



## Summary of Building Together Summit III October 12-13, 2011

### Context

Based on widely held concerns that the Qualified Allocation Plan (QAP) in Michigan had become too complex, MSHDA expanded the annual input-gathering process used to inform revisions to the QAP this year in an effort to inform major changes for the 2013 QAP. The Building Together Summit (BTS) III was one venue in this process for central stakeholders to discuss ideas for modifications. Other input opportunities planned or already completed include:

- Informational hearing (mid to late August 2011)
- MSHDA reports on intended direction (November 2011)
- Smaller follow-up group meetings (November-December 2011)
- Deadline for stakeholder comments/drafts (mid January 2012)
- Draft QAP (January-March 2012)
- Draft QAP presented to focus groups for discussion (mid to late March 2012)
- Hold three public hearings (mid to late April 2012)
- Present to board for questions/answers opportunity, hold follow-up meetings as necessary (May 2012)
- Present to board and Governor for approval (June 2012)
- First funding round begins (August 2012)

A planning committee chosen by the Building Together Executive Committee worked diligently to decide on the invitation list for the Summit and to plan the components of the agenda.

### Agenda and Format

This Summit focused on gathering input from the participants for MSHDA as it works to develop the next QAP. The Summit was broken into two sessions, one late afternoon/evening session and one full-day session on the following day, following the format established for previous Summits. At



the first session, presentations were given on the history of the QAP, the market in Michigan for affordable housing, and perspectives on six central issues regarding the QAP. These six issues were:

- Categories and points
- Cost containment
- Geographic targeting
- Rehab, preservation, new construction
- Section 515/rural set-aside
- Supportive housing

On the second day, small groups discussed the six topics in detail, with the goal of coming to consensus on recommendations for MSHDA about how to address concerns with the QAP. Participants self-selected into one of the six groups. Each group had between six and nine members from across the represented organizations and was facilitated by a Public Policy Associates, Inc. team member. Mark Gerzon, a national consultant, oversaw the coordination of the process.

## Attendance

At this Summit, there was representation from the central partners of Building Together (for-profit and nonprofit developers from CEDAM and MHC, HUD, MSHDA, and USDA-RD), as well as other organizations invited to participate because of their interests in the QAP. These included the Michigan Rural Development Council, the City of Detroit, Detroit LISC, the Michigan Disability Rights Coalition, and representatives from the investment community. In total, 49 people registered for the event.

## Pre-Survey Findings

Public Policy Associates, Inc. briefly summarized the results of an online survey of the BTS III registrants (40 people responded), which asked about their opinions of the relationships between MSHDA, HUD, and RD and the development community, as well their opinions of the importance of various elements of the QAP.

The survey found that the rating of the relationship between MSHDA and the development community has continued to be more positive since the start of Building Together, as shown in Figure 1, below.

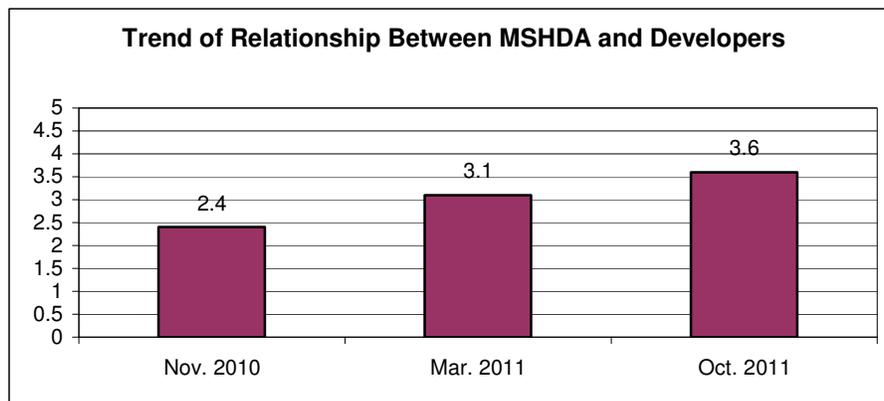


Figure 1

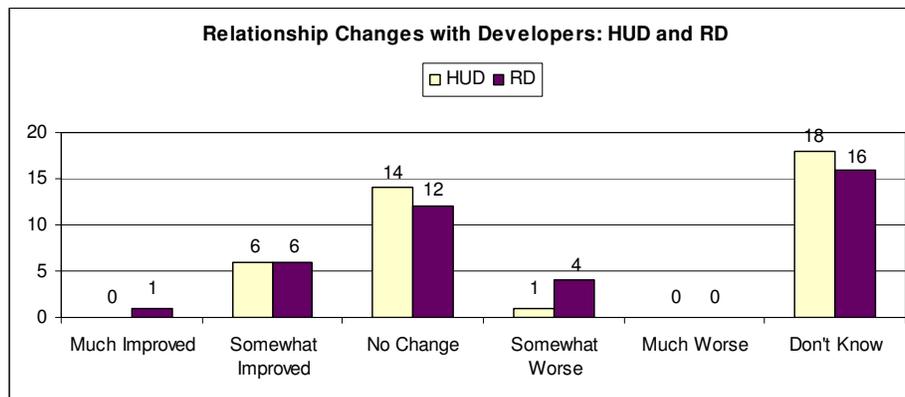


Figure 2

The average rating for HUD was 3.24 and for RD it was 3.17 (n of 39). Among the top suggestions for continuing to improve relationships were: communication/dialogue (20), better responsiveness/follow-through (4), and consensus/coordination on work (4).

In terms of the QAP elements, all of the elements received an average rating of 3.1 or more, meaning that there was no strong consensus among the respondents for any of the elements as being unimportant. Similarly, there was not a strong consensus in favor of any of the elements. Three items that were rated at 4.0 or just a bit more were the preservation category (4.1), permanent supportive housing category (4.1), and preservation projects (4.0). Cross-tabulations by affiliation showed no patterns of opinions.

The current QAP was rated “average” or “above average” by 77% of the respondents to that question.

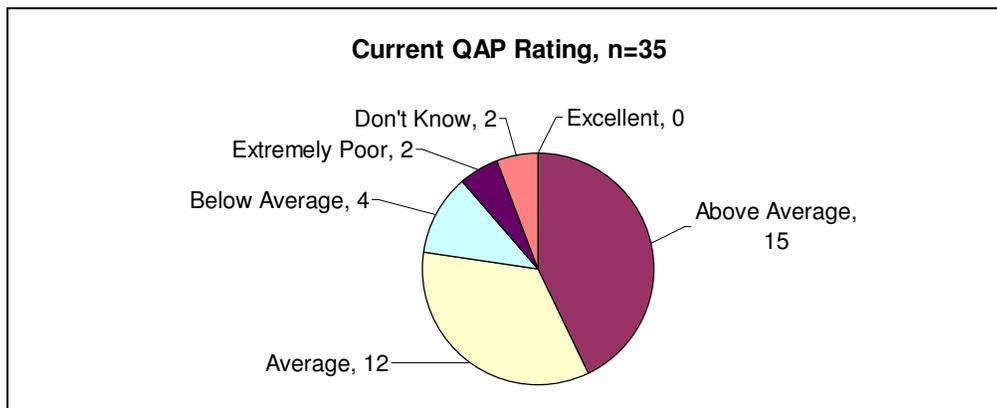


Figure 3

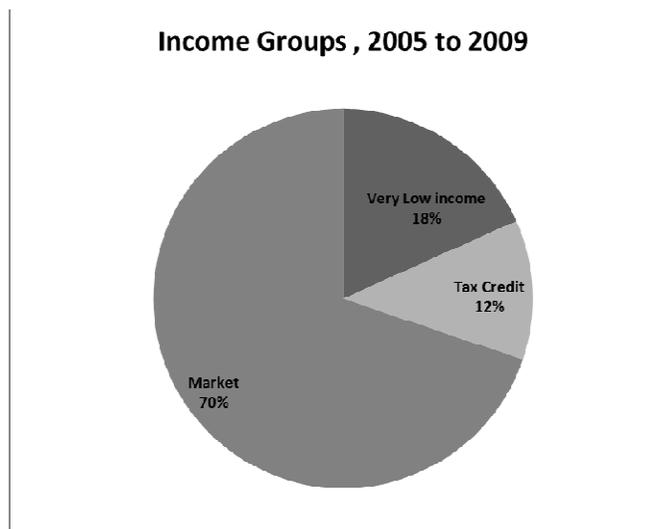
### Presentations by Jean Peterson and Bobby Rosen

Peterson and Rosen recounted the development of the legislation behind the QAP and how the QAP in Michigan evolved over time. The Low-Income Housing Tax Credit (LIHTC) was created 25 years ago in connection with other tax reforms. At the time, the authority for distributing the credits that went to state public housing authorities was new, but for MSHDA, who had already been doing multifamily lending, it was not a big change. In 1989, legislation was passed to

establish the QAP as a means of ensuring competition for the credits. During this period, the major investors shifted from individuals to corporations. Following several renewals, the LIHTC has been maintained, due largely to the increasing yields that investors were able to receive. Educating investors about the benefits of the program, not just for investors, but for the availability of affordable housing and the effect on jobs, has been successful. Currently, cuts to LIHTC are being considered as part of addressing the national budget crisis. A new bill would make the 9% permanent and fix the acquisition credit at 4%. The fact that Michigan has two representatives on the Supercommittee looking at solutions to the budget is very positive, but there are also over 100 new Congresspersons to educate. Without LIHTC, there are few other resources for affordable housing, since other programs (HOME, CDBG, etc.) have already seen deep cuts.

## Market Report by David Allen

Allen shared an assessment of the current market, which was based on analysis of Public Use Microsample data from the 2005-2009 American Community Survey. He categorized households into three groups: Extremely Low-Income Households (earning below 40% of AMI), Tax Credit Income Households (earning between 40% and 60% of AMI), and Market-Income Households (earning over 60% of AMI). Allen presented maps of the findings to show where in the state there is a concentrated need for affordable housing based on household income groups. Key areas for extremely low-income households included primarily urban areas, with rural areas following second.



**Figure 4**

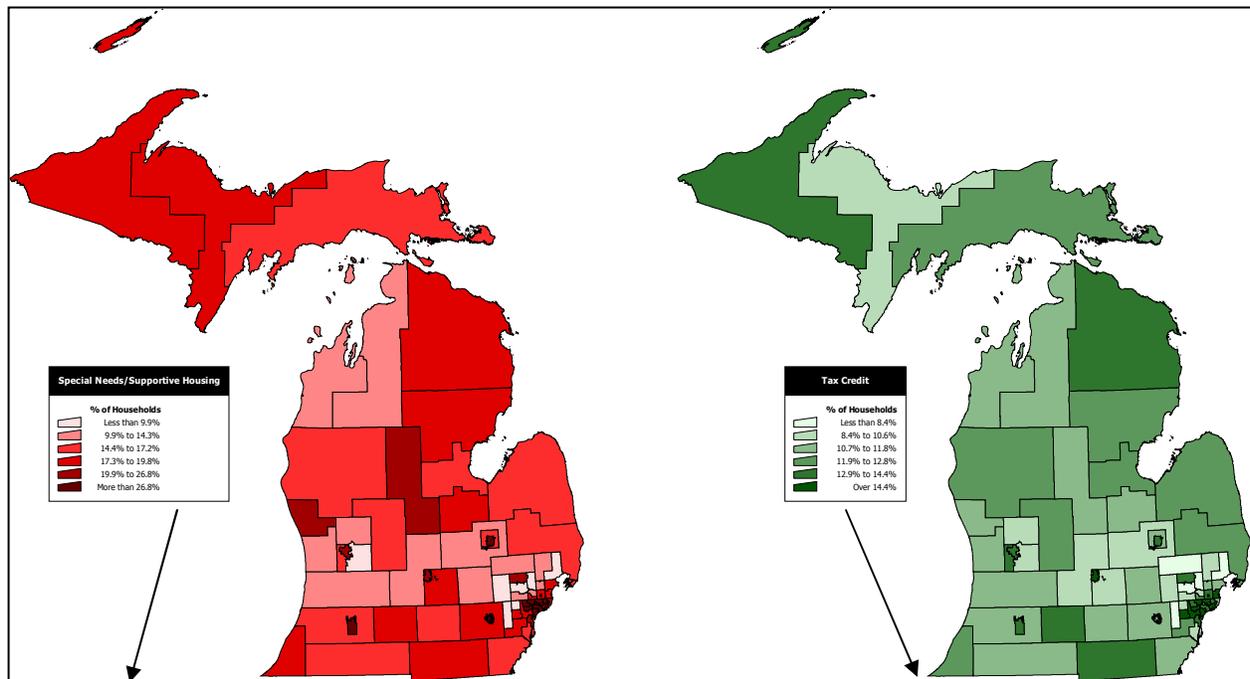


Figure 5

Extremely Low Income % of Households	
Lightest Red	Less than 9.9%
Light Red	9.9%-14.3%
Medium Red	14.4%-17.2%
Dark Red	17.3%-19.8%
Very Dark Red	19.9%-26.8%
Darkest Red	More than 26.8%

Tax Credit % of Households	
Lightest Green	Less than 8.4%
Light Green	8.4%-10.6%
Medium Green	10.7%-11.8%
Dark Green	11.9%-12.8%
Very Dark Green	12.9%-14.4%
Darkest Green	Over 14.4%

The key findings of Allen's analysis included:

- "At least one-fifth of Extremely Low Income and Tax Credit households live in units that are at least 70 years old."
- "An overwhelming majority of Tax Credit-eligible households are small (1-2 persons)."
- "Both Extremely Low Income and Tax Credit households have a pronounced presence of seniors."
- "Owner-occupation is well-distributed among Extremely Low and Tax Credit income groups."
- "Lower-income households (both owners and renters) tend to live in single-family detached dwellings."
- "Shelter burden is commonplace among both Extremely Low Income and Tax Credit households."

Allen suggested the following means of meeting need:

- "Find more effective ways to market product."
- "Lower rent burdens."
- "Engage new market segments within Tax Credit eligible households with new types of product."
- Recognize the importance of under-40% AMI households.

## Summary of Discussion on the 2013 QAP

The small group discussions held on October 13 about the six topics of the QAP included finding areas of agreement among the participants at the table, detailing areas of disagreement, and creating suggestions for MSHDA. Near the end of the day, a seventh group, focused on the rural/urban question, was formed and prepared its ideas. The groups' key points follow.

### Categories/Points

- Separate category for supportive housing that is internally competitive.
- Determine whether 10% mandate is beneficial.
- Convene experts to determine how to enact the policies through points (ex: utility co).
- If can't pay for it, don't do it. Need to have resources available to support any category the QAP includes.

### Cost Containment

- Look at cost reasonableness.
- Use a cost limit as a base and award positive or negative points for being above or below the limit.
- Establish a floor below which projects will not be approved.
- Use cost groups—historic preservation/adaptive reuse, supportive housing, new construction, preservation. Did not agree on whether cost groups would be handled separately or whether all projects would be addressed together, with points assigned to offset inherently different costs.

### Geographic Targeting

- Move away from three-layer system to three to four categories based on functions.
- Eliminate all categories, targets, and set-asides.
- Within each category, define urban and rural target.
- Consider things like community impact, green, cost containment within points, and preserving federal subsidies.

### Rehab/Preservation/New

- Use market segment approach versus type of construction approach: senior, supportive housing, very low income and workforce housing.
- Have optional pre-application step for market study – MSHDA reviews before deal pursued.
- Phase 1 of application – lower threshold on A&E and market study (consider if investors will support).
- Meet statutory requirements in Round 1. If not met, consider first in Round 2.
- Take the minimum selection criteria and select priority areas to be pre-application requirements, and handle others in points.

### Rural/Urban

- Redefine “rural” and “urban.” Move toward transect approach.
- Holding back 10% as topping off factor. Use small set of categories for first cut. Allocate portion for metro and non-metro areas (54/46% split).
- Use points that don't discriminate against rural.
- Use 10% to ensure that federal set-asides are met.
- Use MOUs with other state agencies to increase resources to the deals.
- Give weight towards preservation of federal subsidies and housing stock in the state.

### Section 515/Rural Set-Aside

- Keep 515 set aside, in order to attract investors.
- Within rural set-aside, use 2/3 for 515.
- If no set-asides, would need to be significant points for preservation and leveraging of federal subsidies.
- Consider federal rural housing regulations when developing MSHDA underwriting regulations

### Supportive Housing

- Replace 25% set-aside with 25% rolling round
- Eliminate the incentive for 75% and above
- Eliminate 10% set-aside requirement; replace with points (5 for 5%, up to 10 for 10%), except for PSH set-aside
- Quality of service provision is key
- Attracting investors requires quality deals that work

These points were provided to MSHDA immediately following the Summit for consideration.

## Summit Feedback

At the conclusion of the second session, the participants gave their feedback on the event. On the whole, the results were very positive. The table below summarizes the participants' ratings.

**Table 1: Participant Feedback, N=30**

Question	Average Rating on Scale of 1-5 (5 = "strongly agree")
I had sufficient opportunity to contribute my ideas.	4.8
I am satisfied that my voice was heard.	4.7
Overall, I found this meeting worthwhile to attend.	4.5
The meeting was facilitated effectively.	4.4
The facility was appropriate for this meeting.	4.3
I believe relationships were improved among the participants as a result of the Summit.	4.2
I believe that the discussions resulted in useful input for MSHDA in the development of the 2013 QAP.	4.1
I have a much better understanding of the divergent positions on the six key issues.	4.0

Twenty-one of the respondents were members of one or more committee of Building Together; nine were not. In the 15 open-ended comments, the participants mentioned most frequently the opportunity to communicate about the QAP as the most valuable aspect of the Summit; in particular, they emphasized the openness of the discussion. Others mentioned the interesting ideas for the QAP (1), the historical information (1), having ground rules for productive discussion (1), and hearing different perspectives (2).

There were nine comments on what was least useful about the Summit. These included a suggestion that there be better "cross-pollination" across the topic groups (1), the 515 versus rural discussion (1), the history presentation (2), the "overall objective" (1), having the session at night (1), and not enough time on the overall picture (1). In addition, one person was concerned

about whether the groups' conclusions will be supported by key advocates because they were participating in another group, and another was not sure how the Summit would "lead to a better QAP."