution, the form of the 2024 Series F Bonds and the Certificate of Authentication with respect thereto are hereby approved substantially in the forms attached as Exhibits A and B, respectively, with necessary or appropriate variations, omissions and insertions as are incidental to their numbers, denominations, maturities, interest rate or rates, redemption provisions and other details thereof.

**402. Execution and Delivery of 2024 Series F Bonds.** (a) The 2024 Series F Bonds shall be executed in the name of the Authority by the manual or facsimile signature of either its Chairperson or Chief Executive Officer and Executive Director and the corporate seal of the Authority (or a facsimile thereof) shall be impressed or imprinted thereon in accordance with the provisions of Section 204 of the General Resolution. The 2024 Series F Bonds shall be authenticated by the manual signature of an authorized signer of the Trustee.

(b) The 2024 Series F Bonds shall be delivered by an Authorized Representative to the Purchaser in New York, New York, Lansing, Michigan, or any other location mutually agreeable to the Authority and the Purchaser, upon payment of the purchase price plus accrued interest, if any, on the 2024 Series F Bonds from the date thereof to the date of delivery in immediately available Federal Reserve Funds available to the Authority at the time or times and place or places of delivery.

(c) Initially, one fully-registered 2024 Series F Bond (a “2024 Series F Bond”) for each maturity and interest rate (as applicable) of 2024 Series F Bonds, in the aggregate principal amount of such maturity and interest rate (as applicable), shall be issued in the name of Cede & Co., as nominee of DTC.

**403. Global Form; Securities Depository.**

(a) Except as otherwise provided in this Section, the 2024 Series F Bonds shall be in the form of the 2024 Series F Bond, shall be registered in the name of the Securities Depository or its nominee and ownership thereof shall be maintained in book entry form by the Securities Depository for the account of the Agent Members thereof. Except as provided in subsection (c) of this Section, 2024 Series F Bonds may be transferred, in whole but not in part, only to the Securities Depository or a nominee of the Securities Depository, or to a successor Securities Depository selected by the Authority, or to a nominee of such successor Securities Depository.

(b) The Authority and the Trustee shall have no responsibility or obligation with respect to:

(i) the accuracy of the records of the Securities Depository or any Agent Member with respect to any beneficial ownership interest in the 2024 Series F Bonds;

(ii) the delivery to any Agent Member, beneficial owner of the 2024 Series F Bonds or other person, other than the Securities Depository, of any notice with respect to the 2024 Series F Bonds;

(iii) the payment to any Agent Member, beneficial owner of the Bonds or other person, other than the Securities Depository of any amount with respect to the principal of, premium, if any, or interest on, the 2024 Series F Bonds;

(iv) any consent given by Cede & Co. as Bondowner of the 2024 Series F Bonds or any successor nominee of a Securities Depository as Bondowner of such Bonds; or

(v) the selection by the Securities Depository or any Agent Member of any beneficial owners to receive payment if any 2024 Series F Bonds are redeemed in part.

So long as the certificates for the 2024 Series F Bonds are not issued pursuant to subsection (c) of this Section 403, the Authority and the Trustee may treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner of such 2024 Series F Bonds for all purposes whatsoever, including without limitation:

- (1) the payment of principal, premium, if any, and interest on such 2024 Series F Bond;
- (2) giving notices of redemption and other matters with respect to such 2024 Series F Bond; and
- (3) registering transfers with respect to such 2024 Series F Bond.

(c) If at any time the Securities Depository notifies the Authority or the Trustee that it is unwilling or unable to continue as Securities Depository with respect to the 2024 Series F Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor Securities Depository is not appointed by the Authority within ninety (90) days after the Authority or the Trustee receives notice or becomes aware of such condition, as the case may be, subsections (a) and (b) of this Section shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the 2024 Series F Bonds as provided in subsection (d) below. In addition, the Authority may determine at any time that the 2024 Series F Bonds shall no longer be represented by global certificates and that the provisions of subsections (a) and (b) above shall no longer apply to the 2024 Series F Bonds. In any such event the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the 2024 Series F Bonds as provided in subsection (d) below.

(d) Certificates for the 2024 Series F Bonds issued in exchange for global certificates shall be registered in such names and authorized denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Authority and the Trustee. The Trustee shall deliver such certificates representing the 2024 Series F Bonds to the persons in whose names such 2024 Series F Bonds are so registered as soon as practicable.

**404. Conflict With Representation Letter.** Notwithstanding any other provision of this 2024 Series F Resolution to the contrary, so long as any 2024 Series F Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or Redemption Price of and interest, if any, on such 2024 Series F Bond, and all notices with respect to such 2024 Series F Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

**ARTICLE V  
MISCELLANEOUS**

**501. Ratification of Actions.** The actions of any Authorized Representative heretofore taken pursuant to the provisions of the General Resolution including, but not limited to: the publishing of notice and the conducting of a hearing with respect to the issuance of the 2024 Series F Bonds, the making of presentations to security rating agencies, the undertaking of discussions and negotiations with underwriters or groups of underwriters or purchasers regarding offers to purchase the 2024 Series F Bonds, be, and they hereby are, ratified and confirmed in all respects.

**502. Authorization of 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 sale, execution and delivery of the 2024 Series F Bonds subject to, and as may be required by the Purchase Contract, the General Resolution and this 2024 Series F Resolution.

(b) Any Authorized Representative is hereby authorized to pay from the General Operating Fund all funds necessary to pay the costs of issuance, including the Underwriter's fee and placement fee, if applicable, of the 2024 Series F Bonds not paid from the proceeds of the 2024 Series F Bonds, and to make the deposit of moneys, or obtain Letter(s) of Credit and/or Surety Bond(s), or an increase in the amount of existing Letter(s) of Credit and/or Surety Bond(s), as provided by Section 503 hereof.

**503. Authorization of Procurement of Letter(s) of Credit and/or Surety Bond(s) and Execution of Reimbursement Agreement and/or Guaranty Agreement; Notice to the Trustee.** Any Authorized Representative hereby is authorized to obtain Letter(s) of Credit and/or Surety Bond(s), to obtain an increase in the amount of existing Letter(s) of Credit and/or Surety Bonds or to obtain a replacement for existing Letter(s) of Credit and/or Surety Bond(s) for application in lieu of the deposit of moneys to the Capital Reserve Fund as specifically authorized in this 2024 Series F Resolution. In connection with the procurement of the foregoing Letter(s) of Credit and/or Surety Bond(s) or the increase in the amount of existing Letter(s) of Credit and/or Surety Bond(s), the Authorized Representative is authorized, if necessary, to negotiate and execute a reimbursement agreement, or, if necessary, an amendment to any existing reimbursement agreement, with a banking institution, or a guaranty agreement, or, if necessary, an amendment to an existing guaranty agreement, with an insurance company, as appropriate. The annual fees (in addition to any expense reimbursements) paid to the banking institution for the procurement of Letter(s) of Credit shall not exceed one half of one percent (0.5%) of the cumulative amount of the Letter(s) of Credit, the fee to be paid by the Authority for any Surety Bond(s) shall not exceed two percent (2%) of the Surety Bond Coverage relating thereto. The Authority shall give the Trustee sixty (60) days' written notice prior to the expiration of any Letter(s) of Credit obtained pursuant to this 2024 Series F Resolution.

**504. Preliminary Official Statement.** The form of the Preliminary Official Statement of the Authority with respect to the initial offering of the 2024 Series F 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 Representative shall deem advisable or appropriate. The delivery of a certificate relating to the

Preliminary Official Statement for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, is also approved.

**505. Final Official Statement.** The form of the Preliminary Official Statement of the Authority is hereby authorized and approved as the final Official Statement of the Authority, with such changes, omissions, insertions and revisions as an Authorized Representative shall deem advisable or appropriate. Any Authorized Representative is hereby authorized to execute such final Official Statement and deliver it to the Underwriter for distribution on behalf of the Authority.

**506. Reserved.**

**507. Trustee Not Responsible for Official Statement.** The recitals, statements and representations contained in the Preliminary Official Statement and the Official Statement shall be taken and construed as made by and on the part of the Authority and not by the Trustee, and the Trustee assumes and shall be under no responsibility for the correctness of the same.

**508. Notice of Redemption.**

(a) At least thirty (30) days but no more than ninety (90) days before the redemption date of any 2024 Series F Bonds, the Trustee shall cause a notice of any redemption of 2024 Series F Bonds, either in whole or in part, to be sent by registered or certified mail or by overnight delivery, to the Securities Depository at least two (2) business days (a business day being a day when such Securities Depository is open for business) prior to the date of general mailing of any notice of redemption.

(b) In addition, a second duplicate notice in writing shall be mailed by certified mail, postage prepaid, return receipt requested, to any registered owner of 2024 Series F Bonds to be redeemed who has not presented and surrendered such 2024 Series F Bonds to the Trustee for redemption within thirty (30) days after the date of redemption.

(c) In addition to the requirements set forth in Section 302 of the General Resolution, a notice of any such redemption shall include the following information with respect to the 2024 Series F Bonds to be so redeemed: the complete title of the 2024 Series F Bonds, the CUSIP numbers of the 2024 Series F Bonds to be redeemed, the date of general mailing of such notice of redemption, the complete name of the Trustee including the telephone number for inquiries, the maturity date and the interest rate (if applicable) of the 2024 Series F Bonds.

(d) Failure to receive any such notices by any such registered owner shall not affect the validity of the proceedings for the redemption of the 2024 Series F Bonds.

**509. Continuing Disclosure.** The 2024 Series F Bonds are hereby made subject to the Second Master Continuing Disclosure Undertaking-Single Family Mortgage Revenue Bonds, dated as of April 1, 2019, and the Authority agrees to abide by the provisions thereof so long as any of the 2024 Series F Bonds are Outstanding.

**510. Notices to Rating Agency.** The Authority hereby covenants and agrees that it will send written notice to S&P at 55 Water Street, 38<sup>th</sup> Floor, New York, New York 10041 and to Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, of the occurrence of any of the following events with respect to the 2024 Series F Bonds:

- (a) any acceleration of payment of the principal of and interest on the 2024 Series F Bonds;
- (b) any amendments to this 2024 Series F Resolution or the General Resolution;
- (c) any successor to the Trustee under the General Resolution; and
- (d) any defeasance or redemption in whole of the 2024 Series F Bonds.

**511. Effective Date.** This 2024 Series F Resolution shall take effect immediately. If the 2024 Series F Bonds are not delivered to the Purchaser on or before November 30, 2024, the authority granted by this 2024 Series F Resolution shall lapse.

[Remainder of page intentionally left blank]

EXHIBIT A

[FORM OF 2024 SERIES F BOND]

*Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.*

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
SINGLE-FAMILY MORTGAGE REVENUE BOND, 2024 SERIES F  
(FEDERALLY TAXABLE)

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
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REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT:

The Michigan State Housing Development Authority (the “Authority”), a public body corporate and politic, organized and existing under and by virtue of the laws of the State of Michigan, acknowledges itself indebted to, and for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above, on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, upon the presentation and surrender hereof at the principal corporate trust office of U.S. Bank Trust Company, National Association in St. Paul, Minnesota (the “Trustee”), as Trustee under the Resolution of the Authority adopted December 17, 1987, authorizing the issuance of Michigan State Housing Development Authority Single-Family Mortgage Revenue Bonds, as amended and supplemented (the “General Resolution”), or its successor as Trustee, and to pay to the registered owner by check or draft mailed to the registered owner on the fifteenth (15<sup>th</sup>) day of the month preceding the interest payment date at such owner’s address as shown on the registration books of the Authority, as maintained by the Trustee, interest on such Principal Amount from the date hereof to the date of maturity or earlier redemption of this 2024 Series F Bond at the Interest Rate per annum specified above on \_\_\_\_\_, 20\_\_, and semiannually thereafter on the first day of December and June. The principal or Redemption Price (as defined in the General Resolution) of this 2024 Series F Bond is payable upon presentation in any coin or currency of the United States of America which, on the respective dates of payment, shall be legal tender for the payment of public and private debts.

THE STATE OF MICHIGAN IS NOT LIABLE ON THIS 2024 SERIES F BOND AND THIS 2024 SERIES F BOND IS NOT A DEBT OF THE STATE OF MICHIGAN. THE AUTHORITY HAS NO TAXING POWER.

Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the hereinafter defined 2024 Series F Resolution.

Subject to any agreements now or hereafter made with the owners of any other notes or bonds of the Authority pledging any particular receipts or revenues, this 2024 Series F Bond is a general obligation of the Authority and the full faith and credit of the Authority are hereby pledged for the payment of the principal or Redemption Price of and interest on this 2024 Series F Bond. This 2024 Series F Bond is one of a duly authorized issue of Bonds of the Authority designated “Single-Family Mortgage Revenue Bonds” (the “Bonds”), issued and to be issued in various series under and pursuant to Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (herein called the “Act”), and under and pursuant to the General Resolution and a series resolution authorizing the issuance and sale of each such series. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series, in various principal amounts, may mature at different times, may bear interest, if any, at different rates and, subject to the provisions thereof, may otherwise vary. The aggregate principal amount of Bonds which may be issued under the General Resolution is not limited except as provided in the General Resolution, and all Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This 2024 Series F Bond is one of a series of Bonds designated “Single-Family Mortgage Revenue Bonds, 2024 Series F (Federally Taxable)” (the “2024 Series F Bonds”) issued in the initial aggregate principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) under the General Resolution and the Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2024 Series F in an Amount not to Exceed \$55,000,000, adopted on September 19, 2024 (the “2024 Series F Resolution”) (the General Resolution and the 2024 Series F Resolution are collectively herein called the “Resolutions”). The proceeds of the 2024 Series F Bonds will be utilized by the Authority as provided in the Resolutions. The 2024 Series F Bonds will be secured by a pledge of the Pledged Property (as defined in the General Resolution) which includes the mortgage repayments required to be paid on the mortgage loans financed with the proceeds of the 2024 Series F Bonds, the Down Payment Assistance Fund established under the Authority’s Series Resolution Authorizing the Issuance and Sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B adopted on November 19, 2003 (the “2003 Series B Resolution”) and the repayments required to be paid on the down payment assistance loans financed with the proceeds of the 2024 Series F Bonds and will be further secured by the Loan Loss Fund established under the Authority’s Resolution Establishing Single-Family Loan Loss Fund adopted on July 8, 1988, as supplemented (the “Loan Loss Fund Resolution”). Copies of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution are on file in the office of the Authority and at the corporate trust office of the Trustee, and reference to the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution and any and all supplements thereto and modifications and amendments thereof and to the Act are made for a description of the pledges and covenants securing the 2024 Series F Bonds, the nature, extent and

manner of enforcement of such pledges, the rights and remedies of the registered owners of the 2024 Series F Bonds with respect thereto and the terms and conditions upon which the 2024 Series F Bonds are issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution, the provisions of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution or any resolution amendatory thereof or supplemental thereto, may be modified or amended.

This 2024 Series F Bond is transferable, as provided in the Resolutions, only upon the books of the Authority kept for that purpose at the corporate trust office of the Trustee by the registered owner hereof in person, or by an attorney duly authorized in writing, upon the surrender of this 2024 Series F Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new registered 2024 Series F Bond or 2024 Series F Bonds, and in the same aggregate principal amount and of the same interest rate and maturity, shall be issued to the transferee in exchange therefor as provided in the Resolutions, and upon the payment of the charges, if any, therein prescribed.

The 2024 Series F Bonds are issuable in the form of fully-registered Bonds without coupons in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2024 Series F Bonds.

The 2024 Series F Bonds are subject to redemption prior to maturity as provided in the 2024 Series F Resolution. Notice of any such redemption shall be given to the registered owners of any 2024 Series F Bonds or portions thereof to be redeemed as provided in the 2024 Series F Resolution.

This 2024 Series F Bond shall not be valid or become obligatory for any purpose until the Trustee's Certificate of Authentication hereon shall have been executed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of Michigan and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 2024 Series F Bond, exist, have happened and have been performed in due time, form and manner as required by law, and that the issue of the 2024 Series F Bonds, together with all other indebtedness of the Authority is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Michigan State Housing Development Authority has caused this 2024 Series F Bond to be executed in its name by the facsimile signature of its Chief Executive Officer and Executive Director and its corporate seal (or a facsimile thereof) to be impressed or imprinted hereon, all as of the Date of Original Issue as set forth above.

MICHIGAN STATE HOUSING DEVELOPMENT  
AUTHORITY

(Seal)

By \_\_\_\_\_  
Its Chief Executive Officer  
and Executive Director

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2024 Series F Bonds described in the within-mentioned 2024 Series F Resolution.

U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION, Trustee

By: \_\_\_\_\_  
Authorized Representative

Date of Authentication:

EXHIBIT B

[FORM OF 2024 SERIES F BOND (CAPITAL APPRECIATION BOND)]

*Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.*

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
SINGLE-FAMILY MORTGAGE REVENUE BOND, 2024 SERIES F  
(FEDERALLY TAXABLE) (CAPITAL APPRECIATION BOND)

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>Original Principal Amount per \$5,000 at Maturity</u>	<u>CUSIP</u>
Zero				

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT IF HELD TO MATURITY: \_\_\_\_\_

The Michigan State Housing Development Authority (the “Authority”), a public body corporate and politic, organized and existing under and by virtue of the laws of the State of Michigan, acknowledges itself indebted to, and for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, on the date the principal of this 2024 Series F Bond shall become payable, the Appreciated Amount (as defined in the 2024 Series F Resolution identified below) as hereinafter provided, upon the presentation and surrender hereof at the principal corporate trust office of U.S. Bank Trust Company, National Association in St. Paul, Minnesota (the “Trustee”), as Trustee under the Resolution of the Authority adopted December 17, 1987, authorizing the issuance of Michigan State Housing Development Authority Single-Family Mortgage Revenue Bonds, as amended and supplemented (the “General Resolution”), or its successor as Trustee. Unless this 2024 Series F Bond shall have been redeemed or an acceleration of its maturity shall have occurred, all as hereinafter provided, the Appreciated Amount of this 2024 Series F Bond shall become due on the Maturity Date specified above. The Appreciated Amount or Redemption Price (as defined in the General Resolution) of this 2024 Series F Bond is payable upon presentation in any coin or currency of the United States of America which, on the respective dates of payment, shall be legal tender for the payment of public and private debts.

Interest shall not be paid on this 2024 Series F Bond except in the case of the failure of the Authority to deposit the Appreciated Amount with the Trustee at the stated maturity hereof in which case such amount owing on this 2024 Series F Bond shall thereafter bear interest at the rate equal to the approximately yield established in the 2024 Series F Resolution from the date of such maturity until such amount plus interest is deposited with the Trustee.

THE STATE OF MICHIGAN IS NOT LIABLE ON THIS 2024 SERIES F BOND AND THIS 2024 SERIES F BOND IS NOT A DEBT OF THE STATE OF MICHIGAN. THE AUTHORITY HAS NO TAXING POWER.

Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the hereinafter defined 2024 Series F Resolution.

Subject to any agreements now or hereafter made with the owners of any other notes or bonds of the Authority pledging any particular receipts or revenues, this 2024 Series F Bond is a general obligation of the Authority and the full faith and credit of the Authority are hereby pledged for the payment of the principal or Redemption Price of and interest on this 2024 Series F Bond. This 2024 Series F Bond is one of a duly authorized issue of Bonds of the Authority designated “Single-Family Mortgage Revenue Bonds” (the “Bonds”), issued and to be issued in various series under and pursuant to Act No. 346 of the Public Acts of 1966 of the State of Michigan, as amended (herein called the “Act”), and under and pursuant to the General Resolution and a series resolution authorizing the issuance and sale of each such series. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series, in various principal amounts, may mature at different times, may bear interest, if any, at different rates and, subject to the provisions thereof, may otherwise vary. The aggregate principal amount of Bonds which may be issued under the General Resolution is not limited except as provided in the General Resolution, and all Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This 2024 Series F Bond is one of a series of Bonds designated “Single-Family Mortgage Revenue Bonds, 2024 Series F (Federally Taxable)” (the “2024 Series F Bonds”) issued in the initial aggregate principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) under the General Resolution and the Series Resolution Authorizing the Issuance and Sale of Single-Family Mortgage Revenue Bonds, 2024 Series F in an Amount not to Exceed \$55,000,000, adopted on September 19, 2024 (the “2024 Series F Resolution”) (the General Resolution and the 2024 Series F Resolution are collectively herein called the “Resolutions”). The proceeds of the 2024 Series F Bonds will be utilized by the Authority as provided in the Resolutions. The 2024 Series F Bonds will be secured by a pledge of the Pledged Property (as defined in the General Resolution) which includes the mortgage repayments required to be paid on the mortgage loans financed with the proceeds of the 2024 Series F Bonds, the Down Payment Assistance Fund established under the Authority’s Series Resolution Authorizing the Issuance and Sale of its Single-Family Mortgage Revenue Bonds, 2003 Series B adopted on November 19, 2003 (the “2003 Series B Resolution”) and the repayments required to be paid on the down payment assistance loans financed with the proceeds of the 2024 Series F Bonds and will be further secured by the Loan Loss Fund established under the Authority’s Resolution Establishing Single-Family Loan Loss Fund adopted on

July 8, 1988, as supplemented (the “Loan Loss Fund Resolution”). Copies of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution are on file in the office of the Authority and at the corporate trust office of the Trustee, and reference to the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution and any and all supplements thereto and modifications and amendments thereof and to the Act are made for a description of the pledges and covenants securing the 2024 Series F Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the 2024 Series F Bonds with respect thereto and the terms and conditions upon which the 2024 Series F Bonds are issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution, the provisions of the Resolutions, the 2003 Series B Resolution and the Loan Loss Fund Resolution or any resolution amendatory thereof or supplemental thereto, may be modified or amended.

This 2024 Series F Bond is transferable, as provided in the Resolutions, only upon the books of the Authority kept for that purpose at the corporate trust office of the Trustee by the registered owner hereof in person, or by an attorney duly authorized in writing, upon the surrender of this 2024 Series F Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new registered 2024 Series F Bond or 2024 Series F Bonds, of the same maturity and in the applicable aggregate Appreciated Amount, shall be issued to the transferee in exchange therefor as provided in the Resolutions, and upon the payment of the charges, if any, therein prescribed.

The 2024 Series F Bonds are issuable in the form of fully-registered Bonds without coupons in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof not exceeding the aggregate principal amount for each maturity of such 2024 Series F Bonds.

The 2024 Series F Bonds are subject to redemption prior to maturity as provided in the 2024 Series F Resolution. Notice of any such redemption shall be given to the registered owners of any 2024 Series F Bonds or portions thereof to be redeemed as provided in the 2024 Series F Resolution.

The Appreciated Amount for this 2024 Series F Bond shall be determined as provided in the 2024 Series F Resolution.

This 2024 Series F Bond shall not be valid or become obligatory for any purpose until the Trustee’s Certificate of Authentication hereon shall have been executed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of Michigan and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 2024 Series F Bond, exist, have happened and have been performed in due time, form and manner as required by law, and that the issue of the 2024 Series F Bonds, together with all other indebtedness of the Authority is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Michigan State Housing Development Authority has caused this 2024 Series F Bond to be executed in its name by the facsimile signature of its Chief

Executive Officer and Executive Director and its corporate seal (or a facsimile thereof) to be impressed or imprinted hereon, all as of the Date of Original Issue as set forth above.

MICHIGAN STATE HOUSING DEVELOPMENT  
AUTHORITY

(Seal)

By \_\_\_\_\_  
Its Chief Executive Officer  
and Executive Director

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2024 Series F Bonds described in the within-mentioned 2024 Series F Resolution.

U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION, Trustee

By: \_\_\_\_\_  
Authorized Representative

Date of Authentication:

[End of 2024 Series F Bond Forms]



# 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 

**DATE:** September 19, 2024

**RE:** Liquidity Extension for the Single-Family Mortgage Revenue Bonds, 2007 Series E and Remarketing Agent

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### **RECOMMENDATION:**

I recommend that the Michigan State Housing Development Authority (the "Authority") authorize the extension of the current Single-Family Mortgage Revenue Bonds, 2007 Series E (the "2007 E Bonds") Standby Bond Purchase Agreement (the "Liquidity Facility"), as well as maintain the current remarketing agent.

### **EXECUTIVE SUMMARY:**

The 2007 E Bonds, with a current balance of \$36.8 million, were issued as variable rate demand obligations ("VRDOs"). To enhance the marketability to institutions and market funds, the Authority's VRDOs require a put option. The put option gives the bondholders the ability to put the debt back to the Authority in the case of a failed remarketing; therefore, the Authority needs to employ a liquidity facility.

Currently, the Authority has a liquidity facility in place with the Royal Bank of Canada ("RBC") that expires October 25, 2024. The Authority pays RBC an annualized fee of 32 basis points. The Authority is requesting the authorization to extend the Liquidity Facility for 5 years at an annualized rate of 24 basis points. The Liquidity Facility fee is calculated on bonds outstanding plus 185 days of interest at 12%.

If RBC is ever required to purchase the 2007 E Bonds (then referred to as "Bank Bonds"), the base interest rate on the Bank Bonds will be the highest of the federal funds rate plus 2.50%, prime rate plus 2.50% or 8.00% per annum. The Authority will then redeem the Bank Bonds in 6 equal semi-annual principal installments.

Additionally, staff wish to extend RBC as the remarketing agent for the 2007 E Bonds, at 7 basis points per annum.

**ADVANCING THE AUTHORITY'S MISSION:**

The extension of the expiring Standby Bond Purchase Agreement relates to the management of the Authority's debt portfolio. The Authority issues debt to fund its lending activities and strives to achieve the lowest cost of borrowing while taking all risks into consideration. As a self-sustaining agency, the Authority seeks to generate low lending rates so that Michigan residents have additional options to find quality affordable housing. The Authority's lending activities must also generate sufficient revenue to cover operating expenses and fund the non-economic goals of the Authority, such as non-repayable grants.

**ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

None.

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
RESOLUTION AUTHORIZING AMENDMENT TO STANDBY BOND PURCHASE  
AGREEMENT WITH ROYAL BANK OF CANADA  
(SINGLE-FAMILY PROGRAM) DATED AS OF OCTOBER 1, 2019**

September 19, 2024

WHEREAS, in 2019, the Members of the Michigan State Housing Development Authority (the “Authority”) determined, pursuant to a Resolution dated September 26, 2019 (the “Original Resolution”) that it was necessary and desirable for the Authority to enter into a Standby Bond Purchase Agreement dated as of October 1, 2019 (the “Original Agreement”) by and among the Authority, Royal Bank of Canada, acting through its branch located at 200 Vesey Street, New York, New York (the “Bank”) and U.S. Bank National Association, as trustee and as custodian, that would provide liquidity support for the Authority’s Single-Family Mortgage Revenue Bonds, 2007 Series E; and

WHEREAS, the Authority wishes to authorize an amendment to the Original Agreement pursuant to which (i) the Stated Expiration Date will be extended to October 24, 2029, (ii) the pricing related to the calculation of the Bank Rate will be updated; (iii) certain provisions of the Agreement relating to a rate index will be modified to be based on SOFR; (iv) certain other ongoing covenants will be clarified; and (v) amend the facility fees set forth in the hereinafter defined Amended and Restated Fee Agreement; and

WHEREAS, the Authority wishes to memorialize such amendments pursuant to a First Amendment to Standby Bond Purchase Agreement to be dated September 20, 2024 and effective October 25, 2024 (the “First Amendment”), by and among the Authority, the Bank and U.S. Bank Trust Company, National Association (successor to U.S. Bank National Association), as trustee and as custodian and the Amended and Restated Fee Agreement to be dated September 20, 2024 (or such other date approved by an Authorized Representative), between the Authority and the Bank (the “Amended and Restated Fee Agreement”); 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 First Amendment, as well as the Amended and Restated Fee Agreement, 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.

“Agreement” means the Original Agreement, together with the First Amendment.

“Amended and Restated Fee Agreement” means the Amended and Restated Fee Agreement to be dated September 20, 2024 (or such other date approved by an Authorized Representative), between the Authority and the Bank which sets forth certain fees and expenses payable by the Authority, and terms and conditions applicable thereto, in connection with the Agreement.

“Authority” means the Michigan State Housing Development Authority.

“Bank” means Royal Bank of Canada, acting through its branch located at 200 Vesey Street, New York, New York

“First Amendment” means the First Amendment to Standby Bond Purchase Agreement to be dated September 20, 2024 and effective October 25, 2024, by and among the Authority, the Bank and U.S. Bank Trust Company, National Association, as trustee and as custodian.

“Original Agreement” means the Standby Bond Purchase Agreement dated as of October 1, 2019, by and among the Authority, the Bank and U.S. Bank National Association, as trustee and as custodian.

**ARTICLE II  
AUTHORIZATION TO EXECUTE FIRST AMENDMENT AND AMENDED AND  
RESTATED FEE AGREEMENT**

**201. Form of First Amendment and Authorization to Sign First Amendment.** The form of the First Amendment has been presented to the Authority. Each Authorized Representative is authorized to negotiate, execute and deliver, on behalf of the Authority, the First Amendment, in substantially the form presented at this meeting, with such changes as an Authorized Representative deems necessary and desirable and not materially adverse to the Authority.

**202. Form of Amended and Restated Fee Agreement and Authorization to Sign Amended and Restated Fee Agreement.** The form of the Amended and Restated Fee Agreement has been presented to the Authority. Each Authorized Representative is authorized to

negotiate, execute and deliver, on behalf of the Authority, the Amended and Restated Fee Agreement, in substantially the form presented at this meeting, with such changes as an Authorized Representative deems necessary and desirable and not materially adverse to the Authority.

### **ARTICLE III AUTHORIZATION OF LOAN**

**301. Facility Fee Rate.** The Facility Fee Rate pursuant to the Amended and Restated Fee Agreement shall not exceed thirty-two basis points (0.32%) based on the Authority's current general obligation credit rating. Such rate may increase if the Authority's general obligation credit rating decreases, but in no event shall such spread exceed one hundred and two basis points (1.02%) except in such circumstances when the Authority is in default under the Agreement.

**302. General Obligation of the Authority.** The obligations of the Authority under the Agreement 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.

### **ARTICLE IV MISCELLANEOUS**

**401. 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 regarding the transactions contemplated by this Authorizing Resolution are hereby ratified and confirmed in all respects.

**402. 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 First Amendment and the Amended and Restated Fee Agreement, 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 amending the Original Agreement and pursuant to the Amended and Restated Fee Agreement.

(c) Any Authorized Representative, in consultation with the Michigan Department of Attorney General, the Authority's financial advisor, and its Bond Counsel, is hereby authorized to take such actions and execute such documents as are necessary to (i) further extend the duration of the Agreement, (ii) modify or amend and restate the Amended and Restated Fee Agreement, pursuant to agreed-upon terms consistent with the Original Resolution or any fee agreement entered into by the Authority in connection with any other bonds of the Authority, and (iii) modify or amend the Agreement, pursuant to agreed-upon terms consistent with the Original Resolution or any standby bond purchase agreement entered into by the Authority in connection with any other bonds of the Authority.

**403. Effective Date.** This Authorizing Resolution shall take effect immediately. If the execution copies of the First Amendment and the Amended and Restated Fee Agreement are not delivered to the Bank on or before October 31, 2024, the authorization granted by this Authorizing Resolution shall lapse.

4877-1740-0794.5



# 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 

**DATE:** September 19, 2024

**RE:** Interest Rate Swap Agreement Termination for the Rental Housing Revenue Bonds, 2016 Series E

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### **RECOMMENDATION:**

I recommend that the Michigan State Housing Development Authority (the "Authority") authorize the termination of the interest rate swap agreement (the "Swap" or "Swap Agreement") related to the Rental Housing Revenue Bonds, 2016 Series E (the "2016 E Bonds").

### **EXECUTIVE SUMMARY:**

The Authority has integrated Swaps into its financings in an effort to reduce the cost of borrowing. Swap agreements and variable rate debt have allowed the Authority to finance developments, reduce single-family mortgage rates and fund programs that otherwise would not have been feasible. Attached (Exhibit A) is the Authority's Variable Rate Debt and Swap Management Plan that discusses the benefits and risks of variable rate debt and swaps.

Due to multi-family mortgage prepayments, the Authority has called for the redemption of all outstanding (\$21,790,000) 2016 E Bonds on September 23, 2024. Currently, the Authority has a \$21,790,000 Swap associated with the 2016 E Bonds. The Swap counterparty is Bank of America, N.A. ("BofA"). The fixed pay rate to BofA is 3.323%, and the floating rate to the Authority is 70% of the Secured Overnight Financing Rate ("SOFR") plus ten (10) basis points.

Authority staff are seeking authorization to terminate the Swap with BofA at market. On August 31, 2024, the market dictated the Authority make an approximately \$70,500 termination payment to BofA. Actual termination payment will be determined at the time of termination.

**ADVANCING THE AUTHORITY'S MISSION:**

The termination of this Swap Agreement relates to the management of the Authority's debt portfolio. The Authority issues debt to fund its lending activities and strives to achieve the lowest cost of borrowing while taking all risks into consideration. As a self-sustaining agency, the Authority seeks to generate low lending rates so that Michigan residents have additional options to find quality affordable housing. The Authority's lending activities must also generate sufficient revenue to cover operating expenses and fund the non-economic goals of the Authority, such as non-repayable grants.

**MUNICIPAL SUPPORT:**

Not applicable for a bond issue.

**COMMUNITY ENGAGEMENT/IMPACT:**

Not applicable.

**RESIDENT IMPACT:**

Not applicable.

**ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

None.

## EXHIBIT A

### **Michigan State Housing Development Authority Variable Rate Debt and Swap Management Plan September 19, 2018**

The following serves as the Michigan State Housing Development Authority's policy on variable rate debt and interest rate swap agreements. This policy supersedes the June 30, 2006 policy.

Variable rate debt and interest rate swap agreements are important tools that the Michigan State Housing Development Authority (the Authority) utilizes to accomplish its goals. Most importantly, these tools reduce the Authority's cost of borrowing. Swap Agreements and Variable Rate Debt have allowed the Authority to finance developments, reduce single-family mortgage rates and fund programs that otherwise would not have been feasible.

With the inclusion of swaps and variable rate debt come additional risks. The following information is to serve as a summary of the Authority's recognition of the additional risk and how these risks are being managed.

#### **Variable Rate Debt**

Variable rate debt exposes the Authority to the risk that interest rates will increase, that an adverse change in marginal income tax rates occurs, and in the case of variable rate demand obligations (VRDOs), liquidity risk.

At any given time, the Authority may have a substantial amount of variable rate debt outstanding. The Authority will continuously monitor the percent of variable rate debt against fixed rate as well as hedged variable rate debt, to produce the best cost of borrowing possible. This debt mix will always consider the different levels of risk associated with debt type. The Authority utilizes the financial strength of its balance sheet as well as staff expertise to mitigate variable rate debt risk.

Within the various bond indentures, there are mortgages where the bonds have been entirely paid off. These mortgages generate millions in principal and interest payments that are utilized to call outstanding debt. This excess cash flow can be directed toward high coupon fixed rate debt or to reduce the Authority's exposure to variable rate debt. These reductions over and above normal debt service of outstanding debt continue to improve the Authority's parity ratio (Loans Receivable plus Investments divided by Bonds Outstanding).

Not only has variable rate debt been invaluable in reducing the Authority's cost of borrowing, but has provided a natural hedge against low investment returns. At any given time the Authority may have \$100 million in short term investments. As interest rates fall, the lower borrowing rates help to offset lower returns on short term investments.

The Authority has issued variable rate debt in the form of VRDOs that has an optional tender feature that creates liquidity risk. Liquidity becomes an issue if the bonds have a failed remarketing and the Authority does not have the funds available to cover the debt. In order to

reduce liquidity risk, the Authority has entered into standby bond purchase agreements with numerous banks. If the Authority experiences a failed remarketing, the corresponding bank will step in and become the bondholder for a period of time. In an effort to reduce liquidity risk, the Authority has issued other types of variable rate debt that does not have the optional tender feature, as well as diversified the liquidity providers.

### **Swap Management Plan**

Interest rate swap agreements are a cost effective way to hedge portions of the Authority's debt portfolio against interest rate volatility. The interest rate swap agreement itself is a trade that's value is determined by market conditions. The way the swap works is as follows:

1. The Authority issues variable rate debt. The Authority will pay the bondholder an interest rate based on current market conditions that are reset periodically (e.g. daily, weekly, monthly or quarterly).
2. The Authority enters into an interest rate swap agreement, where the counterparty agrees to pay the Authority a variable rate that closely matches the rate established in step 1, above. In return for receiving the variable rate payment, the Authority will pay the counterparty a fixed rate (e.g. 5.0% multiplied by bonds outstanding).
3. On the debt service date, the Authority will pay the bondholders their variable rate. The Authority will receive a variable rate payment from the counterparty, as agreed upon, which should be very close to the payment that was made to the bondholders. At the same time, the Authority pays to the counterparty the fixed rate (e.g. 5.0% multiplied by bonds outstanding).

Over time, as interest rates increase or decrease, it will have little to no impact on the debt service cost to the Authority, as the amount that is paid to the counterparty is fixed at 5.0% in our example. The value of the swap agreement fluctuates as interest rates change.

The benefit to issuing variable rate debt and synthetically fixing it, rather than issuing fixed rate debt, comes from the ability to eliminate the penalty associated with fixed rate housing debt, and the capability to assume different types of risk. The housing penalty is created by the uncertainty as to when the bondholders' principal will be repaid. The varying stream of mortgage prepayments creates this uncertainty. When variable rate debt is issued, the bondholder is no longer concerned with early prepayment, as it is easy to replace that investment at similar rates. When the Authority is willing to assume different types of risk, it is compensated through a lower fixed rate payment to the interest rate swap counterparty. Below, these different risks are discussed further.

In an effort to minimize the amount of interest rate risk exposure, the Authority has entered into interest rate swap contracts. An interest rate swap is where the Authority issues variable rate debt, and then enters into a contract with a counterparty that agrees to pay the Authority a variable rate in return for a fixed rate. The debt is then referred to as synthetically fixed rate.

While the interest rate swap reduces rate risk, the Authority has exposed itself to other risks. These risks may or may not include: counterparty risk, termination risk, basis point risk, tax event risk, rollover risk and amortization risk.

**Counterparty risk** is the risk that the swap counterparty will not fulfill its obligations set forth under the terms and conditions of the swap contract. This could have the effect of rendering the debt exposed to all of the risks associated with variable rate debt. This could reduce cash flow, if the Authority anticipated a termination payment. The Authority monitors counterparty ratings. If a counterparty's financial health is deteriorating, the Authority may have to consider the debt as variable for future decision-making. If necessary, the Authority may set up additional Master Swap Agreements with new counterparties in an effort to diversify counterparty risk.

**Termination risk** is the risk that the swap could be terminated by the counterparty due to any of several events, which may include an Authority or counterparty ratings downgrade, covenant violation by either party, bankruptcy of either party, swap payment default by either party, and default events as defined in the Authority's bond indentures. The Authority mitigates this risk by working with highly rated counterparties, monitoring their ratings, hiring well-respected bond and underwriter's counsel, and diversifying counterparty risk.

**Basis point risk** refers to a mismatch between the interest rate received from the swap contract and the interest actually paid on the Authority's debt. The Authority has entered into percentage of London Interbank Offered Rate (LIBOR) swap contracts. Over the past fifteen to twenty years the Authority's short-term debt has generally traded, between 67% and 70% of LIBOR. During the credit crisis that began in 2008, the Authority's short-term debt traded outside this typical range. The idea with a percentage of LIBOR swap is to pay the Authority's historical rate of approximately 68% LIBOR and receive 70% of LIBOR. Taking on this additional risk lowers the fixed rate that the Authority will have to pay the counterparty. The Authority's variable rate debt has traded at 100%+ of LIBOR and during those periods received only 70% of LIBOR, consequently, the Authority had to make up the difference. In an effort to reduce basis point risk, the Authority has entered into interest rate swap agreements where the counterparty pays a percent of LIBOR plus an increment (e.g. 61% of LIBOR plus 40 basis points). This type of trade greatly reduces the payment mismatch during low interest rate environments. Normally, when the Authority structures a bond deal, a portion of the deal is left unhedged. The benefit of unhedged variable rate debt during extremely low interest rate environments more than offsets the loss from assuming basis point risk.

**Tax event risk** is the risk that a change in the marginal income tax rates or a change in the tax code impacts the trading value of tax-exempt bonds. The Authority has entered into a few swap contracts where tax risk was not assumed. The Authority takes into account changes and anticipated changes in the tax code in analyzing future debt structure.

**Rollover risk** is the risk that the swap contract is not coterminous with the related debt. The Authority has a few swap contracts that will end prior to the last bond maturing. This is a choice that the Authority has made in an effort to deal with amortization risk, our next topic.

**Amortization risk** is the risk that there is a mismatch or potential mismatch between the Authority's bonds and the notional amount of the swap outstanding. This mismatch could expose the Authority to variable interest rates if the swap amortizes quicker than the bonds or subject the Authority to a payment to the counterparty to terminate a portion of the swap contract early if the bonds are redeemed quicker than anticipated. To mitigate this risk the Authority has purchased options to terminate the swap contract early, without a termination payment. In structuring the debt, the Authority has included a portion of the debt as variable rate debt that can be called at par at any time from any source. This would allow the Authority to direct any unexpected prepayments to the variable rate debt.

### **Debt Management**

A very important tool in managing the Authority's debt and integrating swaps into the financing structures is the cash flows. Each time the Authority goes to the market with a new debt offering, cash flow/financial projections are created for the new offering as well as the entire general resolution. A tremendous amount of detail and planning goes into creating these cash flows and financial projections. While the Authority is structuring a bond financing, staff gathers detailed information on the types of mortgage to be funded to determine how much flexibility the plan of finance will require. If a refunding is involved, the Authority will gather information on the loans that will be transferred. The type of information includes: remaining term, if the owners have waived their right to pre-pay, type of subsidy if any, interest rates, chance of pre-payment, reserves, capital needs and whether or not the property is or could become financially troubled. This information gives staff the opportunity to maximize returns by matching assets with the proper type of debt.

The Authority has used its strong financial position and sophisticated staff to maximize funding for the Authority's financing programs. At the same time it has kept the Authority's risks at a very manageable level.

### **Financial Advisors**

The Authority engages financial advisors to gain assurances on market rate transactions as well as to comply with various Federal and GASB requirements. The Authority's financial advisors must be independent of the Authority (i.e. providing advisory services only) and registered with the SEC and MSRB. The following are examples of how the Authority utilizes these financial advisors:

- Structuring Debt Issuance – The Authority engages financial advisors to participate in the structuring of debt issuance, provide comfort with the pricing of the debt and develop rating agency and indenture cash flow schedules.
- Swap Transactions – Participate in all negotiations related to swap transactions. Also see Interest Rate Swap Advisor Policy.
- Reporting/Monitoring Requirements – The Authority works with the financial advisors to meet all Federal and State of Michigan reporting/monitoring requirements.

The Authority will work with financial advisors that will comply, in good faith, with policies and procedures reasonably designed to ensure that the financial advisor satisfies the requirements set forth by the SEC, MSRB and also contained in the Dodd-Frank Act.

Any financial advisor providing advice to the Authority with respect to interest rate swap transactions entered into, terminated other than in accordance with their terms, or materially modified or amended, in each case on or after May 1, 2013 must also meet the requirements set forth in the attached Interest Rate Swap Advisor Policy.

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
RESOLUTION APPROVING CERTAIN SWAP TERMINATION  
RELATED TO RENTAL HOUSING REVENUE BONDS**

**SEPTEMBER 19, 2024**

WHEREAS, pursuant to Act No. 346, Public Acts of Michigan, 1966, as amended (the “Act”), the Resolution Authorizing the Issuance of Michigan State Housing Development Authority Rental Housing Revenue Bonds adopted on November 15, 1990, as amended and supplemented (the “General Resolution”), and various other resolutions, the Michigan State Housing Development Authority (the “Authority”) has entered into an interest rate swap transaction (“Swap Agreement”) related to the Michigan State Housing Development Authority Rental Housing Revenue Bonds, 2016 Series E (AMT) (“2016 E Bonds”); and

WHEREAS, the Authority anticipates that on September 23, 2024, it will redeem all outstanding 2016 E Bonds in the amount of \$21,790,000; and

WHEREAS, it may be advantageous to the Authority to terminate the Swap Agreement associated with the 2016 E Bonds; and

WHEREAS, in connection with such termination of the Swap Agreement, the Authority may receive or may be required to make a payment in accordance with the terms of the Swap Agreement.

THEREFORE, BE IT RESOLVED by the Michigan State Housing Development Authority that this Resolution Approving Certain Swap Termination (this “Approving Resolution”) is adopted as follows:

Section 1. The Chief Executive Officer and Executive Director, the Chief Financial Officer, the Director of Finance, the Chief Legal Affairs Officer, the Chairperson or the Vice Chairperson of the Authority (each, and any person directly appointed to act in any such capacity, hereinafter referred to as an “Authorized Representative”) are each hereby authorized to terminate the Swap Agreement, if determined at the time of such termination by the authorized Representative to be in the best interest of the Authority; provided (a) the termination payment made by the Authority pursuant to the Swap Agreement shall not exceed \$1,000,000, and (b) any termination and payment shall be completed on or before December 31, 2024.

Section 2. Any Authorized Representative is authorized to pay any termination payment payable in connection with the termination of the Swap Agreement, in whole or in part, pursuant to the terms of the applicable Swap Agreement in such amount, subject to Section 1 hereof, and from funds available under the General Resolution, the Authority’s General Operating Fund or other available Authority funds.

Section 3. Each Authorized Representative is authorized to do all other things necessary to effect the termination of the Swap Agreement, including the execution and delivery of any documents or certificates deemed by such Authorized Representative to be necessary or

desirable in connection therewith, such approval to be conclusively evidenced by the execution of each such document or certificate by an Authorized Representative.

Section 4. All resolutions and parts of resolutions, insofar as the same may be in conflict herewith, are hereby rescinded.

Section 5. This Approving Resolution shall become effective immediately upon adoption.

Section 6. If one or more of the provisions contained in this Approving Resolution should be contrary to law or otherwise invalid, then such provision shall be deemed severable from the remaining provisions hereof and shall in no way affect the validity of the other provisions of this Approving Resolution.

## Interest Rate Swap Advisor Policy

The following documents the Michigan State Housing Development Authority's ("Authority") policy regarding its interest rate swap advisors as of June 19, 2013.

1. Reference is made to the Authority's Variable Rate Debt and Swap Management Policy (the "Swap Management Policy"), as supplemented and amended to the date hereof. This Policy is supplemental to the Swap Management Policy, and shall apply to interest rate swaps, caps, collars, rate locks and similar transactions to which the Authority is a party or with respect to which the Authority may have direct or indirect financial obligations (collectively, "Swaps", and individually, a "Swap").

2. With respect to each Swap transaction entered into, terminated other than in accordance with its terms, or materially modified or amended, in each case on or after May 1, 2013, the Authority, through its Authorized Representative<sup>1</sup>, shall appoint one or more qualified independent advisors, each of whom shall meet all of the qualification criteria for a qualified independent representative set forth in §23.450(b) of the Rules and Regulations of the Commodity Futures Trading Commission (the "Commission"), including but not limited to the requirements that each advisor must:

- a. Have sufficient knowledge to evaluate the transaction and risks;
- b. Not be subject to a statutory disqualification;
- c. Be independent (as defined in §23.450(c) of the Rules and Regulations of the Commission) of any counterparty to the Swap;
- d. Undertake a duty to act in the best interests of the Authority;
- e. Make appropriate and timely disclosures to the Authority, including, but not limited to, disclosure of any fact or circumstance of any material conflicts of interest that could reasonably affect the judgment or decision making of the advisor with respect to its obligations to the Authority, or which could otherwise adversely affect the independent status of the advisor;
- f. Evaluate, consistent with any guidelines provided by the Authority, fair pricing and the appropriateness of the Swap;
- g. Provide advice as to any "recommendation" (as defined in §23.434 and §23.440) of a swap dealer with respect to a Swap or any trading strategy involving a Swap;
- h. Be subject to, and comply with, restrictions on certain political contributions imposed by the Commission, the Securities and Exchange Commission or a self-regulatory organization subject to the jurisdiction of the Commission or the Securities and Exchange Commission; and

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<sup>1</sup> For purposes of this Policy, the term "Authorized Representative" shall mean the Executive Director, the Chief of Staff, the Chief Financial Officer, the Director of Legal Affairs, the Deputy Director of Legal Affairs, the Chairperson or Vice Chairperson of the Authority, together with any person duly appointed and acting in such capacity.

- i. Have represented in writing that it has policies and procedures reasonably designed to ensure that it satisfies the requirements set forth above, the it meets the independence requirements set forth in §23.450(c) of the Rules and Regulations, and is legally obligated to comply with the requirements set forth above.
  
3. The Chief Financial Officer (the “Finance Officer”) shall regularly monitor, during the entire course of the engagement of an independent swap advisor pursuant to this Policy, the performance of the independent swap advisor, and its compliance with the requirements of this Policy and applicable law. If any person is designated by the Finance Officer to monitor the performance and compliance of the independent swap advisor, that person shall promptly report to the Finance Officer any failure of the independent swap advisor in its performance of its duties or in compliance with the requirements of this Policy.

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# 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

**DATE:** September 19, 2024

**RE:** Bellaire Lofts, Development No. HTIF-24-002(B)

### **RECOMMENDATION:**

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) authorize the HTIF MRF construction and permanent loans in the amounts set forth below, and 2) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's HTIF MRF Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in the HTIF MRF Mortgage Loan Commitment Staff Report dated September 19, 2024.

### **PROJECT SUMMARY:**

MSHDA No.:	HTIF-24-002(B)
Development Name:	Bellaire Lofts
Development Location:	Village of Bellaire, Antrim County
Sponsor:	Bellaire Lofts, LLC
Mortgagor:	Bellaire Lofts Limited Dividend Housing Association, LLLC
Number of Affordable Units:	146 one-bedroom units contained in 50 townhomes of new construction
Number of Units Designated for Accessible Use:	2 Accessible units.
Total Development Cost:	\$20,100,170
MSHDA HTIF MRF Construction Loan:	\$6,800,000
MSHDA HTIF MRF Permanent Loan:	\$5,000,000 (based on estimated final ABRAP)
Other Funds:	\$2,500,000 MSHDA HCDF-SLFRF Grant \$4,900,000 West Michigan Community Bank \$2,400,170 Sponsor Equity \$3,500,000 IFF Loan

## **EXECUTIVE SUMMARY:**

The Sponsor, Bellaire Lofts, LLC, will acquire and redevelop a 19-acre former gravel pit located in the Village of Bellaire, Antrim County. The builder and general contractor, The 1983 Company LLC, will construct fifty (50) townhomes available to both families and individuals using a flexible design plan and modular construction units. Forty-eight of the townhomes will be configured so that they can be rented as a single-family residence with two or three bedrooms, and three full baths; or as a suite with shared kitchen and living room and three private, secured one-bedrooms with ensuite bath. For additional flexibility, to address individual needs, each townhome may be configured with two bedrooms and a dining room instead of three bedrooms. The two first-floor, one-bedroom apartments will be constructed using universal design standards for people with physical disabilities. The project will include a total of 48 single family townhome units or 144 one-bedroom units in 48 townhome suites and two universal design units for a total of 146 one-bedroom units.

100% of the units in the development will be restricted to households with incomes at or below 120% of AMI, utilizing the income limits for Multifamily Tax Subsidy Projects ("MTSP") as determined by the U.S. Department of Housing and Urban Development ("HUD"), adjusted for family size. Rent will be charged on either a single bedroom basis for townhomes suites with a shared kitchen and living room, or on full townhome unit rate for families that elect to lease a full two- or three-bedroom, three-bath townhome. Modular construction will allow the townhomes to be built offsite during the winter and shipped to Bellaire, Michigan, in the spring, with rent-up and stabilization planned to occur by December 2028.

The property qualifies as an "eligible property" under the Brownfield Redevelopment Financing Act, 1996 PA 381, as amended (the "Brownfield Act"), on the basis of meeting the definition of a "housing property" in Section 2(p)(ii), which allows for an expanded scope of eligible brownfield activities. The Bellaire Lofts' brownfield plan was approved on November 14, 2023, by the Antrim County Brownfield Redevelopment Authority (the "BRA") and was subsequently approved by the Antrim County Board of Commissioners on December 7, 2023 (the "Brownfield Plan"). Authority staff reviewed the work plan, as included in the Brownfield Plan, and granted a conditional approval on June 24, 2024. On May 16, 2024, the Antrim County BRA approved a 30-year tax capture period and entered into an ABRA for a projected total ABRAP of Nine Million Nine Hundred Thirty-Five Thousand Five Hundred Thirty-Three Dollars (\$9,935,533) over the tax capture period. The Sponsor will assign or cause to have assigned the Bellaire Lofts ABRAP to the Authority for the BRA approved entire 30-year tax capture period as security for repayment of the Authority HTIF MRF construction loan of \$6,800,000 and the permanent HTIF MRF Loan of \$5,000,000, together referred to as the "HTIF MRF Loans". The Borrower's other construction lender will be granted a co-first priority lien position on the development, and a subordinate second lien position in the ABRAP such that when the Authority's HTIF MRF Loans are paid in full the construction lender will hold a first position in the remaining ABRAP, if any.

## **ADVANCING THE AUTHORITY'S MISSION:**

Bellaire Lofts will be located in Region D of the Statewide Housing Plan Regional Housing Partnerships, and this development supports the following goals of the Region D 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 2.1: Increase the efficiency and effectiveness of the housing ecosystem by enhancing collaboration on housing among state agencies, philanthropy, local governments, Tribal Nations, education and the wide variety of private-sector organizations that make up the housing ecosystem.
- 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.

**MUNICIPAL SUPPORT:**

The Antrim County BRA approved the Bellaire Lofts' brownfield plan on November 14, 2023, and the Antrim County Board of Commissioners approved it on December 7, 2023. On May 16, 2024, the Antrim County BRA finalized a Development and Reimbursement Agreement (the "Agreement") with the Sponsor for 30 years of tax capture with an anticipated value over the 30-year tax capture period of \$9,935,533.

**COMMUNITY ENGAGEMENT/IMPACT:**

The Sponsors engaged the community by holding a series of public meetings with the BRA and the Antrim County Board of Commissioners during the brownfield plan development process. The meeting focused on the utilization of tax increment financing to redevelop the existing 19-acre former gravel pit site, the affordable housing needs of the community, and the impact and benefits associated with the redevelopment of the site.

This project will impact the community by creating important flexible, affordable housing resources within the Village of Bellaire. Additionally, the now vacant, underutilized former industrial site will be placed back into productive service to benefit the surrounding residents, property owners, and the greater community, making this an important community project.

**RESIDENT IMPACT:**

- Not Applicable - new construction

**ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

This is the first HTIF MRF loan to be authorized under the Authority's Housing Tax Increment Financing Gap Lending pilot program adopted on September 29, 2023.



## HOUSING TAX INCREMENT FINANCING GAP LENDING PROGRAM

### **MORTGAGE RESOURCE FUND** **MORTGAGE LOAN COMMITMENT STAFF REPORT**

September 19, 2024

#### **RECOMMENDATION:**

I recommend that the Michigan State Housing Development Authority (the "Authority") adopt resolutions that 1) authorize construction and permanent Housing Tax Increment Financing (HTIF) Mortgage Resource Fund (MRF) Mortgage Loans in the amounts set forth below, and 2) authorize the Chief Executive Officer and Executive Director, or an Authorized Officer of the Authority, to issue the Authority's HTIF MRF Mortgage Loan Commitment with respect to this development, subject to the terms and conditions set forth in this report.

<b><u>MSHDA No.:</u></b>	HTIF-24-002(B)
<b><u>Development Name:</u></b>	Bellaire Lofts
<b><u>Development Location:</u></b>	Village of Bellaire, Antrim County
<b><u>Sponsor:</u></b>	Bellaire Lofts, LLC
<b><u>Mortgagor:</u></b>	Bellaire Lofts Limited Dividend Housing Association, LLC
<b><u>HTIF MRF Construction Loan:</u></b>	\$6,800,000
<b><u>HTIF MRF Permanent Loan:</u></b>	\$5,000,000 (based on estimated final ABRAP)
<b><u>Total Development Cost:</u></b>	\$20,100,170
<b><u>Construction Loan Term:</u></b>	48 months
<b><u>Permanent Loan Term:</u></b>	The lesser of 30-years, the remaining ABRAP stream, or the remaining tax capture period
<b><u>Permanent Loan Amortization:</u></b>	The lesser of 30-years, the remaining ABRAP stream, or the remaining tax capture period
<b><u>Interest Rate:</u></b>	4.625% for the Construction Loan, and If the Authority elects to issue a HTIF MRF Permanent Loan a variable rate based on the 10-year Treasury Rate plus 350 basis points, beginning on the Permanent Financing Date through December 31 of the year in which the Permanent Financing Date occurs, to be reset each January 1st, end of day ("Reset Date"), to the 10-Year US Treasury Rate plus 350 basis points, and increased by 25 basis points on the second Reset Date and each Reset Date thereafter.
<b><u>Program:</u></b>	Housing Tax Increment Financing Gap Lending pilot program
<b><u>Number of Units:</u></b>	146 one-bedroom units contained in 50 townhomes of new construction
<b><u>Accessible Units:</u></b>	2 one-bedroom units

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**Unit Configuration:**

2 one-bedroom/one-bath first floor townhome units; and  
144 private one-bedroom/one-bath units in 48 townhome  
suites with a shared kitchen and living room that are  
convertible into single family townhome residences of  
either:  
a. two-bedroom/three-bath units with dining room; or  
b. three-bedroom/three-bath units.

**Builder:**

The 1983 Company LLC

Issuance of the Authority's HTIF MRF 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.

**PROGRAM DESCRIPTION:**

The Brownfield Redevelopment Financing Act, Public Act 381 of 1996, MCL 125.2651 et. seq., as amended (the "Brownfield Act"), permits the use of tax increment financing ("TIF") as a funding tool to assist in the development of projects that would otherwise not be financially viable. As a brownfield, a property's taxable value may be very low, and the property taxes generated therefrom may be correspondingly low. When an improved brownfield redevelopment has increased property value and generates new tax revenue, the added tax revenue, or increment, can be "captured" by a local brownfield redevelopment authority ("BRA") for a defined period of time. The tax increment revenues captured, or a predetermined percent thereof, may be used to make annual payments to the developer over the term of the capture period to reimburse them for advances to pay for eligible housing development activities associated with redeveloping the property ("Eligible Costs"). These payments are subject to an Annual Brownfield Reimbursement Agreement ("ABRA") between the municipality or BRA and an owner or developer of an eligible property for repayment of advances for Eligible Costs pursuant to the Brownfield Act. The Eligible Costs that may be reimbursed under the ABRA are determined by the BRA pursuant to a work plan approved by the Authority.

On July 19, 2023, Public Act 90 of 2023 ("PA 90") became effective and amended the Brownfield Act to include certain housing development activities as eligible activities. PA 90 requires the Authority to review work plans with TIF activities that include affordable or subsidized housing, where the developer is requesting reimbursement for qualifying housing development activities. To assist with the increased cost of developing housing projects subject to brownfield plans, by resolution adopted on September 29, 2023, the Authority created a pilot Housing Tax Increment Financing Gap Lending Program (the "TIF Gap Lending Program") pursuant to its lending authority under Section 125.1444(a)(i) of the State Housing Development Authority Act of 1966, Act 346 of 1966 as amended (the "Act").

The pilot TIF Gap Lending Program will utilize monies from either the Mortgage Resource Fund, established by the Authority on May 22, 2013 (the "MRF"), or the Authority's general operating funds to make loans to further encourage and assist the expansion of affordable and workforce housing opportunities in Michigan. Loans made under the pilot TIF Gap Lending Program will be repaid from the tax increment revenue that is captured under the ABRA (referred to as ABRA

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Payments, or “ABRAP”) to reimburse the developer for Eligible Costs, and will be secured by a collateral assignment of the ABRAP to the Authority.

**PROPOSAL SUMMARY:**

The Sponsor, Bellaire Lofts, LLC, will acquire and redevelop a 19-acre former gravel pit located in the Village of Bellaire, Antrim County. The builder and general contractor, The 1983 Company LLC, will construct fifty (50) townhomes available to both families and individuals using a flexible design plan and modular construction units. Forty-eight of the townhomes will be configured so that they can be rented as a single-family residence with two or three bedrooms and three full baths; or as a suite with shared kitchen and living room and three private, secured bedrooms with ensuite bath. For additional flexibility to address individual needs, each townhome may be configured with two bedrooms and a dining room instead of three bedrooms. The two first-floor, one-bedroom apartments will be constructed using universal design standards for people with physical disabilities. The project will include a total of 48 single family townhome units or 144 one-bedroom units in 48 townhome suites and two universal design units for a total of 146 one-bedroom units.

100% of the units in the development will be restricted to households with incomes at or below 120% of AMI, utilizing the income limits for Multifamily Tax Subsidy Projects (“MTSP”) as determined by the U.S. Department of Housing and Urban Development (“HUD”), adjusted for family size. Rent will be charged on either a single bedroom basis for townhome suites with a shared kitchen and living room, or on full townhome unit rate for families that elect to lease a full two- or three-bedroom, three-bath townhome. Modular construction will allow the townhomes to be built offsite during the winter and shipped to Bellaire, Michigan, in the spring, with rent-up and stabilization planned to occur by late spring/early summer 2026.

The development qualifies as an “eligible property” under the Brownfield Act on the basis of meeting the definition of a “housing property” in Section 2(p)(ii), which allows for an expanded scope of eligible brownfield activities. The Bellaire Lofts’ brownfield plan was approved on November 14, 2023, by the Antrim County BRA and was subsequently approved by the Antrim County Board of Commissioners on December 7, 2023 (the “Brownfield Plan”). Authority staff reviewed the work plan, as included in the Brownfield Plan, and granted a conditional approval on June 24, 2024. On May 16, 2024, the Antrim County BRA approved a 30-year tax capture period and entered into an ABRA for a projected total ABRAP of Nine Million Nine Hundred Thirty-Five Thousand Five Hundred Thirty-Three Dollars (\$9,935,533) over the tax capture period. The Sponsor will assign or cause to have assigned the Bellaire Lofts ABRAP to the Authority for the BRA-approved entire 30-year tax capture period as security for repayment of the Authority HTIF MRF loans. The Sponsor is also securing bank financing from West Michigan Community Bank (the “Construction Lender”) and IFF: an Illinois based non-profit lender, as well as a grant from the Authority’s Housing and Community Development Fund allocation of American Rescue Plan Act of 2021 State and Local Fiscal Recovery Funds (“HCDF-SLFRF”). The Mortgagor will also contribute cash equity in the form of capital contributions made by the equity member. Upon lease-up and stabilization of the Development, the Authority’s HTIF MRF construction loan of \$6,800,000 will be reduced to the permanent loan amount (\$5,000,000) if the Authority elects to issue a HTIF MRF Permanent Loan.

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Authority staff has received and reviewed the Sponsor's proposal and has determined that, if the proposed ABRAP is delivered as set forth in the Antrim County BRA approved Brownfield Plan, repayment of the Authority's permanent loan will be reasonably secure.

**Structure of the Transaction and Funding:**

This transaction is the first under the Authority's pilot TIF Gap Lending Program, and will be structured as follows:

- A HTIF MRF construction loan (the "Construction Loan") will be provided by the Authority in the amount of Six Million Eight Hundred Thousand Dollars (\$6,800,000) at 4.625% interest with a 48-month term (an 18-month construction period and a 30-month lease-up and stabilization period) (the "Construction Loan Term"). Payments of interest only will be required during the Construction Loan Term. The HTIF MRF Construction Loan balance is due and payable in full on the first day of the month following the expiration of the Construction Loan Term or such later date as is established by an Authorized Officer of the Authority (the "Construction Loan Balloon"). However, if the Authority elects to issue a HTIF MRF Permanent 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 Construction Loan Term expires or such later date as is established by an Authorized Officer of the Authority (the "Permanent Financing Date").
- If the Authority elects to convert, the HTIF MRF Permanent Loan amount is based upon the projected stream of ABRAP totaling Nine Million Nine Hundred Thirty-Five Thousand Five Hundred Thirty-Three Dollars (\$9,935,533) with a term no longer than the lesser of 30-years, the remaining ABRAP stream, or the remaining tax capture period and initial monthly payments in an amount that would fully amortize the HTIF MRF Permanent Loan, with interest at the rate described below, over the remaining tax capture period. If the final approved ABRAP is less than the projection, the Permanent Loan will be reduced to the amount that can be fully amortized over the remaining tax capture period. The permanent loan interest rate is based on the 10-Year US Treasury rate as of the Permanent Financing Date, plus 350 basis points (the "Permanent Loan Rate"). The Permanent Loan Rate will be in effect until the following January 1st. The Permanent Loan Rate will reset each January 1st, end of day, to the 10-Year US Treasury rate plus 350 basis points (each such date, a "Reset Date"), increased by 25 basis points on the second Reset Date and each Reset Date thereafter. Monthly payments will be reset on each Reset Date, in an amount that will fully amortize the outstanding principal balance of the HTIF MRF Permanent Loan over the remainder of the lesser of 30-years, the remaining ABRAP stream, or the remaining tax capture period term that commenced on the Permanent Financing Date.
- The HTIF MRF Permanent Loan is repayable from the proceeds of the ABRA and will be secured by a mortgage in favor of the Authority that will be in a **Co-First Position with the Mortgagor's Construction Lender**. See Special Condition No.1.
- The Mortgagor will contribute member equity in the form of a capital contribution in the amount of \$2,400,170. See Special Condition No.1

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- Construction and permanent bank financing will be provided by West Michigan Community Bank in the amount of \$4,900,000 (the "Bank Construction Loan") and the lender will hold a mortgage lien in **Co-First Position as against the Development**. See Special Condition No.1.
- IFF will also provide a construction and permanent loan in the amount of \$3,500,000 (the IFF Construction Loan"). See Special Condition No.1.
- The Mortgagor will assign its interests in the ABRA with the Antrim County BRA to the Authority, which will have a **first lien position with respect to the ABRAP**, but will consent to a **junior and subordinate assignment to the Construction Lender**.
- The Sponsor has received an award of HCDF-SLFRF funds on a grant basis from the Authority in the amount of \$2,500,000 to fill the remaining anticipated funding gap.
- \$250,000 will be funded from the above sources for an Operating Reserve ("OR"). The reserve will be capitalized at closing in an amount which, along with accumulated interest, is expected to meet the Development's tax and insurance or other operating needs during lease-up and stabilization. This reserve will be held by the Authority. See Condition No. 6.

**Affordability Requirements and Conditions:**

At or prior to (i) issuance of the Authority's mortgage loan commitment (the "HTIF MRF Mortgage Loan Commitment"), (ii) the initial HTIF MRF 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:

1. **Income Limits:**

- a. *HTIF Income Limit.* The Mortgagor must enter into a HTIF Regulatory Agreement with the Authority requiring that 100% of the units in the Development (144 townhome suite one-bedroom units or 48 combined two- or three-bedroom townhome units and 2 one-bedroom townhome units) must be rented or available for rental by tenants whose income does not exceed the 120% area median income ("AMI") as determined by HUD, adjusted for family size. If a single one-bedroom in a townhome suite is rented as a unit, the unit must be rented or available for rental by tenants whose income does not exceed the 120% AMI limit, adjusted for family size. If a townhome is leased as combined single family unit, then the entire unit must be rented or available for rental by tenants whose income does not exceed the 120% AMI 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 any Authority obligations to be issued to finance the acquisition and construction or rehabilitation of the Development remain outstanding, but in no event for less than the period of time of the tax capture required by the terms of the ABRA.

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The tenants' household income shall be determined 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.

- b. *HCDF-SLFRF Income Limit.* The Development has been awarded a HCDF-SLFRF grant, and for the Period of Affordability required under the HCDF-SLFRF program (10 years), twenty percent (20%) of the Development (30 one-bedroom townhome suite units or 10 single family townhome units) be set aside for an individual or family who must at move-in meet the lower of following income criteria:
- A person, family, or unrelated persons living together whose adjusted household income is not more than 185% of the Federal Poverty Guidelines for the household size and the county in which they live; and,
  - A person, family, or unrelated persons living together whose adjusted household income does not exceed 60% of the AMI for the household size and the county in which they live.

The single family townhome units and/or one-bedroom suites occupied to meet this set aside may be floating and can be composed of any combination of suites or units, but at no time can the total number bedrooms occupied by eligible tenants or households be less than thirty (30).

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.

**2. Limitations on Rental Rates:**

- a. *HTIF Rent Limit.* The HTIF MRF 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 one-twelfth (1/12th) of 30% of 120% AMI, based upon an imputed occupancy of one and one-half persons per bedroom. If a townhome is leased as combined single family unit, the Total Housing Expense for that unit shall be determined based on the number of bedrooms in the unit and the Total Housing Expense may not exceed 30% of one-twelfth (1/12th) of the 120% AMI, based upon an imputed occupancy of one and one-half persons per bedroom. If a single one-bedroom in a townhome suite is leased as a unit, then the Total Housing Expense for that entire unit may not exceed one-twelfth (1/12th) of 30% of 120% AMI, based upon an imputed occupancy of one and one-half persons per bedroom. The Total Housing Expense for the two accessible units (one bedroom/one bath first floor units) must not exceed 30% of one-twelfth (1/12th) of the 120% AMI, based upon an imputed occupancy of 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 any Authority obligations to finance the acquisition and construction or rehabilitation of the Development remain outstanding, but in no

event for less than the period of time of the tax capture required by the terms of the ABRA.

Based on extraordinary market conditions or to cover unanticipated operating expenses, as reviewed and approved by the Authority, the Total Housing Expense (contract rent plus tenant-paid utilities) may be increased to an amount not to exceed one-twelfth (1/12th) of 40% of 120% AMI, based upon an imputed occupancy of one and one-half persons per bedroom.

- b. *HCDF-SLFRF Rent Limit.* The Development is the recipient of a HCDF-SLFRF grant, and for the Period of Affordability required under the HCDF-SLFRF program (10 years), twenty percent (20%) of the Development be set aside for rental rates that must be the lower of a 185% of the Federal Poverty Guidelines or 60% of the AMI based on bedroom size. The units and/or suites to meet this set aside may be floating and can be composed of a combination of suites or units, but at no time can the total number units and/or suites be less than 30. If a townhome is leased as a combined single family unit instead of individual one-bedroom units, then the Total Housing Expense for that unit shall be determined based on the number of bedrooms in the unit and the Total Housing Expense may not exceed one-twelfth (1/12th) of 30% of the lower of a 185% of the Federal Poverty Guidelines or 60% of the AMI rated, based upon an imputed occupancy of one and one-half persons per bedroom. The Total Rental Expense for individual one-bedroom units may not exceed one-third (1/3<sup>rd</sup>) of the one-twelfth (1/12th) of 30% of the lower of a 185% of the Federal Poverty Guidelines or 60% of the AMI rate of the HCDF-SLFRF grant Total Housing Expense rental rate for a three-bedroom combined single family unit, 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 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.

Rental increases on occupied units during any 12-month period are based the tenant's established AMI restriction and are limited to not more than the rents published by HUD for the applicable AMI, based on Section 8 of the U.S. Housing Act of 1937, including adjustments for family size, and posted annually by the Authority. 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). 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.

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

The Mortgagor must subject the Development site to a covenant running with the land so as to preserve the affordability on of the Development units during the period of ABRA used to secure the HTIF MRF Mortgage Loan and the Period of Affordability for the HCDF-SLFRF program. 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 expiration of the tax capture, the expiration of the ABRA, or the repayment of all Authority funds. The income of individuals and area median income shall be determined 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. Income of the individuals shall be determined in accordance with Section 8 regulations.

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

The Mortgagor has agreed that a reasonable and proper return on equity will be limited to twelve percent (12%) for the first 12-month period following substantial completion of the Development. 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.

The Mortgagor is to submit an annual financial statement evidencing its eligibility for return no later than 90 days after the close of the Mortgagor's fiscal year. The amount of the Mortgagor's equity will be determined by the Authority.

5. **Restriction on Prepayment:**

The HTIF MRF Mortgage Loan is eligible for prepayment with at least 60 days' written notice prior to any such prepayment.

6. **Operating Reserve:**

At Initial Closing, the Mortgagor shall fund an operating reserve ("OR") in the amount of \$250,000. The OR will be used to fund operating shortfalls incurred at the Development and will be disbursed by the Authority to fund operating shortfalls in taxes and insurance upon a request submitted by the Mortgagor that is supported by documentation of the need that is acceptable to the Authority. To the extent that any portion of the OR is drawn for use prior to the closing of the HTIF MRF Permanent Loan, the Mortgagor must restore the OAR to its original balance at closing of the HTIF MRF Permanent Loan. These funds will be held by the Authority until the Authority no longer holds a security interest in the Development and ABRAP. The OR must be fully funded with cash.

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

Prior to HTIF MRF Mortgage Loan Commitment, the Development's architect must submit architectural drawings and specifications in a form that are acceptable to the Authority's Chief Architect and the Director of Development and must satisfactorily address all design review comments therefrom.

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

**8. Owner/Architect Agreement:**

Prior to HTIF MRF 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.

**9. Trade Payment Breakdown:**

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

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

Prior to HTIF MRF Mortgage Loan Commitment, the management and marketing agent must provide a copy of an Affirmative Fair Housing Marketing Plan in a form acceptable to the Authority.

**11. 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.

**12. Environmental Review and Indemnification:**

Prior to HTIF MRF Mortgage Loan Initial Closing, 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.

**13. Title Insurance Commitment and Survey:**

Prior to HTIF MRF 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.

Prior to HTIF MRF Mortgage Loan Commitment, the Mortgagor must also 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.

**14. Organizational Documents/Equity Contribution:**

Prior to HTIF MRF Mortgage Loan Commitment, the Mortgagor must submit a binding letter of intent from the equity Member and a proposed operating agreement for the Mortgagor that provides for the equity Member's capital contribution. The Member's entire equity contribution must be deposited with the Authority at Initial Closing and will be disbursed by the Authority to pay development costs during construction, unless a pay-in schedule in amounts and on terms acceptable to the Authority's Chief Legal Affairs Officer and Director of Development is approved.

Prior to HTIF MRF Loan Commitment, the Mortgagor must submit certified documents of organization for all members, managers and partners of the Mortgagor and any guarantors. Prior to Initial Closing of the HTIF MRF Mortgage Loan, the Mortgagor must submit a substantially final form of the partnership or operating agreement, including all Authority required provisions, acceptable in form and substance to the Director of Development and Chief Legal Affairs Officer, as well as resolutions authorizing the transaction, and such closing certificates for the Mortgagor and its members, managers and partners and any guarantors, as are required by the Authority. All organizational documents must be in compliance with the Authority's Act and acceptable to the Authority's Chief Legal Affairs Officer.

At or prior to Initial Closing, the Mortgagor's final, executed partnership or operating agreement must become effective.

**15. Designation of Authority Funds:**

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

**16. Management & Marketing:**

Prior to HTIF MRF 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

**17. 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 recapture guaranty, 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.

**18. Financial Statements and Payment and Performance Bonds:**

Prior to HTIF MRF Mortgage Loan Commitment, the general contractor must provide financial statements and payment and performance bonds to the Authority be reviewed and found acceptable by the Authority's Chief Legal Affairs Officer and Authority's Chief Construction Manager .

If prior to Initial Closing the financial statements that were approved by the Authority become more than six months old, the general contractor must provide the Authority with updated financial statements meeting Authority requirements upon request.

**19. 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 held by the Authority as may exist at the time the Authority's HTIF MRF Mortgage Loan is paid off or the Development is sold or refinanced. This agreement must be acceptable to the Authority's Chief Legal Affairs Officer.

**20. HCDF-SLFRF Grant:**

At or before closing of the HTIF MRF Mortgage Loan, the Mortgagor must enter into a HCDF-SLFRF Grant Agreement and any other required documents as determined by the Chief Legal Affairs Officer. The form and substance of the documents must be acceptable to the Chief Legal Affairs Officer.

**21. Compliance Monitoring and Reporting Requirements:**

At the HTIF MRF Mortgage closing, the Mortgagor must The Mortgagor must agree to participate in compliance monitoring activities relative to the HTIF and the HCDF-SLFRF as required by the Authority's Compliance Monitoring staff. Additionally, the Mortgagor must also comply with the annual reporting requirements under the Brownfield Act, and related BRA reporting requirements. The form and substance of the Loan Agreement must be acceptable to the Authority's Chief Legal Affairs Officer.

**22. 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:

• **Annual Brownfield Reimbursement Agreement**

Prior to Initial Closing, the ABRAP payable to the Sponsor under the ABRA must be pledged and assigned to the Authority for the entire BRA-approved 30-year tax capture period. This pledge and assignment is secure the repayment of the HTIF MRF Mortgage Loan. The form and substance of the pledge and security assignment documents must be acceptable to the Chief Legal Affairs Officer.

At Initial Closing the Mortgagor must agree to expend as Eligible Costs not less than the amount necessary to support a final ABRAP in the amount of \$9,935,533, and to use its best efforts to do so throughout the construction of the Development. At least 90 days prior to the Permanent Financing Date, the Mortgagor must submit all necessary documentation required by the Antrim County BRA to approve the Eligible Costs for the construction of the Development and make the final determination of the amount of ABRAP in an amount acceptable to the Chief Financial Officer.

• **Modular Construction/Manufacturer's Warranty**

At Initial Closing, if any Authority loan funds are to be used to pay for modular components before they are delivered to the Development site, the Mortgagor must enter into a security agreement granting a perfectible security interest in the modular units while under construction at the modular factory and other personal property to be incorporated into the Development in a form acceptable to the Chief Legal Affairs Officer, and to provide such other agreements and assurances as are deemed necessary by the Chief Legal Affairs Officer.

The purchase agreements for the modular units and the warranty to be provided by the modular construction company with respect to the modular units must be acceptable to the Director of Legal Affairs.

• **Third-Party Construction Loans**

Prior to HTIF MRF Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the Construction Loan and the IFF Construction Loan (together

referred to as the "Construction Loans") acceptable to the Authority's Chief Legal Affairs Officer and Director of Development.

Contemporaneously with Initial Closing Initial Closing, the final, executed documents for the Construction Loans must become effective and initial funding of the Construction Loans must be made in an amount approved by the Director of Development. The Construction Lender, IFF and the Authority must enter into a subordination and intercreditor agreement evidencing the Authority's and Construction Lender's co-first position mortgage liens and IFF's third position mortgage lien against the Development. In the event of a foreclosure or deed in lieu of foreclosure and sale of the asset, net sale proceeds will be split *pari passu* between the Authority and the Construction Lender based on the outstanding loan balance, including principal and interest. The subordination and intercreditor agreement will also confirm the Construction Lender's subordinate position against the ABRA and the ABRAP to be paid thereunder, with the express condition that the Construction Lender's security interest in the ABRA will remain subordinate until the Authority HTIF MRF Mortgage Loan is paid in full. When the Authority's HTIF MRF Mortgage Loan is satisfied in full, the Construction Lender will hold a first position relative to the remaining ABRAP, if any. This subordination and intercreditor agreement must be in form and substance acceptable to the Chief Legal Affairs Officer.

**DEVELOPMENT TEAM AND PROJECT INFORMATION:**

**Sponsor and Mortgagor:**

- 1.     **Sponsor :**     Bellaire Lofts, LLC  
                          Isaac Oswald - (517) 899-0123
  
- 2.     **Mortgagor:**    Bellaire Lofts Limited Dividend Housing Association, LLC  
                          Isaac Oswald - (517) 899-0123

**BRA:**                             Antrim County Brownfield Redevelopment Authority,  
  (231) 533-6265

**Mortgagor's Counsel:**        Barnes & Thornburg, David Hill and  
  Artemis Capital LLC, General Counsel, Susan Haque

**Other Members of the Development Team:**

Mortgagor's Accountant:        Stonehenge Consulting  
Contractor:                        83 Construction, LLC  
Property Management:         1983 Company LLC  
Architect:                         Cypress Engineering & Design, Jeremy Fry

**Construction Sources of Funds:**

West Michigan Community Bank Loan                             \$4,900,000

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IFF Loan	\$3,500,000
MSHDA HCDF-SLFRF Grant	\$2,500,000
HTIF MRF Construction Loan	\$6,800,000
Member Capital Contributions:	\$2,400,170

**Total Construction Sources of Funds** **\$20,100,170**

**Permanent Sources of Fund**

West Michigan Community Bank Loan	\$10,800,000
MSHDA HCDF-SLFRF Grant	\$2,500,000
HTIF MRF Permanent Loan	\$5,000,000
Member Capital Contributions	\$1,800,170

**Total Sources of Funds** **\$20,100,170**

**Uses of Funds:**

Land Acquisition	\$500,000
Site Work	\$3,100,000
Construction Costs	\$15,069,000
Professional Fees	\$599,170
Other Costs	\$82,000
Developer Fee	\$50,000
Lease Up Operating Fund	\$250,000

**Total Uses of Funds** **\$20,100,170**

**DEVELOPMENT SCHEDULING:**

A.	Mortgage Loan Commitment:	September	2024
B.	Initial Closing and Disbursement:	December	2024
C.	Construction Completion:	June	2026
D.	Cut-Off Date:	December	2028

**Attachments:**

Antrim County Brownfield Redevelopment Authority: Development and Reimbursement Agreement

HTIF MRF Mortgage Loan Commitment Staff Report  
#HTIF-24-002(B), Bellaire Lofts  
Village of Bellaire, Antrim County  
September 19, 2024

**APPROVALS:**

*Chad A Benson* 9/16/2024  
\_\_\_\_\_  
Chad Benson, Director of Development Date

*Jeffrey J Sykes* 9-16-24  
\_\_\_\_\_  
Jeffrey Sykes, Chief Financial Officer Date

*Clarence L. Stone, Jr.* 9/16/2024  
\_\_\_\_\_  
Clarence L. Stone, Jr., Chief Legal Affairs Officer Date

*Amy Hovey* 09/16/2024  
\_\_\_\_\_  
Amy Hovey, Chief Executive Officer and Executive Director Date

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING HOUSING TAX INCREMENT FINANCING LOANS  
FROM THE MORTGAGE RESOURCE FUND  
BELLAIRE LOFTS, MSHDA DEVELOPMENT NO. HTIF-24-002(B)  
VILLAGE OF BELLAIRE, ANTRIM COUNTY**

**September 19, 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, on September 29, 2023, the Authority adopted the Housing Tax Increment Financing Gap Lending Program (the "Program"); and

WHEREAS, an application (the "Application") has been filed with the Authority by Bellaire Lofts, LLC (the "Applicant") for construction and permanent financing to assist in the development of a new workforce housing project under the Program; and

WHEREAS, in the Application, the Applicant has requested a Housing Tax Increment Financing (HTIF) Mortgage Resource Fund (MRF) construction mortgage loan in the amount of Six Million Eight Hundred Thousand Dollars (\$6,800,000) and permanent mortgage loan in the amount of Five Million Dollars (\$5,000,000) (the "HTIF MRF Mortgage Loan") for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Twenty Million One Hundred Thousand One Hundred Seventy Dollars (\$20,100,170), to be known as Bellaire Lofts, MSHDA Development No. HTIF-24-002(B) (the "Development"), located in the Village of Bellaire, Antrim County, Michigan, and to be owned by Bellaire Lofts Limited Dividend Housing Association, LLC (the "Mortgagor"); 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 will be undertaken in an economical manner, and it will not be of elaborate design or materials; and

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.

WHEREAS, on September 29, 2023, the Authority established pursuant to the Act, Section 125.1444(1)(a)(i), the Pilot Housing Tax Increment Financing Gap Lending Program for construction and permanent loans utilizing the Mortgage Resource Fund, established pursuant to the Authority resolution dated May 22, 2013, to be repaid from the assigned the Annual Brownfield Reimbursement Agreement Payments ("ABRAP") revenue stream relating to housing development activities associated with Authority-approved work plans and combined brownfield plans; and

WHEREAS, a brownfield plan with a 30-year tax capture period and projected ABRAP totaling Nine Million Nine Hundred Thirty-Five Thousand Five Hundred Thirty-Three Dollars (\$9,935,533) was approved on November 14, 2023, by the Antrim County Brownfield Redevelopment Authority (the "BRA"), was subsequently approved by the Antrim County Board of Commissioners on December 7, 2023, and the Development And Reimbursement Agreement was finalized on May 16, 2024, by the BRA; and

WHEREAS, the Applicant will assign or cause to have assigned the Bellaire Lofts ABRAP to the Authority for the BRA approved entire 30-year tax capture period.

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. The HTIF MRF 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 (each an "Authorized Officer"), are hereby authorized to issue to the

Applicant and the Mortgagor the Authority's Mortgage Loan Commitment, for the construction financing of the proposed housing project, in an amount not to Six Million Eight Hundred Thousand Dollars (\$6,800,000), and, if so elected by an Authorized Officer, permanent financing in an amount not to exceed Five Million Dollars (\$5,000,000), and to have a term of the lesser of 30-years, the remaining ABRAP stream, or the remaining tax capture period after amortization of principal commences. The construction period financing shall bear interest at a rate of 4.625/100 (4.625%) per annum and the permanent financing shall bear interest at a rate equal to the 10-Year US Treasury plus 350 basis points, and to be increased as set forth in the accompanying HTIF MRF Mortgage Loan Commitment Staff Report dated September 19, 2024. 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.

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 HTIF MRF 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 and the Authority receives an assignment of the ABRAP from the BRA.

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 twelve percent (12%) per annum initially. 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.

7. The HTIF MRF Mortgage Loan shall be subject to, and the Mortgage Loan Commitment shall contain, the conditions set forth in the HTIF MRF Mortgage Loan Commitment Staff Report dated September 19, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.



# 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 

**DATE:** September 19, 2024

**RE:** 1309 Madison Apartments, Development No. 4136

### **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 permanent CERA mortgage loan in the amount set forth below, 4) authorize certain waivers of the MSHDA Standards of Design as described below, 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 the Mortgage Loan Feasibility/Commitment Staff Report dated September 19, 2024.

### **PROJECT SUMMARY:**

MSHDA No:	4136
Development Name:	1309 Madison Apartments
Development Location:	City of Grand Rapids, Kent County
Sponsor:	ICCF Nonprofit Housing Corporation
Mortgagor:	1309 Madison Limited Dividend Housing Association Limited Partnership
Number of Units:	45 Affordable Units
Number of Units Designated for Accessible Use:	3 Accessible Units
Total Development Cost:	\$17,915,356
TE Bond Construction Loan:	\$9,315,985
TE Bond Permanent Loan:	\$3,912,804
MSHDA CERA Loan:	\$3,005,618
MSHDA HTF Loan:	\$2,590,075
Other Funds:	
Low-Income Housing Tax Credit Equity:	\$7,157,442
Grand Rapids HOME Loan (Neighborhood Investment Plan)	\$380,000
General Partner Contribution:	\$370,000
Deferred Developer Fee:	\$499,417

## **EXECUTIVE SUMMARY:**

1309 Madison Apartments will consist of the new construction of two 3-story apartment buildings located in the city of Grand Rapids. The Sponsor, ICCF Nonprofit Housing Corporation, will demolish the existing vacant commercial building to construct 45 new multifamily units. The properties for this proposal will be located at 1309 Madison Ave and 415 Adams St., in the Southeast Area Community neighborhood within the intersection of commerce housing, services, and transit opportunities, which is approximately one mile from Downtown Grand Rapids. 1309 Madison Apartments will be comprised of eleven one-bedroom units and twelve two-bedroom units; 415 Adams St. will be comprised of eighteen one-bedroom units and four two-bedroom units. For both properties, unit amenities include frost-free refrigerators, self-cleaning ovens, dishwashers, garbage disposals, microwaves, in-unit washer and dryers, and central air conditioning; common area amenities include key fob entry, intercom, security cameras and lighting, community room, exercise room, courtyard with benches, elevator, and on-site management. The Sponsor is seeking financing utilizing tax-exempt bonds, low-income housing tax credits ("LIHTC"), and gap funding under the Authority's Notice of Funding Availability to create new housing targeting low-income families with annual monthly incomes of 30% area median income ("AMI"), 40% AMI, 50% AMI, 60% AMI, 70% AMI, and 80% AMI, using the income averaging election under Section 42 of the Internal Revenue Code of 1986, as amended.

ICCF Nonprofit Housing Corporation has 49 years' experience as a non-profit community housing development organization. They are based in Grand Rapids and are partnering with Chesapeake Community Advisors to develop 1309 Madison Apartments, in hopes of offering affordably priced apartments for a large range of income levels. Both organizations have extensive LIHTC experience and proven track records with state and federal programs, including HOME and Section 8.

In addition, the Sponsor anticipates an award of twenty (20) Project-Based Vouchers (PBVs) from the Grand Rapids Housing Commission to enhance rental affordability.

## **ADVANCING THE AUTHORITY'S MISSION:**

1309 Madison 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 6.1: Keep people housed by reducing the number of evictions.

## **MUNICIPAL SUPPORT:**

- The City of Grand Rapids has approved a 3% Payment in Lieu of Taxes (PILOT).

## **COMMUNITY ENGAGEMENT/IMPACT:**

The Sponsor has engaged with the community through a variety of outreaches which include hosting a Community-Wide meeting on August 28; presenting their proposal to area stakeholders including LINC Up, Seeds of Promise, Amplify GR, and Madison Square Church. Along with holding numerous small group meetings and discussions with residents and area businesses.

The Sponsor distributed approximately 1,200 invitations to area neighbors and businesses, informing them about the meeting and describing some of the currently proposed changes to the sites. In addition to invitations, the Sponsor informed neighborhood stakeholders about the event via email and Facebook which they shared widely. Approximately 25 neighbors attended the event and actively engaged in the conversation concerning the proposed multi-family development.

During the planning process, community members voiced their support for the addition of affordable housing opportunities to the area. They also provided several recommendations or requests for the development. They suggested including a community garden on the site, ensuring parking on the Adam's side of the street, adding childcare onsite, constructing a large basketball gym or court for community use, and incorporating a commercial storefront for a local business. Neighbors also asked to be prioritized in the lease-up efforts.

Although the development faced site and financial constraints, several community recommendations were successfully incorporated. These include the addition of a community garden and parking on the Adam's side of the street. The Sponsor also connected neighbors asking for onsite childcare with a local church that is already working on providing those services at an adjacent site. Additionally, the Sponsor has committed to ensuring that neighbors are well-informed about the lease-up process, readily addressing the community's request for support in this area. While fair housing law does not allow the Sponsor to give neighbors preferential treatment in the application process, the Sponsor will ensure neighbors have ample opportunity to prepare for the application and are well informed on how to apply for housing.

Neighbor recommendations had also been incorporated into Neighborhood Specific Zoning plans which the Sponsor directly responded to in the planning and design on the site. These recommendations influenced things like our site setbacks, materials used on the facade, landscaping trees or plans used on the site, and door locations for both buildings compared to street sidewalks and pedestrian walkways.

### **ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

The Sponsor requests the following design waivers:

- Parking Ratio: Request for reducing the 2:1 ratio for parking spaces per unit to 0.8 spaces per unit (36 spaces in total), based on market analysis.
- Elevators: Request a change from 2 elevators per building to 1 elevator per building, because of the small number of units.
- Balconies: Request to waive the balcony requirement conditioned on including outdoor amenities such as benches and picnic areas.

Additionally, 1309 Madison Ave Apartments will consist of two buildings situated on two parcels that are not contiguous. In order to comply with U.S. Treasury Regulations relating to tax-exempt bonds, 1309 Madison Ave Apartments will be treated as two 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 or at least 40% of the units be occupied by individuals earning 60% or less of area median gross income. 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).



## **MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT**

September 19, 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 permanent CERA mortgage loan in the amount set forth below, 4) authorize certain waivers of the MSHDA Standards of Design as described below, 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.

<b><u>MSHDA No.:</u></b>	4136
<b><u>Development Name:</u></b>	1309 Madison Apartments
<b><u>Development Location:</u></b>	City of Grand Rapids, Kent County
<b><u>Sponsor:</u></b>	ICCF Nonprofit Housing Corporation
<b><u>Mortgagor:</u></b>	1309 Madison Limited Dividend Housing Association Limited Partnership
<b><u>TE Bond Construction Loan:</u></b>	\$9,315,985 (52.00% of TDC)
<b><u>TE Bond Permanent Loan:</u></b>	\$3,912,804
<b><u>MSHDA Permanent CERA Loan:</u></b>	\$3,005,618
<b><u>MSHDA Permanent HTF Loan:</u></b>	\$2,590,075
<b><u>Total Development Cost:</u></b>	\$17,915,356
<b><u>Mortgage Amortization and Term:</u></b>	40 years for the tax-exempt bond loan; 50 years for the CERA loan; 50 years for the HTF loan
<b><u>Interest Rate:</u></b>	6.625% for the tax-exempt bond loan; 1% simple interest for the CERA loan; 1% simple interest for the HTF loan
<b><u>Program:</u></b>	Tax-Exempt Bond and Gap Financing Programs Round 17
<b><u>Number of Units:</u></b>	45 family units of new construction.
<b><u>Accessible Units:</u></b>	3 units Accessible Units
<b><u>Unit Configuration:</u></b>	Thirty (30) one-bedroom units and fifteen (15) two-bedroom units in two 3-story buildings
<b><u>Builder:</u></b>	Pioneer Construction Company
<b><u>Syndicator:</u></b>	Cinnaire
<b><u>Date Application Received:</u></b>	09/05/2023
<b><u>HDO:</u></b>	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 Sponsor has requested the following waivers of the MSHDA Standards of Design:

- Parking Ratio: Request for reducing the 2:1 ratio for parking spaces per unit to 0.8 space per unit (36 spaces in total), based on market analysis.
- Elevators: Request a change from 2 elevators per building to 1 elevator per building, because of the small number of units.
- Balconies: Request to waive the balcony requirement conditioned on including outdoor amenities such as benches and picnic areas.

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, 1309 Madison Ave Apartments does not meet this requirement because the buildings are situated on two 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 1309 Madison Ave Apartments as two 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 1309 Madison Ave Apartments to be financed with a single tax-exempt bond loan and secured by one mortgage, the Authority's bond counsel also recommends the following:

- Both projects must be owned by the same entity.
- The Authority must issue one tax-exempt mortgage note to finance the rehabilitation of both projects.
- Common area square footage must be rehabilitated with funds other than tax-exempt bond proceeds.
- Each of the two 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 TEFRA notice listing each project separately.
- The two projects may be managed as one property.
- One tax credit award that covers both projects may be issued by the Authority.

The projects are comprised of the following:

- 1309 Madison Ave SE, 23 total units with in-unit washers and dryers
- 415 Adam St. SE/1320 Madison Ave SE, 22 total units with in-unit washers and dryers and a common laundry room

**EXECUTIVE SUMMARY:**

1309 Madison Apartments will consist of the new construction of two 3-story apartment buildings

**Mortgage Loan Feasibility/Commitment Staff Report**  
**1309 Madison Apartments, MSHDA No. 4136**  
**City of Grand Rapids, Kent County**  
**September 19, 2024**

located in the city of Grand Rapids. The Sponsor, ICCF Nonprofit Housing Corporation, will demolish the existing vacant commercial building to construct 45 new multifamily units. The properties ~~for~~ will be located at 1309 Madison Ave and 415 Adams St. in the Southeast Area Community neighborhood approximately 1 mile from Downtown Grand Rapids. 1309 Madison will be comprised of eleven one-bedroom units and twelve two-bedroom units; 415 Adams St. will be comprised of eighteen one-bedroom units and four two-bedroom units. For both properties, unit amenities include frost-free refrigerators, self-cleaning ovens, dishwashers, garbage disposals, microwaves, in-unit washer and dryers, and central air conditioning; common area amenities include key fob entry, intercom, security cameras and lighting, community room, exercise room, courtyard with benches, elevator, and on-site management. The Sponsor is seeking financing utilizing tax-exempt bonds, low-income housing tax credits ("LIHTC"), and gap funding under the Authority's Notice of Funding Availability to create new housing that targets low-income families with annual monthly incomes of 30% AMI, 40% AMI, 50% AMI, 60% AMI, 70% AMI, and 80% AMI, using the income averaging election under Section 42 of the Internal Revenue Code of 1986, as amended.

ICCF Nonprofit Housing Corporation has 49 years' experience as a non-profit community housing development organization. They are based in Grand Rapids and are partnering with Chesapeake Community Advisors to develop 1309 Madison Apartments, in hopes of offering affordably priced apartments for a large range of income levels. Both organizations have extensive LIHTC experience and proven track records with other state and federal programs including HOME and Section 8.

In addition, the Sponsor anticipates the award of twenty (20) Project-Based Vouchers (PBVs) from the Grand Rapids Housing Commission ("GRHC") to enhance rental affordability.

The Sponsor has elected to utilize the "Average Income Test for Low-Income Housing Tax Credit". Income Averaging is 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 some units to households with incomes up to 80% of area median income ("AMI") as long as the average AMI level of the affordable units in the project is 60% of AMI or less. For this proposal there are 14 units at 70% and 80% of AMI that will be offset by 31 units targeted to 30%, 40% and 50% of AMI households.

### **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 will be provided by the Authority in the amount of \$9,315,985 at 6.625% interest with a 21-month term (a 15-month construction term, a 2-month rent-up period and 4-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 will be reduced to the permanent loan amount due on the first day of the month following the month in which the 22-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 \$3,912,804. The permanent loan amount is based upon the current rents, less vacancy loss, payments

**Mortgage Loan Feasibility/Commitment Staff Report**  
**1309 Madison Apartments, MSHDA No. 4136**  
**City of Grand Rapids, Kent County**  
**September 19, 2024**

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 begin to amortize on the Permanent Financing Date and will be in **First Position**.

- A permanent subordinate loan using an Authority CERA Loan (the “CERA Loan”) in the amount of \$3,005,618 will be provided at 1% simple interest with payments initially deferred. The CERA Loan will be in **Second Position**.
- A permanent subordinate loan using Authority Housing Trust Funds (the “HTF Loan”) in the amount of \$2,590,075 will be provided at 1% simple interest with payments initially deferred. The HTF Loan will be in **Third Position**.
- The general partner will make a capital contribution in the amount of \$370,000.
- Equity support comes from an investment related to the 4% LIHTC in the estimated amount of \$7,157,442.
- The City of Grand Rapids will provide a HOME Loan in the amount of \$380,000. This loan will be in **Fourth Position**. See Special Condition No. 3.
- The Sponsor has agreed to defer \$499,417 of the developer fee to help fill the remaining funding gap.
- A two (2) 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 ~~93~~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 replacement reserve (“Replacement Reserve”) will be required in the amount identified in the attached proforma. The syndicator is requiring an initial deposit to this reserve in the amount of \$1,000 per unit at Mortgage Loan closing which, along with accumulated interest and future payments to this reserve, is expected to meet the Development’s future capital repair and replacement needs. This reserve will be held by the Authority. See Special Condition No. 5.
- A syndicator reserve in the amount of \$77,469 will be required by the equity investor for shortfalls to resolve problems. 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.
- The owner has received a preliminary award of twenty (20) PBVs from the GRHC. The PBV Housing Assistance Payments (“PVB HAP”) contract will be for an initial term of 20

years. See Special Condition No. 4.

**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 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.

**Valuation of the Property:**

An appraisal dated August 10, 2023, estimates the value of the Development site at \$665,000.

**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 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 \$7,527,442). 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. Income Limits:**

The income limitations for 45 units of this proposal are as follows:

- a. 8 units (6 one-bedroom units and 2 two-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 with incomes at or below 50% of the Multifamily Tax Subsidy Project ("MTSP"), adjusted for family size.

**Mortgage Loan Feasibility/Commitment Staff Report**  
**1309 Madison Apartments, MSHDA No. 4136**  
**City of Grand Rapids, Kent County**  
**September 19, 2024**

- b. 15 units (9 one-bedroom and 6 two-bedroom units) have been designated as HTF units and during the Period of Affordability required under the HTF program (30 years) must be available for occupancy by Extremely Low-Income households whose incomes do not exceed 30% of AMI, as determined by HUD, adjusted for family size, or families whose adjusted gross income is at or below the poverty line (as defined in Section 673 of the Omnibus Budget Reconciliation Act of 1981, 42 U.S.C. 9902), whichever is greater
- c. 5 units (3 one-bedroom and 2 two-bedroom 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 the 60% MTSP income limit or the High HOME income limit, as published by HUD, adjusted for family size.
- d. 2 units (1 one-bedroom and 1 two-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 lesser of the 60% MTSP income limit or the Low HOME income limit, as published by HUD, adjusted for family size.
- e. 5 units (3 one-bedroom units, and 2 two-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 30% income 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.
- f. 5 units (3 one-bedroom units, and 2 two-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 40% income 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.
- g. 5 units (3 one-bedroom units, and 2 two-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 50% income 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.
- h. 16 units (11 one-bedroom units and 5 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.
- i. 6 of the units (5 one-bedroom and 1 two-bedroom) must be available for occupancy by households whose incomes do not exceed 70% of MTSP income

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limits, adjusted for family size, and will allow the Development to achieve and maintain the average household income of the affordable units in the project at the 60% MTSP limit or less based upon the MTSP limits, adjusted for family size as determined by HUD, 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.

- j. 8 of the units (6 one-bedroom and 2 two-bedroom) must be available for occupancy by households whose incomes do not exceed 80% of MTSP income limits, adjusted for family size, and will allow the Development to achieve and maintain the average household income of the affordable units in the project at the 60% MTSP limit or less based upon the MTSP limits, adjusted for family size as determined by HUD, 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.
- k. 20 units (11 one-bedroom units and 9 two-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 GRHC is in effect (including extensions and renewals), or for such longer period as determined by HUD.

The seven (7) units designated as HOME units are from the City of Grand Rapids, and twenty (20) PBVs are from the GRHC. The Authority is not responsible for the HOME and PBV compliance monitoring or oversight of the occupancy or the regulations applicable to these non-MSHDA 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. Limitations on Rental Rates:**

The Total Housing Expense (contract rent plus tenant-paid utilities) for 45 units is subject to the following limitations:

- a. During the period of affordability required under the CERA program (20 years), the Total Housing Expense for all 8 CERA units may not exceed one-twelfth (1/12<sup>th</sup>) 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.
- b. During the Period of Affordability required under the HTF program (30 years), the Total Housing Expense for the fifteen HTF units may not exceed the Housing Trust Fund rent limit for the unit established and published annually by HUD and based upon an imputed occupancy of one and one-half persons per bedroom.

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- c. 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” established and published annually by HUD.
- d. During the Period of Affordability required under the HOME program (15 years), the Total Housing Expense for the 5 High-HOME units may not exceed the “Low-HOME Rent Limit” established and published annually by HUD.
- e. The Total Housing Expense for 5 units (3 one-bedroom units, and 2 two-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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. The Total Housing Expense for 5 units may not exceed one-twelfth (1/12<sup>th</sup>) 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.
- g. The Total Housing Expense for 5 units may not exceed one-twelfth (1/12<sup>th</sup>) 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.
- h. The Total Housing Expense for 16 units may not exceed one-twelfth (1/12<sup>th</sup>) 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.
- i. The Total Housing Expense for 6 units may not exceed up to one-twelfth (1/12<sup>th</sup>) of 30% of 70% of the MTSP income limit as long as the average AMI level of the affordable units in the project is 60% of AMI or less, 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.
- j. The Total Housing Expense for 8 units may not exceed up to one-twelfth (1/12<sup>th</sup>) of 30% of 80% of the MTSP income limit as long as the average AMI level of the affordable units in the project is 60% of AMI or less, 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.

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- k. So long as the PBV HAP Contract between the Mortgagor and the GRHC remains in effect, the Mortgagor agrees to establish and maintain rents ("Contract Rents") for all PBV HAP-assisted units that comply with the rent levels established by the PBV HAP Contract and that do not exceed the rent levels approved by the GRHC or HUD.

The seven (7) units designated as HOME units are from the City of Grand Rapids and the GRHC is providing twenty (20) Project-Based Vouchers (PBVs). The Authority is not responsible for the compliance monitoring or oversight of the non-MSHDA 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.

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 non-subsidized, 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 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.

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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<sup>th</sup> 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 OAR in the amount equal to four months of estimated Development operating expenses (estimated to be \$204,753). 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 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. See also Special Condition No. 6.

**8. Authority Subordinate Loan(s):**

At Initial Closing, the Mortgagor must enter into agreements relating to the permanent HTF and CERA Loans. The HTF and CERA Loans will each be secured by a subordinate mortgage and each will bear simple interest at 1% with a 50-year term. No loan payments on the HTF and CERA Loans 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 13<sup>th</sup> year following the commencement of amortization of the Mortgage Loan. Interest will continue to accrue on each 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 13<sup>th</sup> year following the date that Mortgage Loan amortization commences, repayment of the HTF Loan and CERA Loan will commence according to the following:

- So long as the first Mortgage Loan and the CERA Loan remain outstanding, then repayment of the CERA Loan will be made from payments of fifty percent (50%) of any surplus cash available for distribution (“Surplus Funds”), which 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.
- Following repayment of the Mortgage Loan, if the CERA Loan is still outstanding, the CERA Loan will be in first lien position and the Mortgagor shall make monthly payments of principal and interest on the CERA Loan that are equal to the monthly payments that were required on the Mortgage Loan, beginning on the first day of every month and continuing monthly thereafter. All payments shall be deposited into the 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. . There is no prohibition on prepayment of the CERA Loan.
- Following repayment of the Mortgage Loan, if the CERA Loan is still outstanding, or if the CERA Loan is repaid in full while the Mortgage Loan remains outstanding, the HTF Loan will be in second lien position and the Mortgagor shall make annual payments equal to fifty percent (50%) of any Surplus Funds, to be deposited into the Subordinate Debt Subsidy Reserve, which will be used to repay the HTF 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 or refinancing of the Development, or the date that is 50 years from date of Initial Closing, whichever occurs first, at which time the HTF Loan shall be due in full.

- Following repayment of both the Mortgage Loan and CERA Loan and continuing on the first day of every month thereafter, if the HTF Loan remains outstanding, then the outstanding balance of the HTF Loan, including accrued interest, will become the new first mortgage loan and monthly payments equal to the payments made under the original Mortgage Loan will be made on the HTF Loan on the first day of every month until the HTF 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 HTF 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 Authority's 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. 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 Local Housing Choice Voucher Program. All necessary documentation and all monitoring and oversight will be handled by the City of Grand Rapids.

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

Prior to Mortgage Loan Commitment, the management and marketing agent must provide a copy of the Affirmative Fair Housing Marketing Plan approved by the City of Grand Rapids, if requested by the Authority.

In addition, prior to Mortgage Loan Commitment the general contractor must provide a copy of the contractor's "Equal Opportunity Plan" approved by the City of Grand Rapids, if requested by the Authority.

**14. 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).

**15. 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 Authority's Chief Legal Affairs Officer.

**16. 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.

**17. 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.

**18. Designation of Authority Funds:**

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

**19. 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

**20. 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 CERA and HTF recapture guaranties, 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.

**21. 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.

**22. 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.

**23. 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.

**24. 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.

**25. 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.

**26. 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 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. Syndicator Reserve:**

The Mortgagor shall fund a syndicator held reserve ("Syndicator Reserve") with a one-time deposit in the amount of \$77,469 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 shortfalls to resolve problems.

**3. Local HOME Loan:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the City of Grand Rapids 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 Grand Rapids 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 Grand Rapids, the Authority and the Mortgagor must enter into a subordination and intercreditor agreement in form and substance acceptable to the Chief Legal Affairs Officer.

**4. PBV AHAP and HAP:**

Prior to Initial Closing, the GRHC and the Mortgagor must enter into an Agreement to enter into a PBV Housing Assistance Payments (AHAP) contract. The AHAP must be acceptable to the Authority's Director of Development. The final, executed PBV Housing Assistance Payments (HAP) Contract between the GRHC and the Mortgagor with a 20-

year term and rent levels acceptable to the Director of Development must be submitted following the completion of construction.

**5. Syndicator Requirement for Initial Deposit to Replacement Reserve:**

At Initial Closing, the Mortgagor must deposit the amount of \$1,000 per unit into the Replacement Reserve for the Development. This deposit will be in addition to the regular monthly payments beginning after the Mortgage Cut-Off Date, and will be held by the Authority and treated in the same manner as other funds on deposit in the Replacement Reserve.

**DEVELOPMENT TEAM AND SITE INFORMATION**

I. **MORTGAGOR:** 1309 Madison Limited Dividend Housing Association  
Limited Partnership

II. **GUARANTOR(S):**

A. **Guarantor #1:**

**Name:** ICCF Nonprofit Housing Corporation  
**Address:** 415 Martin Luther King Jr. St. SE, Suite 100  
Grand Rapids, MI 49507

III. **DEVELOPMENT TEAM ANALYSIS:**

A. **Sponsor:**

**Name:** ICCF Nonprofit Housing Corporation  
**Address:** 415 Martin Luther King Jr. St. SE, Suite 100  
Grand Rapids, MI 49507

**Individuals Assigned:** Jan Van Der Woerd  
**Telephone:** 616-366-9333  
**E-mail:** jvanderwoerd@iccf.org

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

2. **Interest in the Mortgagor and Members:** 1309 Madison GP, LLC  
0.010%, ICCF NPH Limited Partner 99.99%

B. **Architect:**

**Name:** DeStigter Architecture LLC  
**Address:** 18 Goodrich SW  
Grand Rapids, MI 49503

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**Individual Assigned:** Kim DeStigter  
**Telephone:** 616-458-5620  
**E-Mail:** kim@destigterarchitecture.com

1. **Experience:** Architect has previous experience with Authority-financed developments.
2. **Architect's License:** License number 1301031178, exp. 11/01/2025.

**C. Attorney:**

**Name:** Baker Hostetler  
**Address:** 127 Public Square, Suite 2000  
Cleveland, OH 44114

**Individual Assigned:** Tracey Lackman  
**Telephone:** 216-861-7292  
**E-Mail:** tlackman@bakerlaw.com

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

**D. Accountant:**

**Name:** Grandizio Wilkens Little and Matthews, LLP  
**Address:** 211 Schilling Circle, Suite 188  
Hunt Valley, MD 21031

**Individual Assigned:** Mark Gatzke  
**Telephone:** 410-494-0885  
**E-Mail:** mgatzke@gwlmcpa.com

2. **Experience:** Not applicable.

**E. Builder:**

**Name:** Pioneer Construction Company  
**Address:** 550 Kirtland St. SW  
Grand Rapids, MI 49507

**Individual Assigned:** Paul Bergsma  
**Telephone:** 616-389-5782  
**E-mail:** paul.bergsma@pioneerinc.com

1. **Experience:** The firm has previous experience in constructing Authority-financed developments.
2. **State Licensing Board Registration:** License number 2102090528, with

an expiration date of 05/31/2026.

**F. Management and Marketing Agent:**

**Name:** ICCF  
**Address:** 415 Martin Luther King Jr. St. SE Suite 100  
Grand Rapids, MI 49507

**Individual Assigned:** Jan Van Der Woerd  
**Telephone:** 616-336-9333  
**E-mail:** jvanderwoerd@iccf.org

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

**G. Development Team Recommendation: GO**

**IV. SITE DATA:**

**A. Land Control/Purchase Price:**  
\$567,388

**B. Site Location:**  
One building site is located at 1309 Madison Ave., southwest of Hall St., Band 1320 Madison Ave. The other building site is located at 415 Adams St. (a vacant lot), southeast of Hall St. and Southwest of the Marcus E. "Mack" Brown Mausoleum.

**C. Size of Site:**  
1.32 +/- Acres

**D. Density:**  
Deemed Appropriate

**E. Physical Description:**

1. **Present Use:** None
2. **Existing Structures:** Building (1) Abandoned Building, Building (2/3) Abandoned Building/Vacant Lot
3. **Relocation Requirements:** Not Applicable

**F. Zoning:**  
(TN-TBA) Traditional Neighborhood – Traditional Business

**G. Contiguous Land Use:**

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1. North: Commercial
2. South: Church and Commercial
3. East: Single Family Residential
4. West: Single Family Residential

**H. Tax Information:**

The Project has received a 3% PILOT letter from the City of Grand Rapids.

**I. Utilities:**

1. Consumers Energy
2. City of Grand Rapids Water and Sewer
3. DTE

**J. Community Facilities: Walk Score 85**

1. Shopping:

Duthler's Family Foods within .1 miles of site, Great Giant Supermarket within .1 mile of the site, Hall Street Party Store within .6 miles of site, Grand Rapids Downtown Market within 1.2 miles of the site.

2. Recreation:

Campau Park within .8 miles of site, Garfield Park within .9 miles of site, Roosevelt Park Gymnasium within 1.5 miles of site, East Grand Rapids Community Center within 2.5 miles of site.

3. Public Transportation:

Grand Rapids bus stop (Madison/Gilbert SB) within .01 miles of site, Central Transport within 1.8 miles of site, Ride YourWay within 2.3 miles of site.

4. Road Systems

Approximately 0.2-mile South of Hall St. SE, 0.8-miles North of Burton St. SE, 0.6-miles West of Eastern Ave SE, 0.6-miles West of Division Ave S, 0.9-miles West of Interstate 131.

5. Medical Services and other Nearby Amenities:

Trinity Health Grand Rapids Hospital 1.4 miles of site, Spectrum Health Blodgett Hospital within 2 miles of site.

6. Description of Surrounding Neighborhood:

Mixed use of residential, church, and commercial uses.

7. Local Community Expenditures Apparent:

Kent County has approved a \$585.5M budget for fiscal year 2024, which \$114.2 million dedicated to public safety, \$114.6 million allocated to social services, \$13.6 million community and economic development, and an expenditure of \$62.8 million to Public Works.

8. Indication of Local Support:

Approval of a 3% PILOT and Site Plan.

**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. 15).

**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 Officer 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:	September 2024
B. Initial Closing and Disbursement:	December 2024
C. Construction Completion:	March 2026
D. Cut-Off Date:	August 2026

**XII. ATTACHMENTS:**

- A. Development Proforma

Mortgage Loan Feasibility/Commitment Staff Report  
1309 Madison Apartments, MSHDA No. 4136  
City of Grand Rapids, Kent County  
September 19, 2024

APPROVALS:



Chad Benson  
Director of Development

9/10/2024

Date



Tony Lentych  
Chief Housing Investment Officer

9-10-2024

Date



Clarence L. Stone, Jr.  
Chief Legal Affairs Officer

9/12/2024

Date



Amy Hovey  
Chief Executive Officer and Executive Director

09/11/2024

Date



Development 1309 Madison  
 Financing Tax Exempt  
 MSHDA No. 4136  
 Step Commitment  
 Date 09/19/2024  
 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**

**Total Development Income Potential**

	Per Unit	Total
Annual Rental Income	14,779	665,076
Annual Non-Rental Income	111	5,000
Total Project Revenue	14,891	670,076

**Total Development Expenses**

Vacancy Loss	8.00% of annual rent potential	1,182	53,206
Management Fee	634 per unit per year	634	28,530
Administration		1,483	66,735
Project-paid Fuel		41	1,845
Common Electricity		121	5,445
Water and Sewer		545	24,525
Operating and Maintenance		2,005	90,236
Real Estate Taxes		0	
Payment in Lieu of Taxes (PILOT)	3.00% Applied to: All Units	387	17,402
Insurance		750	33,750
Replacement Reserve	300 per unit per year	300	13,500
Other:		0	
Other:		0	

Initial Inflation Factor	Beginning in Year	Future Inflation Factor
1.0%	6	2.0%
1.0%	6	2.0%
Future Vacancy		
	6	8.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	6	3.0%
4.0%	6	3.0%
5.0%	6	5.0%
3.0%	1	3.0%
5.0%	1	5.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%

% of Revenue

<b>Total Expenses</b>	50.02%	<b>7,448</b>	<b>335,174</b>
Base Net Operating Income		7,442	334,902
Part A Mortgage Payment	41.65%	6,202	279,085
<b>Part A Mortgage</b>		<b>86,951</b>	<b>3,912,804</b>
Non MSHDA Financing Mortgage Payment		0	
<b>Non MSHDA Financing Type:</b>		<b>0</b>	
Base Project Cash Flow (excludes ODR)	8.33%	1,240	55,817

Override

Development 1309 Madison  
 Financing Tax Exempt  
 MSHDA No. 4136  
 Step Commitment  
 Date #####  
 Type New Construction

**Instructions**

Income Limits for	Kent County (Effective April 1,2024)					
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	21,150	24,180	27,210	30,210	32,640	35,070
40% of area median	28,200	32,240	36,280	40,280	43,520	46,760
50% of area median	35,250	40,300	45,350	50,350	54,400	58,450
60% of area median	42,300	48,360	54,420	60,420	65,280	70,140

**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	Unit Type 2	Max Allowed Housing Expense
<b>20 Grand Rapids Housing Commission PBV's</b>																		
30% Area Median Income Units																		
Yes Local PHA Project Based Voucher Units																		
Family Occupancy																		
A	3	Apartment	1	1.0	675	1,200	113	1,313	43,200		6.5%	6.7%	2,025	6.0%	2,025	HTF		566
B	2	Apartment	2	1.0	900	1,435	139	1,574	34,440		5.2%	4.4%	1,800	5.3%	1,800	HTF		680
									77,640	0	11.7%	11.1%	3,825	11.3%	3,825			
40% Area Median Income Units																		
30% Tenant AMI Restriction (if different from rent restriction)																		
Yes Local PHA Project Based Voucher Units																		
Family Occupancy																		
A	3	Apartment	1	1.0	675	1,200	113	1,313	43,200	0	6.5%	6.7%	2,025	6.0%	2,025	CERA	HTF	755
B	2	Apartment	2	1.0	900	1,435	139	1,574	34,440	0	5.2%	4.4%	1,800	5.3%	1,800	HTF		907
									77,640	0	11.7%	11.1%	3,825	11.3%	3,825			
50% Area Median Income Units																		
30% Tenant AMI Restriction (if different from rent restriction)																		
Yes Local PHA Project Based Voucher Units																		
Family Occupancy																		
A	3	Apartment	1	1.0	675	1,200	113	1,313	43,200	0	6.5%	6.7%	2,025	6.0%	2,025	CERA		944
B	2	Apartment	2	1.0	900	1,435	139	1,574	34,440	0	5.2%	4.4%	1,800	5.3%	1,800	CERA		1,133
									77,640	0	11.7%	11.1%	3,825	11.3%	3,825			
50% Area Median Income Units																		
30% Tenant AMI Restriction (if different from rent restriction)																		
Yes Local PHA Project Based Voucher Units																		
Family Occupancy																		
A	3	Apartment	1	1.0	675	1,200	113	1,313	43,200	0	6.5%	6.7%	2,025	6.0%	2,025	HTF		944
B	2	Apartment	2	1.0	900	1,435	139	1,574	34,440	0	5.2%	4.4%	1,800	5.3%	1,800	HTF		1,133
									77,640	0	11.7%	11.1%	3,825	11.3%	3,825			
70% Area Median Income Units																		
Family Occupancy																		
C	5	Apartment	1	1.0	675	1,135	87	1,222	68,100	0	10.2%	11.1%	3,375	10.0%	3,375			1,322
D	1	Apartment	2	1.0	900	1,381	106	1,487	16,572	0	2.5%	2.2%	900	2.7%	900			1,587
									84,672	0	12.7%	13.3%	4,275	12.7%	4,275			
80% Area Median Income Units																		
Family Occupancy																		
C	6	Apartment	1	1.0	675	1,274	87	1,361	91,728	0	13.8%	13.3%	4,050	12.0%	4,050			1,511
D	2	Apartment	2	1.0	900	1,558	106	1,664	37,392	0	5.6%	4.4%	1,800	5.3%	1,800			1,814
									129,120	0	19.4%	17.8%	5,850	17.3%	5,850			
60% Area Median Income Units																		
Family Occupancy																		
C	3	Apartment	1	1.0	675	1,055	87	1,142	37,980	0	5.7%	6.7%	2,025	6.0%	2,025	High HOME		1,142
D	2	Apartment	2	1.0	900	1,263	106	1,369	30,312	0	4.6%	4.4%	1,800	5.3%	1,800	High HOME		1,369
									68,292	0	10.3%	11.1%	3,825	11.3%	3,825			
50% Area Median Income Units																		
Family Occupancy																		
C	1	Apartment	1	1.0	675	827	87	914	9,924	0	1.5%	2.2%	675	2.0%	675	Low HOME		944
D	1	Apartment	2	1.0	900	967	106	1,073	11,604	0	1.7%	2.2%	900	2.7%	900	Low HOME		1,133
									21,528	0	3.2%	4.4%	1,575	4.7%	1,575			
60% Area Median Income Units																		
Family Occupancy																		
C	3	Apartment	1	1.0	675	1,016	87	1,103	36,576	0	5.5%	6.7%	2,025	6.0%	2,025			1,133
D	1	Apartment	2	1.0	900	1,194	106	1,300	14,328	0	2.2%	2.2%	900	2.7%	900			1,360
Mrgs									50,904	0	7.7%	8.9%	2,925	8.7%	2,925			

Total Revenue Units 45  
 Manager Units 0  
 Income Average 56.67%  
 Set Aside 100.00%

Gross Rent Potential	665,076
Average Monthly Rent	1,232
Gross Square Footage	33,750

HOME Units SF/Total Units SF 16.0%  
 # HOME Units/# Total Units 15.6%

Within Range  
 Within Range

**Utility Allowances**

Tenant-Paid Owner-Paid Tenant-Paid Owner-Paid Tenant-Paid

**Annual Non-Rental Income**

Misc. and Interest	5,000
Laundry	
Carpools	
Other:	
Other:	5,000

	Electricity	A/C	Gas	Water/ Sewer	Other	Total	Override
A	53		35		25	113	
B	73		41		25	139	
C	34		29		24	87	
D	47		35		24	106	
E						0	
F						0	
G						0	
H						0	

<b>Total Income</b>	<b>Annual</b>	<b>Monthly</b>
Rental Income	665,076	55,423
Non-Rental Income	5,000	417
<b>Total Project Revenue</b>	<b>670,076</b>	<b>55,840</b>

**Cash Flow Projections**

**Development** 1309 Madison  
**Financing** Tax Exempt  
**MSHDA No.** 4136  
**Step** Commitment  
**Date** 09/19/2024  
**Type** New Construction

	Initial Inflation	Starting in Yr	Future Inflation	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20			
<b>Income</b>																							
Annual Rental Income	1.0%	6	2.0%	665,076	671,727	678,444	685,228	692,081	705,922	720,041	734,442	749,130	764,113	779,395	794,983	810,883	827,101	843,643	860,515	877,726	895,280	913,186	931,450
Annual Non-Rental Income	1.0%	6	2.0%	5,000	5,050	5,101	5,152	5,203	5,307	5,413	5,521	5,632	5,745	5,859	5,977	6,096	6,218	6,342	6,469	6,599	6,731	6,865	7,003
<b>Total Project Revenue</b>				<b>670,076</b>	<b>676,777</b>	<b>683,545</b>	<b>690,380</b>	<b>697,284</b>	<b>711,229</b>	<b>725,454</b>	<b>739,963</b>	<b>754,762</b>	<b>769,858</b>	<b>785,255</b>	<b>800,960</b>	<b>816,979</b>	<b>833,319</b>	<b>849,985</b>	<b>866,985</b>	<b>884,324</b>	<b>902,011</b>	<b>920,051</b>	<b>938,452</b>
<b>Expenses</b>																							
Vacancy Loss	8.0%	6	8.0%	53,206	53,738	54,276	54,818	55,366	56,474	57,603	58,755	59,930	61,129	62,352	63,599	64,871	66,168	67,491	68,841	70,218	71,622	73,055	74,516
Management Fee	3.0%	1	3.0%	28,530	29,386	30,267	31,176	32,111	33,074	34,066	35,088	36,141	37,225	38,342	39,492	40,677	41,897	43,154	44,449	45,782	47,156	48,570	50,028
Administration	3.0%	1	3.0%	66,735	68,737	70,799	72,923	75,111	77,364	79,685	82,076	84,538	87,074	89,686	92,377	95,148	98,003	100,943	103,971	107,090	110,303	113,612	117,020
Project-paid Fuel	3.0%	6	3.0%	1,845	1,900	1,957	2,016	2,077	2,139	2,203	2,269	2,337	2,407	2,480	2,554	2,631	2,709	2,791	2,874	2,961	3,050	3,141	3,235
Common Electricity	4.0%	6	3.0%	5,445	5,663	5,889	6,125	6,370	6,561	6,758	6,961	7,169	7,384	7,606	7,834	8,069	8,311	8,561	8,817	9,082	9,354	9,635	9,924
Water and Sewer	5.0%	6	5.0%	24,525	25,751	27,039	28,391	29,810	31,301	32,866	34,509	36,235	38,046	39,949	41,946	44,043	46,246	48,558	50,986	53,535	56,212	59,022	61,973
Operating and Maintenance	3.0%	1	3.0%	90,236	92,943	95,731	98,603	101,561	104,608	107,747	110,979	114,308	117,736	121,270	124,908	128,655	132,515	136,490	140,585	144,802	149,146	153,621	158,229
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)				17,402	17,540	17,678	17,816	17,954	18,283	18,618	18,958	19,304	19,654	20,010	20,372	20,738	21,110	21,487	21,870	22,258	22,651	23,050	23,454
Insurance	3.0%	1	3.0%	33,750	34,763	35,805	36,880	37,986	39,126	40,299	41,508	42,753	44,036	45,357	46,718	48,119	49,563	51,050	52,581	54,159	55,784	57,457	59,181
Replacement Reserve	3.0%	1	3.0%	13,500	13,905	14,322	14,752	15,194	15,650	16,120	16,603	17,101	17,614	18,143	18,687	19,248	19,825	20,420	21,033	21,664	22,313	22,983	23,672
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	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	0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses				335,174	344,326	353,765	363,500	373,540	384,580	395,965	407,707	419,817	432,309	445,194	458,486	472,199	486,347	500,945	516,007	531,551	547,591	564,146	581,233
<b>Debt Service</b>																							
Debt Service Part A				279,085	279,085	279,085	279,085	279,085	279,085	279,085	279,085	279,085	279,085	279,085	279,085	279,085	279,085	279,085	279,085	279,085	279,085	279,085	279,085
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
<b>Total Expenses</b>				<b>614,259</b>	<b>623,412</b>	<b>632,850</b>	<b>642,585</b>	<b>652,625</b>	<b>663,665</b>	<b>675,500</b>	<b>686,792</b>	<b>698,903</b>	<b>711,394</b>	<b>724,279</b>	<b>737,571</b>	<b>751,284</b>	<b>765,432</b>	<b>780,030</b>	<b>795,092</b>	<b>810,636</b>	<b>826,676</b>	<b>843,211</b>	<b>860,318</b>
<b>Cash Flow/(Deficit)</b>				<b>55,817</b>	<b>53,365</b>	<b>50,694</b>	<b>47,795</b>	<b>44,658</b>	<b>47,564</b>	<b>50,404</b>	<b>53,171</b>	<b>55,860</b>	<b>58,464</b>	<b>60,976</b>	<b>63,389</b>	<b>65,695</b>	<b>67,886</b>	<b>69,955</b>	<b>71,892</b>	<b>73,689</b>	<b>75,334</b>	<b>76,820</b>	<b>78,134</b>
<b>Cash Flow Per Unit</b>				1,240	1,186	1,127	1,062	992	1,057	1,120	1,182	1,241	1,299	1,355	1,409	1,460	1,509	1,555	1,598	1,638	1,674	1,707	1,736
<b>Debt Coverage Ratio on Part A Loan</b>				1.20	1.19	1.18	1.17	1.16	1.17	1.18	1.19	1.20	1.21	1.22	1.23	1.24	1.24	1.25	1.26	1.26	1.27	1.28	1.28
<b>Debt Coverage Ratio on Conventional/Other Financing</b>				N/A																			

Interest Rate on Reserves **3%**

Average Cash Flow as % of Net Income

**Operating Deficit Reserve (ODR) Analysis**

Maintained Debt Coverage Ratio (Hard Debt)	1.00
Maintained Operating Reserve (No Hard Debt)	250
Initial Balance	0
Total Annual Draw to achieve 1.0 DCR	0
Total Annual Deposit to achieve Maintained DCR	(0)
Total 1.0 DCR and Maintained DCR	(0)
Interest	0
Ending Balance at Maintained DCR	0
<b>Maintained Cash Flow Per Unit</b>	1,240
<b>Maintained Debt Coverage Ratio on Part A Loan</b>	1.20
<b>Maintained Debt Coverage Ratio on Conventional/Other</b>	N/A
<b>Standard ODR</b>	0
<b>Non-standard ODR</b>	0

**Operating Assurance Reserve Analysis**

Required in Year:	1
Initial Deposit	204,753
Initial Balance	204,753
Interest Income	6,143
Ending Balance	210,896

**Deferred Developer Fee Analysis**

Initial Balance	499,417	443,600	390,235	339,540	291,745	247,087	199,523	149,119	95,948	40,088	0	0	0	0	0	0	0	0	0	0	0	0	0
Dev Fee Paid	55,817	53,365	50,694	47,795	44,658	47,564	50,404	53,171	55,860	40,088	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	443,600	390,235	339,540	291,745	247,087	199,523	149,119	95,948	40,088	0	0	0	0	0	0	0	0	0	0	0	0	0	0

**Mortgage Resource Fund Loan**

Interest Rate on Subordinate Financing	3%
Initial Balance	0
Principal Amount of all MSHDA Soft Funds	0
Current Yr Int	0
Accrued Int	0
Subtotal	0
Annual Payment Due	0
Year End Balance	0

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**  
**RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY**  
**1309 MADISON APARTMENTS, MSHDA DEVELOPMENT NO. 4136**  
**CITY OF GRAND RAPIDS, KENT COUNTY**

**September 19, 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 ICCF Nonprofit Housing Corporation (the "Applicant") for a multifamily housing project to be located in the City of Grand Rapids, Kent County, Michigan, having a total development cost of Seventeen Million Nine Hundred Fifteen Thousand Three Hundred Fifty-Six Dollars (\$17,915,356), with a total estimated maximum mortgage loan (the "Mortgage Loan") amount of Nine Million Three Hundred Fifteen Thousand Nine Hundred Eighty-Five Dollars (\$9,315,985), a COVID Emergency Rental Assistance Loan in the estimated amount of Three Million Five Thousand Six Hundred Eighteen Dollars (\$3,005,618) , and a Housing Trust Fund Loan in the estimated amount of Two Million Five Hundred Ninety Thousand Seventy-Five Dollars (\$2,590,075) (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 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. The proposed housing project is a feasible housing project.
- e. The Authority expects to allocate to the financing of the proposed housing project proceeds of its tax-exempt bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Ten Million Nine Hundred Forty Thousand Dollars (\$10,940,000).

2. The proposed housing project be and it is hereby determined to be feasible 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 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 specific conditions and requirements set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated September 19, 2024, which conditions and requirements are hereby incorporated by reference as if fully set forth herein.

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING MORTGAGE LOANS  
1309 MADISON APARTMENTS, MSHDA DEVELOPMENT NO. 4136  
CITY OF GRAND RAPIDS, KENT COUNTY**

**September 19, 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 ICCF Nonprofit Housing Corporation (the "Applicant") for a construction mortgage loan in the amount of Nine Million Three Hundred Fifteen Thousand Nine Hundred Eighty-Five Dollars (\$9,315,985) and a permanent mortgage loan in the amount of Three Million Nine Hundred Twelve Thousand Eight Hundred Four Dollars (\$3,912,804) (the "Mortgage Loan") for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Seventeen Million Nine Hundred Fifteen Thousand Three Hundred Fifty-Six Dollars (\$17,915,356), to be known as 1309 Madison Apartments, MSHDA Development No. 4136 (the "Development"), located in the City of Grand Rapids, Kent County, Michigan, and to be owned by 1309 Madison Limited Dividend Housing Association Limited Partnership (the "Mortgagor"); and

WHEREAS, the Authority has designated up to Forty Million Dollars (\$40,000,000) of COVID Emergency Rental Assistance ("CERA") funds to be used for PSH (Permanent Supportive Housing) Gap Financing Program loans; and

WHEREAS, in the Application, the Applicant also requested a CERA loan (the "CERA Loan") under the PSH Gap Financing Program in the amount of Three Million Five Thousand Six Hundred Eighteen Dollars (\$3,005,618); and

WHEREAS, in the Application, the Applicant also requested a Housing Trust Fund ("HTF") loan (the "HTF Loan") in the amount of Two Million Five Hundred Ninety Thousand Seventy-Five Dollars (\$2,590,075); 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 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. 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 (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 Three Hundred Fifteen Thousand Nine Hundred Eighty-Five Dollars (\$9,315,985), and permanent financing in an amount not to exceed Three Million Nine Hundred Twelve Thousand Eight Hundred Four Dollars (\$3,912,804), and to have a term of 40 years after amortization of principal commences and to bear interest at a rate of 625/1000 (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

Ten Million Nine Hundred Forty Thousand Dollars (\$10,940,000). 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 Three Million Five Thousand Six Hundred Eighteen Dollars (\$3,005,618) to have a term not to exceed fifty (50) years and to bear interest at a rate of one percent (1%) per annum with payments initially deferred.

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. So long as the Authority CERA and HTF Loans are outstanding, the Limited Dividend Payments are capped at 12% per annum. If the CERA and HTF Loans are no longer outstanding, the Limited Dividend Payments may increase 1% per annum until a cap of 25% per annum 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 September 19, 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 projects meet the MSHDA Multifamily Standards of Design, with respect to the following: the required parking space ratio of 2:1, the requirement for balconies, and the number of elevators required for 3-story buildings.



# 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

**DATE:** September 19, 2024

**RE:** Linwood Apartments, Development No. 4156

### **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 loans in the amount set forth below, 3) authorize a waiver of the Multifamily Direct Lending Parameters ("Parameters") regarding the payment in lieu of taxes ("PILOT") and the MSHDA Standards of Design as listed below, 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 September 19, 2024.

### **PROJECT SUMMARY:**

MSHDA No:	4156
Development Name:	Linwood Apartments
Development Location:	City of Detroit, Wayne County
Sponsors:	Central Detroit Christian Community Development Corporation and Develop Detroit, Inc.
Mortgagor:	Linwood Detroit Limited Dividend Housing Association Limited Partnership
Number of Units:	40 Family Units
Number of Units Designated for Accessible Use:	4 Accessible Units
Total Development Cost:	\$17,860,363
TE Bond Construction Loan:	\$10,000,000
TE Bond Permanent Loan:	\$3,289,956
MSHDA Gap Funds (HOME Loan):	\$1,409,571
Low-Income Housing Tax Equity Credit:	\$7,456,686
Solar Credit:	\$90,000
City of Detroit HOME Loan:	\$3,000,000
FHLB/AHP Loan:	\$600,000
Income from Operation:	\$31,674

Sponsor Loan:	\$1,344,000
Developer Deferred Fee:	\$638,476

### **EXECUTIVE SUMMARY:**

Central Detroit Christian Community Development Corporation (“Central Detroit Christian”) and Develop Detroit, Inc. (together, the “Sponsors”) are partnering on the renovation of a vacant apartment building at 2295 W. Grand Boulevard (the “Development”). These two organizations bring extensive experience and expertise to the development, ownership and management of affordable housing. Central Detroit Christian is recognized by the City of Detroit as a Community Housing Development Organization (“CHDO”) for HOME program purposes. The 4-story building will contain 1 elevator and a total of 40 family units. All units will be occupied by homeless or near homeless individuals and families. There will be 16 one-bedroom and 24 two-bedroom apartments, and all units will have project-based vouchers (“PBVs”) from the Authority. The common areas will include the management office, multipurpose rooms and a laundry room, these are all located in the development’s basement.

Premier Property Management LLC will serve as the property management firm. The Lighthouse will serve as the supportive housing service provider for the tenants. The development team will work with the Continuum of Care to ensure that those in most need is selected for tenancy.

### **ADVANCING THE AUTHORITY’S MISSION:**

Linwood Apartments is located within Region N of the Statewide Housing Plan Regional Housing Partnerships, and this Development supports the following goals of the Region Action Plan:

- 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, increasing the rehabilitation and/or preservation of housing stock.
- Goal 4.5, increasing environmental sustainability, energy efficiency, and weatherization in housing rehabilitation and/or preservation.

### **MUNICIPAL SUPPORT:**

The City of Detroit is expected to approve a payment in lieu of taxes for the Development and has provided a letter of support.

### **COMMUNITY ENGAGEMENT/IMPACT:**

Not applicable; this is an existing building.

### **RESIDENT IMPACT:**

Not applicable; the building is not occupied.

## **ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

The following design waiver was submitted by the Sponsors and approved:

- Parking Ratio: Request to waive the 2:1 parking ratio per unit conditioned on the Sponsors' purchasing the adjacent Detroit Land Bank site to provide up to 8 (eight) spaces of on-site parking. The Sponsors are also leasing space across the street to provide parking to meet the overall 2:1 ratio. This was acceptable based on market analysis.

Central Detroit Christian is a non-profit 501(c)(3) entity owned and operated by a non-profit organization that has been in operation for more than 70 years., It is expected to be certified by the Authority as a CHDO for purposes of the HOME Investment Partnerships Program.

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.



## **MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT**

**September 19, 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, 3) authorize a waiver of the Multifamily Direct Lending Parameters ("Parameters") regarding the payment in lieu of taxes ("PILOT") and Standard of Design as listed below, 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.

<b><u>MSHDA No.:</u></b>	4156
<b><u>Development Name:</u></b>	Linwood Apartments
<b><u>Development Location:</u></b>	City of Detroit, Wayne County
<b><u>Sponsors:</u></b>	Central Detroit Christian Community Development Corporation and Develop Detroit, Inc.
<b><u>Mortgagor:</u></b>	Linwood Detroit Limited Dividend Housing Association Limited Partner
<b><u>TE Bond Construction Loan:</u></b>	\$10,000,000 (57.25% of TDC)
<b><u>TE Bond Permanent Loan:</u></b>	\$3,289,956
<b><u>MSHDA Permanent HOME Loan:</u></b>	\$1,409,571
<b><u>Total Development Cost:</u></b>	\$17,860,363
<b><u>Mortgage Amortization and Term:</u></b>	40 years for the tax-exempt bond loan, and 50 years for the HOME Loan
<b><u>Interest Rate:</u></b>	6.625% for the tax-exempt bond loan, 1% for the HOME Loan
<b><u>Program:</u></b>	Tax-Exempt Bond Financing Programs
<b><u>Number of Units:</u></b>	40 family units of rehabilitation.
<b><u>Unit Configuration:</u></b>	16 one-bedroom and 24 two-bedroom apartments
<b><u>Builder:</u></b>	O'Brien Construction, Inc.
<b><u>Syndicator:</u></b>	National Equity Fund, Inc.
<b><u>Date Application Received:</u></b>	April 6, 2023
<b><u>HDO:</u></b>	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:**

**Mortgage Loan Feasibility/Commitment Staff Report  
Linwood Apartments, MSHDA No. 4156  
City of Detroit, Wayne County  
September 19, 2024**

Central Detroit Christian Community Development Corporation (“Central Detroit Christian”) and Develop Detroit, Inc. (together, the “Sponsors”), are non-profit 501(c)(3) entities owned and operated by non-profit organizations that have been in operation for more than 70 years. Central Detroit Christian is expected to be certified by the Authority as a Community Housing Development Organization (“CHDO”) for purposes of the HOME Investment Partnerships Program.

The following waiver was submitted by the Sponsors and approved:

- **Parking Ratio:** Request to waive the 2:1 parking ratio per unit conditioned on the Sponsors’ purchasing the adjacent Detroit Land Bank site to provide up to 8 (eight) spaces of on-site parking. The Sponsors are also leasing space across the street to provide parking to meet the overall 2:1 ratio. This was acceptable based on a market analysis.

Linwood Apartments (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.

**EXECUTIVE SUMMARY:**

The Sponsors are partnering on the renovation of Linwood Apartments. Central Detroit Christian is recognized as a CHDO for HOME program purposes. The 4-story building will contain 1 elevator and a total of 40 family units. All units will be occupied by homeless or near homeless individuals and families. There will be 16 one-bedroom and 24 two-bedroom apartments, and all units will have an Authority housing voucher. The common areas will include the management office, multipurpose rooms and a laundry room, these are all located in the Development’s basement level.

Premier Property Management LLC will serve as the property management firm. Lighthouse MI will serve as the supportive housing service provider for the tenants. The Development team will work with the Continuum of Care to ensure that those in most need are selected for tenancy.

**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 \$10,000,000 at 6.625% interest with a 19-month term (a 12-month construction term and a 7-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 19-month construction loan term expires or such later date as is established by an Authorized Officer of the Authority (the “Permanent Financing Date”).

**Mortgage Loan Feasibility/Commitment Staff Report  
Linwood Apartments, MSHDA No. 4156  
City of Detroit, Wayne County  
September 19, 2024**

- A permanent Mortgage Loan will be provided by the Authority in the amount of \$3,289,956. 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 \$1,409,571 will be provided at 1% simple interest with payments initially deferred. The HOME Loan will be in **Second Position**.
- The City of Detroit will provide a HOME Loan in the amount of \$3,000,000. This loan will be in **Third Position**. See Special Condition No. 4.
- The Sponsors are providing a FHLB/AHP loan in the amount of \$600,000. See Special Condition No. 5.
- The Sponsors are providing a loan in the amount of \$1,344,000. See Special Condition No. 3.
- Solar Credit is providing a grant of \$90,000 for building upgrades that will meet the design requirement of Elevate Building Electrification Program.
- Equity support comes from an investment related to the 4% LIHTC in the estimated amount of \$7,456,686.
- The Authority is providing forty (40) project-based vouchers from the Authority’s Housing Choice Voucher 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 \$31,674.
- The Sponsors have agreed to defer \$638,476 of the developer fee to help fill the remaining funding gap.
- An operating assurance reserve (“OAR”) will be required in the amount identified in the attached proforma. The OAR will be capitalized at closing in an amount which, along with accumulated interest, is expected to meet the Development’s unanticipated operating needs. This OAR will be held by the Authority.

**Scope of Rehabilitation:**

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

This will be a complete renovation of the existing 4-story building to include:

- All new mechanical systems

- New roof
- All new windows and doors
- New flooring
- New fixtures
- New ceilings/walls
- New lighting and security systems
- New asphalt for parking lot
- New cement sidewalks and dumpster pad
- All new electrical wiring and service panels

**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.

**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 31, 2023, estimates the value at \$1,344,000.

**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 \$7,456,686). 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:**

**Mortgage Loan Feasibility/Commitment Staff Report**  
**Linwood Apartments, MSHDA No. 4156**  
**City of Detroit, Wayne County**  
**September 19, 2024**

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

- a. 40 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. 40 units (1 studio unit, 16 one-bedroom units and 23 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. 40 units (16 one-bedroom units and 24 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.

Eight (8) of the 40 HOME units have been designated as Low-HOME units by the City of Detroit. 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 40 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 40 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 HAP-assisted 40 units (1 studio, 16 one-bedroom units, and 23 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.

**Mortgage Loan Feasibility/Commitment Staff Report  
Linwood Apartments, MSHDA No. 4156  
City of Detroit, Wayne County  
September 19, 2024**

- c. The Total Housing Expense for all 40 units (16 one-bedroom units, and 24 two-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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.

Eight (8) of the 40 HOME units have been designated as Low-HOME units by the City of Detroit. 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. Increases in rents relating to PBV-assisted units must also be requested to the assigned PBV Specialist per guidance outlined on the Authority's PBV website.

**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. Operating Assurance Reserve:**

At Initial Closing, the Mortgagor shall fund an OAR in the amount equal to 4-months of estimated Development operating expenses (estimated to be \$190,989) 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.

**6. 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 \$350 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.

**7. 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 13<sup>th</sup> 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 13<sup>th</sup> 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.

**6. 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.

**9. 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.

**10. 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.

**11. 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.

**12. 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.

**13. 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 Program, and the Housing Choice Voucher Program.

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’s HOME Program, and the Detroit Housing Commission’s (“DHC”) Housing Choice Voucher Program; however, all

necessary documentation and all monitoring and oversight will be handled by the City of Detroit.

**14. 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).

**15. 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.

**16. 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.

**17. 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.

**18. Designation of Authority Funds:**

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

**19. 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

**20. Guaranties:**

At Initial Closing, the Sponsors, General Partner, and any entity receiving a developer fee in connection with the Development must deliver certain guaranties. The required guaranties include a HOME 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.

**21. Financial Statements:**

Prior to Mortgage Loan Commitment, financial statements for the Sponsors, 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 Sponsors, the guarantor(s) and/or the general contractor must provide the Authority with updated financial statements meeting Authority requirements upon request.

**22. 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.

**23. 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.

**24. 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.

**25. 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, the Authority’s and Owner’s final completion signoffs have been accepted, and the units pass HUD’s Housing Quality Standards inspection, a HAP Contract will be prepared and executed.

**26. Services for Residents:**

40 of the units in the Development will be designated as Permanent Supportive Housing (“PSH”) units and must be marketed to Homeless or Near Homeless 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.

**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.

**Special Conditions:**

**1. Legal Requirements:**

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

- Prior to submission to the Michigan Attorney General’s Office, the following must be provided:
  - A development agreement between Central Detroit Christian Community Development Corporation and Develop Detroit, Inc.

- Rectify the differences between the survey legal description and the title legal description.
  - Provide a Surveyor's Certificate of Facts.
  - Evidence or rezoning of the property.
  - Evidence of a PILOT.
  - Correct the title work, provide endorsements.
- 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 is currently subject to ad valorem property taxes and has been underwritten as though such taxes will continue to be assessed; however, the Mortgagor has applied for a PILOT. If a PILOT resolution from the City of Detroit is provided that is acceptable in form and substance to the Authority's Chief Legal Affairs Officer, the Authority may re-underwrite the Development using the new PILOT. Any savings generated by the PILOT disclosed in the Authority's re-underwriting of the Development may be applied, at the sole discretion of an Authorized Officer of the Authority, to 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. Sponsors' Loan:**

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the Sponsors' loan is acceptable to the Authority's Chief Legal Affairs Officer and Director of Development. The Sponsors' 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 Sponsors' 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. Federal Home Loan Bank AHP Award:**

Prior to Initial Closing, the Mortgagor must submit documents evidencing the Federal Home Loan Bank's AHP commitment and pay-in which must be acceptable to the Authority's Chief Legal Affairs Officer. If the AHP award is not made, the Mortgagor must submit documents evidencing the Sponsors' commitment in its place and pay-in which must be acceptable to the Authority's Chief Legal Affairs Officer. Documentation, terms and agreements must be submitted and acceptable to the Authority's Chief Legal Affairs Officer.

**DEVELOPMENT TEAM AND SITE INFORMATION**

I. **MORTGAGOR:** Linwood Detroit Limited Dividend Housing Association  
Limited Partner

II. **GUARANTOR(S):**

A. **Guarantor #1:**

**Name:** Develop Detroit, Inc.  
**Address:** 1452 Randolph, Suite 300  
Detroit, MI 48226

III. **DEVELOPMENT TEAM ANALYSIS:**

A. **Sponsor:**

**Name:** Develop Detroit, Inc.  
**Address:** 1452 Randolph, Suite 301  
Detroit, MI 48226

**Individuals Assigned:** Sonya S. Mays  
**Telephone:** 313-960-7700  
**E-mail:** sonya@developdetroit.org

B. **Sponsor:**

**Name:** Central Detroit Christian CDC  
**Address:** 1550 Tylor  
Detroit, MI 48206

**Individuals Assigned:** Lisa Johanon  
**Telephone:** 313-873-0064  
**E-mail:** ljohanon@centraldetroitchristian.org

**Mortgage Loan Feasibility/Commitment Staff Report  
Linwood Apartments, MSHDA No. 4156  
City of Detroit, Wayne County  
September 19, 2024**

**Experience:** The Sponsors have experience working on Authority-financed developments.

1. **Interest in the Mortgagor and Members:** Central Detroit Christian CDC 50% Limited Partnership, CDC Dev. Detroit LLC 50% General Partner

**B. Architect:**

**Name:** Shelter Design Studio, LLC  
**Address:** 104 W 4th St #303  
Royal Oak, MI 48067

**Individual Assigned:** Steve Pariseau  
**Telephone:** 248-629-7153  
**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  
**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, Inc.  
**Address:** 966 Livernois Road, Troy, MI 48083  
Troy, MI 48083

**Individual Assigned:** David Vivio  
**Telephone:** 248-334-2470  
**E-mail:** dvivio@obrienc.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:** Premier Property Management LLC  
**Address:** 120 N. Leroy  
Fenton, Michigan 48430

**Individual Assigned:** Robert Beale  
**Telephone:** 810-629-9500 x 0205  
**E-mail:** rbeale@4premier.ne

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

**F. Development Team Recommendation:** Acceptable

**IV. SITE DATA:**

**A. Land Control/Purchase Price:**  
\$1,344,000

**B. Site Location:**  
2295 W. Grand Blvd., Detroit, MI 48208

**A. Size of Site:**  
Approximately +/- 0.59 Acres

**B. Density:**  
Deemed Appropriate

**C. Physical Description:**

1. **Present Use:** None
2. **Existing Structures:** One Four-Story Building
3. **Relocation Requirements:** Not Applicable

**D. Zoning:**  
B4 (General Business)

**E. Contiguous Land Use:**

1. North: Residential
2. South: Gas Station, Bank, Family Dollar
3. East: Residential

4. West: Residential

**F. Tax Information:**

In the event the application of Linwood Detroit Limited Dividend Housing Association Limited Partner for exemption from ad valorem Real Property taxation and a Payment in Lieu of Taxes agreement complies with the State Housing Development Authority Act PA 346 of 1966, as amended, and the 1997 City Code at §§ 18-9-10 through 18-9-16, said application will be submitted to City Council for consideration.

**G. Utilities:**

- a. DTE Energy
- b. DTE Gas
- c. Detroit Water and Sewerage

**H. Community Facilities:**

1. Shopping:

The site is surrounded by multiple shopping venues including Family Dollars, Dollar Generals, Save-A-lot, Food Farm Markets, Convenience Store's, and so on. Pharmacies, Gas Stations, Cellphone Companies, Beauty Supply, Banks, and restaurants are within a few miles of the site.

2. Recreation:

La Salle Park, Yates Playground, Gordon Park, Atkinson Park, Calvert Park, and many others are all within walking distance of the site; Other recreation's include Museums, Galleries, Art Centers, Theater's, Bowling Alley's, Little Caesars Arena throughout the Detroit area.

3. Public Transportation:

Detroit Public Transportation has two bus stops located to located directly in front of the Development and on the southside of the Development.

4. Road Systems

The site is located a few miles east of I-96 and a few miles north of I-94.

5. Medical Services and other Nearby Amenities:

The site is surrounded by Medical Clinic and Medical Centers, DMC Harper University Hospital is 2.3 miles from the site, and Windsor Reginal Hospital is 6.7 miles from the site.

6. Description of Surrounding Neighborhood:

The surrounding neighborhood consist of single-family homes, multi-family homes, churches, schools, gas stations, and stores.

7. Local Community Expenditures Apparent:

Non-Apparent

8. Indication of Local Support:

In the event the application of Linwood Detroit Limited Dividend Housing Association Limited Partner for exemption from ad valorem Real Property taxation and a Payment in Lieu of Taxes agreement complies with the State Housing Development Authority Act PA 346 of 1966, as amended, and the 1997 City Code at §§ 18-9-10 through 18-9-16, said application will be submitted to City Council for consideration.

**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. 15).

**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 Sponsors'/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:**

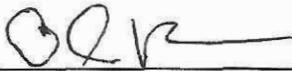
<b>A.</b>	Mortgage Loan Commitment:	September 2024
<b>B.</b>	Initial Closing and Disbursement:	January 2025
<b>C.</b>	Construction Completion:	December 2025
<b>D.</b>	Cut-Off Date:	July 2026

**XII. ATTACHMENTS:**

- A.** Development Proforma

Mortgage Loan Feasibility/Commitment Staff Report  
Linwood Apartments, MSHDA No. 4156  
City of Detroit, Wayne County  
September 19, 2024

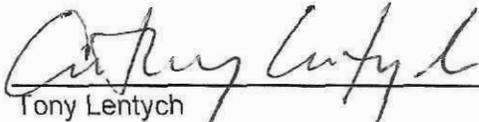
**APPROVALS:**



Chad Benson  
Director of Rental Development

9/10/2024

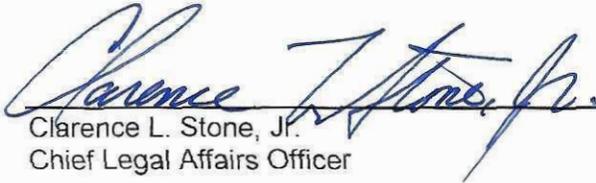
Date



Tony Lentych  
Chief Housing Investment Officer

9-10-2024

Date



Clarence L. Stone, Jr.  
Chief Legal Affairs Officer

9/12/2024

Date



Amy Hovey  
Chief Executive Officer and Executive Director

09/11/2024

Date

Instructions

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
<b>TOTAL DEVELOPMENT COSTS</b>					
<b>Acquisition</b>					
Land	0		0%	0	0
Existing Buildings	33,600	1,344,000	100%	1,344,000	0
Other: Land Bank Parcel (Parking)	100	4,000	0%	0	0
<b>Subtotal</b>	<b>33,700</b>	<b>1,348,000</b>			
<b>Construction/Rehabilitation</b>					
Off Site Improvements	0		100%	0	0
On-site Improvements	10,930	437,207	100%	437,207	0
Landscaping and Irrigation	125	5,000	100%	5,000	5,000
Structures	233,785	9,351,390	100%	9,351,390	9,351,390
Structures	0		100%	0	0
Structures	0		0%	0	0
Structures	% of Contract 5.83%	14,312	100%	572,483	572,483
Structures	% of Contract 1.95%	5,057	100%	202,277	202,277
Structures	% of Contract 5.84%	15,474	100%	618,969	618,969
Structures		4,306	100%	172,242	172,242
Structures		750	100%	30,000	30,000
<b>Subtotal</b>	<b>284,739</b>	<b>11,389,568</b>			
15% of acquisition and \$15,000/unit test: <b>met</b>					
<b>Professional Fees</b>					
Design Architect Fees	4,350	174,000	100%	174,000	174,000
Supervisory Architect Fees	1,500	60,000	100%	60,000	60,000
Engineering/Survey	1,688	67,500	100%	67,500	67,500
Legal Fees	2,125	85,000	100%	85,000	85,000
<b>Subtotal</b>	<b>9,663</b>	<b>386,500</b>			
<b>Interim Construction Costs</b>					
Property & Casualty Insurance	1,500	60,000	100%	60,000	60,000
Construction Loan Interest	Override 403,951	10,099	67%	269,301	269,301
Title Work	500	20,000	100%	20,000	0
Construction Taxes	286	11,426	100%	11,426	11,426
Permits	2,675	107,018	100%	107,018	107,018
<b>Subtotal</b>	<b>15,060</b>	<b>602,395</b>			
<b>Permanent Financing</b>					
Loan Commitment Fee to MSHDA	2%	5,705		0	0
Other:		0		0	0
<b>Subtotal</b>	<b>5,705</b>	<b>228,191</b>			
<b>Other Costs (In Basis)</b>					
Application Fee	50	2,000	100%	2,000	2,000
Market Study	143	5,700	100%	5,700	5,700
Environmental Studies	1,010	40,400	100%	40,400	40,400
Cost Certification	700	28,000	100%	28,000	28,000
Equipment and Furnishings	625	25,000	100%	25,000	0
Temporary Tenant Relocation	0		100%	0	0
Construction Contingency	24,992	999,662	100%	999,662	999,662
Appraisal and C.N.A.	138	5,500	100%	5,500	5,500
Environmental Abatement	2,000	80,000	100%	80,000	80,000
<b>Subtotal</b>	<b>29,657</b>	<b>1,186,262</b>			
<b>Oth Start-up and Organization</b>					
Tax Credit Fees (based on 2022 QAP)	58,164	Within Range 1,454		0	0
Compliance Monitoring Fee (based on 2022 QAP)		475		0	0
Marketing Expense		250		0	0
Syndication Legal Fees		1,000		0	0
Rent Up Allowance	6.0 months	3,272		130,876	0
Other:		0		0	0
<b>Subtotal</b>	<b>6,826</b>	<b>273,040</b>			

Summary of Acquisition Price		As of #####	Construction Loan Term	
Attributed to Land	0	1st Mortgage Balance		Months
Attributed to Existing Structures	1,344,000	Subordinate Mortgage(s)		12
Other: Land Bank Parcel (Parki	4,000	Subordinate Mortgage(s)		6
Fixed Price to Seller	1,348,000	Subordinate Mortgage(s)		18
Premium/(Deficit) vs Existing Debt		1,348,000		

Appraised Value		Value As of: March 31, 2023
"Encumbered As-Is" value as determined by appraisal:		1,344,000
Plus 5% of Appraised Value:		67,200
LESS Fixed Price to the Seller:		1,348,000
Surplus/(Gap)	Within Range	63,200

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
<b>Project Reserves</b>					
Operating Assurance Reserve	4.0 months	Funded in Cash Required	4,775	190,989	0%
Replacement Reserve			700	28,000	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%
<b>Subtotal</b>	<b>5,475</b>	<b>218,989</b>			
<b>Miscellaneous</b>					
Deposit to Development Operating Account (1MGRP)	Not Required		0	0	0%
Other (Not in Basis):			0	0	0%
Other (In Basis):			0	0	100%
Other (In Basis):			0	0	100%
<b>Subtotal</b>	<b>0</b>	<b>0</b>			
<b>Total Acquisition Costs</b>		<b>33,700</b>		<b>1,348,000</b>	
<b>Total Construction Hard Costs</b>		<b>284,739</b>		<b>11,389,568</b>	
<b>Total Non-Construction ("Soft") Costs</b>		<b>72,384</b>		<b>2,895,377</b>	

Developer Overhead and Fee		Maximum	2,227,418	100%	2,227,418	2,227,418
7.5% of Acquisition/Project Reserves	Override	55,685	2,227,418			
15% of All Other Development Costs			5% Attribution Test			
			met			
<b>Total Development Cost</b>		<b>446,509</b>	<b>17,860,363</b>			

TOTAL DEVELOPMENT SOURCES	% of TDC				
MSHDA Permanent Mortgage	18.42%	82,249	3,289,956		
Conventional/Other Mortgage	0.00%	0	0		
Equity Contribution from Tax Credit Syndication	41.75%	186,417	7,456,686		
MSHDA NSP Funds	0.00%	0	0		
MSHDA HOME	7.89%	35,239	1,409,571		
Mortgage Resource Funds	0.00%	0	0		
MSHDA Housing Trust Funds or TCAP	0.00%	0	0		
MSHDA CERA	0.00%	0	0		
Local HOME	16.80%	75,000	3,000,000		
Income from Operations	0.18%	792	31,674		
Other Equity	0.00%	0	0		
Transferred Reserves:	0.00%	0	0		
Other: Solar credit + Sponsor Loan	8.03%	35,850	1,434,000		
Other: FHLB/AHP	3.36%	15,000	600,000		
Deferred Developer Fee	3.57%	15,962	638,476		
<b>Total Permanent Sources</b>			<b>17,860,363</b>		

Sources Equal Uses?	Balanced
Surplus/(Gap)	0

MSHDA Construction Loan	55.99%	250,000	10,000,000
Construction Loan Rate	6.625%		
Repaid from equity prior to final closing			6,710,044

Eligible Basis for LIHTC/TCAP	Value of LIHTC/TCAP
Acquisition 1,411,200	Acquisition 56,448
Construction 20,267,380	Construction 810,695
Acquisition Credit % 4.00%	Total Yr Credit 867,143
Rehab/New Const Credit % 4.00%	Equity Price \$0.8600
Qualified Percentage 100.00%	Equity Effective Price \$0.8600
QCT/DDA Basis Boost 130%	Equity Contribution 7,456,686
Historic?	

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	7,456,686
Brownfield Equity	
Historic Tax Credit Equity	
General Partner Capital Contributions	
Other Equity Sources	
<b>New Owner's Equity</b>	<b>7,456,686</b>

OAR			
Funded Yr 1	4 Month OAR	OAR	OAR
190,989	190,989		

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Operating Assurance Reserve	4.0 months	Funded in Cash Required	4,775	190,989	0%
Replacement Reserve			700	28,000	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%
<b>Subtotal</b>	<b>5,475</b>	<b>218,989</b>			

Miscellaneous					
Deposit to Development Operating Account (1MGRP)	Not Required		0	0	0%
Other (Not in Basis):			0	0	0%
Other (In Basis):			0	0	100%
Other (In Basis):			0	0	100%
<b>Subtotal</b>	<b>0</b>	<b>0</b>			

	LIHTC Basis	Historic Basis	Aggregate Basis
Maximum	2,227,418	2,227,418	
7.5% of Acquisition/Project Reserves			5% Attribution Test
15% of All Other Development Costs			met
<b>Total Development Cost</b>	<b>446,509</b>	<b>17,860,363</b>	

# of Units	Gap to Hard Debt Ratio	Home Subsidy Limit	HOME Unit Mix	HTF Unit Mix
0.00	42.84%	4,803,365	10 One Bedroo	0 One Bedroom, 1 Bath, 0
23.00		HTF	12 Two Bedroo	0 Two Bedroom, 1 Bath, 0
		Subsidy Limit	1 Zero Bedroo	0 Zero Bedroom, 1 Bath, 0
		0		
<b>Deferred Dev Fee</b>	28.66%		700	

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 2295 West Grand Blvd.  
 Financing Tax Exempt  
 MSHDA No. 4156  
 Step Commitment  
 Date 09/19/2024  
 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 No

Instructions

**Total Development Income Potential**

	Per Unit	Total
Annual Rental Income	15,398	615,900
Annual Non-Rental Income	100	4,000
Total Project Revenue	15,498	619,900

**Total Development Expenses**

Vacancy Loss	8.00% of annual rent potential	1,232	49,272
Management Fee	634 per unit per year	634	25,360
Administration		1,302	52,080
Project-paid Fuel		30	1,200
Common Electricity		1,741	69,624
Water and Sewer		650	26,000
Operating and Maintenance		1,362	54,480
Real Estate Taxes		0	
Payment in Lieu of Taxes (PILOT)	4.00% Applied to: All Units	470	18,792
Insurance		625	25,000
Replacement Reserve	350 per unit per year	350	14,000
Detroit HOME Loan Payment		63	2,500
Other:		0	

Initial Inflation Factor	Beginning in Year	Future Inflation Factor
1.0%	6	2.0%
1.0%	6	2.0%
Future Vacancy		
	6	5.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	6	3.0%
4.0%	6	3.0%
5.0%	6	5.0%
3.0%	1	3.0%
5.0%	1	5.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%

% of Revenue

<b>Total Expenses</b>	54.57%	<b>8,458</b>	<b>338,308</b>
Base Net Operating Income		7,040	281,592
Part A Mortgage Payment	37.85%	5,866	234,660
<b>Part A Mortgage</b>		<b>82,249</b>	<b>3,289,956</b>
Non MSHDA Financing Mortgage Payment		0	
<b>Non MSHDA Financing Type:</b>		<b>0</b>	
Base Project Cash Flow (excludes ODR)	7.57%	1,173	46,932

Override

Development 2295 West Grand Blvd.  
 Financing Tax Exempt  
 MSHDA No. 4156  
 Step Commitment  
 Date 09/19/2024  
 Type Acquisition/Rehab

Instructions

Income Limits for	Wayne County						(Effective April 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	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	12	Apartment	1	1.0	600	1,120	0	1,120	161,280		26.2%	30.0%	7,200	25.2%	7,200	Low HOME	1,080
B	19	Apartment	2	1.0	800	1,420	0	1,420	323,760		52.6%	47.5%	15,200	53.1%	15,200	Low HOME	1,296
C	1	Apartment	0	1.0	600	745	0	745	8,940		1.5%	2.5%	600	2.1%	600	Low HOME	1,008
									493,980	0	80.2%	80.0%	23,000	80.4%	23,000		
50%	Area Median Income Units																
30%	Tenant AMI Restriction (if different from rent restriction)																
Yes	MSHDA Project Based Voucher Units																
Family	Occupancy																
A	4	Apartment	1	1.0	600	1,120	0	1,120	53,760	0	8.7%	10.0%	2,400	8.4%	2,400	Low HOME	900
B	4	Apartment	2	1.0	800	1,420	0	1,420	68,160	0	11.1%	10.0%	3,200	11.2%	3,200	Low HOME	1,080
									121,920	0	19.8%	20.0%	5,600	19.6%	5,600		
													28,600	28,600			

Total Revenue Units **40**  
 Manager Units **0**  
 Income Average 58.00%  
 Set Aside 100.00%

Gross Rent Potential	<b>615,900</b>
Average Monthly Rent	<b>1,283</b>
Gross Square Footage	<b>28,600</b>

HOME Units SF/Total Units SF 100.0% **Within Range**  
 # HOME Units/# Total Units 100.0% **Within Range**

Utility Allowances

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

**Annual Non-Rental Income**

Misc. and Interest	1,000
Laundry	3,000
Carports	
Other:	
Other:	4,000

Total Income	Annual	Monthly
Rental Income	615,900	51,325
Non-Rental Income	4,000	333
<b>Total Project Revenue</b>	<b>619,900</b>	<b>51,658</b>



**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY  
LINWOOD APARTMENTS, MSHDA DEVELOPMENT NO. 4156  
CITY OF DETROIT, WAYNE COUNTY**

**September 19, 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 and Develop Detroit, Inc. (the "Applicants") for a multifamily housing project to be located in the City of Detroit, Wayne County, Michigan, having an estimated total development cost of Seventeen Million Eight Hundred Sixty Thousand Three Hundred Sixty-Three Dollars (\$17,860,363), a total estimated maximum mortgage loan amount of Ten Million Dollars (\$10,000,000) (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 Eleven Million Eight Hundred Thousand Dollars (\$11,800,000).

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 September 19, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING MORTGAGE LOANS  
LINWOOD APARTMENTS, MSHDA DEVELOPMENT NO. 4156  
CITY OF DETROIT, WAYNE COUNTY**

**September 19, 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 and Develop Detroit, Inc. (the "Applicants") for a construction mortgage loan in the amount of Ten Million Dollars (\$10,000,000), and a permanent mortgage loan in the amount of Three Million Two Hundred Eighty-Nine Thousand Nine Hundred Fifty-Six Dollars (\$3,289,956), for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Seventeen Million Eight Hundred Sixty Thousand Three Hundred Sixty-Three Dollars (\$17,860,363), to be known as Linwood Apartments, located in the City of Detroit, Wayne County, Michigan, and to be owned by Linwood Detroit 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 funds in the estimated amount of One Million Four Hundred Nine Thousand Five Hundred Seventy-One Dollars (\$1,409,571) (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 Ten Million Dollars (\$10,000,000), and permanent financing in an amount not to exceed Three Million Two Hundred Eighty-Nine Thousand Nine Hundred Fifty-Six Dollars (\$3,289,956), 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 Eleven Million Eight Hundred Thousand Dollars (\$11,800,000). 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 twelve percent (12%) per annum initially. Following the payment in full of 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.

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 September 19, 2024, 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 Authority hereby waives Section II.A.6 of the Multifamily Direct Lending Parameters adopted on June 28, 2017, requiring that projects meet the MSHDA Multifamily Standards of Design with respect to the required parking space ratio of 2:1.



# 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

**DATE:** September 19, 2024

**RE:** Royal Oak Cottages, Development No. 4139

### **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 permanent CERA mortgage loan in the amount set forth below, 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 September 19, 2024.

### **PROJECT SUMMARY:**

MSHDA No:	4139
Development Name:	Royal Oak Cottages
Development Location:	Royal Oak Township, Oakland County
Sponsor:	Southwest Housing Solutions Corporation
Mortgagor:	Royal Oak Township Limited Dividend Housing Association LLC
Number of Units (Affordable and Market Rate):	28 family homes, new construction
Number of Units Designated for Accessible Use:	5 accessible units
Total Development Cost:	\$15,196,114
TE Bond Construction Loan:	\$7,901,979
TE Bond Permanent Loan:	\$2,002,993
MSHDA Gap Funds:	\$2,894,190 MSHDA CERA
Other Funds:	\$6,462,054 Equity Contribution \$212 Income from Operations \$2,500,000 County ARPA-SLFRF Funds \$1,336,665 Deferred Developer Fee

### **EXECUTIVE SUMMARY:**

Royal Oak Cottages (the “Development”) is the proposed new construction of 28 single-family homes targeted for families seeking affordable, high-quality housing in the Royal Oak Township area. The Development will be a scattered site, with all 28 homes located on the following streets within an area bounded by Northend Avenue to the north, Mitchelldale to the east, Eight Mile Road to the south, and Myers Road to the west: Woodside Avenue, Glen Lodge Road, Garden Lane, Parkside Boulevard and Westview Avenue. All 28 homes will have 3-bedrooms and 2 full bathrooms, in a 2-story configuration. Each home will have a detached garage and driveway, landscaping, and sidewalks. Other amenities include patios, central air conditioning, dishwashers, garbage disposals, in-unit laundry, window treatments, and walk-in closets. The rear entry to each home can be modified to allow for ADA accommodations.

All units target households earning below 30%, 40%, 50%, or 60% of the area median income (AMI). Fifteen (15) of the 30%-AMI units will receive Project Based Vouchers, eight (8) from the Local PHA and seven (7) from the Authority. The Authority PBVs will be serving the homeless and special needs population. Water, sewer, and trash removal costs will be included in the rent.

The Township of Royal Oak is the current owner of the vacant residential lots. The Township has approved an option price of \$1.00.

The Development will be unique, built with the best quality, environmentally sustainable and energy-efficient materials with the goal of attaining the highest possible standards while minimizing the carbon footprint of the project. In addition, the Development is part of the Township’s long-term plan to create a healthy, family oriented walkable community with parks and meaningful recreation for youths and seniors.

Royal Oak Township is a member of the Eight Mile Boulevard Association, the main business and economic development advocate organization in the area. The Township participates in planning of public transportation infrastructure fixed routes and long-term regional planning for the Suburban Mobility Authority for Regional Transportation (SMART) public bus service to ensure the availability of public transportation for employment, and medical services for Royal Oak Township residents.

### **ADVANCING THE AUTHORITY’S MISSION:**

Royal Oak Cottages is located within 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, 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 8.1, Increase awareness of and support for the importance and benefits of accessible, affordable, and attainable housing throughout Michigan.

### **MUNICIPAL SUPPORT:**

- A 4% PILOT has been approved by Royal Oak Township.

### **COMMUNITY ENGAGEMENT/IMPACT:**

A public hearing was held on January 12, 2023, in the evening at the Township Hall. The Sponsor, Southwest Housing Solutions Corporation, gave a Power Point Presentation to review rental single-family infill redevelopment.

According to the city's master plan, if unique and missing housing formats are developed, then the Township will attract new households that would otherwise seek choices in the neighboring jurisdictions.

Participants voiced a preference for a Cape Code and Colonial-inspired home collection. The community also inquired about the wait list for housing and if there were employment opportunities. The Sponsor noted an affirmative fair housing plan would be part of the project as well as EEO and Section 3 plans. The Sponsor is committed to working with Southwest Economic Solutions to provide workforce development and job training skills for interested residents. Further, an Oakland County Michigan Works office is located less than 2 miles away and can be a valuable contributor to securing local workers.

The development team was able to implement the following community recommendations: The Sponsor will offer Cape Cod and Colonial inspired homes and ensure there is a variety of exterior features that will allow for a pleasing streetscape. The Sponsor and its affiliated partners will work to develop a robust workforce development and recruitment strategy. The Sponsor and its project architect and general contractor will organize a public meeting to obtain feedback on the proposed floor plans for the Cape Code and Colonial styles. Residents will have an opportunity to review exterior materials and interior specifications plus provide input on the floor plans, styles and exterior materials as well as lot configuration of the homes, garages and driveways.

### **ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

Due to the high cost of building and the greater cost of new construction on scattered sites, the LIHTC Allocations Manager has approved a waiver of the QAP cost per unit limit.

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, Royal Oak Cottages does not meet this requirement because the 28 buildings will be situated on ten (1) separate parcels that are not contiguous to the others. In order to comply with U.S. Treasury Regulations relating to tax-exempt bonds, the Authority's bond counsel advises the Authority to treat Royal Oak Cottages as ten 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 Mortgage 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 Royal Oak Cottages 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 ten projects must be owned by the same entity.
- The Authority must issue one tax-exempt mortgage note to finance the construction of all projects.

- The Authority may publish a single TEFRA notice listing each project separately.
- The ten projects may be managed as one property.
- One tax credit award that covers all projects may be issued by the Authority.



## **MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT**

**September 19, 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 permanent CERA mortgage loan in the amount set forth below, 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.

<b><u>MSHDA No.:</u></b>	4139
<b><u>Development Name:</u></b>	Royal Oak Cottages
<b><u>Development Location:</u></b>	Royal Oak Township, Oakland County
<b><u>Sponsor:</u></b>	Southwest Housing Solutions Corporation
<b><u>Mortgagor:</u></b>	Royal Oak Township Limited Dividend Housing Association LLC
<b><u>TE Bond Construction Loan:</u></b>	\$7,901,979 (52% of TDC)
<b><u>TE Bond Permanent Loan:</u></b>	\$2,002,993
<b><u>MSHDA Permanent CERA Loan:</u></b>	\$2,894,190
<b><u>Total Development Cost:</u></b>	\$15,196,114
<b><u>Mortgage Amortization and Term:</u></b>	40 years for the tax-exempt bond loan; 50 years for the CERA loan.
<b><u>Interest Rate:</u></b>	6.625% for the tax-exempt bond loan; 1% simple interest for the CERA loan.
<b><u>Program:</u></b>	Tax-Exempt Bond and Gap Financing Programs
<b><u>Number of Units:</u></b>	28 family homes, new construction
<b><u>Accessible Units:</u></b>	5 accessible units
<b><u>Unit Configuration:</u></b>	28 three-bedroom/two-bath 2-story homes
<b><u>Builder:</u></b>	O'Brien Construction
<b><u>Syndicator:</u></b>	Cinnaire
<b><u>Date Application Received:</u></b>	September 3, 2023
<b><u>HDO:</u></b>	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:**

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Due to the high cost of building and the greater cost of new construction on scattered sites, the LIHTC Allocations Manager has approved a waiver of the QAP cost per unit limit.

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, Royal Oak Cottages does not meet this requirement because the 28 buildings will be situated as 10 groups of parcels that are not contiguous to the others. In order to comply with U.S. Treasury Regulations relating to tax-exempt bonds, the Authority's bond counsel advises the Authority to treat Royal Oak Cottages as 10 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 Royal Oak Cottages 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 ten projects must be owned by the same entity.
- The Authority must issue one tax-exempt mortgage note to finance the construction of all projects.
- The Authority may publish a single TEFRA notice listing each project separately.
- The ten projects may be managed as one property.
- One tax credit award that covers all projects may be issued by the Authority.

The ten projects are grouped with the following locations included in each project :

Project #1

21322 Woodside Ave.

21340 Woodside Ave.

Vacant lot on Woodside Ave, north of Cloverdale Ave.

Project #2

21405 Glen Lodge Rd.

21395 Glen Lodge Rd.

Vacant lot at the corner of Glen Lodge Rd and Bates St

Project #3

21341 Glen Lodge Rd.

Project #4

21366 Glen Lodge Rd.

Project #5

21373 Garden Ln.

21368 Garden Ln.

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21387 Parkside Blvd.  
Vacant lot on the west side of Parkside Blvd, south of Bates St.  
21386 Parkside Blvd.  
21384 Parkside Blvd.

Project #6

Vacant lot on the southwest corner of Parkside Blvd and Cloverdale Ave.  
21305 Parkside Blvd.  
21324 Parkside Blvd.  
21314 Parkside Blvd.

Project #7

Vacant lot on the east side of Parkside Blvd, north of Cloverdale Ave.  
21332 Westview Ave.  
Vacant lot on the west side of Westview Ave, north of Cloverdale Ave.  
21331 Westview Ave.  
Vacant lot on the east side of Westview Ave, north of Cloverdale Ave.  
Vacant lot on the east side of Westview Ave, north of Cloverdale Ave.

Project #8

21403 Westview Ave  
Vacant lot on the east side of Westview Ave, south of Northend Ave.

Project #9

21305 Westview Ave

Project #10

21141 Woodside Ave.

**EXECUTIVE SUMMARY:**

Royal Oak Cottages (the "Development") is the proposed new construction of 28 single-family homes targeted for families seeking affordable, high-quality housing in the Royal Oak Township area. The Development will be a scattered site, with all 28 homes located in an area bounded by Northend Avenue to the north, Mitchelldale to the east, Eight Mile Road to the south, and Myers Road to the west. All 28 homes will have 3-bedrooms and 2 full bathrooms, in a 2-story configuration. Each home will have a detached garage and driveway, landscaping, and sidewalks. Other amenities include patios, central air conditioning, dishwashers, garbage disposals, in-unit laundry, window treatments, and walk-in closets. The rear entry to each home can be modified to allow for ADA accommodations.

All units target households earning below 30%, 40%, 50%, or 60% of the area median income (AMI). Fifteen (15) of the 30%-AMI units will receive Project Based Vouchers ("PBVs"), eight (8) from the Local PHA and seven (7) from the Authority. The Authority PBVs will be serving the homeless and special needs population. Water, sewer, and trash removal costs will be included in the rent.

The Township of Royal Oak is the current owner of the vacant residential lots. The Township has approved an option price of \$1.00.

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The Development will be unique, built with the best quality, environmentally sustainable and energy-efficient materials with the goal of attaining the highest possible standards while minimizing the carbon footprint of the project. In addition, the Development is part of the Township's long-term plan to create a healthy, family oriented walkable community with parks and meaningful recreation for youths and seniors.

Royal Oak Township is a member of the Eight Mile Boulevard Association, the main business and economic development advocate organization in the area. The Township participates in planning of public transportation infrastructure fixed routes and long-term regional planning for the Suburban Mobility Authority for Regional Transportation (SMART) public bus service to ensure availability of public transportation for employment, and medical services for Royal Oak Township residents.

**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 \$7,901,979 at 6.625% interest with a 21-month term (a 16-month construction term and a 2-month rent-up period and a 3-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 \$2,002,993. 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 \$2,894,190 and a 50-year term will be provided at 1% simple interest with payments initially deferred. The CERA Loan will be in **Second Position**.
- The County of Oakland will provide a subordinate ARPA-SLFRF Loan in the amount of \$2,500,000. This loan will be in **Third Position**. See Special Condition No.2.
- Equity support comes from an investment related to the 4% LIHTC in the estimated amount of \$6,462,054.
- The Authority is providing seven (7) project-based vouchers ("PBVs") from the Authority's Housing Choice Voucher program. The PBV Housing Assistance Payment ("HAP") contract will be for an initial term of 15 years with up to three 5-year extensions possible.

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- The Ferndale Housing Commission (the "Local PHA") is providing 8 (eight) project-based vouchers.
- 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 \$212.
- The Sponsor has agreed to defer \$1,336,665 of the developer fee to fill the remaining funding gap.
- A 3 (three) 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.

**Site Selection:**

The site has been reviewed by Authority Staff and the Authority's 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 Office of Market Research.

**Valuation of the Property:**

Royal Oak Township is donating the homesites for \$1 and therefore an appraisal is not required.

**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:**

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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 \$6,462,054). 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 no Authority gap loans are 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 28 units of this proposal are as follows:

- a. 6 units (6 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 50% of the Multifamily Tax Subsidy Project ("MTSP") income limits as published by the U.S. Department of Housing and Urban Development ("HUD"), adjusted for family size.
- b. 3 units (3 three-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 30% income 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.
- c. 3 units (3 three-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 40% income 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.
- d. 3 units (3 three-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 50% income 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.
- e. 19 units (19 three-bedroom units) must be available for occupancy by households whose incomes do not exceed the MTSP 60% income 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.
- f. 7 units (7 three-bedroom) 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.

- g. 8 units will also receive Local PHA PBVs and occupancy of those units will be restricted to households whose incomes do not exceed the income limits established by the PBV HAP Contract. The Authority is not responsible for the oversight of the occupancy or the regulations applicable to these Local PHA's 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. Limitations on Rental Rates:**

The Total Housing Expense (contract rent plus tenant-paid utilities) for 28 units is subject to the following limitations:

- a. During the period of affordability required under the CERA program (20 years), the Total Housing Expense for all six CERA units (6 three-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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.
- b. The Total Housing Expense for three units (3 three-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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.
- c. The Total Housing Expense for three units (3 three-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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.
- d. The Total Housing Expense for three units (3 three-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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 19 units (19 three-bedroom units), may not exceed

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one-twelfth (1/12<sup>th</sup>) 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.

- f. So long as the HAP Contract remains in effect, the Mortgagor agrees to establish and maintain rents ("Contract Rents") for the 7 Authority PBV HAP-assisted units (7 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.
- g. The rents to be paid for the units assisted with the Local PHA's 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 Local PHA's PBV 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 PBV 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. Increases in rents relating to 7 Authority PBV HAP-assisted units must also be requested to the assigned PBV Specialist per guidance outlined on the MSHDA/PBV website.

**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

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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 20<sup>th</sup> 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 \$259,143). 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 shall fund a replacement reserve fund ("Replacement Reserve") in the amount of \$700 per unit. Thereafter, the Mortgagor shall make annual

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deposits to the Replacement Reserve, beginning on the Mortgage Cut-Off Date, at a minimum of \$700 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(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 13<sup>th</sup> 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 13<sup>th</sup> 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 an CERA 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 for each project 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.

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 County of Oakland, if requested by the Authority. In addition, the general contractor must agree to adhere to follow-up reporting requirements as established by the County of Oakland. The Authority is not responsible for Section 3 compliance, monitoring, or oversight, which will be performed by the County of Oakland.

**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 PBV Program.

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 Local PHA's PBV Program, however, all necessary documentation and all monitoring and oversight will be handled by the local PHA.

**15. Cost Certification:**

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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. 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.

**22. 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.

**23. 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.

**24. 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.

**25. 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.

**26. 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 PBVs from the Authority or

confirmation that the Development is categorically excluded from NEPA review.

**27. 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.

**28. 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.

**29. Services for Residents**

Seven (7) of the units in the Development will be designated as Permanent Supportive Housing (PSH) units and must be marketed to the homeless and disabled populations, 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 PBV 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.

**Special Conditions:**

**1. Legal Requirements:**

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

- The Michigan Attorney General's Office must complete its review of the transaction and provide the Chief Legal Affairs Officer its recommendation.
- Confirmation that no lots are located in a floodplain.
- Approved, published and amended PILOT ordinance.
- Copy of recorded Declaration of Trust between Royal Oak Township and HUD (subjecting the property to a Modernization Grant Amendment) for a determination if the Declaration of Trust may be released or subordinated if need be.
- Documentation confirming all project-based rental subsidies, including Local PHA subsidies.
- Documentation regarding tenants' option to purchase their unit.

**2. Local Funds**

Prior to Mortgage Loan Commitment, the Mortgagor must submit substantially final documents evidencing the County of Oakland'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 County of Oakland documents must become effective and initial funding of the loan must be made in an amount approved by the Director of Development. The County of Oakland may be required to enter into a Subordination and Intercreditor Agreement acceptable with the Authority regarding the junior status of the County ARPA-SLFRF Loan and the funding process.

**DEVELOPMENT TEAM AND SITE INFORMATION**

I. **MORTGAGOR:** Royal Oak Cottages Limited Dividend Housing Association LLC

II. **GUARANTOR(S):**

A. **Guarantor #1:**

**Name:** Southwest Housing Solutions Corporation dba MISide Housing  
**Address:** 3627 W. Vernor Highway  
Detroit, MI 48216

III. **DEVELOPMENT TEAM ANALYSIS:**

A. **Sponsor:**

**Name:** Southwest Housing Solutions Corporation  
**Address:** 3627 W. Vernor Highway  
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:** Royal Oak Cottages MM LLC 0.010%, Southwest Housing Solutions Corporation 99.990%.

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

**Mortgage Loan Feasibility/Commitment Staff Report**  
**Royal Oak Cottages, MSHDA No. 4139**  
**Royal Oak Township, Oakland County**  
**September 19, 2024**

**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  
**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  
**Address:** 966 Livernois Road  
Troy, MI 48083

**Individual Assigned:** David Vivio  
**Telephone:** 248-334-2470  
**E-mail:** dvivio@obrienc.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  
**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:  
\$1

B. Site Location:  
21322 Woodside Ave, Ferndale, MI 48220

C. Size of Site:  
Vacant lots ranging from 4590 sq ft. to 5145 sq ft.

D. Density:  
Unknown.

E. Physical Description:

1. Present Use: Vacant lots
2. Existing Structures: None
3. Relocation Requirements: N/A

F. Zoning:  
R-1B

G. Contiguous Land Use:

1. North: Occupied Residential
2. South: Tri-County Educational Center, Royal Oak Township Library
3. East: Occupied Residential
4. West: Occupied Residential

H. Tax Information:  
4% PILOT approved by Royal Oak Township.

I. Utilities: Oakland County provides water/sewer, Consumers Energy provides gas service, and DTE provides electricity.

J. Community Facilities:

1. Shopping:  
Kroger, Aldi, and Dollar Tree are all within 1 mile of the site.
2. Recreation:  
Geary Park, Garbutt Park, Hyde Park, Oppenheimer Park, Mack-Rowe Park Hardstein Playground, Jet's Pizza, Capital Coney Island, 8 Mile Grill

**Mortgage Loan Feasibility/Commitment Staff Report**  
**Royal Oak Cottages, MSHDA No. 4139**  
**Royal Oak Township, Oakland County**  
**September 19, 2024**

and Restaurant are all within 2 miles of the site.

3. Public Transportation:

There are Detroit Department of Transportation bus stops to the south of the site, along 8 Mile Road and within walking distance. There are also SMART bus stops to the north and west of the site along 9 Mile Road and Woodward Avenue, within walking distance to the site.

4. Road Systems

Eight Mile Road is within 2 miles of the site and runs east to west through Royal Oak Township and Detroit. I-696 is within 3 miles of the site and runs east to west throughout Royal Oak Township, and turns into I-96, which runs east to west throughout lower Michigan.

5. Medical Services and other Nearby Amenities:

Henry Ford Kingswood Hospital, Kroger Pharmacy, and Royals Pharmacy are all located within 1 mile of the site.

6. Description of Surrounding Neighborhood:

The surrounding neighborhood is mostly residential, with a commercial presence to meet the needs of the community. There are several schools in the immediate area as well, including Ferndale Middle School, Ferndale High School, and Tri-County Educational Center.

7. Local Community Expenditures Apparent:

The Oakland County Neighborhood and Housing Development Division allocated Housing Trust Funds to support the development and preservation of affordable, attainable, workforce, and mixed-income housing throughout Oakland County. In 2021 \$15,000,000 was invested in Ferndale Middle School. In 2022 \$15,000,000 was invested in Ferndale High School. In 2021 \$10,000,000 was invested in the Tri-County Educational Center.

8. Indication of Local Support:

A 4% PILOT has been approved by Royal Oak Township.

**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 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.

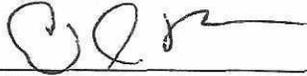
**XI. DEVELOPMENT SCHEDULING:**

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

**XII. ATTACHMENTS:**

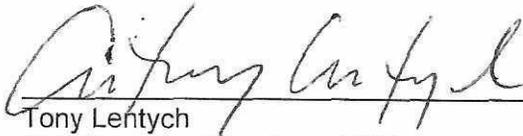
- A. Development Proforma

APPROVALS:



Chad Benson  
Director of Development

9/10/2024  
Date



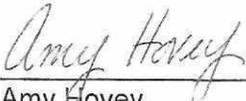
Tony Lentych  
Chief Housing Investment Officer

9/10/2024  
Date



Clarence L. Stone, Jr.  
Chief Legal Affairs Officer

9/12/2024  
Date



Amy Hovey  
Chief Executive Officer and Executive Director

09/11/2024

Date

**Instructions**

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
<b>TOTAL DEVELOPMENT COSTS</b>					
<b>Acquisition</b>					
Land	0	1	0%	0	0
Existing Buildings	0	0	100%	0	0
Other:			0%	0	0
<b>Subtotal</b>	<b>0</b>	<b>1</b>			
<b>Construction/Rehabilitation</b>					
Off Site Improvements	0		100%	0	0
On-site Improvements	43,371	1,214,400	100%	1,214,400	0
Landscaping and Irrigation	0		100%	0	0
Structures	255,533	7,154,915	100%	7,154,915	7,154,915
Security	2,679	75,000	100%	75,000	75,000
Construction not in Tax Credit basis (i.e. Carports and Commercial Space)	0		0%	0	0
General Requirements % of Contract 6.00%	18,095	506,659	100%	506,659	506,659
Builder Overhead % of Contract 2.00%	6,394	179,019	100%	179,019	179,019
Builder Profit % of Contract 6.00%	19,564	547,800	100%	547,800	547,800
Bond Premium, Tap Fees, Cost Cert.	3,036	85,000	100%	85,000	85,000
Other:			100%	0	0
<b>Subtotal</b>	<b>348,671</b>	<b>9,762,793</b>			
15% of acquisition and \$15,000/unit test:		met			
<b>Professional Fees</b>					
Design Architect Fees	7,143	200,000	100%	200,000	200,000
Supervisory Architect Fees	1,830	51,250	100%	51,250	51,250
Landscape Architect Fees	0	0	100%	0	0
Engineering/Survey	10,429	292,000	100%	292,000	292,000
Legal Fees	2,143	60,000	100%	60,000	60,000
Interior Design Fees			100%	0	0
Other:			100%	0	0
<b>Subtotal</b>	<b>21,545</b>	<b>603,250</b>			
<b>Interim Construction Costs</b>					
Property & Casualty Insurance	7,321	205,000	100%	205,000	205,000
Construction Loan Interest	Override 458,669	16,381	458,669	76%	349,462
Title Work	1,607	45,000	100%	45,000	45,000
Construction Taxes	179	5,000	100%	5,000	5,000
Permits	10,500	294,000	100%	294,000	294,000
Other: Green Consultant and Fees	1,500	42,000	100%	42,000	42,000
<b>Subtotal</b>	<b>37,488</b>	<b>1,049,669</b>			
<b>Permanent Financing</b>					
Loan Commitment Fee to MSHDA	2%	7,712	215,923	0%	0
Other:			0%	0	0
<b>Subtotal</b>	<b>7,712</b>	<b>215,923</b>			
<b>Other Costs (In Basis)</b>					
Application Fee	71	2,000	100%	2,000	2,000
Market Study	232	6,500	100%	6,500	6,500
Environmental Studies	5,179	145,000	100%	145,000	145,000
Cost Certification	464	13,000	100%	13,000	13,000
Equipment and Furnishings	0	0	100%	0	0
Temporary Tenant Relocation	0	0	100%	0	0
Construction Contingency	19,312	540,738	100%	540,738	540,738
Appraisal and C.N.A.	75	2,100	100%	2,100	2,100
Other: Soil Remediation	16,071	450,000	100%	450,000	450,000
<b>Subtotal</b>	<b>41,405</b>	<b>1,159,338</b>			
<b>Other Costs (NOT In Basis)</b>					
Start-up and Organization		625	17,500	0%	0
Tax Credit Fees (based on 2022 QAP)	50,106	1,790	50,106	0%	0
Compliance Monitoring Fee (based on 2022 QAP)		475	13,300	0%	0
Marketing Expense		136	3,811	0%	0
Syndication Legal Fees		893	25,000	0%	0
Rent Up Allowance	2.0 months	1,109	31,046	0%	0
Other:			0%	0	0
<b>Subtotal</b>	<b>5,027</b>	<b>140,763</b>			

Summary of Acquisition Price		As of		Construction Loan Term	
Attributed to Land	1	1st Mortgage Balance		Construction Contract	16 Months
Attributed to Existing Structures	0	Subordinate Mortgage(s)		Holding Period (50% Test)	3
Other:	0	Subordinate Mortgage(s)		Rent Up Period	2
Fixed Price to Seller	1	Subordinate Mortgage(s)		Construction Loan Period	21
Premium/(Deficit) vs Existing Debt		1			

Appraised Value		Value As of:	
"Encumbered As-Is" value as determined by appraisal:			
LESS Fixed Price to the Seller:		1	Override
Surplus/(Gap)	Out of Range		(1)

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
<b>Project Reserves</b>					
Operating Assurance Reserve	6.0 months	Funded in Cash	9,255	259,143	0%
Replacement Reserve		Required	700	19,600	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%
<b>Subtotal</b>			<b>9,955</b>	<b>278,743</b>	
<b>Miscellaneous</b>					
Deposit to Development Operating Account (IMGRP)	Not Required		0	0	0%
Other (Not in Basis):			0	0	0%
Other (In Basis):			0	0	100%
Other (In Basis):			0	0	100%
<b>Subtotal</b>			<b>0</b>	<b>0</b>	
<b>Total Acquisition Costs</b>					
<b>Total Construction Hard Costs</b>			<b>348,671</b>	<b>9,762,793</b>	
<b>Total Non-Construction ("Soft") Costs</b>			<b>123,132</b>	<b>3,447,686</b>	
<b>Developer Overhead and Fee</b>					
Maximum	2,607,253		<b>70,916</b>	<b>1,985,634</b>	100%
7.5% of Acquisition/Project Reserves	Override				5% Attribution Test
20% of All Other Development Costs	1985634				met
<b>Total Development Cost</b>			<b>542,718</b>	<b>15,196,114</b>	
<b>TOTAL DEVELOPMENT SOURCES</b>					
MSHDA Permanent Mortgage	13.18%	71,535	2,002,993		
Conventional/Other Mortgage	0.00%	0	0		
Equity Contribution From Tax Credit Syndication	42.52%	230,788	6,462,054		
MSHDA NSP Funds	0.00%	0	0		
MSHDA HOME	0.00%	0	0		
MSHDA Mortgage Resource Funds	0.00%	0	0		
MSHDA TCAP	0.00%	0	0		
MSHDA Housing Trust Funds	0.00%	0	0		
MSHDA CERA	19.05%	103,364	2,894,190		
MSHDA HOME-ARP	0.00%	0	0		
MSHDA HCDF	0.00%	0	0		
Local HOME	0.00%	0	0		
Income from Operations	0.00%	8	212		
Other Equity	0.00%	0	0		
Transferred Reserves:	0.00%	0	0		
Other: County ARPA-SLFRF Funds	16.45%	89,286	2,500,000		
Other:	0.00%	0	0		
Deferred Developer Fee	8.80%	47,738	1,336,665		
<b>Total Permanent Sources</b>			<b>15,196,114</b>		
<b>Sources Equal Uses?</b>					
Surplus/(Gap)			Balanced 0		
<b>MSHDA Construction Loan</b>					
Construction Loan Rate			6.625%	282,214	7,901,979
Repaid from equity prior to final closing			5,898,986		
<b>Eligible Basis for LIHTC/TCAP</b>					
Acquisition	0	Acquisition	0		
Construction	18,786,920	Construction	751,477	Override	
Acquisition Credit %	4.00%	Total Yr Credit	751,477		
Rehab/New Const Credit %	4.00%	Equity Price	\$0.8600		
Qualified Percentage	100.00%	Equity Effective Price	\$0.8600	Override	
QCT/DDA Basis Boost	130%	Equity Contribution	6,462,054		
Historic?					
<b>Initial Owner's Equity Calculation</b>					
Equity Contribution from Tax Credit Syndication			6,462,054		
Brownfield Equity					
Historic Tax Credit Equity					
General Partner Capital Contributions					
Other Equity Sources					
<b>New Owner's Equity</b>			<b>6,462,054</b>		
<b>Existing Reserve Analysis</b>					
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:					

OAR  
 Funded Yr 1 4 Month OAR  
 220,262 146,841

LIHTC Basis 1,985,634  
 Historic Basis 1,985,634  
 Aggregate Basis 14,451,477

# of Units	Gap to Hard Debt Ratio	Home Subsidy Limit	HOME Unit Mix	HTF Unit Mix
0.00	144.49%	0	0 Three Bedroc 0 Three Bedroom, 2 Bath,	0 Three Bedroc 0 Three Bedroom, 2 Bath,
0.00		HTF Subsidy Limit		
0.00		0		
6.00				
0.00				
0.00				

Deferred Dev Fee  
 67.32%

Development Royal Oak Cottages I LDHA LLC  
 Financing Tax Exempt  
 MSHDA No. 4139  
 Step Commitment  
 Date 09/19/2024  
 Type New Construction

**Mortgage Assumptions:**  
 Debt Coverage Ratio 1.25  
 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
Annual Rental Income	16,937	474,240
Annual Non-Rental Income	71	2,000
Total Project Revenue	17,009	476,240

**Total Development Expenses**

Vacancy Loss	8.00% of annual rent potential	1,355	37,939
Management Fee	634 per unit per year	634	17,752
Administration		2,087	58,428
Project-paid Fuel		80	2,250
Common Electricity		64	1,800
Water and Sewer		2,086	58,410
Operating and Maintenance		1,342	37,585
Real Estate Taxes		0	
Payment in Lieu of Taxes (PILOT)	4.00% Applied to: All Units	534	14,954
Insurance		1,179	33,000
Replacement Reserve	700 per unit per year	700	19,600
Other: Utilities for MSHDA voucher units		480	13,440
Other: Oakland County Annual Asset Management Fee		89	2,500

Initial Inflation Factor	Beginning in Year	Future Inflation Factor
1.0%	6	2.0%
1.0%	6	2.0%
Future Vacancy		
	6	8.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	6	3.0%
4.0%	6	3.0%
5.0%	6	5.0%
3.0%	1	3.0%
5.0%	1	5.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%

% of Revenue

<b>Total Expenses</b>	62.50%	<b>10,631</b>	<b>297,658</b>	
Base Net Operating Income		6,378	178,582	Override
Part A Mortgage Payment	30.00%	5,102	142,866	
<b>Part A Mortgage</b>		<b>71,535</b>	<b>2,002,993</b>	
Non MSHDA Financing Mortgage Payment		0		
<b>Non MSHDA Financing Type:</b>		<b>0</b>		
Base Project Cash Flow (excludes ODR)	7.50%	1,276	35,716	

Development Royal Oak Cottages I LDHA LLC  
 Financing Tax Exempt  
 MSHDA No. 4139  
 Step Commitment  
 Date 09/19/2024  
 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	% 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
30% Area Median Income Units																	
Yes Local PHA Project Based Voucher Units Ferndale Housing																	
Family Occupancy																	
A	3	Cottage	3	2.0	1,500	1,413	182	1,595	50,868	10.7%	10.7%	4,500	10.7%	4,500		738	TC Rent
									50,868	10.7%	10.7%	4,500	10.7%	4,500			
40% Area Median Income Units																	
30% Tenant AMI Restriction (if different from rent restriction)																	
Local PHA Project Based Voucher Units																	
Family Occupancy																	
A	3	Cottage	3	2.0	1,500	1,413	182	1,595	50,868	10.7%	10.7%	4,500	10.7%	4,500		985	TC Rent
									50,868	10.7%	10.7%	4,500	10.7%	4,500			
50% Area Median Income Units																	
30% Tenant AMI Restriction (if different from rent restriction)																	
Local PHA Project Based Voucher Units																	
Family Occupancy																	
A	1	Cottage	3	2.0	1,500	1,413	182	1,595	16,956	3.6%	3.6%	1,500	3.6%	1,500	CERA	1,231	TC Rent
B	1	Cottage	3	2.0	1,500	1,413	182	1,595	16,956	3.6%	3.6%	1,500	3.6%	1,500	CERA	1,231	TC Rent
									33,912	7.2%	7.1%	3,000	7.1%	3,000			
60% Area Median Income Units																	
Family Occupancy																	
A	13	Cottage	3	2.0	1,500	1,226	182	1,408	191,256	40.3%	46.4%	19,500	46.4%	19,500		1,477	TC Rent
									191,256	40.3%	46.4%	19,500	46.4%	19,500			
60% Area Median Income Units																	
30% Tenant AMI Restriction (if different from rent restriction)																	
Yes MSHDA Project Based Voucher Units																	
Family Occupancy																	
A	5	Cottage	3	2.0	1,500	1,754	0	1,754	105,240	22.2%	17.9%	7,500	17.9%	7,500	CERA	1,477	TC Rent
									105,240	22.2%	17.9%	7,500	17.9%	7,500			
60% Area Median Income Units																	
30% Tenant AMI Restriction (if different from rent restriction)																	
Yes MSHDA Project Based Voucher Units																	
Family Occupancy																	
A	1	Cottage	3	2.0	1,500	1,754	0	1,754	21,048	4.4%	3.6%	1,500	3.6%	1,500		1,477	TC Rent
									21,048	4.4%	3.6%	1,500	3.6%	1,500			
50% Area Median Income Units																	
30% Tenant AMI Restriction (if different from rent restriction)																	
Yes MSHDA Project Based Voucher Units																	
Family Occupancy																	
A	1	Cottage	3	2.0	1,500	1,754	0	1,754	21,048	4.4%	3.6%	1,500	3.6%	1,500		1,231	TC Rent
									21,048	4.4%	3.6%	1,500	3.6%	1,500			
Mgrs																	
									0	0.0%	0.0%	0	0.0%	0			
									42,000			42,000					

Total Revenue Units 28  
 Manager Units 0  
 Income Average 53.57%  
 Set Aside 100.00%

Gross Rent Potential	474,240
Average Monthly Rent	1,411
Gross Square Footage	42,000

HOME Units SF/Total Units SF 0.0% **Within Range**  
 # HOME Units/# Total Units 0.0% **Within Range**

**Utility Allowances**  
 Owner-Paid

**Annual Non-Rental Income**  
 Misc. and Interest 2,000  
 Laundry  
 Carports  
 Other:  
 Other: 2,000

	Electricity	A/C	Gas	Water/ Sewer	Other	Total	Override	
A						0	0.00	
B	Note: Owner paid utilities for 8 MSHDA PBV Units Only						0	
C							0	
D	Ferndale PBV Units & 60% AMI pay for their own utilities.						0	
E							0	
F							0	
G							0	
H							0	

Total Income	Annual	Monthly
Rental Income	474,240	39,520
Non-Rental Income	2,000	167
<b>Total Project Revenue</b>	<b>476,240</b>	<b>39,687</b>



**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY  
ROYAL OAK COTTAGES, MSHDA DEVELOPMENT NO. 4139  
TOWNSHIP OF ROYAL OAK, OAKLAND COUNTY**

**September 19, 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 (the "Applicant") for a multifamily housing project to be located in the Township of Royal Oak, Oakland County, Michigan, having a total development cost of Fifteen Million One Hundred Ninety-Six Thousand One Hundred Fourteen Dollars (\$15,196,114), with a total estimated maximum mortgage loan (the "Mortgage Loan") amount of Seven Million Nine Hundred One Thousand Nine Hundred Seventy-Nine Dollars (\$7,901,979), and a COVID Emergency Rental Assistance Loan in the estimated amount of Two Million Eight Hundred Ninety Four Thousand One Hundred Ninety Dollars (\$2,894,190) (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 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. The proposed housing project is a feasible housing project.
- e. The Authority expects to allocate to the financing of the proposed housing project proceeds of its tax-exempt bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Nine Million Four Hundred Fifteen Thousand Dollars (\$9,415,000).

2. The proposed housing project be and it is hereby determined to be feasible 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 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 specific conditions and requirements set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated September 19, 2024, which conditions and requirements are hereby incorporated by reference as if fully set forth herein.

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING MORTGAGE LOANS  
ROYAL OAK COTTAGES, MSHDA DEVELOPMENT NO. 4139  
TOWNSHIP OF ROYAL OAK, OAKLAND COUNTY**

**September 19, 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 (the "Applicant") for a construction mortgage loan in the amount of Seven Million Nine Hundred One Thousand Nine Hundred Seventy-Nine Dollars (\$7,901,979), and a permanent mortgage loan in the amount of Two Million Two Thousand Nine Hundred Ninety-Three Dollars (\$2,002,993) (the "Mortgage Loan") for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Fifteen Million One Hundred Ninety-Six Thousand One Hundred Fourteen Dollars (\$15,196,114), to be known as Royal Oak Cottages, MSHDA Development No. 4139 (the "Development"), located in the Township of Royal Oak, Oakland County, Michigan, and to be owned by Royal Oak Township Limited Dividend Housing Association LLC (the "Mortgagor"); and

WHEREAS, the Authority has designated up to Forty Million Dollars (\$40,000,000) of COVID Emergency Rental Assistance ("CERA") funds to be used for PSH (Permanent Supportive Housing) Gap Financing Program loans; and

WHEREAS, in the Application, the Applicant also requested a CERA loan (the "CERA Loan") under the PSH Gap Financing Program in the amount of Two Million Eight Hundred Ninety-Four Thousand One Hundred Ninety Dollars (\$2,894,190); 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 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. 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 (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 Seven Million Nine Hundred One Thousand Nine Hundred Seventy-Nine Dollars (\$7,901,979), and a permanent mortgage loan in the amount of Two Million Two Thousand Nine Hundred Ninety-Three Dollars (\$2,002,993), 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 Nine Million Four Hundred Fifteen Thousand Dollars (\$9,415,000). 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 Two Million Eight Hundred Ninety-Four Thousand One Hundred Ninety Dollars (\$2,894,190), to have a term not to exceed fifty (50) years and to bear interest at a rate of one percent (1%) per annum with payments initially deferred.

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. So long as the Authority CERA Loan is outstanding, the Limited Dividend Payments are capped at 12% per annum. If the CERA Loan is no longer outstanding, the Limited Dividend Payments may increase 1% per annum until a cap of 25% per annum 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 September 19, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.



# 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

**DATE:** September 19, 2024

**RE:** Mystic View Apartments, Development No. 1439-2

### **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 tax-exempt bond construction and permanent loans in the amounts set forth below, 3) authorize permanent Mortgage Resource Fund ("MRF"), and COVID Emergency Rental Assistance ("CERA") mortgage loans in the amounts set forth below, 4) authorize a waiver of the MSHDA Standards of Design requirement to have at least one Tot or Play Lot for family developments, 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 the Mortgage Loan Feasibility/Commitment Staff Report dated September 19, 2024.

### **PROJECT SUMMARY:**

MSHDA No:	1439-2
Development Name:	Mystic View Apartments
Development Location:	Lee Township (Pullman), Allegan County
Sponsor:	MHT Housing, Inc.
Mortgagor:	Mystic View II Limited Dividend Housing Association, LLC
Number of Units:	40 affordable family units
Number of Units Designated for Accessible Use:	2 accessible units
Occupancy Rate:	100%
Total Development Cost:	\$9,863,576
TE Bond Construction Loan:	\$5,129,060
TE Bond Permanent Loan:	\$566,272
MSHDA Permanent HOME Assumption:	\$1,578,312
MSHDA Permanent MRF Loan:	\$488,808
MSHDA Permanent CERA Loan:	\$2,730,474
Other Funds:	
LIHTC Equity:	\$3,771,949
Income Operations:	\$167,249

SLP Equity:	\$100
Deferred Developer Fee:	\$560,412

### **EXECUTIVE SUMMARY:**

Mystic View Apartments is an existing Authority-financed development that was initially completed in two phases of 20 units each, totaling 40 apartment units, located on 12+ acres of land in the community of Pullman (Lee Township) of Allegan County. Mystic View was originally placed in service in 1998 through the Supportive Housing Program and assisted with Authority HOME funds, 9% low income housing tax credits, and 20 Project-Based Vouchers ("PBVs") from the Authority. Mystic View Apartments is a critical asset in the Pullman community, where, given its rural location, there are limited affordable housing opportunities available for the residents of the community.

MHT Housing, Inc. (the "Sponsor") proposes to renovate Mystic View Apartments to extend its useful life and continue serving residents of this rural community, and to address a significant environmental issue discovered in 2021. All units in this development are three-bedroom, one-bathroom, duplex style units available for families. 20 units are currently targeted to families whose income does not exceed 50% of Area Median Income ("AMI"), with the remaining 20 units restricted to families eligible under the Project-Based Voucher program. Five (5) units are restricted to the homeless or those at risk of homelessness. The Sponsor's proposal will continue the deep rental subsidy for 20 low and very low-income families, with the other 20 units targeted to families between 30% and 60% AMI.

In 2001, the Authority advanced additional HOME funds to pay off a high interest first mortgage owed to Bank One, which at the time was threatening to pursue legal action against the development to cure a default. As part of this refinancing proposal, the Sponsor is requesting approval for assumption of both HOME loans. The MRF loan will be repaid in full.

In 2021, it was discovered that the project site is a part of a former commercial apple orchard with elevated levels of arsenic in the soil that require site wide mitigation. After numerous environmental studies, research and submission and approval of a Response Activity Plan by the Michigan Department of Environment, Great Lakes and Energy ("EGLE"), it is estimated that over \$2 million of additional funds will be needed to address the environmental issues, prompting this refinancing proposal.

Mystic View is currently designated as a troubled asset in the Authority's loan portfolio. After 26 years, the development desperately needs renovation. In furtherance of its mission as a non-profit affordable housing developer, since it became involved in the ownership of the development in 2021, the Sponsor has used its own funds to cover the cost to replace the roofs, windows and sliding doors, due to the lack of available reserves. The Sponsor recognizes the critical need to rebuild the financial strength of this development in rural Michigan.

### **ADVANCING THE AUTHORITY'S MISSION:**

Mystic View 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, 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 6.1, keep people housed by reducing the number of evictions.

**MUNICIPAL SUPPORT:**

Local municipality officials and the local elementary school, attended by most of the children who live in Mystic View Apartments, support the proposed rehabilitation of this development.

**COMMUNITY ENGAGEMENT/IMPACT:**

The Sponsor has been working closely with the Pullman community ever since MHT Management took over management in 2020. With a goal to better the property and the lives of the residents, there has been very positive feedback from the community. In addition, the Sponsor has worked with the local community organization, People Helping People, by donating backpacks and other items for the community.

People Helping People is a religious-based organization created to support people in their journey through life. Some of the services People Helping People offer include after school programs, summer programs for students, student leadership for middle and high school students, food assistance, summer day camps, Sunday Worship Services, backpack giveaways, and GED classes. Many students and adults from the Mystic View community take advantage of the services offered at People Helping People and some volunteer there as well.

The Sponsor has considered the residents’ feedback and suggestions regarding the improvements and updates being made with this rehabilitation.

Due to its rural location and limited affordable housing opportunities elsewhere, improving the living conditions at Mystic View Apartments and extending its useful life are critical to the Pullman community.

**RESIDENT IMPACT:**

There will be no displacement of residents due to the rehabilitation of the property and/or new income requirements

**ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

Since the existing Authority HOME Loans are still within the Period of Affordability, they will be consolidated and assumed rather than paid off:

HOME Loan #1:	\$1,090,309
HOME Loan #2:	<u>488,003</u>
Total:	\$1,578,312

The consolidated HOME Loan will bear interest at 1% per annum and the principal will mature at the end of the original 50-year term.

Mystic View Apartments is an existing Authority-financed development and has long been a challenged asset within the Authority's loan portfolio due to difficulties with property management and the lack of funds needed to make necessary improvements. Although currently fully occupied, Mystic View Apartments has struggled with higher than normal vacancy rates in the last five years even with 20 of the 40 units having Authority-issued PBVs. This is mainly due to the rural location of the project and much-needed improvements. The Sponsor believes that with the needed rehab and improvements, vacancy rates will improve.

A waiver request is also recommended for Section II.A.6 of the Parameters, regarding the MSHDA Multifamily Design Standards, which normally require one tot lot for family developments. As a result of the environmental contamination in the soil at the development's site, adding a tot lot would 1) result in the necessity of resubmitting their Response Activity Plan to EGLE, which would cause further delay, and 2) significantly increase the total cost of the site remediation, due to replacing at least 24 inches of soil throughout the entire tot lot area, when only 6 inches of soil is to be replaced under the current approved Response Activity Plan. This request is supported by the Authority's Chief Architect and the Office of Market Research.



## **MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT**

**September 19, 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 permanent Mortgage Resource Fund ("MRF"), and COVID Emergency Rental Assistance ("CERA") mortgage loans in the amounts set forth in this report, 4) authorize a waiver of the MSHDA Standards of Design requirement to have at least one tot lot for family developments, 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.

<b><u>MSHDA No.:</u></b>	1439-2
<b><u>Development Name:</u></b>	Mystic View Apartments
<b><u>Development Location:</u></b>	Lee Township (Pullman), Allegan County
<b><u>Sponsor:</u></b>	MHT Housing, Inc.
<b><u>Mortgagor:</u></b>	Mystic View II Limited Dividend Housing Association, LLC
<b><u>TE Bond Construction Loan:</u></b>	\$5,129,060 (52% of TDC)
<b><u>TE Bond Permanent Loan:</u></b>	\$566,272
<b><u>MSHDA Permanent HOME Assumption:</u></b>	\$1,578,312
<b><u>MSHDA Permanent MRF Loan:</u></b>	\$488,808
<b><u>MSHDA Permanent CERA Loan:</u></b>	\$2,730,474
<b><u>Total Development Cost:</u></b>	\$9,863,576
<b><u>Mortgage Amortization and Term:</u></b>	40 years for the tax-exempt bond loan; 50 years for the MRF, HOME, and CERA Loans
<b><u>Interest Rate:</u></b>	6.625% for the tax-exempt bond loan; 3% simple interest for the MRF loan; 1% simple interest on the assumed HOME Loan; 1% simple interest on the CERA loan
<b><u>Program:</u></b>	Tax-Exempt Bond and Round 17 Gap Financing Programs
<b><u>Number of Units:</u></b>	40 family units of rehabilitation
<b><u>Accessible Units:</u></b>	Two (2) accessible units
<b><u>Unit Configuration:</u></b>	40 three-bedroom one-bathroom apartment units (duplex style)
<b><u>Builder:</u></b>	MHT Construction, LLC
<b><u>Syndicator:</u></b>	CREA
<b><u>Date Application Received:</u></b>	8/31/2023
<b><u>HDO:</u></b>	Zachary Herrmann

**Mortgage Loan Feasibility/Commitment Staff Report  
Mystic View Apartments, MSHDA No. 1439-2  
Lee Township, Allegan County  
September 19, 2024**

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:**

Because the existing Authority HOME Loans are still within the Period of Affordability, they will be consolidated and assumed rather than paid off:

HOME Loan #1: \$1,090,309

HOME Loan #2: \$ 488,003

The consolidated HOME Loan will bear interest at 1% per annum and the principal will mature at the end of the original 50-year term.

Mystic View Apartments is an existing Authority-financed development and has long been a challenged asset within the Authority's loan portfolio due to difficulties with property management and the lack of funds needed to make necessary improvements. Although currently fully occupied, Mystic View Apartments has struggled with higher than normal vacancy rates in the last five years even with 20 of the 40 units having Authority-issued Project-Based Vouchers ("PBVs"). This is mainly due to the rural location of the project and much needed improvements. MHT Housing, Inc. (the "Sponsor") believes that with the needed rehab and improvements, vacancy rates will improve.

A waiver request is also recommended for Section II.A.6 of the Parameters, regarding the MSHDA Multifamily Design Standards, which normally require one tot lot for family developments. As a result of the environmental contamination in the soil at the development's site, adding a tot lot would 1) result in the necessity of resubmitting their Response Activity Plan, which would cause further delay and 2) increase the total cost of the site remediation, due to replacing at least 24 inches of soil throughout the entire tot lot area, when only 6 inches of soil is to be replaced under the current approved Response Activity Plan. This request is supported by the Authority's Chief Architect and the Office of Market Research.

**EXECUTIVE SUMMARY:**

Mystic View Apartments is an existing Authority-financed development that was initially completed in two phases of 20 units each totaling 40 apartment units, located on 12+ acres of land in the community of Pullman (Lee Township) of Allegan County. Mystic View was originally placed in service in 1998 through the Supportive Housing Program and assisted with Authority HOME funds, 9% low income housing tax credits ("LIHTC") and 20 PBVs from the Authority. Mystic View is a critical asset in the Pullman community where, given its rural location, there are limited affordable housing opportunities available for the residents of the community.

The Sponsor proposes to renovate Mystic View Apartments to extend its useful life and continue serving residents of this rural community and to address a significant environmental issue discovered in 2021. All units in this development are three-bedroom one-bathroom, duplex style units available for families. 20 units are currently targeted to 50% of Area Median Income ("AMI") and the remaining 20 units are restricted to families eligible under the Project-Based Voucher program. Five units are restricted to Targeted Populations (the homeless or those at risk of homelessness). The Sponsor's proposal will continue the deep rental subsidy for 20 low and very

**Mortgage Loan Feasibility/Commitment Staff Report**  
**Mystic View Apartments, MSHDA No. 1439-2**  
**Lee Township, Allegan County**  
**September 19, 2024**

low- income families, with the other 20 units targeted to families between 30% and 60% AMI.

In 2001, the Authority advanced additional HOME funds to pay off a high interest first mortgage owed to Bank One, which at the time was threatening to pursue legal action against the development to cure a default. As part of this refinancing proposal, the Sponsor is requesting approval for assumption of both HOME loans, The existing MRF loan will be repaid in full.

In 2021, it was discovered that the project site is a part of a former commercial apple orchard with elevated levels of arsenic in the soil that require site wide mitigation. After numerous environmental studies, research and submission and approval of a Response Activity Plan by the Michigan Department of Environment, Great Lakes and Energy ("EGLE"), it is estimated that over \$2 million of additional funds will be needed to address the environmental issues, prompting this refinancing proposal.

Mystic View Apartments is currently designated as a troubled asset in the Authority's loan portfolio. After 26 years, the development desperately needs renovation. In furtherance of its mission as a non-profit affordable housing developer, since it became involved in the ownership of the development in 2021, the Sponsor has used its own funds to cover the cost to replace the roofs, windows and sliding doors, due to the lack of available reserves.

**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 \$5,129,060 at 6.625% interest with an 18-month term (a 12-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 18-month construction loan term expires or such later date as is established by an Authorized Officer of the Authority (the "Permanent Financing Date").
- A tax-exempt bond permanent Mortgage Loan will be provided by the Authority in the amount of \$566,272. 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 3.28 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 MRF funds (the "MRF Loan") in the amount of \$488,808 will be provided at 3% simple interest with payments initially deferred. The MRF Loan will be in **Second Position**.
- The existing permanent subordinate HOME loans (collectively, the "HOME Loan") in the combined amount of \$1,578,312 will be consolidated and assumed at 1% simple interest

**Mortgage Loan Feasibility/Commitment Staff Report  
Mystic View Apartments, MSHDA No. 1439-2  
Lee Township, Allegan County  
September 19, 2024**

with payments initially deferred. The subordinated HOME Loan will be in **Third Position**.

- A permanent subordinate loan using Authority CERA Funds (the “CERA Loan”) in the amount of \$2,730,474 will be provided at 1% simple interest with payments initially deferred. The CERA Loan will be in **Fourth Position**.
- The special limited partner (SLP) 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 \$3,771,949.
- 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 \$167,249.
- The Sponsor has agreed to defer \$560,412 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.
- 20 units in the Development will be provided with deep rental subsidy through a PBV Housing Payments Assistance (“HAP”) Contract from 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.
- Due to its small size, the operating deficit reserve (“ODR”) has been combined with the OAR and the condition for a separate ODR has been intentionally omitted.
- 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 mortgage loan 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 are included in the Scope of Work:

- Remove and replace 6” of contaminated dirt throughout the entire site
- Repair/overlay all asphalt roads and parking, and concrete sidewalks throughout the site
- Replace dumpster enclosures on site
- Pruning and landscaping upgrades
- Replace development signage
- Replace water heaters in all units and office building

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- Replace flooring in all units and officer building
- Replace interior and exterior doors as needed
- Replace vinyl siding on all buildings
- Replace all exterior lighting
- Replace kitchen cabinets, countertops, ranges, range-hoods, and refrigerators
- Install garbage disposals in the kitchens
- Install washers and dryers in all units
- Replace bathroom vanities, sinks, toilets, mirrors, and towel racks
- Repaint kitchens and bathrooms in all units and interior of management office
- Convert two units that were previously being used as a police sub-station and day-care center back into residential units (both are currently being held as downed units)

**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. Twenty (20) 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.

**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 December 10, 2021, estimates the value of the land and buildings at \$2,330,000.

**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 (Pullman Limited Dividend Housing Association Limited Partnership, 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, 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 \$3,772,949). 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. Income Limits:**

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

- a. 40 units have been designated as Low-HOME units and during the Period of Affordability required under the HOME program until April 27, 2025, 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. 12 units (12 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.
- c. 20 units (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. 4 units (4 three-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.
- e. 4 units (4 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

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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 (28 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.

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 40 units is subject to the following limitations:

- a. During the Period of Affordability required under the HOME program, until April 27, 2025, the Total Housing Expense for the 40 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 PBV HAP Contract remains in effect, the Mortgagor agrees to establish and maintain rents ("Contract Rents") for all HAP-assisted units (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.
- c. During the period of affordability required under the CERA program (20 years), the Total Housing Expense for all 12 CERA units (12 three-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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 (4 three-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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 (4 three-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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.

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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 4 units (4 three-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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 28 units (28 three-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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.

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 that do not receive assistance under the PBV 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. Increases in rents relating to MSHDA PBV-assisted units must also be requested to the assigned PBV Specialist per guidance outlined on the MSHDA/PBV website.

**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

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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 20<sup>th</sup> 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 \$218,235) plus \$43,952 to fund the projected operating deficits. 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:**

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At Initial Closing, the Mortgagor must establish a replacement reserve fund ("Replacement Reserve") with an initial deposit in an amount of \$2,957 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 \$350 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. One Month's Gross Rent Potential:**

At Initial Closing, the Mortgagor shall deposit an amount equal to one month's gross rent potential (\$43,980) into the Development's operating account.

**10. Authority Subordinate Loan(s):**

At Initial Closing, the Mortgagor must enter into agreements relating to the permanent MRF, HOME and the CERA Loans. The MRF, HOME, and the CERA Loans will each be secured by a subordinate mortgage. The HOME and CERA Loans will bear simple interest at 1% with a 50-year term, and the MRF Loan will bear simple interest at 3% with a 50-year term. No loan payments will be required on either the MRF, HOME, or CERA 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 13<sup>th</sup> 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 13<sup>th</sup> year following the date that the Mortgage Loan amortization commences, repayment of the MRF, HOME, and CERA Loan will commence according to the following:

- So long as the Mortgage Loan and the MRF Loan remains outstanding, then repayment of the MRF Loan 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. No payments will be required on the HOME and CERA Loans.
- Upon payment in full of the Mortgage Loan, if the MRF and HOME Loans remain outstanding, then the outstanding balance of the MRF 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 Tax-Exempt Mortgage Loan. Repayment of the HOME Loan 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. No payments will be required on the CERA Loan.

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- Upon payment in full of the Mortgage and the MRF Loan, if the HOME and CERA Loan remain outstanding, then 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 Tax-Exempt Mortgage Loan. Repayment of the CERA Loan 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.
- Upon payment in full of the Mortgage Loan, the MRF Loan and the HOME Loan, the outstanding balance of the CERA 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 MRF, HOME, and CERA Loans will be due and payable after 50 years.

Notwithstanding the foregoing, in the event of any sale or refinance of the Development, the MRF, HOME, and CERA Loans will be due and payable at that time.

**11. 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.

**12. 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.

**13. 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.

**14. 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).

**15. Environmental Review and Indemnification:**

Prior to Mortgage Loan Commitment, the Mortgagor must address any outstanding

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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.

**16. 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.

**17. 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.

**18. Designation of Authority Funds:**

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

**19. 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

**20. 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

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guaranties include a guaranty of HOME and 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.

**21. 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.

**22. 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.

**23. Existing Reserves:**

At Initial Closing, the Mortgagor and the Seller must agree and confirm the Authority's ownership of the existing reserves balances, with the exception of the tax and insurance, and Debt Coverage Escrow (DCE) Principal reserves. (The existing reserves excluding tax and insurance escrows and any DCE Principal reserve shall be referred to as "Net Existing Reserves.") The Net Existing Reserves will be captured by the Authority at Initial Closing, as this balance was accounted for within the Gap Financing rankings. 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 the Seller's accounts payable or to pay any accumulated and/or current year unpaid limited dividend payments.

**24. 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 must waive 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.

**25. Transfer and Ownership of Development Reserves:**

At Initial Closing, the Development's existing tax and insurance escrows 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.

**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.

**2. Syndicator Reserve:**

Intentionally omitted.

**DEVELOPMENT TEAM AND SITE INFORMATION**

I. **MORTGAGOR:** Mystic View II Limited Dividend Housing Association, LLC

II. **GUARANTOR(S):**

A. **Guarantor #1:**

**Name:** MHT Housing, Inc.  
**Address:** 32500 Telegraph Rd  
Bingham Farms, MI 48025

III. **DEVELOPMENT TEAM ANALYSIS:**

A. **Sponsor:**

**Name:** MHT Housing, Inc.  
**Address:** 32500 Telegraph Road  
Bingham Farms, MI 48025

**Individuals Assigned:** T. Van Fox  
**Telephone:** (248) 833-0550  
**Fax:** (248) 833-0551  
**E-mail:** vanfox@mhthousing.net

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

2. **Interest in the Mortgage and Members:** CREA – To Be Formed Investor Member (99.99%) and MHT GP - To Be Formed (0.01%).

B. **Architect:**

**Name:** Concept Design Studio  
**Address:** 800 East Ellis Rd  
Norton Shores, MI 49441

**Individual Assigned:** Kyle Osterhart  
**Telephone:** (231) 799-4838  
**E-Mail:** kyleosterhart@conceptdesignstudio.net

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

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2. **Architect's License:** License number 1301060114, with an expiration date of 04/26/2026.

**C. Attorney:**

**Name:** Wenzloff & Fireman P.C.  
**Address:** 903 N Jackson St.  
Bay City, MI 48708

**Individual Assigned:** Paul Wenzloff  
**Telephone:** (989) 893-9511  
**Fax:** (989) 893-6988  
**E-Mail:** wenzloffbankruptcy@sbcglobal.net

**Name:** Applegate & Thorne-Thomsen, P.C.  
**Address:** 425 S. Financial Place, #1900  
Chicago, IL 60605

**Individual Assigned:** Andrew Massmann  
**Telephone:** (321) 491-4433  
**E-Mail:** amassmann@att-law.com

1. **Experience:** These firms have previous experience in advising Authority-financed developments.

**D. Builder:**

**Name:** MHT Construction, LLC  
**Address:** 32500 Telegraph Rd  
Bingham Farms, MI 48025

**Individual Assigned:** Chad Joseph  
**Telephone:** (248) 833-0550  
**Fax:** (248) 833-0551  
**E-mail:** chad@mhthousing.net

1. **Experience:** The firm has previous experience in constructing Authority-financed developments.
2. **State Licensing Board Registration:** License number 2102217229, with an expiration date of 05/31/2026.

**E. Management and Marketing Agent:**

**Name:** MHT Management, LLC  
**Address:** 32500 Telegraph Rd  
Bingham Farms, MI 48025

**Individual Assigned:** T. Van Fox  
**Telephone:** (248) 833-0550

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**Fax:** (248) 833-0551  
**E-mail:** vanfox@mhthousing.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:**

Purchase agreement addendum dated April 8th, 2024, between Mystic View II Limited Dividend Housing Association, LLC (“Buyer”) and Pullman Limited Dividend Housing Association Limited Partnership (“Seller”) states the purchase price to be \$1,850,000.

**B. Site Location:**

5590 Thomas St, Pullman, MI 49450  
(975-976 Owen, 977-979 Owen, 978-980 Owen, 981-983 Owen, 982-984 Owen, 975-976 Lauren, 977-979 Lauren, 978-980 Lauren, 981-983 Lauren, 982-984 Lauren, 975-976 Justin, 977-979 Justin, 978-980 Justin, 981-983 Justin, 982-984 Justin, 975-976 Ryan, 977-979 Ryan, 978-980 Ryan, 981-983 Ryan, 982-984 Ryan)

**C. Size of Site:**

Approximately 12.46 acres (542,758 sq.ft.) \*Per most recent appraisal

**D. Density:**

Appropriate to the current use

**E. Physical Description:**

1. **Present Use:** Multi-family residential
2. **Existing Structures:** Twenty-one one-story buildings (20 residential and 1 office).
3. **Relocation Requirements:** There will be no permanent relocation because of this transaction.

**F. Zoning:**

Lee Township (Pullman) of Allegan County, is not a zoned community, therefor, does not have a zoning ordinance and Mystic View Apartments is not hindered by any zoning concerns.

**G. Contiguous Land Use:**

1. North: Single-family residential
2. South: Single-family residential

**Mortgage Loan Feasibility/Commitment Staff Report**  
**Mystic View Apartments, MSHDA No. 1439-2**  
**Lee Township, Allegan County**  
**September 19, 2024**

3. East: Wooded / single-family residential
4. West: Single family residential

**H.** Tax Information:  
Based on ad valorem property taxes.

**I.** Utilities:  
Electricity – Consumers Energy  
Water/Sewer – Perceptive Service & Operations  
Fuel – Endeavor Ag & Energy

**J.** Community Facilities:

1. Shopping:  
Dollar General (0.5 miles)  
Preferred Market (0.5 miles)  
El Arcoiris de al Sabor Convenience Store (0.5 miles)  
Karam Food Mart (0.7 miles)  
Garcia's Supermercado (1.1 miles)  
Mr. Grocery (~6 miles)  
Meijer (~14 miles)
2. Recreation:  
Midwest Fun Stuff ReelPlay Arena (0.6 miles)  
Allegan County Park (~9 miles)  
West Side County Park (~9 miles)  
Littlejohn Lake County Park (~10 miles)  
Lake Arvesta Farms & Arvesta Sports Complex (~11 miles)  
Michigan Maritime Museum (~14 miles)  
The Mitten Childrens Museum (~14 miles)  
Saugatuck Dunes State Park (~20 miles)
3. Public Transportation:  
There is no public transportation in the Pullman community, the closest public transportation sites are as follows:  
Bangor Amtrak Train Station (~13 miles)  
South Haven Greyhound Bus Stop (~14 miles)
4. Road Systems  
The subject site is located on Thomas Street which is a dead-end street located east of 56<sup>th</sup> Street and north of 109<sup>th</sup> Street. Subject site is located 7 miles east from I-196 which runs along the east coast of the state from Benton Harbor to Grand Rapids.
5. Medical Services and other Nearby Amenities:  
People Helping People Non-Profit (0.4 miles)  
Pullman Tavern (0.5 miles)  
Pullman Elementary School (0.5 miles)  
InterCare Community Health Network (1 mile)  
Ascension Borgess Allegan Hospital (~15 miles)

**Mortgage Loan Feasibility/Commitment Staff Report  
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Bronson South Haven Hospital (~15 miles)  
Holland Hospital (~22 miles)  
Gerald R. Ford International Airport (~40 miles)

6. Description of Surrounding Neighborhood:  
Lee Township is a rural community with the local population mostly living around local lakes and the unincorporated community of Pullman. Local employment is largely associated with farming and service industries such as retail and recreation.
7. Local Community Expenditures Apparent:  
None-apparent
8. Indication of Local Support:  
MHT Housing, Inc. has been working closely with the Pullman Community ever since MHT Management took over management in 2020. With a goal to better the property and the lives of the residents, there has been very positive feedback from the community. In addition, MHT has worked with the local community organization, People Helping People, by donating backpacks and other items for the community.

People Helping People is a religious based organization created to support people in their journey through life. Some of the services People Helping People offer include after school programs, summer programs for students, student leadership for middle and high school students, food assistance, summer day camps, Sunday Worship Services, backpack giveaways, and GED classes. Many students and adults from the Mystic View community take advantage of the services offered at People Helping People and some even volunteer there as well.

**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. 18).

**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:	September 2024
B. Initial Closing and Disbursement:	April 2025
C. Construction Completion:	April 2026
D. Cut-Off Date:	October 2026

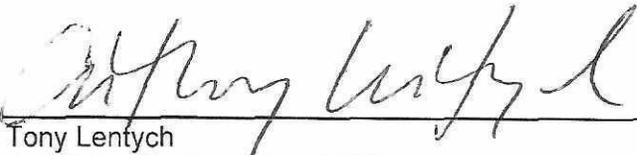
**XII. ATTACHMENTS:**

- A. Development Proforma

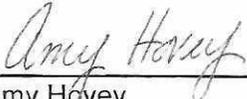
Mortgage Loan Feasibility/Commitment Staff Report  
Mystic View Apartments, MSHDA No. 1439-2  
Lee Township, Allegan County  
September 19, 2024

APPROVALS:

  
\_\_\_\_\_  
Chad Benson  
Director of Development  
9/10/2024  
Date

  
\_\_\_\_\_  
Tony Lentych  
Chief Housing Investment Officer  
9.10.2024  
Date

  
\_\_\_\_\_  
Clarence L. Stone, Jr.  
Chief Legal Affairs Officer  
9/12/2024  
Date

  
\_\_\_\_\_  
Amy Hovey  
Chief Executive Officer and Executive Director  
09/11/2024  
Date

TOTAL DEVELOPMENT COSTS	Per Unit	Total	% LIHTC Basis	Included in Tax Credit Basis	Included in Historic TC Basis
<b>Acquisition</b>					
Land	2,000	80,000	0%	0	0
Existing Buildings (Includes HOME and MRF Assumptions)	44,250	1,770,000	100%	1,770,000	0
Other:	0	0	0%	0	0
<b>Subtotal</b>	<b>46,250</b>	<b>1,850,000</b>			
<b>Construction/Rehabilitation</b>					
Off Site Improvements	0	0	100%	0	0
On-site Improvements	44,778	1,791,120	100%	1,791,120	0
Landscaping and Irrigation	0	0	100%	0	0
Structures	46,400	1,856,000	100%	1,856,000	1,856,000
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	0
General Requirements % of Contract 6.00%	5,471	218,827	100%	218,827	218,827
Builder Overhead % of Contract 2.00%	1,933	77,319	100%	77,319	77,319
Builder Profit % of Contract 6.00%	5,915	236,596	100%	236,596	236,596
Bond Premium, Tap Fees, Cost Cert.	980	39,202	100%	39,202	39,202
Other:	0	0	100%	0	0
<b>Subtotal</b>	<b>105,477</b>	<b>4,219,064</b>			
15% of acquisition and \$15,000/unit test:		met			
<b>Professional Fees</b>					
Design Architect Fees	800	32,000	100%	32,000	32,000
Supervisory Architect Fees	200	8,000	100%	8,000	8,000
Engineering/Survey	500	20,000	100%	20,000	20,000
Legal Fees	1,875	75,000	100%	75,000	75,000
<b>Subtotal</b>	<b>3,375</b>	<b>138,000</b>			
<b>Interim Construction Costs</b>					
Property & Casually Insurance	1,000	39,999	100%	39,999	39,999
Construction Loan Interest	6,826	265,049	67%	176,689	176,689
Title Work	600	24,000	100%	24,000	0
Construction Taxes	1,667	66,665	100%	66,665	66,665
Permits	1,654	66,149	100%	66,149	66,149
<b>Subtotal</b>	<b>11,547</b>	<b>461,862</b>			
<b>Permanent Financing</b>					
Loan Commitment Fee to MSHDA	2%	4,963	0%	0	0
Other:	0	0	0%	0	0
<b>Subtotal</b>	<b>4,963</b>	<b>198,533</b>			
<b>Other Costs (In Basis)</b>					
Application Fee	50	2,000	100%	2,000	2,000
Market Study	325	13,000	100%	13,000	13,000
Environmental Studies	7,500	300,000	100%	300,000	300,000
Cost Certification	300	12,000	100%	12,000	12,000
Equipment and Furnishings	1,250	50,000	100%	50,000	0
Temporary Tenant Relocation	1,250	50,000	100%	50,000	50,000
Construction Contingency	10,548	421,906	100%	421,906	421,906
Appraisal and C.N.A.	375	15,000	100%	15,000	15,000
Other: Green Policy Oversight	375	15,000	100%	15,000	15,000
<b>Subtotal</b>	<b>21,973</b>	<b>878,906</b>			
<b>Ot Start-up and Organization</b>					
Tax Credit Fees (based on 2022 QAP)	29,984	750	0%	0	0
Compliance Monitoring Fee (based on 2022 QAP)	475	19,000	0%	0	0
Marketing Expense	250	10,000	0%	0	0
Syndication Legal Fees	1,375	55,000	0%	0	0
Rent Up Allowance	0	0	0%	0	0
Other:	0	0	0%	0	0
<b>Subtotal</b>	<b>2,850</b>	<b>113,984</b>			

**Project Reserves**

	Per Unit	Total	% LIHTC Basis	Included in Tax Credit Basis	Included in Historic TC Basis
Operating Assurance Reserv 6.0 months	Funded in Cash	6,555	262,187	0%	0
Replacement Reserve	Required	2,957	118,260	0%	0
Operating Deficit Reserve	Not Required	0	0	0%	0
Rent Subsidy Reserve		0	0	0%	0
Syndicator Held Reserve		0	0	0%	0
Rent Lag Escrow		0	0	0%	0
Tax and Insurance Escrows	190,000	4,750	190,000	0%	0
Other: Tax escrow		0	0	0%	0
Other:		0	0	0%	0
<b>Subtotal</b>	<b>14,261</b>	<b>570,447</b>			
<b>Miscellaneous</b>					
Deposit to Development Operating Account (1MGRF Required)	1,100	43,980	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
<b>Subtotal</b>	<b>1,100</b>	<b>43,980</b>			

<b>Total Acquisition Costs</b>	46,250	1,850,000
<b>Total Construction Hard Costs</b>	105,477	4,219,064
<b>Total Non-Construction ("Soft") Costs</b>	60,068	2,402,712

**Developer Overhead and Fee**

Maximum	1,391,799	34,795	1,391,799	100%	1,391,799	1,391,799
7.5% of Acquisition/Project Reserves		Override	5% Attribution Test			met
20% of All Other Development Costs						

<b>Total Development Cost</b>	<b>246,589</b>	<b>9,863,576</b>
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**TOTAL DEVELOPMENT SOURCES**

	% of TDC		
MSHDA Permanent Mortgage	5.74%	14,157	566,272
Conventional/Other Mortgage	0.00%	0	0
Equity Contribution From Tax Credit Syndication	38.24%	94,299	3,771,949
MSHDA NSP Funds	0.00%	0	0
MSHDA HOME Assumption	16.00%	39,458	1,578,312
MSHDA Mortgage Resource Funds	4.96%	12,220	488,808
MSHDA TCAP	0.00%	0	0
MSHDA Housing Trust Funds	0.00%	0	0
MSHDA CERA	27.68%	68,262	2,730,474
MSHDA HOME-ARP	0.00%	0	0
MSHDA HCDF	0.00%	12,000	0
Local HOME	0.00%	0	0
Income from Operations	1.70%	4,181	167,249
Other Equity	0.00%	0	0
Transferred Reserves:	0.00%	0	0
Other: SLP Equity	0.00%	3	100
Other: GP Note	0.00%	0	0
Deferred Developer Fee	5.68%	14,010	560,412
<b>Total Permanent Sources</b>			<b>9,863,576</b>

<b>Sources Equal Uses?</b>	<b>Balanced</b>
Surplus/(Gap)	0

<b>MSHDA Construction Loan</b>	<b>52.00%</b>	<b>128,226</b>	<b>5,129,060</b>
Construction Loan Rate	6.625%		
Repaid from equity prior to final closing			4,562,788

	Included in Tax Credit Basis	Included in Historic TC Basis	OAR Funded
			Yr 1 4 Month OAR
Land	0	0	218,235 145,490
Existing Buildings (Includes HOME and MRF Assumptions)	0	0	
Other:	0	0	
<b>Subtotal</b>	<b>0</b>	<b>0</b>	
<b>Construction/Rehabilitation</b>			
Off Site Improvements	0	0	
On-site Improvements	0	0	
Landscaping and Irrigation	0	0	
Structures	0	0	
Community Building and/or Maintenance Facility	0	0	
Construction not in Tax Credit basis (i.e.Carports and Commercial Space)	0	0	
General Requirements % of Contract 6.00%	0	0	
Builder Overhead % of Contract 2.00%	0	0	
Builder Profit % of Contract 6.00%	0	0	
Bond Premium, Tap Fees, Cost Cert.	0	0	
Other:	0	0	
<b>Subtotal</b>	<b>0</b>	<b>0</b>	
<b>Professional Fees</b>			
Design Architect Fees	0	0	
Supervisory Architect Fees	0	0	
Engineering/Survey	0	0	
Legal Fees	0	0	
<b>Subtotal</b>	<b>0</b>	<b>0</b>	
<b>Interim Construction Costs</b>			
Property & Casually Insurance	0	0	
Construction Loan Interest	0	0	
Title Work	0	0	
Construction Taxes	0	0	
Permits	0	0	
<b>Subtotal</b>	<b>0</b>	<b>0</b>	
<b>Permanent Financing</b>			
Loan Commitment Fee to MSHDA	0	0	
Other:	0	0	
<b>Subtotal</b>	<b>0</b>	<b>0</b>	
<b>Other Costs (In Basis)</b>			
Application Fee	0	0	
Market Study	0	0	
Environmental Studies	0	0	
Cost Certification	0	0	
Equipment and Furnishings	0	0	
Temporary Tenant Relocation	0	0	
Construction Contingency	0	0	
Appraisal and C.N.A.	0	0	
Other: Green Policy Oversight	0	0	
<b>Subtotal</b>	<b>0</b>	<b>0</b>	
<b>Ot Start-up and Organization</b>			
Tax Credit Fees (based on 2022 QAP)	0	0	
Compliance Monitoring Fee (based on 2022 QAP)	0	0	
Marketing Expense	0	0	
Syndication Legal Fees	0	0	
Rent Up Allowance	0	0	
Other:	0	0	
<b>Subtotal</b>	<b>0</b>	<b>0</b>	

	LIHTC Basis	Historic Basis	Aggregate Basis
LIHTC Basis	8,768,282	5,133,162	8,848,282
Gap to Hard Debt Ratio			
Home Subsidy Limit			
HOME Unit Mix			
HTF Unit Mix			
HTF Subsidy Limit			

Deferred Dev Fee	488808	556719.7754	40% DDF
Dev Fee	40.27%	560,412	

Summary of Acquisition Price		As of July 31, 2024	Construction Loan Term
Attributed to Land	80,000	1st Mortgage Balar	Months
Attributed to Existing Structures	1,770,000	MSHDA HOME 1	12
Other:	0	Subordinate Mortg: MSHDA HOME 2	6
Fixed Price to Seller	1,850,000	Subordinate Mortg: MRF	0
		Subordinate Mortg: GP Note	18
		Premium/(Deficit) vs Existing Debt	
			(466,825)
<b>Appraised Value</b>		Value As of: December 10, 2021	
"Encumbered As-is" value as determined by appraisal:			2,330,000
Plus 5% of Appraised Value:			0
LESS Fixed Price to the Seller:			1,850,000
Surplus/(Gap)			480,000

Eligible Basis for LIHTC/TCAP	Value of LIHTC/TCAP
Acquisition	1,862,500
Construction	8,977,517
Acquisition Credit %	4.00%
Rehab/New Const Credit %	4.00%
Qualified Percentage	100.00%
QCT/DDA Basis Boost	130%
Historic?	No

Existing Reserve Analysis	
DCE Interest:	Current Owner's Reserves: 0
Insurance:	Reserves Captured by MSHDA 30,704
Taxes:	Tax/Ins Escrows transferred to project 0
Rep. Reserve:	
ORC:	30,676
DCE Principal:	
Other: Const. Escro	28

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	3,771,949
Brownfield Equity	
Historic Tax Credit Equity	
General Partner Capital Contributions	100
Other Equity Sources	
<b>New Owner's Equity</b>	<b>3,772,049</b>

Development **Mystic View Apartments**  
 Financing **Tax Exempt**  
 MSHDA No. **1439-2**  
 Step **Commitment**  
 Date **09/19/2024**  
 Type **Preservation - LIHTC**

**Mortgage Assumptions:**  
 Debt Coverage Ratio **3.28**  
 Mortgage Interest Rate **6.625%**  
 Pay Rate **6.625%**  
 Mortgage Term **40 years**  
 Income from Operations **Yes**

**Instructions**

**Total Development Income Potential**

	Per Unit	Total
Annual Rental Income	13,194	527,760
Annual Non-Rental Income	20	800
Total Project Revenue	13,214	528,560

**Total Development Expenses**

Vacancy Loss	<b>8.00%</b> of annual rent potential	1,056	42,221
Management Fee	<b>634</b> per unit per year	634	25,360
Administration		1,500	60,000
Project-paid Fuel		0	0
Common Electricity		2,238	89,500
Water and Sewer		250	10,000
Operating and Maintenance		1,875	75,000
Real Estate Taxes		1,250	50,000
Payment in Lieu of Taxes (PILOT)	Applied to: <b>All Units</b>	0	0
Insurance		750	30,000
Replacement Reserve	<b>350</b> per unit per year	350	14,000
Other:		0	
Other:		0	

Initial Inflation Factor	Beginning in Year	Future Inflation Factor
1.0%	6	2.0%
1.0%	6	2.0%
Future Vacancy		
	6	8.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	6	3.0%
4.0%	6	3.0%
5.0%	6	5.0%
3.0%	1	3.0%
5.0%	1	5.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%

	% of Revenue		
<b>Total Expenses</b>	74.94%	<b>9,902</b>	<b>396,081</b>
Base Net Operating Income		3,312	132,479
Part A Mortgage Payment	7.64%	1,010	40,390
<b>Part A Mortgage</b>		<b>14,157</b>	<b>566,272</b>
Non MSHDA Financing Mortgage Payment		0	
<b>Non MSHDA Financing Type:</b>		<b>0</b>	
Base Project Cash Flow (excludes ODR)	17.42%	2,302	92,089

Override

Development Mystic View Apartments  
 Financing Tax Exempt  
 MSHDA No. 1439-2  
 Step Commitment  
 Date 09/19/2024  
 Type Preservation - LIHTC

**Instructions**

Income Limits for	Allegan County						(Effective April 1, 2024)
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	
30% of area median	19,380	22,140	24,900	27,660	29,880	32,100	
40% of area median	25,840	29,520	33,200	36,880	39,840	42,800	
50% of area median	32,300	36,900	41,500	46,100	49,800	53,500	
60% of area median	38,760	44,280	49,800	55,320	59,760	64,200	

**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% Yes Family	Area Median Income Units MSHDA Project Based Voucher Units Occupancy																
A	4	Apartment	3	1.0	1,100	1,379	0	1,379	66,192	0	12.5%	10.0%	4,400	10.0%	4,400	CERA	719
40% 30% Yes Family	Area Median Income Units Tenant AMI Restriction (if different from rent restriction) MSHDA Project Based Voucher Units Occupancy																
A	4	Apartment	3	1.0	1,100	1,379	0	1,379	66,192	0	12.5%	10.0%	4,400	10.0%	4,400	CERA	959
50% 30% Yes Family	Area Median Income Units Tenant AMI Restriction (if different from rent restriction) MSHDA Project Based Voucher Units Occupancy																
A	4	Apartment	3	1.0	1,100	1,379	0	1,379	66,192	0	12.5%	10.0%	4,400	10.0%	4,400	CERA	1,198
60% 30% Yes Family	Area Median Income Units Tenant AMI Restriction (if different from rent restriction) MSHDA Project Based Voucher Units Occupancy																
A	8	Apartment	3	1.0	1,100	1,379	0	1,379	132,384	0	25.1%	20.0%	8,800	20.0%	8,800	Low HOME	1,438
60% 50% Family	Area Median Income Units Tenant AMI Restriction (if different from rent restriction) Occupancy																
B	20	Apartment	3	1.0	1,100	820	270	1,090	196,800	0	37.3%	50.0%	22,000	50.0%	22,000	Low HOME	1,140
Mgrs																	
									0	0	0.0%	0.0%	0	0.0%	0		
													44,000		44,000		

Total Revenue Units **40**  
 Manager Units **0**  
 Income Average 54.00%  
 Set Aside 100.00%

Gross Rent Potential	<b>527,760</b>
Average Monthly Rent	<b>1,100</b>
Gross Square Footage	<b>44,000</b>

HOME Units SF/Total Units SF 70.0% **Within Range**  
 # HOME Units/# Total Units 70.0% **Within Range**

**Utility Allowances**

Tenant-Paid

**Annual Non-Rental Income**

Misc. and Interest	
Laundry	
Carports	
Other: Late Charges	800
Other:	800

	Electricity	A/C	Gas	Water/ Sewer	Other	Total	Override
A						0	
B	270.00					270	
C						0	
D						0	
E						0	
F						0	
G						0	
H						0	

Total Income	Annual	Monthly
Rental Income	527,760	43,980
Non-Rental Income	800	67
Total Project Revenue	528,560	44,047

**Cash Flow Projections**

**Development** Mystic View Apartments  
**Financing** Tax Exempt  
**MSHDA No.** 1439-2  
**Step** Commitment  
**Date** 09/19/2024  
**Type** Preservation - LIHTC

	Initial Inflation	Starting in Yr	Future Inflation	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
<b>Income</b>																							
Annual Rental Income	1.0%	6	2.0%	527,760	533,038	538,368	543,752	549,189	560,173	571,376	582,804	594,460	606,349	618,476	630,846	643,463	656,332	669,459	682,848	696,505	710,435	724,643	739,136
Annual Non-Rental Income	1.0%	6	2.0%	800	808	816	824	832	849	866	883	901	919	938	956	975	995	1,015	1,035	1,056	1,077	1,098	1,120
<b>Total Project Revenue</b>				<b>528,560</b>	<b>533,846</b>	<b>539,184</b>	<b>544,576</b>	<b>550,022</b>	<b>561,022</b>	<b>572,243</b>	<b>583,687</b>	<b>595,361</b>	<b>607,268</b>	<b>619,414</b>	<b>631,802</b>	<b>644,438</b>	<b>657,327</b>	<b>670,473</b>	<b>683,883</b>	<b>697,560</b>	<b>711,512</b>	<b>725,742</b>	<b>740,257</b>
<b>Expenses</b>																							
Vacancy Loss	8.0%	6	8.0%	42,221	42,643	43,069	43,500	43,935	44,814	45,710	46,624	47,557	48,508	49,478	50,468	51,477	52,507	53,557	54,628	55,720	56,835	57,971	59,131
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	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%	60,000	61,800	63,654	65,564	67,531	69,556	71,643	73,792	76,006	78,286	80,635	83,054	85,546	88,112	90,755	93,478	96,282	99,171	102,146	105,210
Project-paid Fuel	3.0%	6	3.0%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Common Electricity	4.0%	6	3.0%	89,500	93,080	96,803	100,675	104,702	107,843	111,079	114,411	117,843	121,379	125,020	128,771	132,634	136,613	140,711	144,933	149,281	153,759	158,372	163,123
Water and Sewer	5.0%	6	5.0%	10,000	10,500	11,025	11,576	12,155	12,763	13,401	14,071	14,775	15,513	16,289	17,103	17,959	18,856	19,799	20,789	21,829	22,920	24,066	25,270
Operating and Maintenance	3.0%	1	3.0%	75,000	77,250	79,568	81,955	84,413	86,946	89,554	92,241	95,008	97,858	100,794	103,818	106,932	110,140	113,444	116,848	120,353	123,964	127,682	131,513
Real Estate Taxes	5.0%	1	5.0%	50,000	52,500	55,125	57,881	60,775	63,814	67,005	70,355	73,873	77,568	81,445	85,517	89,793	94,282	98,997	103,946	109,144	114,601	120,331	126,348
Payment in Lieu of Taxes (PILOT)				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance	3.0%	1	3.0%	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143	40,317	41,527	42,773	44,056	45,378	46,739	48,141	49,585	51,073	52,605
Replacement Reserve	3.0%	1	3.0%	14,000	14,420	14,853	15,298	15,757	16,230	16,717	17,218	17,735	18,267	18,815	19,379	19,961	20,559	21,176	21,812	22,468	23,144	23,834	24,549
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	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	0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses				396,081	409,214	422,828	436,943	451,577	466,143	481,211	496,798	512,925	529,610	546,875	564,741	583,231	602,368	622,177	642,682	663,911	685,891	708,650	732,217
<b>Debt Service</b>																							
Debt Service Part A				40,390	40,390	40,390	40,390	40,390	40,390	40,390	40,390	40,390	40,390	40,390	40,390	40,390	40,390	40,390	40,390	40,390	40,390	40,390	40,390
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
<b>Total Expenses</b>				<b>436,471</b>	<b>449,604</b>	<b>463,218</b>	<b>477,333</b>	<b>491,967</b>	<b>506,533</b>	<b>521,601</b>	<b>537,188</b>	<b>553,315</b>	<b>570,000</b>	<b>587,265</b>	<b>605,131</b>	<b>623,621</b>	<b>642,758</b>	<b>662,567</b>	<b>683,072</b>	<b>704,301</b>	<b>726,281</b>	<b>749,400</b>	<b>772,607</b>
<b>Cash Flow/(Deficit)</b>				<b>92,089</b>	<b>84,242</b>	<b>75,966</b>	<b>67,243</b>	<b>58,055</b>	<b>54,489</b>	<b>50,641</b>	<b>46,499</b>	<b>42,046</b>	<b>37,269</b>	<b>32,149</b>	<b>26,671</b>	<b>20,817</b>	<b>14,569</b>	<b>7,907</b>	<b>811</b>	<b>(6,741)</b>	<b>(14,769)</b>	<b>(23,298)</b>	<b>(32,351)</b>
<b>Cash Flow Per Unit</b>				2,302	2,106	1,899	1,681	1,451	1,362	1,266	1,162	1,051	932	804	667	520	364	198	20	(169)	(369)	(582)	(809)
<b>Debt Coverage Ratio on Part A Loan</b>				3.28	3.09	2.88	2.66	2.44	2.35	2.25	2.15	2.04	1.92	1.80	1.66	1.52	1.36	1.20	1.02	0.83	0.63	0.42	0.20
<b>Debt Coverage Ratio on Conventional/Other Financing</b>				N/A	N/A	N/A																	

Interest Rate on Reserves **3%**

Average Cash Flow as % of Net Income

**Operating Deficit Reserve (ODR) Analysis**

Maintained Debt Coverage Ratio (Hard Debt)	1.00
Maintained Operating Reserve (No Hard Debt)	250
Initial Balance	43,952
Total Annual Draw to achieve 1.0 DCR	0
Total Annual Deposit to achieve Maintained DCR	0
Total 1.0 DCR and Maintained DCR	0
Interest	1,319
Ending Balance at Maintained DCR	45,270
Maintained Cash Flow Per Unit	2,302
Maintained Debt Coverage Ratio on Part A Loan	3.28
Maintained Debt Coverage Ratio on Conventional/Other	N/A
Standard ODR	0
Non-standard ODR	43,952

**Operating Assurance Reserve Analysis**

Required in Year:	1
Initial Balance	218,235
Initial Balance	218,235
Interest Income	6,547
Ending Balance	224,782

**Deferred Developer Fee Analysis**

Initial Balance	560,412
Dev Fee Paid	92,089
Ending Balance	468,323
Repaid in yes:	0

**Mortgage Resource Fund Loan**

Interest Rate on Subordinate Financing	3%
Principal Amount of all MSHDA Soft Funds	488,808
Current Yr Int	14,664
Accrued Int	0
Subtotal	503,472
Annual Payment Due	0
Year End Balance	503,472

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY  
MYSTIC VIEW APARTMENTS, MSHDA DEVELOPMENT NO. 1439-2  
TOWNSHIP OF LEE, ALLEGAN COUNTY**

**September 19, 2024**

WHEREAS, Pullman Limited Dividend Housing Association Partnership is the owner of a development for low and moderate income persons located in the Township of Lee, Allegan County, Michigan, known as Mystic View Apartments, MSHDA Development No. 1439-2 (the "housing project"); and

WHEREAS, MHT Housing, Inc. (the "Applicant") desires to purchase and rehabilitate the housing project for an estimated total development cost of Nine Million Eight Hundred Sixty-Three Thousand Five Hundred Seventy-Six Dollars (\$9,863,576); and

WHEREAS, the Applicant has filed an Application for Mortgage Loan Feasibility with the Authority for a new tax exempt mortgage loan in the maximum amount of Five Million One Hundred Twenty-Nine Thousand Sixty Dollars (\$5,129,060); a Mortgage Resource Fund Loan in the amount of Four Hundred Eighty-Eight Thousand Eight Hundred Eight Dollars (\$488,808); (the "MRF Loan"); and Authority CERA Funds in the estimated amount of Two Million Seven Hundred Thirty Thousand Four Hundred Seventy-Four Dollars (\$2,730,474) (the "CERA Loan"); together with the Mortgage Loan, the "Application"; to finance the acquisition and rehabilitation of the housing project, as described in the attached Mortgage Loan Feasibility/Commitment Staff Report dated September 19, 2024 (the "Staff Report"); and

WHEREAS, the Applicant has also requested that the Applicant be allowed to assume the existing HOME mortgage loans in the estimated amount of One Million Five Hundred Seventy-Eight Thousand Three Hundred Twelve Dollars (\$1,578,312); and

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, a housing association to be formed by the Applicant (the "Mortgagor") 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 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 Six Million Thirty Thousand Dollars (\$6,030,000).

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 Staff Report 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 housing 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 Legal Transactions, the Director of Legal In-House Services, 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 Mortgagor.

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 Staff Report, which conditions are hereby incorporated by reference as if fully set forth herein.

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
RESOLUTION AUTHORIZING MORTGAGE LOANS  
MYSTIC VIEW APARTMENTS, MSHDA DEVELOPMENT NO. 1439-2  
TOWNSHIP OF LEE, ALLEGAN COUNTY**

**September 19, 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 MHT Housing, Inc. (the "Applicant") for a construction mortgage loan in the amount of Five Million One Hundred Twenty-Nine Thousand Sixty Dollars (\$5,129,060) and a permanent mortgage loan in the amount of Five Hundred Sixty-Six Thousand Two Hundred Seventy-Two Dollars (\$566,272) (the "Mortgage Loan") for the acquisition, rehabilitation and permanent financing of a multi-family housing project having an estimated total development cost of Nine Million Eight Hundred Sixty-Three Thousand Five Hundred Seventy-Six Dollars (\$9,863,576), to be known as Mystic View Apartments (the "housing project"), located in the Township of Lee, Allegan County, Michigan, and to be owned by Mystic View II Limited Dividend Housing Association, LLC (the "Mortgagor"); and

WHEREAS, the Applicant has also requested a Mortgage Resource Fund ("MRF") Loan in the estimated amount of Four Hundred Eighty-Eight Thousand Eight Hundred Eight Dollars (\$488,808) (the "MRF Loan") and a loan of Authority CERA Funds in the estimated amount of Two Million Seven Hundred Thirty Thousand Four Hundred Seventy-Four Dollars (\$2,730,474) (the "CERA Loan")(together with the application for the Mortgage Loan, the "Application"); 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 the Mortgage Loan commitment hereinafter authorized to be issued to the Applicant and the Mortgagor.

2. 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 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 a commitment for a Mortgage Loan for the acquisition and rehabilitation financing of the proposed housing project in an amount not to exceed Five Million One Hundred Twenty-Nine Thousand Sixty Dollars (\$5,129,060), and permanent financing in an amount not to exceed Five Hundred Sixty-Six Thousand Two Hundred Seventy-Two Dollars (\$566,272), and to have a term of forty (40) years after amortization of principal commences. The Mortgage Loan will 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 Six Million Thirty Thousand Dollars (\$6,030,000).

3. The MRF 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 MRF Loan in the estimated amount of Four Hundred Eighty-Eight Thousand Eight Hundred Eight Dollars (\$488,808), and to have a term not to exceed fifty (50) years and to bear interest at a rate of three percent (3%) per annum.

4. 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 and the MRF Loan, the "Mortgage Loan Commitment") in the estimated amount of Two Million Seven Hundred Thirty Thousand Four Hundred Seventy-Four Dollars (\$2,730,474), and to have a term not to exceed fifty (50) years and to bear interest at a rate of one percent (1%) per annum.

5. This 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 housing 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 Mortgage Loan Commitment issued pursuant hereto may, at the option of an Authorized Officer, be rescinded. Any Authorized Officer is hereby authorized to modify or waive any condition or provision contained in the Commitment. Any Authorized Officer is also hereby authorized to substitute alternate funding sources for or adjust the amounts of any of the subordinate loans described above, provided the total subordinate funding that is authorized herein does not increase.

6. 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 loans 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.

7. 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.

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 Multifamily Standards of Design with respect to the requirement for a tot lot for family developments.



# 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 

**DATE:** September 19, 2024

**RE:** Russell Woods 4% Senior Living Community, Development No. 4129

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### **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 as set forth below, 3) authorize a permanent COVID Emergency Rental Assistance ("CERA") mortgage loan in the amount 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 this development, subject to the terms and conditions set forth in this report.

### **PROJECT SUMMARY:**

MSHDA No:	4129
Development Name:	Russell Woods 4% Senior Living Community
Development Location:	City of Detroit, Wayne County
Sponsors:	Icon Heritage Partners, LLC and LC Consultants II, LLC
Mortgagor:	Russell Woods II Limited Dividend Housing Association, LLC
Number of Units (Affordable and Market Rate):	42 Affordable Units
Number of Units Designated for Accessible Use:	5 Accessible Units
Total Development Cost:	\$15,369,943
TE Bond Construction Loan:	\$7,992,370
TE Bond Permanent Loan:	\$3,715,516
MSHDA Gap Funds (CERA Loan):	\$1,792,772
Other Funds:	
City of Detroit HOME:	\$4,000,000
Low-Income Housing Tax Credi Equity:	\$5,023,476
Income from Operations:	\$37,012
Deferred Developer Fee:	\$801,167

## **EXECUTIVE SUMMARY:**

Russel Woods Senior Living Community is a proposed rehabilitation multifamily development of a twelve-story building for seniors whose household income does not exceed 60% of Area Median Income (“AMI”) with fifteen percent of the proposed units targeting seniors at 30% AMI. Located at 11421 Dexter Ave in Detroit, Michigan, the project was built in 1974 and will consist of a total of 77 one-bedroom units with the following amenities: wall-unit air conditioning, coat closet, garbage disposal, frost free refrigerator, energy star appliances, mini-blinds, microwave, exceptional views of the city, and resident laundry room (s). All 77 units will be renovated to enhance the accessibility features, however 9 of the units will meet/exceed the accessibility minimum code requirements; along with the public and common use areas. All residential units will be located on 2<sup>nd</sup> through 12<sup>th</sup> floor, the first floor will be allocated as the common area which will include community room, laundry room, fitness room, computer stations, and on-site supportive services.

The project is proposed as a split 4% and 9% Low-Income Housing Tax Credit (“LIHTC”) transaction with 42 senior residential units on the 4% side and 35 senior residential units on the 9% side. The 4% units will be allocated to floors 2 – 7 with 5 of those units designated as Americans with Disabilities Act (“ADA”) units. The 9% units will be allocated to floors 8 – 12 with 4 ADA units. The co-Sponsors, Icon Heritage Partners, LLC and LC Consultants II, LLC, are seeking financing utilizing tax-exempt bonds, low-income housing tax credits, and gap funding under the Authority’s Multifamily Direct Lending Gap Program to undertake a needed renovation in creating affordable, independent-living housing for seniors, defined as individuals who are at least 55 years of age and families whose head of household is at least 55 and other household members are 50 or older.

This proposal has been approved to receive 42 Project-Based Vouchers (“PBVs”) from the Inkster Housing Commission (the “IHC”).

## **ADVANCING THE AUTHORITY’S MISSION:**

Russell Woods 4% Senior Living Community 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 5.1: Equitably expand the supply of affordable and accessible rental units statewide for older adults;
- Goal 5.2: Promote the ability of older adults to age in a place of their choice;
- Goal 5.3: Increase the number of affordable facilities that offer a continuum of care within one building or complex (independent living, assisted living, and long-term care);
- Goal 6.2: Reduce the number of underserved and vulnerable populations experiencing rent burden by removing barriers and increasing resources;

## **MUNICIPAL SUPPORT:**

- The City of Detroit supports the approval of a 4% Payment Lieu of Taxes (PILOT).

## **RESIDENT IMPACT:**

- Adaptive Reuse of Vacant building – No residents to impact.

## **COMMUNITY ENGAGEMENT/IMPACT:**

The co-Sponsors engaged the community by meeting with the neighborhood association and active seniors in the community on October 12, 2020. This community meeting was facilitated by the City of Detroit through the Planning and Development Department (PDD). During the meeting, we shared the vision for the development, the commitment to affordability and the potential impact that the development would have in catalyzing revitalization efforts and attracting new investments. PDD also shared the Russell Woods/Nardin Park Strategic Framework as well as planned and proposed developments and revitalization initiatives surrounding the building.

The co-Sponsors also implemented a social media advertising campaign that geotargeted residents within a 5-mile radius of the building. The goal was to drive widespread engagement for the development. The advertising directed residents to a press release about the development and garnered significant support through Facebook comments on the post and on the Co-Sponsor's website.

This project will impact the community by further promoting the ongoing redevelopment in the Russell Woods neighborhood, which includes a \$3 million streetscape project that runs along Dexter Ave, in front of the building, a City of Detroit Blight Plan that targets 500 properties in the surrounding neighborhood for demolition or rehab, and several neighborhood improvement and infrastructure projects, as well as the Cabot Apartments proposal that recently received a 9% LIHTC reservation in the Authority's April 2023 round.

The local community was in support of the vision and did not provide any recommendations but urged the commitment towards affordability.

## **ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

This proposal represents the 4% tax-exempt bond side of a split 4% and 9% Low Income Housing Tax Credits ("LIHTC) transaction and is structured as a multi-unit condominium/apartments in a single building. The proposed structure splits the building into separate residential apartments/condominium units for the 4% and 9% developments, each of which will be treated as a separate project for LIHTC purposes, following the 2023 Qualified Allocation Plan ("QAP") Guidelines which allow for pairing a 9% LIHTC proposal with a 4% LIHTC proposal within the same development or building(s). A total of seventy-six (76) units are planned to receive Project-Based Vouchers ("PBVs"), with forty-two (42) PBV units allocated to the tax-exempt bond/4% LIHTC project by the IHC. The co-Sponsors will form an ownership entity for the 4% tax-exempt condominium/apartments whose ownership structure similar to that of the owner of the 9% project that is paired with the subject of the accompanying report.

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.



## **MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT**

**September 19, 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 COVID Emergency Rental Assistance ("CERA") mortgage loan in the amount 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.

<b><u>MSHDA No.:</u></b>	4129
<b><u>Development Name:</u></b>	Russell Woods 4% Senior Living Community
<b><u>Development Location:</u></b>	City of Detroit, Wayne County
<b><u>Sponsor:</u></b>	Icon Heritage Partners, LLC and LC Consultants II, LLC
<b><u>Mortgagor:</u></b>	Russell Woods II Limited Dividend Housing Association, LLC
<b><u>TE Bond Construction Loan:</u></b>	\$7,992,370 (52.00% of TDC)
<b><u>TE Bond Permanent Loan:</u></b>	\$3,715,516
<b><u>MSHDA Permanent CERA Loan:</u></b>	\$1,792,772
<b><u>Total Development Cost:</u></b>	\$15,369,943
<b><u>Mortgage Amortization and Term:</u></b>	40 years for the tax-exempt bond loan; 50 years for the CERA loan;
<b><u>Interest Rate:</u></b>	6.625% for the tax-exempt bond loan; 1% simple interest for the CERA loan
<b><u>Program:</u></b>	Tax-Exempt Bond and Round 17 Gap Financing Programs
<b><u>Number of Units:</u></b>	42 elderly units of adaptive reuse
<b><u>Accessible Units:</u></b>	5 Accessible Units
<b><u>Unit Configuration:</u></b>	Forty-two (42) One-bedroom Apartments in a twelve-story building
<b><u>Builder:</u></b>	Continental Construction Management, LLC
<b><u>Syndicator:</u></b>	RBC Capital Markets
<b><u>Date Application Received:</u></b>	01/23/2023
<b><u>HDO:</u></b>	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:**

This proposal represents the 4% tax-exempt bond side of a split 4% and 9% Low Income Housing Tax Credits (“LIHTC”) transaction and is structured as a multi-unit condominium/apartment in a single building. The proposed structure splits the building into separate residential apartments/condominium units for the 4% and 9% developments, each of which will be treated as a separate project for LIHTC purposes, following the 2023 Qualified Allocation Plan (“QAP”) Guidelines which allow for pairing a 9% LIHTC proposal with a 4% LIHTC proposal within the same development or building(s). A total of seventy-six (76) units are planned to receive Project-Based Vouchers (“PBVs”), with forty-two (42) PBV units allocated to the tax-exempt bond/4% LIHTC project by the Inkster Housing Commission (the “IHC”). The co-Sponsors, LC Consultants II, LLC (headed by multifamily developer, Bob Jacobson) and Icon Heritage Partners, LLC will form an ownership entity for the 4% tax-exempt condominium/apartments, with an ownership structure similar to that of the owner of the 9% project that is paired with the subject of this report.

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.

**EXECUTIVE SUMMARY:**

Russel Woods Senior Living Community is a proposed rehabilitation multifamily development of a twelve-story building for seniors whose household income does not exceed 60% of Area Median Income (“AMI”), with fifteen percent of the proposed units targeting seniors at 30% AMI. Located at 11421 Dexter Ave in Detroit, Michigan, the project was built in 1974, and will consist of a total of 77 one-bedroom units with the following amenities: wall-unit air conditioning, coat closet, garbage disposal, frost free refrigerator, energy star appliances, mini-blinds, microwave, exceptional views of the city, and resident laundry room (s). All 77 units will be renovated to enhance the accessibility features, however 9 of the units will meet/exceed the accessibility minimum code requirements; along with the public and common use areas. All residential units will be located on 2<sup>nd</sup> through 12<sup>th</sup> floor, the first floor will be allocated as the common area which will include community room, laundry room, fitness room, computer stations, and on-site supportive services.

The project is proposed as a split 4% and 9% Low-Income Housing Tax Credit (“LIHTC”) transaction with 42 senior residential units on the 4% side and 35 senior residential units on the 9% side. The 4% units will be allocated to floors 2 – 7 with 5 of those units designated as Americans with Disabilities Act (“ADA”) units. The 9% units will be allocated to floors 8 – 12 with 4 ADA units. The co-Sponsors are seeking financing utilizing tax-exempt bonds, low-income housing tax credits, and gap funding under the Authority’s Multifamily Direct Lending Gap Program to undertake a needed renovation in creating affordable independent-living housing for seniors, defined as individuals who are at least 55 years of age and families whose head of household is at least 55 and other household members are 50 or older.

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This proposal has been approved to receive 42 PBVs from the IHC.

**Structure of the Transaction and Funding:**

There are several elements to this transaction that are common to new construction/rehabilitation transactions:

- A tax-exempt bond construction loan (the “Mortgage Loan”) will be provided by the Authority in the amount of \$7,992,370 at 6.625% interest with a 24-month term (an 18-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 24-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 \$3,715,516. 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 \$1,792,772 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 \$4,000,000. This loan will be in **Third Position**. See Special Condition No. 3.
- Equity support comes from an investment related to the 4% LIHTC in the estimated amount of \$5,023,476.
- 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 \$37,012.
- The IHC is providing forty-two (42) PBVs from the IHC’s Housing Choice Voucher program. The PBV Housing Assistance Payments (“HAP”) contract will be for an initial term of 20 years with up to one 20-year extension possible.
- The Sponsor has agreed to defer \$801,167 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

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with accumulated interest, is expected to meet the Development's unanticipated operating needs. This reserve will be held by the Authority.

- A vacancy loss reserve 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 vacancy loss needs. The reserve will be held by the Authority. See Special Condition No. 4.

The condominium documents will require that a share of the operating, maintenance and repair costs relating to the common elements of the condominium, as described in the master deed, be allocated to each condominium unit. These shared expenses will include the cost of utilities, management expenses, insurance, and the like, and the costs of maintenance, repair, and replacement of the structural elements of the building and common spaces, project landscaping, and the parking lot. 5The 4% residential unit will be allocated 55% of the condominium in the master deed, resulting in an estimated annual cost of \$159,000 for the first operating year. This amount is included and shown on the operating expense page of the proforma. See Special Condition No 5.

**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 October 23, 2023, estimated the value for the development site on which the 4%/9% paired development will be located at \$590,000. The 42-unit 4% side share is \$321,819, and the 35-unit 9% side share is \$268,181.

**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)

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general partner capital contributions; and (v) any interest earned on an equity escrow held by the Authority (estimated to be a total of \$5,023,476). 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. Income Limits:**

The income limitations for 42 units of this proposal are as follows:

- a. Five (5) units (5 one-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.
- b. Five (5) units (5 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.
- c. Five (5) units (5 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.
- d. Five (5) units (5 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.
- e. Twenty-seven (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.
- f. Twenty-two (22) units have been designated as Low-HOME units by the City of Detroit 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.
- g. All forty-two (42) 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 IHC is in effect (including extensions and renewals), or for such longer period as determined by

HUD.

The Authority is not responsible for the City of Detroit HOME or the IHC PBV compliance monitoring or oversight of the occupancy of 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. Limitations on Rental Rates:**

The Total Housing Expense (contract rent plus tenant-paid utilities) for 42 units is subject to the following limitations:

- a. During the period of affordability required under the CERA program (20 years), the Total Housing Expense for all Five (5) CERA units (5 one-bedroom units) may not exceed one-twelfth (1/12<sup>th</sup>) 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.
- b. The Total Housing Expense for five units (4 one-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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.
- c. The Total Housing Expense for five units (4 one-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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.
- d. The Total Housing Expense for five units (4 one-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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 twenty-seven (27) units (27 one-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) of 30% of the 60% MTSP limit, adjusted for family size and based upon an imputed occupancy of one and one-half persons

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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. During the Period of Affordability required under the HOME program (15 years), the Total Housing Expense for the 22 Low-HOME units may not exceed the "Low-HOME Rent Limit" for the unit established and published annually by HUD.
- g. So long as the PBV HAP Contract remains in effect, the Mortgagor agrees to establish and maintain rents ("Contract Rents") for all PBV HAP-assisted units (34 one-bedroom units) that comply with the rent levels established by the PBV HAP Contract and that do not exceed the rent levels approved by the IHC or HUD.

The Authority is not responsible for the compliance monitoring or oversight of the Inkster Housing Commission 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.

The Mortgagor must further agree that rental increases for targeted units that do not receive PBV subsidy 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.

**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 20<sup>th</sup> 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.

**5. Operating Assurance Reserve:**

At Initial Closing, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to four (4) months of estimated Development operating expenses (estimated to be \$181,628). 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.

**6. 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.

**7. 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 13<sup>th</sup> 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 13<sup>th</sup> 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 an 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.

**8. 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.

**9. 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.

**10. 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.

**11. 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.

**12. 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.

**13. 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's HOME Program, and the IHC's Housing Choice Voucher Program, however, all necessary documentation and all monitoring and oversight will be handled by the City of Detroit.

**14. 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).

**15. 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.

**16. 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.

**17. 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.

**18. Designation of Authority Funds:**

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

**19. 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

**20. 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.

**21. 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.

**22. 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. 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.

**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:

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- 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 4% PILOT indicating support from the City of Detroit. Before Initial Closing, a PILOT resolution 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. 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. 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.

**4. Vacancy Loss Reserve:**

At Initial Closing, the Mortgagor must establish a Vacancy Loss Reserve with a deposit in the amount of \$192,701. The Vacancy Loss Reserve shall 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. The Vacancy Loss Reserve will be held for a minimum of three years following the Mortgage Cut-Off Date.

Funds in the Vacancy Loss Reserve will be available solely for the purpose of providing operating subsidies when the monthly vacancy loss exceeds 5%. The amount of funds disbursed shall equal the gross rents lost exceeding the 5% vacancy loss amount as reported on the Monthly Income and Expense statements. All draws must include data specifying the units vacant in excess of the 5% vacancy, as well as the total subsidy amount to be withdrawn. The Mortgagor may draw funds out of the Vacancy Loss Reserve on a quarterly basis. All draws from the Vacancy Loss Reserve must be approved by the Director of Asset Management and deposited into the Development's operating account.

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Following the 3rd full year of operation of the Development after the Mortgage Cut-Off Date, as established by the Authority, the Mortgagor may request a release of any funds remaining in the Vacancy Loss Reserve. The Director of Asset Management may approve such as release based on a review of the Development and a determination that such funds are no longer needed to fund the vacancy losses. Any such release may, in the Authority's discretion, be returned to the Authority to fund any other escrows or to be applied against any obligations that the Mortgagor owes the Authority.

**5. Conversion to Condominium:**

At or prior to Initial Closing, the real estate upon which the Development is located is to be converted into a condominium with the 9% residential, 4% residential and commercial space in separate units and the master deed and plat depicting the condominium must be recorded with the Wayne County Register of Deeds.

Prior to Mortgage Loan Commitment, the final master deed and other condominium documents must be reviewed and found acceptable in form and substance to the Authority's Chief Legal Affairs Officer. The master deed must include provisions acceptable to the Chief Legal Affairs Officer that describe the general and limited common elements, allocate the responsibilities for repairs, maintenance, and operating costs between unit owners and grant the Authority certain rights with respect to the operation and management of the condominium, including the right to approve owners/tenants and uses of the commercial unit. The Mortgagor must agree that proceeds from any Authority mortgage loans may be used only for housing related improvements to the building and facilities.

**DEVELOPMENT TEAM AND SITE INFORMATION**

I. **MORTGAGOR:** Russell Woods II Limited Dividend Housing Association, LLC

II. **GUARANTOR(S):**

A. **Guarantor #1:**

**Name:** Fabiola Fleuranvil  
**Address:** 13854 Lakeside Circle, 2nd Fl. #311  
Sterling Heights, MI 48313

B. **Guarantor #2:**

**Name:** Robert Jacobson  
**Address:** 35 Research Dr., Ste. 300  
Ann Arbor, MI 48103

III. **DEVELOPMENT TEAM ANALYSIS:**

A. **Sponsor:**

**Name:** Icon Heritage Partners, LLC

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**Address:** 990 Biscayne Blvd. Suite 503  
Miami, FL 33132

**Individuals Assigned:** Fabiola Fleuranvil  
**Telephone:** 305-741-0378  
**Fax:** N/A  
**E-mail:** fabiola@iconheritagepartners.com

**B. Sponsor:**

**Name:** LC Consultants II, LLC  
**Address:** 35 Research Dr., Ste. 300  
Ann Arbor, MI 48103

**Individuals Assigned:** Robert Jacobson  
**Telephone:** 248-346-8600  
**Fax:** N/A  
**E-mail:** bob@lwc.wine

1. **Experience:** The Sponsor has experience working on Authority-financed developments.
2. **Interest in the Mortgage and Members:** 55.000% limited partnership interest (Russell Woods Legacy, LLC) and 45.000% interest as general partner (LCT Russell Woods II LLC)

**B. Architect:**

**Name:** Concept Design Studio  
**Address:** 800 East Ellis Rd.  
Norton Shores, MI 49441

**Individual Assigned:** Kyle Osterhart  
**Telephone:** 231-799-4838  
**Fax:** N/A  
**E-Mail:** kyleosterhart@conceptdesignstudio.net

1. **Experience:** Architect has previous experience with Authority-financed developments.
2. **Architect's License:** License number 1301060114, exp. 04/26/2024.

**C. Attorney:**

**Name:** BakerHostetler  
**Address:** Key Tower  
127 Public Square | Suite 2000

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Cleveland, OH 44114-1214

**Individual Assigned:** Tracey Lackman  
**Telephone:** 1.216.861.7292  
**Fax:** N/A  
**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 Rd., Suite 100  
Bingham Farms, MI 48025

**Individual Assigned:** Chad Joseph  
**Telephone:** 248-833-0550  
**Fax:** N/A  
**E-mail:** chad@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:** Continental Management, LLC  
**Address:** 32500 Telegraph Rd., Suite 100  
Bingham Farms, MI 48025

**Individual Assigned:** Troy Thelen  
**Telephone:** 248-731-7180  
**Fax:** N/A  
**E-mail:** tthelen@continentalmgt.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:**  
As of October 23, 2023, \$590,000; 4% dividend of \$321,819.

- B. **Site Location:**

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11421 Dexter Avenue, Detroit, MI 48206

- C.** Size of Site:  
Approximately +/- 0.98 Acres
- D.** Density:  
Deemed Appropriate
- E.** Physical Description:
1. Present Use: Residential, building currently vacant.
  2. Existing Structures: A single twelve-story residential building
  3. Relocation Requirements: Not Applicable
- F.** Zoning:  
Located in a Planned Development (PD) zoning district, established via ordinance 550-G
- G.** Contiguous Land Use:
1. North: Vacant Land, Single Family Residential
  2. South: Single Family Residential
  3. East: Church – St. Paul AME Zion
  - a. West: Single Family Residential and Church – The Community Church of Christ
- H.** Tax Information:  
The City of Detroit supports the approval of a 4% PILOT.
- I.** Utilities:
- a. Water – DWSD
  - b. Gas – DTE
  - c. Electric – DTE
- J.** Community Facilities:
1. Shopping:  
Food Farm Market within .05 miles of site, Family Dollar within .6 miles of site, Linwood Gas Station within .6 miles of site, Dollar General within 1 miles of site, Value Save Food Center within 1.4 miles of site, in addition to several other local/franchise shopping facilities, coffee shops, and banks within walking distance.
  2. Recreation:  
Woods Park within .7 miles of site, LaSalle Park within .8 miles of site, African Bead Museum 1.7 miles of site, Motown Historical Museum within 2.1 miles of site. The surrounding area of the site location contains several

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- additional parks/museums/theaters.
3. Public Transportation:  
Local transportation includes DDOT bus service with bus stops .02 northbound of site and .04 southbound of site on Dexter Ave.
  4. Road Systems  
The site is accessible to I-94, I-75, I-96, M-10, and M-5. Surrounding local streets include Dexter Ave 0.02 east of site, Broadstreet Ave 0.7 west miles of site, Joy Rd 1 mile south of site, M-8 0.9 miles north of site.
  5. Medical Services and other Nearby Amenities:  
Sam's Pharmacy within 1.4 miles of site, CVS Pharmacist within 2.8 miles of site, Henry Ford Hospital 2.1 miles of site, and DMC Harper University Hospital within 3.8 miles of site.
  6. Description of Surrounding Neighborhood:  
Mixed within single-family, gas station, and church uses.
  7. Local Community Expenditures Apparent:  
The Russell Woods Nardin Park area is positioned to receive \$8.5M in streetscape improvements along Dexter Avenue (from Davison to Webb) including: \$850,000 in improvements which have been completed at Zussman Playground and Russell- Woods parks. These improvements include new walking paths improved basketball court and new exercise equipment; \$12M design & improvements of the Dexter-Elmhurst Community Center n/k/a The Helen Moore Community Center; commercial façade improvements along Dexter Avenue with a pop-up retail; as well as wayfinding signage that celebrates the historical culture & significance of Russell Woods and Nardin Park.
  8. Indication of Local Support:  
The City of Detroit will provide a HOME Loan and a 4% PILOT to the project.

**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:	September 2024
B. Initial Closing and Disbursement:	December 2024
C. Construction Completion:	June 2026
D. Cut-Off Date:	December 2026

**XII. ATTACHMENTS:**

- A. Development Proforma

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APPROVALS:

*Chad A Benson*

9/11/2024

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Chad Benson  
Director of Development

Date

*Anthony Lentych*

9/11/2024

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Tony Lentych  
Chief Housing Investment Officer

Date

*Clarence L. Stone, Jr.*

9/12/2024

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Clarence L. Stone, Jr.  
Chief Legal Affairs Officer

Date

*Amy Hovey*

09/11/2024

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Amy Hovey  
Chief Executive Officer and Executive Director

Date

Development Russel Woods Senior 4%  
 Financing Tax Exempt  
 MSHDA No. 4129  
 Step Application  
 Date #####  
 Type Acquisition/Rehab

**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
<b>All Units Approved for PBVs through Inkster Housing Commission</b>																	
30% Area Median Income Units																	
Yes Other Project Based Voucher Units																	
Senior Occupancy																	
A	6	Apartment	1	1.0	571	1,172	119	1,291	84,384		14.3%	14.3%	3,426	14.3%	3,426	Low HOME	532
									84,384	0	14.3%	14.3%	3,426	14.3%	3,426		
40% Area Median Income Units																	
Yes Other Project Based Voucher Units																	
Senior Occupancy																	
A	12	Apartment	1	1.0	571	1,172	119	1,291	168,768	0	28.6%	28.6%	6,852	28.6%	6,852	Low HOME	710
									168,768	0	28.6%	28.6%	6,852	28.6%	6,852		
50% Area Median Income Units																	
Yes Other Project Based Voucher Units																	
Senior Occupancy																	
A	4	Apartment	1	1.0	571	1,172	119	1,291	56,256	0	9.5%	9.5%	2,284	9.5%	2,284	Low HOME	888
A	5	Apartment	1	1.0	571	1,172	119	1,291	70,320	0	11.9%	11.9%	2,855	11.9%	2,855	CERA	888
									126,576	0	21.4%	21.4%	5,139	21.4%	5,139		
60% Area Median Income Units																	
Yes Other Project Based Voucher Units																	
Senior Occupancy																	
A	15	Apartment	1	1.0	571	1,172	119	1,291	210,960	0	35.7%	35.7%	8,565	35.7%	8,565		1,065
									210,960	0	35.7%	35.7%	8,565	35.7%	8,565		
Mgrs									0	0	0.0%	0.0%	0	0.0%	0		
													<b>23,982</b>		<b>23,982</b>		

Total Revenue Units **42**  
 Manager Units **0**  
 Income Average 47.86%  
 Set Aside 100.00%

Gross Rent Potential	<b>590,688</b>
Average Monthly Rent	<b>1,172</b>
Gross Square Footage	<b>23,982</b>

HOME Units SF/Total Units SF 52.4% **Within Range**  
 # HOME Units/# Total Units 52.4% **Within Range**

**Utility Allowances**

Annual Non-Rental Income	Tenant-Paid					Owner-Paid		Total	Override
	Electricity	A/C	Gas	Water/Sewer	Other	Water/Sewer	Other		
Misc. and Interest							119		
Laundry							0		
Carports							0		
Other:							0		
							0		
							0		
							0		
							0		
							0		

Total Income	Annual	Monthly
Rental Income	590,688	49,224
Non-Rental Income	7,200	600
<b>Total Project Revenue</b>	<b>597,888</b>	<b>49,824</b>

7,200  
 7,200

Instructions

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
<b>TOTAL DEVELOPMENT COSTS</b>					
<b>Acquisition</b>					
Land	2,273	95,455	0%	0	0
Existing Buildings	5,390	226,364	100%	226,364	0
Other:			0%	0	0
<b>Subtotal</b>	<b>7,662</b>	<b>321,819</b>			
<b>Construction/Rehabilitation</b>					
Off Site Improvements	0		100%	0	0
On-site Improvements	14,805	621,802	100%	621,802	0
Landscaping and Irrigation	714	30,000	100%	30,000	30,000
Structures	188,728	7,926,577	100%	7,926,577	7,926,577
Community Building and/or Maintenance Facility	0		100%	0	0
Construction not in Tax Credit basis (i.e.Carpools and Commercial Space)	0		0%	0	0
General Requirements % of Contract	6.00%	12,411	100%	521,248	521,248
Builder Overhead % of Contract	2.00%	4,385	100%	184,174	184,174
Builder Profit % of Contract	6.00%	13,418	100%	563,574	563,574
Bond Premium, Tap Fees, Cost Cert.		683	100%	28,671	28,671
Other: Temporary Site Security		2,597	100%	109,091	109,091
<b>Subtotal</b>	<b>237,741</b>	<b>9,985,137</b>			
<b>Professional Fees</b>					
Design Architect Fees	4,762	200,000	100%	200,000	200,000
Supervisory Architect Fees	1,190	50,000	100%	50,000	50,000
Landscaping Architect Fees	0	0	100%	0	0
Engineering/Survey	260	10,920	100%	10,920	10,920
Legal Fees	2,185	91,786	100%	91,786	91,786
Interior Design Fees		0	100%	0	0
Other:		0	100%	0	0
<b>Subtotal</b>	<b>8,398</b>	<b>352,706</b>			
<b>Interim Construction Costs</b>					
Property & Casualty Insurance	1,901	79,842	100%	79,842	79,842
Construction Loan Interest	Override 299,965	7,142	75%	224,974	224,974
Title Work	844	35,448	100%	35,448	0
Construction Taxes	325	13,650	100%	13,650	13,650
Permits	1,347	56,574	100%	56,574	56,574
Other:		0	100%	0	0
<b>Subtotal</b>	<b>11,559</b>	<b>485,479</b>			
<b>Permanent Financing</b>					
Loan Commitment Fee to MSHDA	2%	4,660	0%	0	0
Other: Origination,Legal		501	0%	0	0
<b>Subtotal</b>	<b>5,161</b>	<b>216,745</b>			
<b>Other Costs (In Basis)</b>					
Application Fee	60	2,500	100%	2,500	2,500
Market Study	77	3,250	100%	3,250	3,250
Environmental Studies	3,247	136,374	100%	136,374	136,374
Cost Certification	476	20,000	100%	20,000	20,000
Equipment and Furnishings	408	17,145	100%	17,145	0
Temporary Tenant Relocation	0	0	100%	0	0
Construction Contingency	23,774	998,514	100%	998,514	998,514
Appraisal and C.N.A.	156	6,552	100%	6,552	6,552
Other: Green Certification		325	100%	13,636	13,636
<b>Subtotal</b>	<b>28,523</b>	<b>1,197,971</b>			
<b>Other Costs (NOT In Basis)</b>					
Start-up and Organization		714	0%	0	0
Tax Credit Fees (based on 2022 QAP)	38,999	29,988	0%	0	0
Compliance Monitoring Fee (based on 2022 QAP)		929	0%	0	0
Marketing Expense		475	0%	0	0
Syndication Legal Fees		584	0%	0	0
Rent Up Allowance	6.0 months	649	0%	0	0
Other: Tax Opinion		3,402	0%	0	0
		541	0%	0	0
<b>Subtotal</b>	<b>7,294</b>	<b>306,357</b>			

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
<b>Project Reserves</b>					
Operating Assurance Reserve	4.0 months	Funded in Cash	4,324	181,628	0%
Replacement Reserve		Required	700	29,400	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: Vacancy Reserve			4,588	192,701	0%
Other:			0	0	0%
<b>Subtotal</b>			<b>9,613</b>	<b>403,729</b>	
<b>Miscellaneous</b>					
Deposit to Development Operating Account (1MGRP)	Not Required		0	0	0%
Other (Not in Basis):			0	0	0%
Other (In Basis):			0	0	100%
Other (In Basis):			0	0	100%
<b>Subtotal</b>			<b>0</b>	<b>0</b>	
<b>Total Acquisition Costs</b>			<b>7,662</b>	<b>321,819</b>	
<b>Total Construction Hard Costs</b>			<b>237,741</b>	<b>9,985,137</b>	
<b>Total Non-Construction ("Soft") Costs</b>			<b>70,547</b>	<b>2,962,987</b>	

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
<b>Developer Overhead and Fee</b>					
Maximum		2,563,295	50,000	2,100,000	100%
7.5% of Acquisition/Project Reserves	Override		5%	Attribution Test	
20% of All Other Development Costs	2,100,000		met		
<b>Total Development Cost</b>			<b>365,951</b>	<b>15,369,943</b>	

	Per Unit	Total	% of TDC
<b>TOTAL DEVELOPMENT SOURCES</b>			
MSHDA Permanent Mortgage		88,465	24.17%
Conventional/Other Mortgage		0	0.00%
Equity Contribution From Tax Credit Syndication		119,607	32.68%
MSHDA NSP Funds		0	0.00%
MSHDA HOME		0	0.00%
MSHDA Mortgage Resource Funds		0	0.00%
MSHDA TCAP		0	0.00%
MSHDA Housing Trust Funds		0	0.00%
MSHDA CERA		42,685	11.66%
MSHDA HOME-ARP		0	0.00%
MSHDA HCDF		0	0.00%
Local HOME		95,238	26.02%
Income from Operations		881	0.24%
Other Equity		0	0.00%
Transferred Reserves:		0	0.00%
Other:		0	0.00%
Deferred Developer Fee		19,075	5.21%
<b>Total Permanent Sources</b>			<b>15,369,943</b>

	Per Unit	Total
<b>Sources Equal Uses?</b>		<b>Balanced</b>
Surplus/(Gap)		<b>0</b>

	Per Unit	Total
<b>MSHDA Construction Loan</b>		<b>52.00%</b>
Construction Loan Rate	6.625%	190,295
Repaid from equity prior to final closing		7,992,370
		4,276,854

Eligible Basis for LIHTC/TCAP		Value of LIHTC/TCAP	
Acquisition	242,455	Acquisition	9,698
Construction	14,030,211	Construction	561,208
Acquisition Credit %	4.00%	Total Yr Credit	570,907
Rehab/New Const Credit %	4.00%	Equity Price	\$0.8800
Qualified Percentage	100.00%	Equity Effective Price	\$0.8800
QCT/DDA Basis Boost	100%	Equity Contribution	5,023,476
Historic?	No		

Initial Owner's Equity Calculation	
Equity Contribution from Tax Credit Syndication	5,023,476
Brownfield Equity	
Historic Tax Credit Equity	
General Partner Capital Contributions	
Other Equity Sources	
<b>New Owner's Equity</b>	<b>5,023,476</b>

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
<b>OAR</b>					
<b>Funded Yr 1 4 Month OAR</b>					
Operating Assurance Reserve	4.0 months	Funded in Cash	4,324	181,628	0%
Replacement Reserve		Required	700	29,400	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: Vacancy Reserve			4,588	192,701	0%
Other:			0	0	0%
<b>Subtotal</b>			<b>9,613</b>	<b>403,729</b>	

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
<b>Miscellaneous</b>					
Deposit to Development Operating Account (1MGRP)	Not Required		0	0	0%
Other (Not in Basis):			0	0	0%
Other (In Basis):			0	0	100%
Other (In Basis):			0	0	100%
<b>Subtotal</b>			<b>0</b>	<b>0</b>	

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
<b>LIHTC Basis</b>					
LIHTC Basis		14,272,666			
Historic Basis		13,371,907			
Aggregate Basis		14,368,121			

	Per Unit	Total	% of TDC	Gap to Hard Debt Ratio	Home Subsidy Limit	HOME Unit Mix	HTF Unit Mix
<b># of Units</b>							
MSHDA Permanent Mortgage		88,465	24.17%				
Conventional/Other Mortgage		0	0.00%				
Equity Contribution From Tax Credit Syndication		119,607	32.68%				
MSHDA NSP Funds		0	0.00%	0.00	4,170,302	19 One Bedroo	0 One Bedroom, 1 Bath, 1
MSHDA HOME		0	0.00%	22.00	HTF	3 One Bedroo	0 One Bedroom, 1 Bath, 1
MSHDA Mortgage Resource Funds		0	0.00%		Subsidy Limit		
MSHDA TCAP		0	0.00%				
MSHDA Housing Trust Funds		0	0.00%		0		
MSHDA CERA		42,685	11.66%		5.00		
MSHDA HOME-ARP		0	0.00%		0.00		
MSHDA HCDF		0	0.00%		0.00		
Local HOME		95,238	26.02%				
Income from Operations		881	0.24%				
Other Equity		0	0.00%				
Transferred Reserves:		0	0.00%				
Other:		0	0.00%				
Deferred Developer Fee		19,075	5.21%				
<b>Total Permanent Sources</b>			<b>15,369,943</b>				

	Per Unit	Total
<b>Deferred Dev Fee</b>		
Deferred Developer Fee		38.15%

Sources Equal Uses?		Balanced	
Surplus/(Gap)			0

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:		

Summary of Acquisition Price		As of November 6, 2023		Construction Loan Term	
Attributed to Land	95,455	Capital Impact Partners	229,091	Construction Contract	18 Months
Attributed to Existing Structures	226,364	Subordinate Mortgage(s)		Holding Period (50% Test)	6 Months
Other:	0	Subordinate Mortgage(s)		Rent Up Period	6 Months
Fixed Price to Seller	321,819	Subordinate Mortgage(s)		Construction Loan Period	24 Months
		Premium/(Deficit) vs Existing Debt	92,728		

Appraised Value		Value As of: October 23, 2023	
"Encumbered As-Is" value as determined by appraisal:			321,819
Plus 5% of Appraised Value:			0
LESS Fixed Price to the Seller:			321,819
Surplus/(Gap)		Override	0

Building: 300000  
 Land: 290000



Development: Russel Woods Senior 4%  
 Financing: Tax Exempt  
 MSHDA No.: 4129  
 Step: Application  
 Date: 09/19/2024  
 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: No

**Instructions**

**Total Development Income Potential**

	Per Unit	Total
Annual Rental Income	14,064	590,688
Annual Non-Rental Income	171	7,200
Total Project Revenue	14,235	597,888

**Total Development Expenses**

Vacancy Loss	5.00% of annual rent potential	703	29,534
Management Fee	634 per unit per year	634	26,628
Administration		1,432	60,137
Project-paid Fuel		200	8,393
Common Electricity		300	12,590
Water and Sewer		500	20,983
Operating and Maintenance		1,651	69,355
Real Estate Taxes		0	
Payment in Lieu of Taxes (PILOT)	4.00% Applied to: All Units	494	20,768
Insurance		450	18,884
Replacement Reserve	300 per unit per year	300	12,600
Other:		0	
Other:		0	

Initial Inflation Factor	Beginning in Year	Future Inflation Factor
1.0%	6	2.0%
1.0%	6	2.0%
Future Vacancy		
	6	5.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	6	3.0%
4.0%	6	3.0%
5.0%	6	5.0%
3.0%	1	3.0%
5.0%	1	5.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%

% of Revenue

<b>Total Expenses</b>	46.81%	<b>6,664</b>	<b>279,872</b>
Base Net Operating Income		7,572	318,016
Part A Mortgage Payment	44.32%	6,310	265,013
<b>Part A Mortgage</b>		<b>88,465</b>	<b>3,715,516</b>
Non MSHDA Financing Mortgage Payment		0	
<b>Non MSHDA Financing Type:</b>		<b>0</b>	
Base Project Cash Flow (excludes ODR)	8.86%	1,262	53,003

Override

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY  
RUSSELL WOODS 4% SENIOR LIVING COMMUNITY, MSHDA DEVELOPMENT NO. 4129  
CITY OF DETROIT, WAYNE COUNTY**

**September 19, 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 Icon Heritage Partners, LLC and LC Consultants II, LLC (together, 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 Fifteen Million Three Hundred Sixty-Nine Thousand Nine Hundred Forty-Three Dollars (\$15,369,943), a total estimated maximum mortgage loan amount of Seven Million Nine Hundred Ninety-Two Thousand Three Hundred Seventy Dollars (\$7,992,370) and a COVID Emergency Rental Assistance ("CERA") Fund loan (the "CERA Loan") in the amount of One Million Seven Hundred Ninety Two Thousand Seven Hundred Seventy-Two Dollars (\$1,792,772) (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 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 tax-exempt bonds issued or to be issued for multifamily housing projects a maximum principal amount not to exceed Nine Million Three Hundred Five Thousand Dollars (\$9,305,000).

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 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 (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 specific conditions and requirements set forth in the Mortgage Loan Feasibility/Commitment Staff Report dated September 19, 2024, which conditions and requirements are hereby incorporated by reference as if fully set forth herein.

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING MORTGAGE LOANS  
RUSSELL WOODS 4% SENIOR LIVING COMMUNITY, MSHDA DEVELOPMENT NO. 4129  
CITY OF DETROIT, WAYNE COUNTY**

**September 19, 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 Icon Heritage Partners, LLC and LC Consultants II, LLC (together, the "Applicant") for a construction mortgage loan in the amount of Seven Million Nine Hundred Ninety-Two Thousand Three Hundred Seventy Dollars (\$7,992,370), and a permanent mortgage loan in the amount of Three Million Seven Hundred Fifteen Thousand Five Hundred Sixteen Dollars (\$3,715,516), for the construction and permanent financing of a multi-family housing project having an estimated total development cost of Fifteen Million Three Hundred Sixty-Nine Thousand Nine Hundred Forty-Three Dollars (\$15,369,943), to be known as Russell Woods 4% Senior Living Community, located in the City of Detroit, Wayne County, Michigan, and to be owned by Russell Woods II Limited Dividend Housing Association, LLC (the "Mortgagor"); and

WHEREAS, the Authority has designated up to Forty Million Dollars (\$40,000,000) of COVID Emergency Rental Assistance ("CERA") funds to be used for the Authority's Gap Financing Program loans; and

WHEREAS, the Applicant has also requested a CERA Fund loan in the estimated amount of One Million Seven Hundred Ninety-Two Thousand Seven Hundred Seventy-Two Dollars (\$1,792,772) (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 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 Nine Hundred Ninety-Two Thousand Three Hundred Seventy Dollars (\$7,992,370), and permanent financing in an amount not to exceed Three Million Seven Hundred Fifteen Thousand Five Hundred Sixteen Dollars (\$3,715,516), and to have a term of 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 Three Hundred Five Thousand Dollars (\$9,305,000). 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 One Million Seven Hundred Ninety Two Thousand Seven Hundred Seventy-Two Dollars (\$1,792,772), 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. So long as the Authority CERA Loan is outstanding, the Limited Dividend Payments are capped at 12% per annum. 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 September 19, 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 

**DATE:** September 19, 2024

**RE:** Russell Woods 9% Senior Living Community, Development No. 4149

### **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 taxable 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 September 19, 2024.

### **PROJECT SUMMARY:**

MSHDA No:	4149
Development Name:	Russell Woods 9% Senior Living Community
Development Location:	City of Detroit, Wayne County
Sponsor:	Icon Heritage Partners, LLC and LC Consultants II, LLC
Mortgagor:	Russell Woods I Limited Dividend Housing Association, LLC
Number of Units (Affordable and Market Rate):	35 Affordable Units
Number of Units Designated for Accessible Use:	4 Accessible Units
Total Development Cost:	\$12,806,998
Taxable Bond Construction Loan:	\$7,500,000
Taxable Bond Permanent Loan:	\$2,851,674
Other Funds:	
Low-Income House Tax Credit Equity:	\$9,129,967
Deferred Developer Fee:	\$825,357

## **EXECUTIVE SUMMARY:**

Russel Woods Senior Living Community is a proposed rehabilitation multifamily development of a twelve-story building for seniors whose household income does not exceed 60% of Area Median Income (“AMI”) with fifteen percent of the proposed units targeting seniors at 30% AMI. Located at 11421 Dexter Ave in Detroit, Michigan, the project was built in 1974 and will consist of a total of 77 one-bedroom units with the following amenities: coat closet, garbage disposal, frost free refrigerator, energy star appliances, mini-blinds, microwave, exceptional views of the city, and resident laundry room(s). All 77 units will be renovated to enhance the accessibility features, however 9 of the units will meet/exceed the accessibility minimum code requirements; along with the public and common use areas. All residential units will be located on 2<sup>nd</sup> through 12<sup>th</sup> floor, the first floor will be allocated as the common area which will include community room, laundry room, fitness room, computer stations, and on-site supportive services.

The project is proposed as a split 4% and 9% Low-Income Housing Tax Credit (“LIHTC”) transaction with 42 senior residential units on the 4% side and 35 senior residential units on the 9% side. The 4% units will be allocated to floors 2 – 7 with 5 of those units designated as Americans with Disabilities Act (“ADA”) units. The 9% units will be allocated to floors 8 – 12 with 4 ADA units. The co-Sponsors, Icon Heritage Partners, LLC and LC Consultants II, LLC, are seeking financing utilizing taxable bonds and low-income housing tax credits under the Authority’s Multifamily Direct Lending Program to undertake a needed renovation in creating affordable independent-living housing for seniors, defined as individuals who are at least 55 years of age and families whose head of household is at least 55 and other household members are 50 or older.

This proposal has been approved to receive 34 Project-Based Vouchers (“PBVs”) from the Inkster Housing Commission (“IHC”). The 35<sup>th</sup> unit will be restricted to seniors whose income does not exceed 60% AMI.

## **ADVANCING THE AUTHORITY’S MISSION:**

Russell Woods 9% Senior Living Community 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 5.1: Equitably expand the supply of affordable and accessible rental units statewide for older adults;
- Goal 5.2: Promote the ability of older adults to age in a place of their choice;
- Goal 5.3: Increase the number of affordable facilities that offer a continuum of care within one building or complex (independent living, assisted living, and long-term care);
- Goal 6.2: Reduce the number of underserved and vulnerable populations experiencing rent burden by removing barriers and increasing resources;

## **MUNICIPAL SUPPORT:**

- The City of Detroit supports the approval of a 4% Payment Lieu of Taxes (PILOT).

## **RESIDENT IMPACT:**

- Adaptive Reuse of Vacant building – no residents to impact.

## **COMMUNITY ENGAGEMENT/IMPACT:**

The co-Sponsors engaged the community by meeting with the neighborhood association and active seniors in the community on October 12, 2020. This community meeting was facilitated by the City of Detroit through the Planning and Development Department (PDD). During the meeting, we shared the vision for the development, the commitment to affordability and the potential impact that the development would have in catalyzing revitalization efforts and attracting new investments. PDD also shared the Russell Woods/Nardin Park Strategic Framework as well as planned and proposed developments and revitalization initiatives surrounding the building.

The co-Sponsors also implemented a social media advertising campaign that geotargeted residents within a 5 miles radius of the building. The goal was to drive widespread engagement for the development. The advertising directed residents to a press release about the development and garnered significant support through Facebook comments on the post and on the sponsor's website.

This project will impact the community by further promoting the ongoing redevelopment in the Russell Woods neighborhood, which includes a \$3 million streetscape project that runs along Dexter Ave in front of the building, a City of Detroit Blight Plan that targets 500 properties in the surrounding neighborhood for demolition or rehab, several neighborhood improvement and infrastructure projects, as well as the Cabot Apartments that recently received MSHDA 9% LIHTC reservation in the Authority's April 2023 round.

The local community was in support of the vision and didn't provide any recommendations but urged the commitment towards affordability.

No community recommendations were implemented due to no recommendations being provided by the community.

## **ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

This proposal represents the 9% taxable bond side of a split 4% and 9% Low Income Housing Tax Credits ("LIHTC) transaction and is structured as a multi-unit condominium/apartment in a single building. The proposed structure splits the building into separate residential Apartments/condominium units for the 4% and 9% developments, each of which will be treated as a separate project for LIHTC purposes, following the 2023 Qualified Allocation Plan ("QAP") Guidelines which allow for pairing a 9% LIHTC proposal with a 4% LIHTC proposal within the same development or building(s). A total of seventy-six (76) units are planned to receive Project-Based Vouchers ("PBVs"), with thirty-four (34) PBV units allocated to the taxable bond with 9% LIHTC project by the Inkster Housing Commission (the "IHC"). The co-Sponsors will form an ownership entity for the 9% taxable condominium/apartments whose ownership structure is similar to that of the owner of the 4% project that is paired with the subject of the accompanying report.

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 within 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.



## **MORTGAGE LOAN FEASIBILITY/COMMITMENT STAFF REPORT**

**September 19, 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 taxable 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.

<b><u>MSHDA No.:</u></b>	4149
<b><u>Development Name:</u></b>	Russell Woods 9% Senior Living Community
<b><u>Development Location:</u></b>	City of Detroit, Wayne County
<b><u>Sponsor:</u></b>	Icon Heritage Partners, LLC and LC Consultants II, LLC
<b><u>Mortgagor:</u></b>	Russell Woods I Limited Dividend Housing Association, LLC
<b><u>Taxable Bond Construction Loan:</u></b>	\$7,500,000
<b><u>Taxable Bond Permanent Loan:</u></b>	\$2,851,674
<b><u>Total Development Cost:</u></b>	\$12,806,998
<b><u>Mortgage Amortization and Term:</u></b>	40 years for the taxable bond loan
<b><u>Interest Rate:</u></b>	7.125% for the taxable bond loan
<b><u>Program:</u></b>	Taxable Bond
<b><u>Number of Units:</u></b>	35 elderly units of adaptive reuse
<b><u>Accessible Units:</u></b>	4 Accessible Units
<b><u>Unit Configuration:</u></b>	Thirty-Five (35) One-bedroom Apartments in a twelve-story building
<b><u>Builder:</u></b>	Continental Construction Management, LLC
<b><u>Syndicator:</u></b>	RBC Capital Markets
<b><u>Date Application Received:</u></b>	01/23/2023
<b><u>HDO:</u></b>	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:**

This proposal represents the 9% taxable bond side of a split 4% and 9% Low Income Housing Tax Credits ("LIHTC") transaction and is structured as a multi-unit condominium/apartment in a

**Mortgage Loan Feasibility/Commitment Staff Report**  
**Russell Woods 9% Senior Living Community, MSHDA No. 4149**  
**City of Detroit, Wayne County**  
**September 19, 2024**

single building. The proposed structure splits the building into separate residential Apartments/condominium units for the 4% and 9% developments, each of which will be treated as a separate project for LIHTC purposes, following the 2023 Qualified Allocation Plan ("QAP") Guidelines which allow for pairing a 9% LIHTC proposal with a 4% LIHTC proposal within the same development or building(s). A total of seventy-six (76) units are planned to receive Project-Based Vouchers ("PBVs"), with thirty-four (34) PBV units allocated to the taxable bond 9% LIHTC project by the Inkster Housing Commission (the "IHC"). The co-Sponsors, LC Consultants II, LLC (headed by multifamily developer, Bob Jacobson) and Icon Heritage Partners, LLC will form an ownership entity for the 9% taxable condominium/apartments whose ownership structure is similar to that of the owner of the 4% project that is paired with the subject of this report.

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.

**EXECUTIVE SUMMARY:**

Russel Woods Senior Living Community is a proposed rehabilitation multifamily development of a twelve-story building for seniors whose household income does not exceed 60% of Area Median Income ("AMI"), with fifteen percent of the proposed units targeting seniors at 30% AMI. Located at 11421 Dexter Ave in Detroit, Michigan, the project was built in 1974 and will consist of a total of 77 one-bedroom units with the following amenities: coat closet, garbage disposal, frost free refrigerator, energy star appliances, mini-blinds, microwave, exceptional views of the city, and resident laundry room(s). All 77 units will be renovated to enhance the accessibility features, however 9 of the units will meet/exceed the accessibility minimum code requirements; along with the public and common use areas. All residential units will be located on 2<sup>nd</sup> through 12<sup>th</sup> floor, the first floor will be allocated as the common area which will include community room, laundry room, fitness room, computer stations, and on-site supportive services.

The project is proposed as a split 4% and 9% Low-Income Housing Tax Credit ("LIHTC) transaction with 42 senior residential units on the 4% side and 35 senior residential units on the 9% side. The 4% units will be allocated to floors 2 – 7 with 5 of those units designated as Americans with Disabilities Act ("ADA") units. The 9% units will be allocated to floors 8 – 12 with 4 ADA units. The co-Sponsors are seeking financing utilizing taxable bonds and low-income housing tax credits under the Authority's Multifamily Direct Lending Program to undertake a needed renovation in creating affordable independent-living housing for seniors, defined as individuals who are at least 55 years of age and families whose head of household is at least 55 and other household members are 50 or older.

This proposal has been approved to receive 35 PBVs from the IHC.

**Structure of the Transaction and Funding:**

There are several elements to this transaction that are common to Adaptive Reuse:

**Mortgage Loan Feasibility/Commitment Staff Report  
Russell Woods 9% Senior Living Community, MSHDA No. 4149  
City of Detroit, Wayne County  
September 19, 2024**

- A taxable bond construction loan (the “Mortgage Loan”) will be provided by the Authority in the amount of \$7,500,000 at 7.125% interest with a 24-month term (a 18-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 24-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 \$2,851,674. 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 7.125%, with a fully amortizing term of 40 years commencing on the Permanent Financing Date. The permanent Mortgage Loan will be in **First Position**.
- Equity support comes from an investment related to the 4% LIHTC in the estimated amount of \$9,129,967.
- The IHC is providing thirty-four (34) PBVs from the IHC’s Housing Choice Voucher program. The PBV Housing Assistance Payments (“HAP”) contract will be for an initial term of 20 years with up to one 20-year extension possible.
- The Sponsor has agreed to defer \$825,357 of the developer fee to fill the remaining funding gap.
- A six (6) 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.
- A vacancy loss reserve 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 vacancy loss needs. The reserve will be held by the Authority. See Special Condition No. 3.
- The condominium documents will require that a share of the operating, maintenance and repair costs relating to the common elements of the condominium, as described in the master deed, be allocated to each condominium unit. These shared expenses will include the cost of utilities, management expenses, insurance, and the like, and the costs of maintenance, repair, and replacement of the structural elements of the building and common spaces, project landscaping, and the parking lot. The 9% residential unit will be allocated 45% of the condominium in the master deed, resulting in an estimated annual cost of \$181,468 for the first operating year. This amount is included and shown on the

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operating expense page of the proforma. See Special Condition No. 4.

**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 October 23, 2023, estimated the value for the development site on which the 4%/9% paired development will be located at \$590,000. The 42-unit 4% side share is \$321,819, and the 35-unit 9% side share is \$268,181.

**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 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 \$9,129,967). 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. Income Limits:**

The income limitations for 35 units of this proposal are as follows:

- a. 35 units (35 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

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defined in the Development's LIHTC Regulatory Agreement; (ii) 50 years from Initial Closing; or (iii) so long as any Authority loan remains outstanding.

- b. 34 units (34 one-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 IHC is in effect (including extensions and renewals), or for such longer period as determined by HUD.

The Authority is not responsible for the PBV compliance monitoring or oversight of the occupancy or the regulations applicable to these 34 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. Limitations on Rental Rates:**

The Total Housing Expense (contract rent plus tenant-paid utilities) for 35 units is subject to the following limitations:

- a. The Total Housing Expense for all 35 units (35 one-bedroom units), may not exceed one-twelfth (1/12<sup>th</sup>) 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.
- b. So long as the PBV HAP Contract remains in effect, the Mortgagor agrees to establish and maintain rents ("Contract Rents") for all PBV HAP-assisted units (34 one-bedroom units) that comply with the rent levels established by the PBV HAP Contract and that do not exceed the rent levels approved by the IHC or HUD.

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.

The Authority is not responsible for the compliance monitoring or oversight of the Inkster Housing Commission PBV rents charged for or the regulations applicable to these units.

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 PBV 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

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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. 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 20<sup>th</sup> 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.

**5. Operating Assurance Reserve:**

At Initial Closing, the Mortgagor shall fund an operating assurance reserve ("OAR") in the amount equal to six (6) months' of estimated Development operating expenses (estimated to be \$224,165). 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.

**6. 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.

**7. 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.

**8. 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.

**9. 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.

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

Prior to Mortgage Loan Commitment, the management and marketing agent must provide a copy of the Affirmative Fair Housing Marketing Plan approved by the City of Detroit, if requested by the Authority.

In addition, prior to Mortgage Loan Commitment the general contractor must provide a copy of the contractor's "Equal Opportunity Plan" approved by the City of Detroit, if requested by the Authority.

**11. 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's HOME Program, and the IHC's Housing Choice Voucher Program, however, all necessary documentation and all monitoring and oversight will be handled by the City of Detroit.

**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:**

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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 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. 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.

**21. 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.

**22. 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.

**23. Application for Disbursement:**

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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.
- 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 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. Vacancy Subsidy Reserve:**

At Initial Closing, the Mortgagor must establish a Vacancy Loss Reserve with a deposit in the amount of \$149,011. The Vacancy Loss Reserve shall 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. The Vacancy Loss Reserve will be held for a minimum of three years following the Mortgage Cut-Off Date.

Funds in the Vacancy Loss Reserve will be available solely for the purpose of providing operating subsidies when the monthly vacancy loss exceeds 5%. The amount of funds disbursed shall equal the gross rents lost exceeding the 5% vacancy loss amount as reported on the Monthly Income and Expense statements. All draws must include data specifying the units vacant in excess of the 5% vacancy, as well as the total subsidy amount to be withdrawn. The Mortgagor may draw funds out of the Vacancy Loss Reserve on a quarterly basis. All draws from the Vacancy Loss Reserve must be approved by the Director of Asset Management and deposited into the Development's operating account.

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Following the 3rd full year of operation of the Development after the Mortgage Cut-Off Date, as established by the Authority, the Mortgagor may request a release of any funds remaining in the Vacancy Loss Reserve. The Director of Asset Management may approve such as release based on a review of the Development and a determination that such funds are no longer needed to fund the vacancy losses. Any such release may, in the Authority's discretion, be returned to the Authority to fund any other escrows or to be applied against any obligations that the Mortgagor owes the Authority.

**4. Conversion to Condominium:**

At or prior to Initial Closing, the real estate upon which the Development is located is to be converted into a condominium with the 9% residential, 4% residential and commercial space in separate units and the master deed and plat depicting the condominium must be recorded with the Wayne County Register of Deeds.

Prior to Mortgage Loan Commitment, the final master deed and other condominium documents must be reviewed and found acceptable in form and substance to the Authority's Chief Legal Affairs Officer. The master deed must include provisions acceptable to the Chief Legal Affairs Officer that describe the general and limited common elements, allocate the responsibilities for repairs, maintenance, and operating costs between unit owners and grant the Authority certain rights with respect to the operation and management of the condominium, including the right to approve owners/tenants and uses of the commercial unit. The Mortgagor must agree that proceeds from any Authority mortgage loans may be used only for housing related improvements to the building and facilities.

**DEVELOPMENT TEAM AND SITE INFORMATION**

I. **MORTGAGOR:** Russell Woods I Limited Dividend Housing Association, LLC

II. **GUARANTOR(S):**

A. **Guarantor #1:**

**Name:** Fabiola Fleuranvil  
**Address:** 13854 Lakeside Circle, 2nd Fl. #311  
Sterling Heights, MI 48313

B. **Guarantor #2:**

**Name:** Robert Jacobson  
**Address:** 35 Research Dr., Ste. 300  
Ann Arbor, MI 48103

III. **DEVELOPMENT TEAM ANALYSIS:**

A. **Sponsor:**

**Name:** Icon Heritage Partners, LLC  
**Address:** 990 Biscayne Blvd. Suite 503

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Miami, FL 33132

**Individuals Assigned:** Fabiola Fleuranvil  
**Telephone:** 305-741-0378  
**Fax:** N/A  
**E-mail:** fabiola@iconheritagepartners.com

**B. Sponsor:**

**Name:** LC Consultants II, LLC  
**Address:** 35 Research Dr., Ste. 300  
Ann Arbor, MI 48103

**Individuals Assigned:** Robert Jacobson  
**Telephone:** 248-346-8600  
**Fax:** N/A  
**E-mail:** bob@lwc.wine

1. **Experience:** The Sponsor has experience working on Authority-financed developments.
2. **Interest in the Mortgage and Members:** 55.000% limited partnership interest (Russell Woods Legacy, LLC) and 45.000% interest as general partner (LCT Russell Woods I, LLC)

**B. Architect:**

**Name:** Concept Design Studio  
**Address:** 800 East Ellis Rd.  
Norton Shores, MI 49441

**Individual Assigned:** Kyle Osterhart  
**Telephone:** 231-799-4838  
**Fax:** N/A  
**E-Mail:** kyleosterhart@conceptdesignstudio.net

1. **Experience:** Architect has previous experience with Authority-financed developments.
2. **Architect's License:** License number 1301060114, exp. 04/26/2024.

**C. Attorney:**

**Name:** BakerHostetler  
**Address:** Key Tower  
127 Public Square | Suite 2000  
Cleveland, OH 44114-1214

**Individual Assigned:** Tracey Lackman

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**Telephone:** 1.216.861.7292  
**Fax:** N/A  
**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 Rd., Suite 100  
Bingham Farms, MI 48025

**Individual Assigned:** Chad Joseph  
**Telephone:** 248-833-0550  
**Fax:** N/A  
**E-mail:** chad@mthhousing.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:** Continental Management, LLC  
**Address:** 32500 Telegraph Rd., Suite 100  
Bingham Farms, MI 48025

**Individual Assigned:** Troy Thelen  
**Telephone:** 248-731-7180  
**Fax:** N/A  
**E-mail:** tthelen@continentalmgt.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:**  
As of October 23, 2023, \$590,000; 9% dividend of \$268,181.
- B. **Site Location:**  
11421 Dexter Avenue, Detroit, MI 48206
- C. **Size of Site:**  
Approximately +/- 0.98 Acres

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- D.**    Density:  
Deemed Appropriate
- E.**    Physical Description:
1.   Present Use: Residential, building currently vacant.
  2.   Existing Structures: A single twelve-story residential building
  3.   Relocation Requirements: Not Applicable
- F.**    Zoning:  
Located in a Planned Development (PD) zoning district, established via ordinance 550-G
- G.**    Contiguous Land Use:
1. North:    Vacant Land, Single Family Residential
  2. South:    Single Family Residential
  3. East:     Church – St. Paul AME Zion
  4. West:     Single Family Residential and Church – The Community Church of Christ
- H.**    Tax Information:  
The City of Detroit supports the approval of a 4% PILOT.
- I.**    Utilities:
- a. Water – DWSD
  - b. Gas – DTE
  - c. Electric – DTE
- J.**    Community Facilities:
1.    Shopping:  
Food Farm Market within .05 miles of site, Family Dollar within .6 miles of site, Linwood Gas Station within .6 miles of site, Dollar General within 1 miles of site, Value Save Food Center within 1.4 miles of site, in addition to several other local/franchise shopping facilities, coffee shops, and banks within walking distance.
  2.    Recreation:  
Woods Park within .7 miles of site, LaSalle Park within .8 miles of site, African Bead Museum 1.7 miles of site, Motown Historical Museum within 2.1 miles of site. The surrounding area of the site location contains several additional parks/museums/theaters.
  3.    Public Transportation:  
Local transportation includes DDOT bus service with bus stops .02 northbound of site and .04 southbound of site on Dexter Ave.
  4.    Road Systems  
The site is accessible to I-94, I-75, I-96, M-10, and M-5. Surrounding local

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streets include Dexter Ave 0.02 east of site, Broadstreet Ave 0.7 west miles of site, Joy Rd 1 mile south of site, M-8 0.9 miles north of site.

5. Medical Services and other Nearby Amenities:  
Sam's Pharmacy within 1.4 miles of site, CVS Pharmacist within 2.8 miles of site, Henry Ford Hospital 2.1 miles of site, and DMC Harper University Hospital within 3.8 miles of site.
6. Description of Surrounding Neighborhood:  
Mixed within single-family, gas station, and church uses.
7. Local Community Expenditures Apparent:  
The Russell Woods Nardin Park area is positioned to receive \$8.5M in streetscape improvements along Dexter Avenue (from Davison to Webb) including: \$850,000 in improvements which have been completed at Zussman Playground and Russell- Woods parks. These improvements include new walking paths improved basketball court and new exercise equipment; \$12M design & improvements of the Dexter-Elmhurst Community Center n/k/a The Helen Moore Community Center; commercial façade improvements along Dexter Avenue with a pop-up retail; as well as wayfinding signage that celebrates the historical culture & significance of Russell Woods and Nardin Park.
8. Indication of Local Support:  
The City of Detroit will provide a HOME Loan and a 4% PILOT to the project.

**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

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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:**

- |   |                |
|---|----------------|
| <b>A. Mortgage Loan Commitment:</b>         | September 2024 |
| <b>B. Initial Closing and Disbursement:</b> | December 2024  |
| <b>C. Construction Completion:</b>          | June 2026      |
| <b>D. Cut-Off Date:</b>                     | December 2026  |

**XII. ATTACHMENTS:**

- A. Development Proforma**

APPROVALS:

*Chad A Benson*

9/11/2024

Chad Benson  
Director of Development

Date

*Anthony Lentych*

9/11/2024

Tony Lentych  
Chief Housing Investment Officer

Date

*Clarence L. Stone, Jr.*

9/12/2024

Clarence L. Stone, Jr.  
Chief Legal Affairs Officer

Date

*Amy Hovey*

09/11/2024

Amy Hovey  
Chief Executive Officer and Executive Director

Date

Instructions

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
<b>TOTAL DEVELOPMENT COSTS</b>					
<b>Acquisition</b>					
Land	2,273	79,545	0%	0	0
Existing Buildings	5,390	188,636	100%	188,636	0
Other:			0%	0	0
<b>Subtotal</b>	<b>7,662</b>	<b>268,181</b>			
<b>Construction/Rehabilitation</b>					
Off Site Improvements	0		100%	0	0
On-site Improvements	14,805	518,168	100%	518,168	0
Landscaping and Irrigation	714	25,000	100%	25,000	25,000
Structures	188,728	6,605,481	100%	6,605,481	6,605,481
Community Building and/or Maintenance Facility	0		100%	0	0
Construction not in Tax Credit basis (i.e.Carpports and Commercial Space)	0		0%	0	0
General Requirements % of Contract	6.00%	12,411	100%	434,373	434,373
Builder Overhead % of Contract	2.00%	4,385	100%	153,479	153,479
Builder Profit % of Contract	6.00%	13,418	100%	469,645	469,645
Bond Premium, Tap Fees, Cost Cert.		683	100%	23,893	23,893
Other: Temporary Site Security		2,597	100%	90,909	90,909
<b>Subtotal</b>	<b>237,741</b>	<b>8,320,948</b>			
15% of acquisition and \$15,000/unit test:		met			
<b>Professional Fees</b>					
Design Architect Fees	5,714	200,000	100%	200,000	200,000
Supervisory Architect Fees	1,429	50,000	100%	50,000	50,000
Landscape Architect Fees	0		100%	0	0
Engineering/Survey	260	9,100	100%	9,100	9,100
Legal Fees	933	32,655	100%	32,655	32,655
Interior Design Fees	0		100%	0	0
Other:			100%	0	0
<b>Subtotal</b>	<b>8,336</b>	<b>291,755</b>			
<b>Interim Construction Costs</b>					
Property & Casualty Insurance	1,901	66,535	100%	66,535	66,535
Construction Loan Interest	11,451	400,781	75%	300,586	300,586
Title Work	844	29,540	100%	29,540	0
Construction Taxes	325	11,375	100%	11,375	11,375
Permits	1,347	47,145	100%	47,145	47,145
Other:			100%	0	0
<b>Subtotal</b>	<b>15,868</b>	<b>555,376</b>			
<b>Permanent Financing</b>					
Loan Commitment Fee to MSHDA	2%	4,286	0%	0	0
Other:		501	0%	0	0
<b>Subtotal</b>	<b>4,787</b>	<b>167,535</b>			
<b>Other Costs (In Basis)</b>					
Application Fee	71	2,500	100%	2,500	2,500
Market Study	93	3,250	100%	3,250	3,250
Environmental Studies	3,247	113,645	100%	113,645	113,645
Cost Certification	571	20,000	100%	20,000	20,000
Equipment and Furnishings	649	22,727	100%	22,727	0
Temporary Tenant Relocation	0		100%	0	0
Construction Contingency	23,774	832,095	100%	832,095	832,095
Appraisal and C.N.A.	156	5,460	100%	5,460	5,460
Other: Green Certification		325	100%	11,364	11,364
<b>Subtotal</b>	<b>28,887</b>	<b>1,011,041</b>			
<b>Other Costs (NOT In Basis)</b>					
Start-Up and Organization		714	0%	0	0
Tax Credit Fees (based on 2024 QAP)	69,019	1,972	0%	0	0
Compliance Monitoring Fee (based on 2024 QAP)		475	0%	0	0
Marketing Expense		584	0%	0	0
Syndication Legal Fees		649	0%	0	0
Rent Up Allowance	6.0 months	3,370	0%	0	0
Other:		649	0%	0	0
<b>Subtotal</b>	<b>8,414</b>	<b>294,486</b>			
<b>Summary of Acquisition Price</b>					
As of	May 31, 2024		<b>Construction Loan Term</b>		
Attributed to Land	79,545	1st Mortgage Balance		190,909	Months
Attributed to Existing Structures	188,636	Subordinate Mortgage(s)			18
Other:	0	Subordinate Mortgage(s)			6
Fixed Price to Seller	268,181	Subordinate Mortgage(s)			24
Premium/(Deficit) vs Existing Debt				77,272	
<b>Appraised Value</b>					
Value As of:	March 25, 2023		<b>Override</b>		
"Encumbered As-Is" value as determined by appraisal:		268,181			
LESS Fixed Price to the Seller:		268,181			
Surplus/(Gap)		0			

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
<b>Project Reserves</b>					
Operating Assurance Reserve	6.0 months	6,405		224,165	149,443
Replacement Reserve	Funded in Cash Required	700		24,500	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
<b>Subtotal</b>	<b>7,105</b>	<b>248,665</b>			
<b>Miscellaneous</b>					
Deposit to Development Operating Account (1MGRP)	Not Required	0		0	0
Other (Not in Basis):		0		0	0
Other (In Basis):	Vacancy Reserve	4,257		149,011	149,011
Other (In Basis):		0		0	0
<b>Subtotal</b>	<b>4,257</b>	<b>149,011</b>			
<b>Total Acquisition Costs</b>		<b>7,662</b>		<b>268,181</b>	
<b>Total Construction Hard Costs</b>		<b>237,741</b>		<b>8,320,948</b>	
<b>Total Non-Construction ("Soft") Costs</b>		<b>77,653</b>		<b>2,717,869</b>	
<b>Developer Overhead and Fee</b>					
Maximum	1,500,000	42,857	100%	1,500,000	1,500,000
7.5% of Acquisition/Project Reserves	Override			5% Attribution Test	met
15% of All Other Development Costs					
<b>Total Development Cost</b>		<b>365,914</b>		<b>12,806,998</b>	
<b>TOTAL DEVELOPMENT SOURCES</b>					
MSHDA Permanent Mortgage	22.27%	81,476		2,851,674	
Conventional/Other Mortgage	0.00%	0		0	
Equity Contribution From Tax Credit Syndication	71.29%	260,856		9,129,967	
MSHDA NSP Funds	0.00%	0		0	
MSHDA HOME	0.00%	0		0	
MSHDA Mortgage Resource Funds	0.00%	0		0	
MSHDA TCAP	0.00%	0		0	
MSHDA Housing Trust Funds	0.00%	0		0	
MSHDA CERA	0.00%	0		0	
MSHDA HOME-ARP	0.00%	0		0	
MSHDA HCDF	0.00%	0		0	
Local HOME	0.00%	0		0	
Income from Operations	0.00%	0		0	
Other Equity	0.00%	0		0	
Transferred Reserves:	0.00%	0		0	
Other:	0.00%	0		0	
Other:	0.00%	0		0	
Deferred Developer Fee	6.44%	23,582		825,357	
<b>Total Permanent Sources</b>				<b>12,806,998</b>	
<b>Sources Equal Uses?</b>					
Surplus/(Gap)				Balanced	0
<b>MSHDA Construction Loan</b>					
Construction Loan Rate	7.125%	58.56%		214,286	7,500,000
Repaid from equity prior to final closing					4,648,326
<b>Eligible Basis for LIHTC/TCAP</b>					
Acquisition	202,045	Acquisition	8,082		
Construction	14,057,432	Construction	1,265,169	Override	
Acquisition Credit %	4.00%	Total Yr Credit	1,273,251	1,037,600	
Rehab/New Const Credit %	9.00%	Equity Price	\$0.8800	Override	
Qualified Percentage	100.00%	Equity Effective Price	\$0.8800	Override	
QCT/DDA Basis Boost	120%	Equity Contribution	9,129,967		
Historic?	No				
<b>Initial Owner's Equity Calculation</b>					
Equity Contribution from Tax Credit Syndication		9,129,967			
Brownfield Equity					
Historic Tax Credit Equity					
General Partner Capital Contributions					
Other Equity Sources					
<b>New Owner's Equity</b>		<b>9,129,967</b>			

	Per Unit	Total	% in Basis	Included in Tax Credit Basis	Included in Historic TC Basis
<b>OAR</b>					
<b>Funded Yr 1 4 Month OAR</b>					
Operating Assurance Reserve	6.0 months	6,405		224,165	149,443
Replacement Reserve	Funded in Cash Required	700		24,500	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
<b>Subtotal</b>	<b>7,105</b>	<b>248,665</b>			
<b>Miscellaneous</b>					
Deposit to Development Operating Account (1MGRP)	Not Required	0		0	0
Other (Not in Basis):		0		0	0
Other (In Basis):	Vacancy Reserve	4,257		149,011	149,011
Other (In Basis):		0		0	0
<b>Subtotal</b>	<b>4,257</b>	<b>149,011</b>			
<b>Total Acquisition Costs</b>		<b>7,662</b>		<b>268,181</b>	
<b>Total Construction Hard Costs</b>		<b>237,741</b>		<b>8,320,948</b>	
<b>Total Non-Construction ("Soft") Costs</b>		<b>77,653</b>		<b>2,717,869</b>	
<b>Developer Overhead and Fee</b>					
Maximum	1,500,000	42,857	100%	1,500,000	1,500,000
7.5% of Acquisition/Project Reserves	Override			5% Attribution Test	met
15% of All Other Development Costs					
<b>Total Development Cost</b>		<b>365,914</b>		<b>12,806,998</b>	
<b>LIHTC Basis</b>					
LIHTC Basis		11,916,572		Historic Basis	11,157,501
Aggregate Basis		11,996,117			
<b>Gap to Hard Debt</b>					
# of Units	Ratio	Gap to Hard Debt	Home Subsidy Limit	HOME Unit Mix	HTF Unit Mix
0.00	0.00%	0	0	One Bedroom	0 One Bedroom, 1 Bath, 5
0.00					
0.00					
0.00					
0.00					
0.00					
0.00					
0.00					
0.00					
0.00					
<b>Deferred Dev Fee</b>					
Deferred Dev Fee		55.02%			
<b>Existing Reserve Analysis</b>					
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 Russell Woods Senior (9% 35 units)  
 Financing Taxable  
 MSHDA No. 4149  
 Step Application  
 Date 09/19/2024  
 Type Adaptive Reuse

**Mortgage Assumptions:**  
 Debt Coverage Ratio 1.2  
 Mortgage Interest Rate 7.125%  
 Pay Rate 7.125%  
 Mortgage Term 40 years  
 Income from Operations No

**Instructions**

**Total Development Income Potential**

	Per Unit	Total
Annual Rental Income	13,837	484,284
Annual Non-Rental Income	206	7,200
Total Project Revenue	14,042	491,484

**Total Development Expenses**

Vacancy Loss	5.00% of annual rent potential	692	24,214
Management Fee	634 per unit per year	634	22,190
Administration		1,432	50,120
Project-paid Fuel		200	7,000
Common Electricity		300	10,500
Water and Sewer		500	17,500
Operating and Maintenance		1,651	57,785
Real Estate Taxes		0	
Payment in Lieu of Taxes (PILOT)	4.00% Applied to: All Units	486	17,003
Insurance		450	15,750
Replacement Reserve	300 per unit per year	300	10,500
Other:		0	
Other:		0	

Initial Inflation Factor	Beginning in Year	Future Inflation Factor
1.0%	6	2.0%
1.0%	6	2.0%
Future Vacancy		
	6	5.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	6	3.0%
4.0%	6	3.0%
5.0%	6	5.0%
3.0%	1	3.0%
5.0%	1	5.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%

% of Revenue

<b>Total Expenses</b>	47.32%	<b>6,645</b>	<b>232,562</b>
Base Net Operating Income		7,398	258,922
Part A Mortgage Payment	43.90%	6,165	215,768
<b>Part A Mortgage</b>		<b>81,476</b>	<b>2,851,674</b>
Non MSHDA Financing Mortgage Payment		0	
<b>Non MSHDA Financing Type:</b>		<b>0</b>	
Base Project Cash Flow (excludes ODR)	8.78%	1,233	43,154

Override

**Development** Russell Woods Senior (9% 35 units)  
**Financing** Taxable  
**MSHDA No.** 4149  
**Step** Application  
**Date** #####  
**Type** Adaptive Reuse

**Instructions**

Income Limits for	Wayne County						(Effective April 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	
<b>All Units Approved for PBVs through Inkster Housing Commission</b>																		
60% Senior	Area Median Income Units Tenant AMI Restriction (if different from rent restriction) Other Project Based Voucher Units Occupancy																	
A	34	Apartment	1	1.0	590	1,172	119	1,291	478,176	98.7%	97.1%	20,060	97.1%	20,060		1,080	TC Rent	
									478,176	98.7%	97.1%	20,060	97.1%	20,060				
60% Senior	Area Median Income Units Occupancy																	
A	1	Apartment	1	1.0	590	509	119	628	6,108	1.3%	2.9%	590	2.9%	590		1,080	TC Rent	
									6,108	1.3%	2.9%	590	2.9%	590				
Mgrs									0	0.0%	0.0%	0	0.0%	0				
												20,650	20,650					

Total Revenue Units **35**  
 Manager Units **0**  
 Income Average 60.00%  
 Set Aside 100.00%

Gross Rent Potential	<b>484,284</b>
Average Monthly Rent	<b>1,153</b>
Gross Square Footage	<b>20,650</b>

HOME Units SF/Total Units SF 0.0% **Within Range**  
 # HOME Units/# Total Units 0.0% **Within Range**

**Utility Allowances**

	Tenant-Paid					Total	Override
	Electricity	A/C	Gas	Water/Sewer	Other		
A	63		56			119	
B						0	
C						0	
D						0	
E						0	
F						0	
G						0	
H						0	

**Annual Non-Rental Income**

Misc. and Interest	
Laundry	
Carpools	
Other:	7,200
Other:	7,200

Total Income	Annual	Monthly
Rental Income	484,284	40,357
Non-Rental Income	7,200	600
Total Project Revenue	491,484	40,957

**Cash Flow Projections**

**Development** Russell Woods Senior (9% 35 units)  
**Financing** Taxable  
**MSHDA No.** 4149  
**Step** Application  
**Date** 09/19/2024  
**Type** Adaptive Reuse

	Initial Inflation	Starting in Yr	Future Inflation	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
<b>Income</b>																							
Annual Rental Income	1.0%	6	2.0%	484,284	489,127	494,018	498,958	503,948	514,027	524,307	534,794	545,489	556,399	567,527	578,878	590,455	602,264	614,310	626,596	639,128	651,910	664,949	678,247
Annual Non-Rental Income	1.0%	6	2.0%	7,200	7,272	7,345	7,418	7,492	7,564	7,795	7,951	8,110	8,272	8,438	8,606	8,778	8,954	9,133	9,316	9,502	9,686	9,866	10,084
<b>Total Project Revenue</b>				<b>491,484</b>	<b>496,399</b>	<b>501,363</b>	<b>506,376</b>	<b>511,440</b>	<b>521,669</b>	<b>532,102</b>	<b>542,744</b>	<b>553,599</b>	<b>564,671</b>	<b>575,965</b>	<b>587,484</b>	<b>599,234</b>	<b>611,218</b>	<b>623,443</b>	<b>635,912</b>	<b>648,630</b>	<b>661,602</b>	<b>674,835</b>	<b>688,331</b>
<b>Expenses</b>																							
Vacancy Loss	5.0%	6	5.0%	24,214	24,456	24,701	24,948	25,197	25,701	26,215	26,740	27,274	27,820	28,376	28,944	29,523	30,113	30,715	31,330	31,956	32,596	33,247	33,912
Management Fee	3.0%	1	3.0%	22,190	22,856	23,541	24,248	24,975	25,724	26,496	27,291	28,110	28,953	29,822	30,716	31,638	32,587	33,564	34,571	35,608	36,677	37,777	38,910
Administration	3.0%	1	3.0%	50,120	51,624	53,172	54,767	56,411	58,103	59,846	61,641	63,491	65,395	67,357	69,378	71,459	73,603	75,811	78,085	80,428	82,841	85,326	87,886
Project-paid Fuel	3.0%	6	3.0%	7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867	9,133	9,407	9,690	9,980	10,280	10,588	10,906	11,233	11,570	11,917	12,275
Common Electricity	4.0%	6	3.0%	10,500	10,920	11,357	11,811	12,284	12,652	13,032	13,423	13,825	14,240	14,667	15,107	15,560	16,027	16,508	17,003	17,513	18,039	18,580	19,137
Water and Sewer	5.0%	6	5.0%	17,500	18,375	19,294	20,258	21,271	22,335	23,452	24,624	25,855	27,148	28,506	29,931	31,427	32,999	34,649	36,381	38,200	40,110	42,116	44,222
Operating and Maintenance	3.0%	1	3.0%	57,765	59,519	61,304	63,143	65,038	66,989	68,998	71,068	73,200	75,396	77,658	79,988	82,388	84,859	87,405	90,027	92,728	95,510	98,375	101,326
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)				17,003	17,127	17,250	17,372	17,493	17,809	18,130	18,456	18,787	19,122	19,463	19,808	20,159	20,514	20,874	21,239	21,609	21,984	22,364	22,748
Insurance	3.0%	1	3.0%	15,750	16,223	16,709	17,210	17,727	18,259	18,806	19,371	19,952	20,550	21,167	21,802	22,456	23,129	23,823	24,538	25,274	26,032	26,813	27,618
Replacement Reserve	3.0%	1	3.0%	10,500	10,815	11,139	11,474	11,818	12,172	12,538	12,914	13,301	13,700	14,111	14,534	14,970	15,420	15,882	16,359	16,849	17,355	17,876	18,412
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	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	0	0	0	0	0	0	0	0	0	
Subtotal: Operating Expenses				232,562	239,123	245,894	252,881	260,091	267,589	275,871	284,136	292,662	301,459	310,534	319,898	329,560	339,531	349,820	360,440	371,400	382,713	394,391	406,446
<b>Debt Service</b>																							
Debt Service Part A				215,768	215,768	215,768	215,768	215,768	215,768	215,768	215,768	215,768	215,768	215,768	215,768	215,768	215,768	215,768	215,768	215,768	215,768	215,768	215,768
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
<b>Total Expenses</b>				<b>448,330</b>	<b>454,892</b>	<b>461,662</b>	<b>468,649</b>	<b>475,860</b>	<b>483,627</b>	<b>491,639</b>	<b>499,904</b>	<b>508,431</b>	<b>517,227</b>	<b>526,302</b>	<b>535,666</b>	<b>545,328</b>	<b>555,299</b>	<b>565,589</b>	<b>576,208</b>	<b>587,168</b>	<b>598,481</b>	<b>610,159</b>	<b>622,214</b>
<b>Cash Flow/(Deficit)</b>				<b>43,154</b>	<b>41,507</b>	<b>39,701</b>	<b>37,728</b>	<b>35,581</b>	<b>38,042</b>	<b>40,463</b>	<b>42,840</b>	<b>45,169</b>	<b>47,444</b>	<b>49,662</b>	<b>51,818</b>	<b>53,905</b>	<b>55,919</b>	<b>57,854</b>	<b>59,704</b>	<b>61,462</b>	<b>63,121</b>	<b>64,676</b>	<b>66,117</b>
<b>Cash Flow Per Unit</b>				1,233	1,186	1,134	1,078	1,017	1,087	1,156	1,224	1,291	1,356	1,419	1,481	1,540	1,598	1,653	1,706	1,756	1,803	1,848	1,889
<b>Debt Coverage Ratio on Part A Loan</b>				1.20	1.19	1.18	1.17	1.16	1.18	1.19	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.28	1.29	1.30	1.31	1.31
<b>Debt Coverage Ratio on Conventional/Other Financing</b>				N/A																			

Interest Rate on Reserves **3%**

Average Cash Flow as % of Net Income

**Operating Deficit Reserve (ODR) Analysis**

Maintained Debt Coverage Ratio (Hard Debt)	1.00	
Maintained Operating Reserve (No Hard Debt)	250	
Initial Balance	0	Initial Deposit
Total Annual Draw to achieve 1.0 DCR	0	0
Total Annual Deposit to achieve Maintained DCR	(0)	0
Total 1.0 DCR and Maintained DCR	(0)	0
Interest	0	0
Ending Balance at Maintained DCR	0	0
<b>Maintained Cash Flow Per Unit</b>	1,233	1,186
<b>Maintained Debt Coverage Ratio on Part A Loan</b>	1.20	1.19
<b>Maintained Debt Coverage Ratio on Conventional/Other</b>	N/A	N/A
<b>Standard ODR</b>	0	
<b>Non-standard ODR</b>	0	

**Operating Assurance Reserve Analysis**

Required in Year:	1	224,165
Initial Balance	224,165	Initial Deposit
Interest Income	6,725	6,927
Ending Balance	230,890	237,817

**Deferred Developer Fee Analysis**

Initial Balance	825,357	782,203	740,696	700,995	663,268	627,687	589,645	549,182	506,342	461,174	413,729	364,067	312,249	258,344	202,425	144,570	84,867	23,405	0	0
Dev Fee Paid	43,154	41,507	39,701	37,728	35,581	38,042	40,463	42,840	45,169	47,444	49,662	51,818	53,905	55,919	57,854	59,704	61,462	63,121	64,676	66,117
Ending Balance	782,203	740,696	700,995	663,268	627,687	589,645	549,182	506,342	461,174	413,729	364,067	312,249	258,344	202,425	144,570	84,867	23,405	0	0	0

**Mortgage Resource Fund Loan**

Interest Rate on Subordinate Financing	3%	Initial Balance
Principal Amount of all MSHDA Soft Funds		0
Current Yr Int		0
Accrued Int		0
Subtotal	% of Cash Flow	0
Annual Payment Due	50%	0
Year End Balance		0

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION DETERMINING MORTGAGE LOAN FEASIBILITY  
RUSSELL WOODS 9% SENIOR LIVING COMMUNITY, MSHDA DEVELOPMENT NO. 4149  
CITY OF DETROIT, WAYNE COUNTY**

**September 19, 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 Icon Heritage Partners, LLC and LC Consultants II, LLC ("Applicant") for a multifamily housing project to be located in the City of Detroit, Wayne County, Michigan, having a total estimated development cost of Twelve Million Eight Hundred Six Thousand Nine Hundred Ninety-Eight Dollars (\$12,806,998) and a total estimated maximum mortgage loan amount of Seven Million Five Hundred Thousand Dollars (\$7,500,000) (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 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.

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 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 (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 September 19, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING MORTGAGE LOAN  
RUSSELL WOODS 9% SENIOR LIVING COMMUNITY, MSHDA DEVELOPMENT NO. 4149  
CITY OF DETROIT, WAYNE COUNTY**

**September 19, 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 Icon Heritage Partners, LLC and LC Consultants II, LLC (the "Applicant") for a construction mortgage loan in the amount of Seven Million Five Hundred Thousand Dollars (\$7,500,000) and a permanent mortgage loan in the amount of Two Million Eight Hundred Fifty-One Thousand Six Hundred Seventy-Four Dollars (\$2,851,674) for the construction of a housing project having an estimated total development cost of Twelve Million Eight Hundred Six Thousand Nine Hundred Ninety-Eight Dollars (\$12,806,998), to be known as Russell Woods 9% Senior Living Community located in the City of Detroit, Wayne County, Michigan (the "Development"), and to be owned by Russell Woods I Limited Dividend Housing Association, LLC (the "Mortgagor"); 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 such 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 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 Development 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 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 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 ("Commitment") for the construction financing of the proposed housing project in an amount not to exceed Seven Million Five Hundred Thousand Dollars (\$7,500,000), and permanent financing in an amount not to exceed Two Million Eight Hundred Fifty-One Thousand Six Hundred Seventy-Four Dollars (\$2,851,674), having a term of Forty (40) years after amortization of principal commences, and bearing interest at the rate of seven and 125/1000 percent (7.125%) per annum. 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 Development 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 Development 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 or 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 Development 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 loan of the proposed Development. 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 twenty-five percent (25%) per annum.

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 September 19, 2024, which conditions are hereby incorporated by reference as if fully set forth herein.

8. The Authority hereby waives Section VI.1.2 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 

**DATE:** September 19, 2024

**RE:** Asset Management – Loan Modification – Lockwood of Lyon, MSHDA #3850

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### **RECOMMENDATION:**

I recommend the Michigan State Housing Development Authority (the “Authority”) approve a 3-month first mortgage loan principal and interest deferral followed by a 12-month principal deferral beginning September 1, 2024, and ending November 30, 2025, for Lockwood of Lyon. In addition, accrued and unpaid construction loan interest will be deferred and repaid using surplus cash after final closing.

### **EXECUTIVE SUMMARY:**

Lockwood of Lyon (the “Development”) is a one hundred and thirty (130) unit elderly development located in Lyon Township, Oakland County, Michigan. Construction was completed in 2023, but the Development has not yet final closed. At final closing the project will be funded by the Authority’s Tax-Exempt Bond financing program, along with HOME and Mortgage Resource Fund loans and an allocation of 4% Low-Income Housing Tax Credits (“LIHTC”).

In July 2024, the Authority received a request from Lyon Senior Living Limited Dividend Housing Association LLC (“Ownership”) for a loan modification to defer principal and interest payments for a period of 3 months starting September 1, 2024, and ending November 30, 2024, followed by a principal deferral for an additional 12 months starting December 1, 2024, and ending November 30, 2025. Ownership also requested the accrued interest from the construction loan be deferred until after the Development has final closed and will then be repaid using 100% of any surplus cash. The Development has had difficulty during the lease up period filling market rate units. An independent marketing firm will be hired as a condition of this modification to assist the property in renting market rate units.

### **ADVANCING THE AUTHORITY’S MISSION:**

The deferral will allow the Development to bring accounts payable current and increase operating cash to a level sufficient to sustain safe and sanitary affordable housing, which will also allow the Development to reach final closing.

**MUNICIPAL SUPPORT:**

Municipal support has not been requested as part of the modification request.

**COMMUNITY ENGAGEMENT/IMPACT:**

The community will be positively impacted through the availability of newly constructed market rate and affordable housing units for seniors in this community.

**RESIDENT IMPACT:**

No residents will be displaced due to this transaction as this is new construction.

**ISSUES, POLICY CONSIDERATIONS, AND RELATED ACTIONS:**

None.



## ACTION REPORT

DATE:	<u>September 19, 2024</u>
ASSET MANAGER:	<u>Sandra Kimball</u>
MSHDA #:	<u>3850</u>
DEVELOPMENT NAME:	<u>Lockwood of Lyon FKA Lyon Township Senior Living</u>
LOCATION:	<u>20905 Pontiac Trail Lyon Township, MI</u>
CUT-OFF DATE:	<u>March 31, 2022</u>
ASSIGNED ATTORNEY:	<u>Laurie Kelly</u>
MANAGEMENT AGENT:	<u>Lockwood Management LLC</u>
MANAGING MEMBER(S):	<u>PIRHL Lyon Senior Living LLC &amp; Lyon Pontiac, LLC</u>
INVESTOR MEMBER:	<u>AHP Housing Fund 336 LLC</u>
SPECIAL MEMBER:	<u>Columbia Housing SLP Corp</u>

### **RECOMMENDATION:**

I recommend the approval of a 3-month principal and interest deferral followed by a 12-month principal deferral beginning September 1, 2024, and ending November 30, 2025, for Lockwood of Lyon. In addition, accrued construction loan interest will be deferred and repaid using surplus cash after final closing.

### **I. BACKGROUND:**

Lockwood of Lyon is a 130-unit elderly development located in Lyon Township. The initial closing was completed on March 11, 2020, and construction was completed in April 2023. The development has not yet final closed although amortization is scheduled to begin on the permanent loan and monthly principal and interest payments are required. At final closing the project will be funded by the Authority's Tax-Exempt Bond Financing Program, LIHTC, HOME and MRF.

In July 2024, the Authority received notification of ownership's request for a 3-month principal and interest deferral starting September 1, 2024, followed by a 12-month principal deferral ending November 30, 2025. Ownership also requested that the accrued interest from the construction loan be deferred until stabilization and investor capital is received, at which point the accrued interest will be repaid using surplus cash. There is concern for the financial stability of the development due to unanticipated increases in operating expenses, worsened by inflation, and the slow lease-up of the market rate units. The requested 15-month deferral and construction loan interest deferral will allow the development to free up cash flow to pay outstanding accounts payable and boost liquidity.

### **II. CURRENT FINANCIAL CONDITION:**

- A. The Development currently has 52 vacant units, with an economic vacancy of 51.3%.
- B. Liquidity has decreased from (\$126,577) in June 2023 to (\$237,506) in June 2024.
- C. The Development currently has \$3,798 in receivables, of which \$78 are aged over 30 days.
- D. The Development currently has \$152,500 in payables, of which \$105,540 are IOI related and aged over 90 days.

**III. SUMMARY OF PROPOSAL:**

- A. First mortgage loan interest payments will be deferred for 3 months beginning September 1, 2024, and ending November 30, 2024. During the workout period, the mortgagor will continue to make escrow payments.
- B. First mortgage loan principal payments will be deferred for 15 months beginning September 1, 2024, and ending November 30, 2025.
- C. It is estimated that the deferred interest will total \$304,923 at the end of the three-month deferral period.
- D. It is estimated that the deferred principal will total \$263,576 at the end of the fifteen-month deferral period.
- E. Current accrued and unpaid interest on the construction loan is \$1,880,795 as of August 31<sup>st</sup>. Income from operations will be applied to the accrued construction loan interest at final closing as originally planned. Any remaining accrued interest on the construction loan, after income from operations has been applied, will be deferred until after the final equity payment of approximately \$439,532 comes into the deal, and final closing occurs.
- F. Final closing will occur within 60 days of the development reaching 85% physical occupancy, or June 30, 2025, whichever occurs first.
- G. After final closing, until all deferred interest and principal has been repaid, 100% of surplus cash will be used to make annual payments to the Authority and will be applied as follows: First, to deferred construction loan interest, second, to deferred interest from the 3-month interest deferral period, and finally, to deferred principal.
- H. The deferred developer fee of \$1,951,153 will be pledged and assigned to the Authority. Any payments made will be applied towards the deferred interest and principal as described in paragraph III.G. Once all deferred interest and deferred principal have been repaid to the Authority, if any of the deferred developer fee remains, the Authority agrees to assign it back to the mortgagor.
- I. From September 2024 to November 2025, savings from the principal and interest deferrals will be retained in operating funds and used for outstanding Accounts Payable. The savings are estimated to be \$118,786 per month during the principal and interest deferral and \$16,799 per month during the principal deferral.
- J. The maturity date of the permanent First Mortgage Loan will not change. All deferred principal and interest will be due as a balloon payment at the earlier of the mortgage maturity date, refinancing, sale, or re-syndication of the Development.
- K. The Management Agent must hire a non-identity of interest third party marketing firm to assist in leasing market rate units. The third-party marketing firm must have experience leasing market rate elderly units in the State of Michigan. The Management Agent may change third party vendors, if necessary, but must contract a third-party marketing firm until at least 85% occupancy has been achieved.
- L. All current rent and income restrictions (Direct lending, LIHTC, and HOME) will remain in effect and unchanged by this modification.
- M. Limited Distributions may accrue but cannot be paid until the Authority receives full payment on the deferred principal and interest balance.
- N. Any past loan or future advances from the Owner or its partners will be subordinate to all MSHDA debt and cannot be repaid until all deferred principal and interest is paid in full.
- O. The closing of the mortgage modification must take place within 90 days of Authority approval, unless otherwise extended by an Authorized Officer of the Authority
- P. Authority staff has verified that no open conditions exist for either the owner or agent.

**IV. CURRENT DEVELOPMENT STATUS:**

Program Type:	Tax-Exempt/HOME/LIHTC/MRF
Original Loan Balance:	\$24,976,402
Current Loan Balance:	\$24,585,624 (\$390,778 left to draw)
Accrued Interest Balance:	\$1,880,795 (as of 8/31/2024)
Payment Status:	Current
Current Interest Rate:	4.9%
Loan Maturity Date:	To Be Determined
Original HOME Loan:	\$3,616,635
Current HOME Loan:	\$3,616,635
HOME Deferred Interest Balance:	\$143,895
HOME Interest Rate:	1.0% Simple
HOME Affordability End Date:	October 12, 2043
Original MRF Loan:	\$3,616,635
Current MRF Loan:	\$3,616,635
MRF Deferred Interest Balance:	\$476,108
MRF Interest Rate:	3.0% Simple
LIHTC Initial Comp. End Date:	To Be Determined
LIHTC Extended Use End Date:	To Be Determined

Vacancy: 52 units or 40% are vacant  
Economic Vacancy: 51.3%

**Reserve and Escrow Balances as of August 13, 2024:**

Replacement Reserve:	\$	0	(to be funded at final close)
Operating Assurance:	\$	890,921	

**Financial Status:**

Liquidity:	\$	(237,506)
One Month's Gross Rent Potential:	\$	263,278

**Prior Authority Action:**

- July 25, 2019 – Resolution Determining Mortgage Loan Feasibility & Authorizing Mortgage Loans
- December 15, 2022 – Resolution Authorizing Mortgage Loan Increase
- March 16, 2023 - Resolution Authorizing Mortgage Loan Increase

**V. RENT SCHEDULE:**

<b>Bedroom</b>	<b># Units</b>	<b># Units Vacant</b>	<b>Current Rents</b>	<b>Utility Allowance</b>
1-50% Low Home	2	0	\$888	\$0
1-60% High Home	6	0	\$952	\$0
1-60%	23	4	\$1,065	\$0
1-Market	39	24	\$2,300	\$0
2-50% Low Home	1	0	\$1,066	\$0
2-60% High Home	5	0	\$1,213	\$0
2-60%	16	1	\$1,279	\$0
2-Market	38	23	\$3,000	\$0
<b>TOTAL</b>	<b>130</b>	<b>52</b>		

**VI. SPECIAL CONDITIONS AND/OR REQUIREMENTS:**

- A. The Mortgagor must enter modifications of current loan documents and into any additional documents deemed necessary by the Chief Legal Affairs Officer or his designee to effectuate the terms and conditions outlined in this report.

APPROVED:

Matt Bergeon  
Matt Bergeon  
Director of Asset Management

9/11/24  
Date

Anthony Lentych  
Anthony Lentych  
Chief Housing Investment Officer

9-10-2024  
Date

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

9-12-2024  
Date

Amy Hovey  
Amy Hovey  
Executive Director and Chief Executive Officer

09/11/2024  
Date

**DRAFT**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**RESOLUTION AUTHORIZING MODIFICATION TO MORTGAGE TERMS  
LOCKWOOD OF LYON, MSHDA DEVELOPMENT NO. 3850  
LYON TOWNSHIP, OAKLAND COUNTY**

**September 19, 2024**

WHEREAS, the Authority has made a construction and permanent mortgage loan to Lyon Senior Living Limited Dividend Housing Association, LLC (the "Mortgagor") in the original principal amount of \$23,702,198, which principal amount was increased to \$24,976,402 (the "Mortgage Loan") for the acquisition and construction or rehabilitation of Lyon Township Senior Living, now known as Lockwood of Lyon, MSHDA Development No. 3850 (the "Development") under the Authority's Tax Exempt Bond Program; and

WHEREAS, for a variety of reasons, the Development has encountered financial difficulties that may cause it to become delinquent in the payments due under the Mortgage Loan and other payments owed to the Authority; and

WHEREAS, for the reasons set forth in the Action Report dated September 19, 2024, which is attached hereto and incorporated herein, the Chief Executive Officer and Executive Director has recommended that the Mortgage Loan be modified as set forth in the Action Report; and

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

NOW, THEREFORE, the Michigan State Housing Development Authority hereby resolves as follows:

1. The loan modification proposal for Lockwood of Lyon, MSHDA No. 3850 as set forth in the accompanying Action Report is hereby approved and further, the Chief Executive Officer and Executive Director, the Chief Legal Affairs Officer, the Director of Legal Transactions, the Director of In-House Legal Services and the Chief Financial Officer, or any person duly acting in such capacity (each, an "Authorized Officer"), or any of them, is hereby authorized to take any further actions that, in the discretion of the Authorized Officer, are necessary to effectuate the proposal as set forth in the Action Report.

Report(s)

Homeownership

# CURRENT AND HISTORICAL HOMEOWNERSHIP DATA

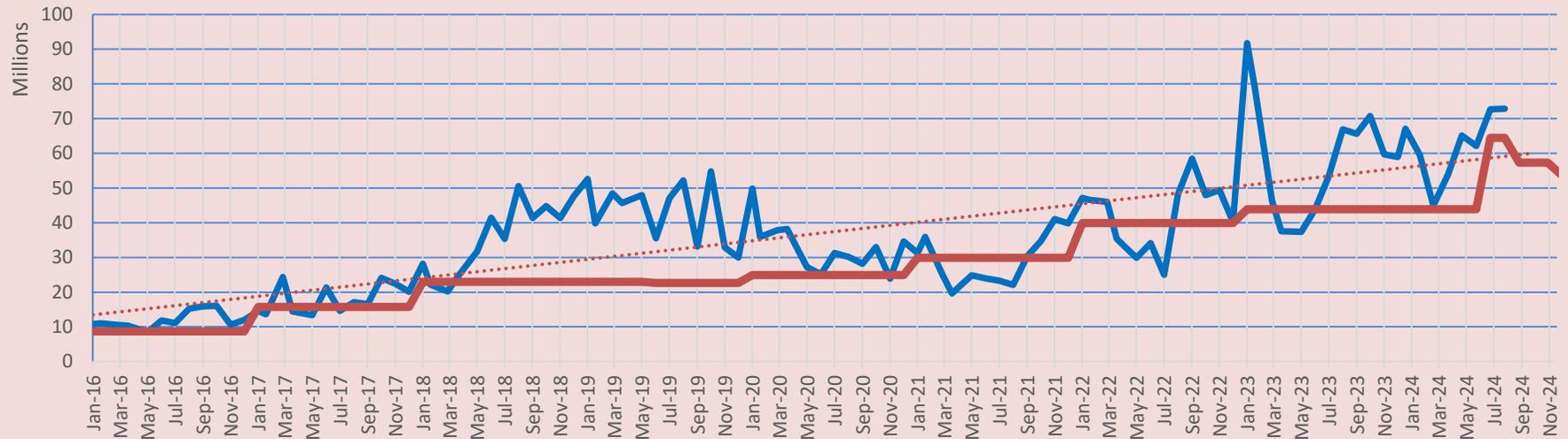
AUGUST 2024



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

GOAL PURCHASED



### Monthly Homeownership Production Report: AUGUST 2024

Print on Legal-Size paper

#### MI HOME Loan Programs

Bond Totals: Snagit Separately

Series /Date	Month	RESERVATIONS	CASES RECEIVED	COMMITMENTS BEGINNING	COMMITMENTS ISSUED	Cancellations Reinstatements Net	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	Aug-24	0	\$ -	0	\$0.00	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						
	Jul-24	0	\$ -	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	101	\$ 2,434,824.00	\$ 2,434,824.00	remaining:	\$ (34,964,619.00)						
066	Aug-24	0	\$ -	0	\$0.00	24	\$3,110,133.00	0	\$0.00	-6	-\$680,582.00	-3	-\$504,725.00	-7	-\$825,491.00	8	\$1,099,335.00	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	Jul-24	0	\$ -	2	\$268,645.00	24	\$3,110,133.00	2	\$268,645.00	-1	-\$93,279.00	0	\$0.00	-33	-\$4,685,587.00	24	\$3,110,133.00	0	\$0.00	0	\$0.00	166	\$ 23,944,130.00	\$ 23,944,130.00	remaining:	\$ (13,954,189.00)
067	Aug-24	543	\$ 84,029,955.00	560	\$82,929,808.00	580	\$85,640,986.00	466	\$67,714,339.00	-5	-\$626,979.00	7	\$825,491.00	6	\$478,226.00	560	\$81,184,254.00	494	\$72,847,809.00	461	\$4,440,687.00	067	\$ 134,785,498.00	\$ 207,633,307.00	\$ 219,925,307.00	\$ 400,000,000.00
4/9/2024	Jul-24	604	\$ 90,227,959.00	592	\$87,869,262.00	580	\$85,640,986.00	533	\$79,270,408.00	-3	-\$433,535.00	33	\$4,685,587.00	0	\$435,076.00	580	\$85,640,986.00	486	\$72,667,978.00	441	\$4,256,826.00	167	\$ 7,851,313.00	\$ 12,292,000.00	remaining:	\$ 180,074,693.00
<b>TOTAL</b>	<b>Aug-24</b>	<b>543</b>	<b>\$84,029,955.00</b>	<b>560</b>	<b>\$82,929,808.00</b>	<b>604</b>	<b>\$88,751,119.00</b>	<b>466</b>	<b>\$67,714,339.00</b>	<b>-11</b>	<b>-\$1,307,561.00</b>	<b>4</b>	<b>\$320,766.00</b>	<b>-1</b>	<b>-\$347,265.00</b>	<b>568</b>	<b>\$82,283,589.00</b>	<b>494</b>	<b>\$72,847,809.00</b>	<b>461</b>	<b>\$4,440,687.00</b>					

MCC	RESERVATIONS	APPS RECEIVED	COMMITMENTS	CERTIFICATES					
213 MCC	Aug-24	14	\$ 2,243,519.00	8	\$ 1,335,338.00	6	\$ 1,055,874.00	5	\$ 808,373.00
12/7/2022	Jul-24	8	\$ 1,143,833.00	8	\$ 1,225,433.00	8	\$ 1,190,683.00	9	\$ 1,362,541.00

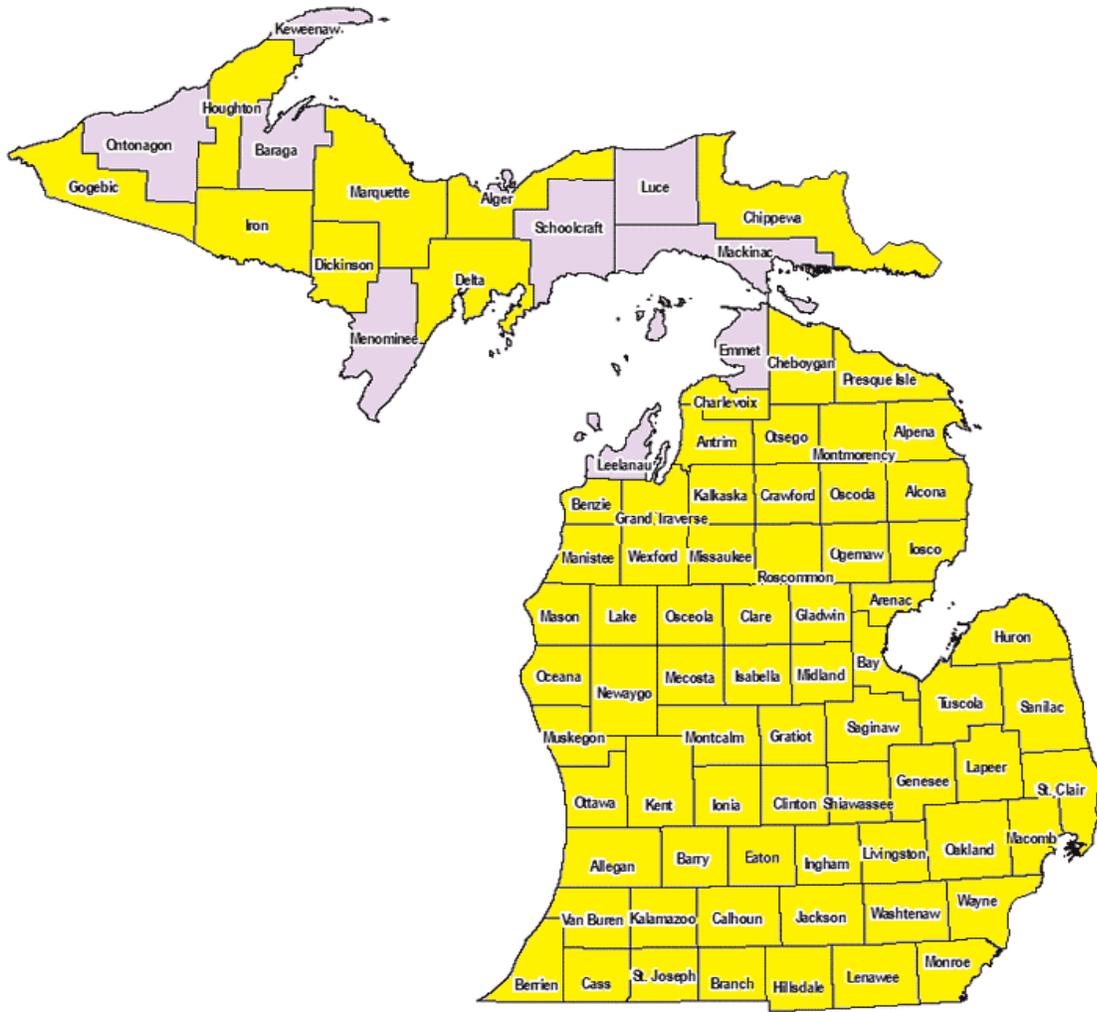
# MI 10K DOWN PAYMENT ASSISTANCE PROGRAM

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.

## August 2024

Loans in 2024		New this month		
County	#	Loan Amt	DPA Amt	Total \$
Alcona				
Alger				
Allegan	1	\$ 216,015	\$ 10,000	\$ 226,015
Alpena	3	\$ 342,343	\$ 28,638	\$ 370,981
Antrim				\$ -
Arenac				\$ -
Baraga				\$ -
Barry	4	\$ 705,390	\$ 40,000	\$ 745,390
Bay	9	\$ 985,280	\$ 84,833	\$ 1,070,113
Benzie	1	\$ 198,840	\$ 10,000	\$ 208,840
Berrien	8	\$ 1,256,031	\$ 76,629	\$ 1,332,660
Branch	1	\$ 86,378	\$ 10,000	\$ 96,378
Calhoun	15	\$ 2,004,670	\$ 141,313	\$ 2,145,983
Cass	6	\$ 928,572	\$ 58,138	\$ 986,710
Charlevoix				\$ -
Cheboygan	1	\$ 98,188	\$ 5,441	\$ 103,629
Chippewa				\$ -
Clare	2	\$ 168,250	\$ 19,250	\$ 187,500
Clinton				\$ -
Crawford				\$ -
Delta	1	\$ 145,500	\$ 5,150	\$ 150,650
Dickinson				\$ -
Eaton	7	\$ 1,125,299	\$ 69,887	\$ 1,195,186
Emmet				\$ -
Genesee	22	\$ 2,614,857	\$ 209,792	\$ 2,824,649
Gladwin	3	\$ 342,060	\$ 27,277	\$ 369,337
Gogebic				\$ -
Grand Traverse				\$ -
Gratiot	4	\$ 557,602	\$ 40,000	\$ 597,602
Hillsdale	1	\$ 153,260	\$ 9,975	\$ 163,235
Houghton				\$ -
Huron	1	\$ 120,500	\$ 10,000	\$ 130,500
Ingham	34	\$ 4,741,044	\$ 323,642	\$ 5,064,686
Ionia	8	\$ 1,250,632	\$ 79,282	\$ 1,329,914
Iosco	1	\$ 152,290	\$ 10,000	\$ 162,290
Iron	1	\$ 57,000	\$ 10,000	\$ 67,000
Isabella	2	\$ 346,375	\$ 20,000	\$ 366,375
Jackson	15	\$ 1,947,454	\$ 143,789	\$ 2,091,243
Kalamazoo	19	\$ 2,995,087	\$ 183,556	\$ 3,178,643
Kalkaska				\$ -
Kent	14	\$ 2,724,082	\$ 134,852	\$ 2,858,934
Keweenaw				\$ -
Lake	2	\$ 189,650	\$ 14,750	\$ 204,400
Lapeer	1	\$ 166,822	\$ 10,000	\$ 176,822
Leelanau				\$ -
Lenawee	1	\$ 176,739	\$ 10,000	\$ 186,739
Livingston	1	\$ 87,300	\$ 7,200	\$ 94,500
Luce				\$ -
Mackinac				\$ -
Macomb	40	\$ 6,804,646	\$ 388,700	\$ 7,193,346

Manistee	4	\$ 424,670	\$ 40,000	\$ 464,670
Marquette	3	\$ 418,200	\$ 29,950	\$ 448,150
Mason				\$ -
Mecosta	3	\$ 479,729	\$ 29,738	\$ 509,467
Menominee				\$ -
Midland	11	\$ 1,625,390	\$ 109,677	\$ 1,735,067
Missaukee				\$ -
Monroe	6	\$ 1,033,151	\$ 55,700	\$ 1,088,851
Montcalm	9	\$ 1,382,878	\$ 79,991	\$ 1,462,869
Montmorency				\$ -
Muskegon	18	\$ 2,360,449	\$ 167,831	\$ 2,528,280
Newaygo	2	\$ 268,848	\$ 17,612	\$ 286,460
Oakland	17	\$ 3,031,245	\$ 169,905	\$ 3,201,150
Oceana				\$ -
Ogemaw	4	\$ 478,282	\$ 39,252	\$ 517,534
Ontonagon				\$ -
Osceola	2	\$ 270,655	\$ 18,560	\$ 289,215
Oscoda				\$ -
Otsego				\$ -
Ottawa	3	\$ 507,806	\$ 29,503	\$ 537,309
Presque Isle				\$ -
Roscommon	1	\$ 117,368	\$ 10,000	\$ 127,368
Saginaw	13	\$ 1,647,963	\$ 123,097	\$ 1,771,060
Saint Clair	12	\$ 2,033,715	\$ 116,461	\$ 2,150,176
Saint Joseph	3	\$ 436,110	\$ 28,742	\$ 464,852
Sanilac	2	\$ 277,470	\$ 20,000	\$ 297,470
Schoolcraft				\$ -
Shiawassee	4	\$ 637,477	\$ 39,601	\$ 677,078
Tuscola	1	\$ 155,200	\$ 9,725	\$ 164,925
Van Buren	1	\$ 203,700	\$ 10,000	\$ 213,700
Washtenaw	2	\$ 373,450	\$ 20,000	\$ 393,450
Wayne	108	\$ 15,449,781	\$ 1,053,766	\$ 16,503,547
Wexford	3	\$ 455,374	\$ 29,482	\$ 484,856
<b>10K DPA TOTAL</b>	<b>461</b>	<b>\$ 67,757,067</b>	<b>\$ 4,440,687</b>	<b>\$ 72,197,754</b>
<b>Total Purchases</b>	<b>494</b>	<b>\$ 72,874,809</b>	<b>\$ 4,440,687</b>	<b>\$ 77,315,496</b>
<b>Percentage that used DPA</b>	<b>93%</b>	<b>93%</b>	<b>100%</b>	<b>93%</b>



# 2024 BOARD CALENDAR

JANUARY
<b>VOTING ITEMS:</b>
<ul style="list-style-type: none"><li>• Intent to Reimburse Resolution</li></ul>
<ul style="list-style-type: none"><li>• Short-term Warehouse Borrowing Resolution</li></ul>
<b>DISCUSSION ITEMS:</b>
<ul style="list-style-type: none"><li>• SFRB 2024 Series A (Fixed Rate, Non AMT)</li></ul>
<ul style="list-style-type: none"><li>• SFRB 2024 Series B (Fixed Rate, Taxable)</li></ul>

FEBRUARY
<b>VOTING ITEMS:</b>
<ul style="list-style-type: none"><li>• SFRB 2024 Series A (Fixed Rate, Non AMT)</li></ul>
<ul style="list-style-type: none"><li>• SFRB 2024 Series B (Fixed Rate, Taxable)</li></ul>
<b>DISCUSSION ITEMS:</b>
<ul style="list-style-type: none"><li>• FY 2023-2024 PHA Plan</li></ul>
<ul style="list-style-type: none"><li>• Multifamily Bond Deal</li></ul>

MARCH
<b>VOTING ITEMS:</b>
<ul style="list-style-type: none"><li>• FY 2023-2024 PHA Plan</li></ul>
<b>DISCUSSION ITEMS:</b>
<ul style="list-style-type: none"><li>• Quarterly Financials</li></ul>

APRIL
<b>VOTING ITEMS:</b>
<b>DISCUSSION ITEMS:</b>

MAY
<b>VOTING ITEMS:</b>
<b>DISCUSSION ITEMS:</b>
<ul style="list-style-type: none"><li>• 2024-25 Budget</li></ul>
<ul style="list-style-type: none"><li>• Quarterly Financials</li></ul>

JUNE
<b>VOTING ITEMS:</b>
<ul style="list-style-type: none"><li>• 2024-25 Budget</li></ul>
<b>DISCUSSION ITEMS:</b>
<ul style="list-style-type: none"><li>• Pass-Through Program</li></ul>

JULY
<b>VOTING ITEMS:</b>
<ul style="list-style-type: none"><li>• Pass-Through Program</li></ul>
<b>DISCUSSION ITEMS:</b>
<ul style="list-style-type: none"><li>• Multi-Family Bond Deal</li></ul>

AUGUST
<b>VOTING ITEMS:</b>
<ul style="list-style-type: none"><li>• Multi-Family Bond Deal</li></ul>
<b>DISCUSSION ITEMS:</b>
<ul style="list-style-type: none"><li>• Single-Family Bond Deal</li></ul>

<b>SEPTEMBER</b>
<b>VOTING ITEMS:</b>
<ul style="list-style-type: none"> <li>• Single-Family Bond Deal</li> </ul>
<b>DISCUSSION ITEMS:</b>

<b>OCTOBER</b>
<b>VOTING ITEMS:</b>
<b>DISCUSSION ITEMS:</b>
<ul style="list-style-type: none"> <li>• Board Meeting Schedule for 2025</li> </ul>

<b>NOVEMBER</b>
<b>VOTING ITEMS:</b>
<ul style="list-style-type: none"> <li>• Approval of Board Meeting Schedule for 2025</li> </ul>
<b>DISCUSSION ITEMS:</b>
<ul style="list-style-type: none"> <li>• Audited Year-End 6/30/2024 Financials</li> </ul>

<b>DECEMBER</b>
<b>VOTING ITEMS:</b>
<b>DISCUSSION ITEMS:</b>