2017-2018 QUALIFIED ALLOCATION PLAN AMENDMENT

The 2017-2018 Qualified Allocation Plan ("QAP") is being amended as outlined below as a response to recent fluctuations in the LIHTC equity markets that are prompting some necessary changes in the LIHTC Program to address recently awarded LIHTC projects that have not yet closed on their LIHTC equity and financing sources. All other provisions contained within the 2017-2018 QAP not specifically addressed below apply as originally outlined within the 2017-2018 QAP.

JULY 17, 2017 FUNDING ROUND FOR ADDITIONAL CREDIT

The Michigan State Housing Development Authority ("MSHDA") will hold one additional funding round on July 17, 2017 for the purpose of allocating additional tax credit to projects that were awarded in the April 2016 or October 2016 Funding Round. Applications that are not submitted to MSHDA's Lansing or Detroit office by 5:00pm on the application deadline will not be considered. Applicants that are considering applying for additional credit and who would like to assist with speeding the MSHDA review process along are encouraged to contact MSHDA ahead of the July 17, 2017 funding round to discuss any unique or specific project details.

PROJECT ELIGIBILITY

Only projects that were originally awarded credit from the April 2016 Funding Round or the October 2016 Funding Round and have not yet closed on their LIHTC equity and debt financing will be eligible to submit an application for additional credit in the July 17, 2017 Funding Round.

PROJECT REVIEW

MAXIMUM ADDITIONAL CREDIT ALLOWABLE

Additional credit is being made available solely to address declines in the equity market. In determining the maximum credit award that projects will be eligible to receive, MSHDA staff will endeavor to allocate only the amount of additional credit that is necessary to alleviate the shortage of LIHTC equity that was caused by the decrease in equity pricing. In doing so, MSHDA staff will not take into account any additional projected costs that are over and above what was included in the initial application.

The maximum additional credit a project will be eligible to receive will be determined using the calculation shown in Exhibit I to this amendment.

BASIS BOOST

Projects that were awarded as part of the October 2016 funding round, which were originally only allowed to receive a 110% basis boost or a 120% basis boost may be eligible to receive up to a 130% basis boost. Applicants should note that the original criteria that was necessary to achieve the 110% or the 120% basis boost in the October 2016 funding round will be required to remain intact if the project is applying for the 130% basis boost, unless specifically waived by MSHDA. To be considered for an additional basis boost, a project will be required to demonstrate that the boost is truly needed for the financial feasibility of the project.

UNDERWRITING ASSUMPTIONS

All of MSHDA's current underwriting assumptions outlined in Tab O of the combined application will be utilized, unless an alternative set of underwriting assumptions has been agreed to by the syndicator and lender. Additionally, Applicants should note the following:

- MSHDA staff will determine the maximum amount of additional credit allowable based on a 3.40% credit rate for acquisition basis and a 9.00% credit rate for rehabilitation basis and new construction basis.
- Projects will be awarded no more additional credit than is necessary to make the project financially feasible as determined by MSHDA.

OWNER/DEVELOPER CONTRIBUTION

In offering the opportunity for projects to apply for additional credit, it is the intention that additional credit will be an option to assist a development only after the development team has exhausted other options. With that in mind, in order for projects to be eligible for additional credit, they must demonstrate that the owner/developer is already making a significant contribution to the project and there is a funding gap that still remains that can only be remedied through additional credit. Applicants will be required to demonstrate that a monetary contribution from the owner/developer equal to 50% of the eligible developer fee is being contributed to the project. This monetary contribution can include:

- An owner/developer capital contribution or developer note that is given to the development
- The developer choosing to forgo part of the developer fee in order to reduce the amount of credit needed
- The developer deferring 50% of the eligible developer fee
- MSHDA acknowledges that there are likely other ways that Owners/Developers will be able to demonstrate that they are making a monetary contribution to the project and will review those proposals on a case-by-case basis.

PLEASE NOTE: Applicants applying for additional credit are committing to defer 50% of the developer fee or make a monetary contribution to the project equal to at least 50% of the total developer fee as part of being eligible to receive additional credit. However, MSHDA also understands that as projects move to a closing, there is some need for flexibility as the numbers sometimes change at the last minute. If, after the project closes, it is determined that the owner/developer has not actually deferred at least 45% of the developer fee or made an equivalent monetary contribution to the project in that amount, the owner/developer and related parties may be subject to negative points in future funding rounds. Projects that receive an increase in equity pricing as they move to a closing and are concerned that this will result in a deferred developer fee at closing of less than 45% should contact MSHDA in order to return a portion of their credit allocation, if necessary, so that the owner/developer contribution remains intact and meets requirements. Additionally, if after receiving an award of additional credit, a project receives additional funding from other sources and no longer needs additional credit, the Applicant can return the additional credit to MSHDA at any time, without penalty, and will no longer be required to defer a certain percentage of their developer fee.

LEVERAGING OTHER SOURCES

As mentioned in Exhibit I.IX. of the 2017-2018 QAP, all projects will be required to leverage a reasonable amount of financing sources, in addition to the LIHTC being requested, based on what each project can support. If MSHDA staff determines that a project can reasonably leverage more sources than what is being shown in the application and can thereby reduce the amount of additional credit necessary to make the project feasible, a reduction in the amount of additional credit awarded to the project may occur.

PROJECT SCORING

Projects will be required to maintain all commitments that were originally made as part of the originally approved LIHTC Application unless otherwise approved by MSHDA. The only exception to this statement is for Credit Efficiency points. Any projects that originally received points for Credit Efficiency and are now experiencing a point reduction in that area will not be penalized.

REQUIRED DOCUMENTS

2017-2018 LIHTC PROGRAM APPLICATION

Applicants must submit a fully completed and up-to-date version of the 2017-2018 LIHTC Program Application showing the most recent project data including income and expense data as well as sources and uses data.

PROJECT NARRATIVE

A detailed narrative describing the efforts made by the owner/developer thus far and the continual efforts to raise funds, secure an equity investor with the best terms, equity pricing, and capital availability, restructure the project, value engineer the project, and why additional credit is necessary to allow the project to be feasible. A side-by-side comparison of the project sources and uses and income and expense should also be included. Further, the narrative should explain the projected timeline for closing (contingent upon the award of additional credit), the current status of the project in relation to obtaining the appropriate zoning for the project, obtaining tax abatement (if applicable), obtaining site plan approval (if applicable), and any title insurance issues that have arisen or are being worked through since the original application submission.

TRADE PAYMENT BREAKDOWN

A trade payment breakdown signed by the owner and contractor must be submitted for all projects. Cost figures shown on the Trade Payment Breakdown should match figures submitted in the updated LIHTC Program Application.

SITE CONTROL

Evidence of site control by the Applicant, as evidenced by an option to purchase, letter of intent or term sheet, land contract, offer to purchase, purchase agreement, long-term lease or other appropriate documentation, and ability to keep same for 120 days from the date of application due date, with the ability to provide additional extensions as necessary to accommodate application processing timelines. If site control is vested in an entity other than the anticipated owner, the control must be unilaterally assignable to the proposed owner. Site control documents must clearly identify the physical location of the property (i.e. property address, full legal description or plat map identifying street names) and be consistent with the rest of the development information including the title insurance commitment. If the site control documentation does not clearly identify a detailed breakdown of the components of the purchase price to be paid to the seller, a written narrative from the applicant providing additional detail may be submitted to accompany the site control documentation.

CERTIFICATION TO APPLICATION

Applicants must submit a fully executed Certification to Application which can be found on page 19 of Addendum I of the Combined Application.

EQUITY INVESTOR LETTER

Projects applying for additional credit will be required to submit a commitment letter from the syndicator or equity investor that is dated within 30 days of the application due date. The commitment letter must include all of the following:

- The equity amount, equity price, and terms of the investment.
- The planned equity pay-in schedule.
- Investment underwriting and financial forecast pages compiled by investor (sources and uses of funds, development budget, draw schedules, rental income and operating expenses, confirmation of vacancy and trending assumptions if different than those listed in Tab O, cash flow analysis, lease-up schedule, tax credit analysis, capital account analysis, etc.).
- Certification that investor has conducted financial review of development team, including identification of which entities and/or individuals will be providing guarantees.
- Clear statement of any conditions for investment that need to be met.
- Must clearly state the expected timeline for closing the project (can be contingent on the award of additional credit).

It is MSHDA's intention to award additional credit to projects that are ready to proceed to a closing but for the fact that additional credit is required to fill the gap caused by the equity market adjustment. In doing this, MSHDA is using valuable resources to enable projects that are currently in the pipeline and generally further into the development process than newer projects would otherwise be, to receive additional credit and move forward faster than newer projects would otherwise be able to. Therefore, any projects applying for additional credit that do not have a committed equity provider involved in the project will not be eligible to receive additional credit. In an effort to ensure that additional credit is being used to fund projects that have a committed equity provider, MSHDA plans to reach out to the proposed equity provider listed in the application in order to confirm that the equity provider is committed to the project and is prepared to move to a closing pending an award of additional credit. However, MSHDA will notify owners/developers prior to contacting equity providers and will give the owners/developers the opportunity to help facilitate the conversation between the equity provider and MSHDA, if they would prefer to.

FINANCING

All projects are required to submit evidence of a commitment from a mortgage lender(s) stating the amount of the loan, terms, interest rate, and guarantors for all sources of financing. In the case of a Rural Housing Service (RHS) project, an original letter signed by an official of RHS; in the case of conventional financing, original documentation from the lender(s) stating that a formal application for construction and permanent financing has been submitted and is under serious consideration; in the case of Federal Historic tax credit, documentation indicating that Part I of the required application has been made; and in the case of an Authority financed project, evidence that the project has passed initial determination.

In addition to documentation of submission to mortgage lenders, documentation of all other funding sources must be submitted as required in Exhibit 8 of Addendum I.

PROJECT-BASED TENANT SUBSIDIES

Documentation demonstrating the preservation of existing project-based subsidies or obtaining a new project-based tenant subsidy contract (other than MSHDA PBV). This documentation should include, at a minimum, the length of time for which the subsidies will be in place, the number of units receiving project-based tenant subsidies, and submission of the project subsidy contract that is currently in place or a firm commitment from the contract administrator.

CREDIT CEILING ACCOUNTING

As noted in Section VI of the 2017-2018 QAP, the April 3, 2017 Funding Round was originally anticipated to allocate the remainder of the 2017 credit ceiling. Due to the fact that projects in the July 17, 2017 funding round may be on track to close before the end of 2017, it would be most practical to use a portion of the 2017 credit ceiling that was originally intended to be allocated in the April 3, 2017 funding round. However, in an effort to keep the allocation size of the April 3, 2017 funding round the same, MSHDA will forward-allocate 2018 credit to backfill any 2017 credit that is taken from the April 3, 2017 funding round. Alternatively, if any cases arise where credit is returned to MSHDA from projects that were previously allocated credit, but cannot proceed, MSHDA may choose to utilize that returned credit in the July 17, 2017 funding round alleviating the need to take as much credit from the April 3, 2017 funding round. In either case, the July 17, 2017 funding round will not impact the amount of credit that is allocated to projects in the April 3, 2017 funding round and, in a worst case scenario, would only impact the amount of credit allocated in the upcoming October 2017 and April 2018 Funding Rounds.

A table that further explains the potential changes with approximate credit amounts is included in Exhibit II of this Amendment. In the event that credit previously allocated to projects is returned, MSHDA will post notice of updates to the credit ceiling to keep stakeholders informed of any potential impacts it will have on upcoming funding rounds.

PROJECT MODIFICATIONS

Project modifications will be considered on a case-by-case basis at the sole discretion of MSHDA in order to address specific situations. In reviewing the project modifications, MSHDA will determine the substantial nature of the requested modifications to determine whether a deferred developer fee of up to 50% or an equivalent monetary contribution by the owner/developer will be required. Applicants that would like to request project modifications should submit their request to MSHDA as soon as possible detailing the project modifications being requested, explaining the reason for the requested project modifications and why the project modifications are necessary for the project to proceed.

APPLICATION FEES

All applications must be accompanied by a check or money order in an amount equal to $45 for each proposed low-income unit, with a $2,500 maximum limit. This fee is non-refundable and must be paid in each funding round in which a project is seeking to be scored and/or evaluated. A fee of $100 will be assessed each time a check is returned to MSHDA for non-sufficient funds.

For any project that receives an award of additional credit, MSHDA will charge a fee equal to 6% of the additional annual LIHTC dollar amount reserved for a project. A sum equal to 3% of the additional annual LIHTC dollar amount shall be submitted to MSHDA at the time of Reservation. The remaining 3% shall be paid at the time of the originally scheduled 10% Certification.

EXHIBIT I – MAXIMUM ADDITIONAL CREDIT CALCULATION

The maximum allowable additional credit will be determined by the lesser of the funding gap calculation shown below or the credit amount that is calculated by using the project's eligible basis.

	Original Project Costs
Less:	Original Project Sources
Less:	50% of Original Developer Fee
Equals:	Amount of Equity Needed
	Amount of Equity Needed
Divided by:	Updated Equity Pricing
Divided by:	10
Equals:	Maximum Amount of Credit Allowable

EXHIBIT II – CREDIT CEILING ACCOUNTING

Please note that the amounts shown below are approximate and are subject to change.

	Prior to Amendment		After Amendment	
April 3, 2017 Funding Round				
Preservation Category	$	3,600,000	$	3,600,000
Permanent Supportive Housing Category	$	2,400,000	$	2,400,000
Open Category	$	2,200,000	$	2,200,000
Undesignated	$	3,500,000	$	3,500,000
Strategic Investment Category	$	170,000	$	170,000
July 17, 2017 Additional Credit Funding Round	$	-	Approx. $1,500,000	
October 2, 2017 Funding Round				
Preservation Category	$	3,450,000	$	3,225,000
Permanent Supportive Housing Category	$	3,450,000	$	3,225,000
Open Category	$	3,450,000	$	3,225,000
April 2, 2018 Funding Round				
Preservation Category	$	2,300,000	$	2,150,000
Permanent Supportive Housing Category	$	2,300,000	$	2,150,000
Open Category	$	2,300,000	$	2,150,000
Undesignated	$	3,450,000	$	3,225,000
Strategic Investment Category	$	2,300,000	$	2,150,000