



STATE OF MICHIGAN

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GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

EARL J. POLESKI
EXECUTIVE DIRECTOR

MEMORANDUM

DATE: JULY 30, 2018
TO: INTERESTED PARTIES
FROM: CHAD BENSON, LIHTC ALLOCATIONS MANAGER
SUBJECT: LIHTC PROGRAM UPDATES

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

2019-2020 QUALIFIED ALLOCATION PLAN ("QAP")

Over the course of the last nine months, a collaborative process has been undertaken to make significant revisions to the 2017-2018 QAP. The collaborative process included Focus Groups, Public Hearings, as well as a multitude of individual meetings with stakeholders to determine which revisions should be made to the 2017-2018 QAP and the most appropriate way to accomplish the goals for the state of Michigan. This collaborative process has resulted in the 2019-2020 QAP which was approved by the MSHDA Board on June 27, 2018 and approved by the Governor on July 11, 2018. Therefore, the upcoming October 1, 2018 LIHTC Funding Round will held in accordance with the 2019-2020 QAP.

Applicants and interested parties are strongly encouraged to do an in-depth review of all of the 2019-2020 QAP documents, which are available on MSHDA's website, to be informed of any changes to the QAP or any required deadlines relating to the funding round.

LIHTC PROGRAM DOCUMENT UPDATES

Applicants should note that in conjunction with this memorandum the LIHTC Scoring Criteria, Addendum I, LIHTC Program Application, Addendum III Checklist and Application, and Policy Statements have been updated and posted on the MSHDA website. Also note that some new Tabs have been created as part of the MSHDA Combined Application. Tab I now contains Affordable Assisted Living guidance, Tab L contains the General Partner/Member Experience sheet and the Management

Experience sheet (formerly found in Addendum I), and Tab N contains a form that applicants can use to assist with the Neighborhood Investment Activity Area criteria found in Section A.6 of the 2019-2020 QAP Scoring Criteria. These documents are being updated to reflect changes made as part of the 2019-2020 QAP revisions. Applicants that are planning to submit an application in the October 1, 2018 Funding Round will be required to submit their application utilizing these updated documents, as applicable.

CLARIFICATIONS ON THE 2019-2020 QAP

As MSHDA staff and stakeholders have begun to utilize the 2019-2020 QAP documents more frequently, it has become apparent that there are some items that require clarification in order to allow interested parties to be better informed when preparing applications for submission.

- A policy statement has been created for 4%/9% Mixed Transactions and can be found in Tab W of the MSHDA Combined Application. Additionally, a new tab (Tab I) has been created to offer guidance for Affordable Assisted Living (AAL) projects. The various documents that will populate Tab I are still being worked on and will be available soon. Since the 4%/9% Mixed Transactions and AAL transactions are new initiatives within the 2019-2020 QAP, the documents are designed to assist applicants with navigating the various requirements and complexities of those developments.
- The 2019-2020 QAP Scoring Criteria made revisions to the way that the points available under Section A.7 Affordable/Market Rent Differential is analyzed and awarded. In order to effectively and consistently administer this revised criteria, applicants seeking Affordable/Market Rent Differential points will be required to name up to three comparable market-rate properties (located within $\frac{1}{4}$ miles of the proposed development) in the market study request so that the market analyst can assist MSHDA with verifying the rents being charged at the comparable properties and determine whether the proposed development will receive the points. If an applicant lists three different comparable properties, only one will need to meet the criteria under the 2019-2020 QAP in order to qualify for the points. Given the tight timing of the October 1, 2018 Funding Round, applicants that are seeking these points are asked to send MSHDA up to three comparable market-rate properties by August 15, 2018 in order to allow enough time for the market analyst to do the proper review. Please submit these three target comparable properties to John Kennedy at kennedyj8@michigan.gov so that they may be forwarded on to the assigned market analyst. For Funding Rounds following the October 2018 Funding Round, the market study request form will be modified to request this information from applicants that are seeking these points by the market study request due date.
- Section A.4 of the Scoring Criteria refers to Affordable/Market Rent Differential. It was noted that there was one place in the language that inadvertently neglected to read " $\frac{1}{4}$ miles" and instead just read " $\frac{1}{4}$ ". This has been corrected to provide additional clarity in the wording.
- Section A.5 of the Scoring Criteria refers to Developments near an Employment Center. As part of the QAP revisions, this criteria was modified to require that

all projects (rural and non-rural) be within ½ miles of an employment center to achieve the points. It was noted that Section A.5.b of the criteria still had a reference to the prior one-mile standard. This was an oversight and has been corrected to avoid confusion for applicants.

- Section A.6. of the Scoring Criteria refers to Neighborhood Investment Activity Areas. It was noted that there is an error in wording that describes the investment amount for municipalities with a population less than or equal to 10,000 people. The language should read \$1 *million* of investment located within 1 mile of the project that is planned for the future. The \$1 million of planned future investment for small municipalities of less than 10,000 people is consistent with prior drafts of the Scoring Summary. This oversight in wording has been corrected in the Scoring Summary.
- Section A.7 of the Scoring Criteria refers to the Affordable/Market Rate Differential. It was noted that the word “*mile*” was missing from the sentence clarifying rent differential math. The absence of this word was unintentional and its addition is meant to offer clarity.

SCORING CRITERIA

As outlined in Section F.1. of the Scoring Criteria, the project data and inflation data used to determine the safe harbors within the Cost Reasonableness with Credit Efficiency section of the Scoring Criteria has been updated to reflect the rolling total of the previous five years, as new data is now available following completion of the April 2018 Funding Round.

ADDENDUM III APPLICATION AND CHECKLIST

The Addendum III Application and Checklist has been updated to reflect changes that have been made as a part of the 2019-2020 QAP revisions. Applicants that are applying under the Permanent Supportive Housing (PSH) Category should be aware that the deadline to submit the Addendum III Initial Concept Letter is August 15, 2018. Applicants should refer to the Addendum III Initial Concept Packet guidance found with the Addendum III documents on the MSHDA website for details on what is required to be submitted by August 15, 2018.

SECTION 811 PROGRAM

As noted in the 2019-2020 QAP, applicants who are interested in also utilizing the Section 811 Program through MSHDA should make sure to submit their application for Section 811 Funding no later than September 21, 2018 to ensure that MSHDA staff has an adequate amount of time to process the application prior to the October 1, 2018 Funding Round deadline. For additional questions relating to the Section 811 program, please contact Catherine Sheets at 517-373-1886.

QUESTIONS

If you have any questions regarding any of the above items or general questions related to the April 2018 funding round, please contact LIHTC staff at (517) 373-6007.